

# MOVING AHEAD

DRIVE TOWARDS  
A SUSTAINABLE  
ECONOMIC  
DEVELOPMENT



ANNUAL REPORT 2013

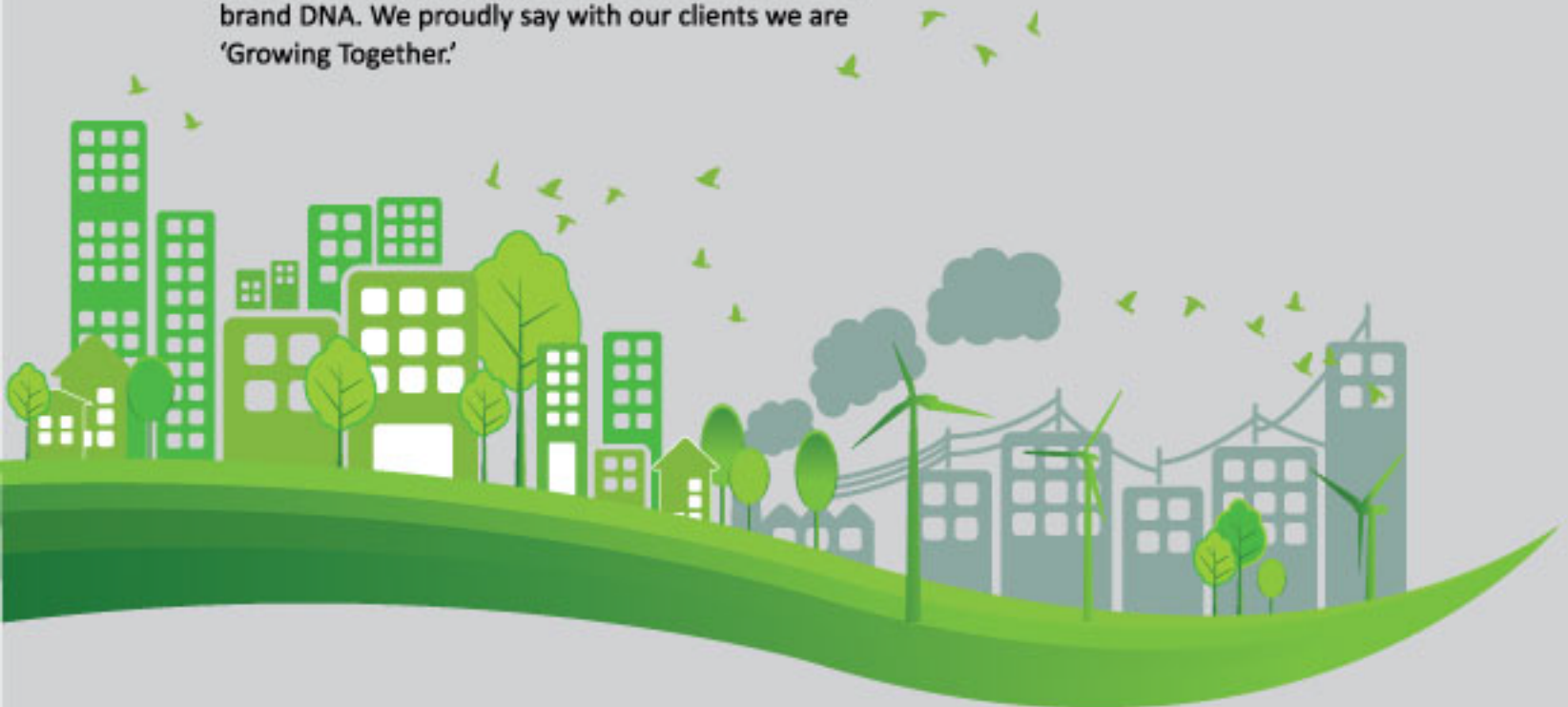


# MOVING AHEAD

## DRIVE TOWARDS A SUSTAINABLE ECONOMIC DEVELOPMENT

The creation of shareholder value requires performance on multiple dimensions. The global and local challenges associated with sustainable development are also multifaceted, involving economic, social, and environmental concerns. Indeed, these challenges have implications for every aspect of our strategy and business model. This approach leaves us equipped to deal with the issue in a strategic manner. Accordingly, we at LankaBangla develop a sustainable value framework that links the challenges of sustainability to the creation of shareholder value. LankaBangla has been paving the way and set the milestones since 1997 with its increasing client base. Country economy has been facing challenges that has helped us to construct a robust backbone to come up with innovative products and services that gains clients' confidence. We adopt green banking principles that portray our commitment to environment and society at large.

We believe in partnership that is core essence of our brand DNA. We proudly say with our clients we are 'Growing Together.'





**ANNUAL REPORT**

**2013**

# What's inside

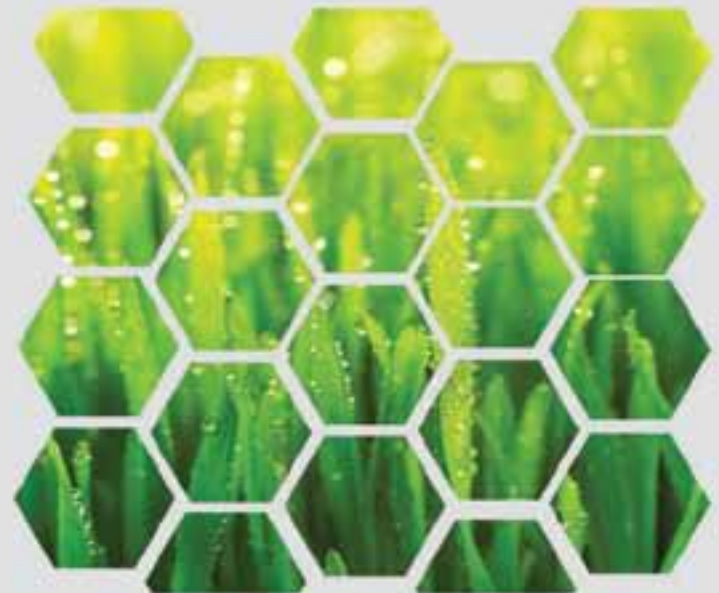
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Safura Tower (Level 11), 20 Kemal Ataturk Avenue  
Banani, Dhaka 1213

## Notice of 17th Annual General Meeting

Notice is hereby given that 17th Annual General Meeting of the Shareholders of LankaBangla Finance Limited will be held on March 31, 2014 at 11:00 a.m. at Spectra Convention Centre, House # 19, Road # 7, Gulshan-1, Dhaka-1212 to transact the following businesses:

AGMA-01-17-14	To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2013
AGMA-02-17-14	To declare dividend for the year 2013
AGMA-03-17-14	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-04-17-14	To appoint Auditors of the Company for the year 2014 until conclusion of 18th AGM and to fix their remuneration
AGMA-05-17-14	To transact any other business with the permission of the Chair

Dated, Dhaka  
March 5, 2014

By Order of the Board

A handwritten signature in black ink, appearing to be 'Mostafa Kamal', written over a horizontal line.

**Mostafa Kamal FCA**  
Company Secretary

### Notes:

- The record date was fixed on March 02, 2014. 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% Cash Dividend i.e. Tk. 1.50 per share of Tk. 10.00 each and 5% Stock Dividend i.e. 5 (five) Bonus Shares for every 100 (one hundred) Ordinary Shares.
- 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 72:00 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.



## 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](http://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.lbsbd.com](http://www.lbsbd.com) or [www.lankabangla-investments.com](http://www.lankabangla-investments.com).

### Redressal of Investors' complaints:

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](mailto:ir@lankabangla.com). An Investor can make a written complaint to LankaBangla Finance Limited also. Upon receipt of the complaint, designated cell at LankaBangla takes immediate steps to resolve the complaint.



## Vision

Our Vision is 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 of our customers ensuring on time 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. We believe that the following values will help us deliver our strategy.

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





# Our Strategy

**We revisited our strategic direction based on broad-head priorities and to execute the strategies we plan to start big and build momentum in 2014:**

## **Diversify portfolio prudently for value with increased focus on core product portfolio**

- Build a strong core product portfolio with high focus on corporate financial services
- Drive consumer finance to excel through a differentiated strategy
- Build momentum in SME financial services
- Grow our leading position in capital markets
- Expand geographical reach in the major cities/township of the country
- Collaborate with large corporate house for mutual beneficial relationship
- Manage enterprise risk effectively
- Maintain good asset quality and strive to keep incremental infection zero

## **Prudent Balance Sheet Management**

- Strengthen our capital base and improve our funding positions
- Diversify our funding sources
- Optimize the deployment of fund and capital across core business and the subsidiaries

## **Simplify processes and reduce cost**

- Continually improve key areas of customer service
- Simplify processes and ensure disciplined expense management
- Upgrade our technology that will make us more efficient and competitive

## **Create a sustainable brand**

- Invest in brand and promote our services to chosen markets
- Ensure good governance and transparency
- Increase contribution to the national exchequer through increasing profitability
- Increase support to underprivileged population in health and education through LB Foundation
- Assume environmental stewardship and responsibility in changing lives of the ordinary

## **Nurture our people through leadership and skill development**

- Nurture high skilled talent pool
- Create congenial work environment to deliver the best
- Ensure attractive benefit packages
- Promote high ethical standards



## Forward Looking Statement

In quest of sustainable business, LankaBangla Finance Limited is positioning itself to provide enduring value to our people, customers, shareholders, and the community. Our strategic priorities remain to diversify portfolio with key focus on core product portfolio, manage balance sheet prudently, simplify processes to reduce cost, create a sustainable brand, nurture our human resources to deliver the best and uphold the livelihood of our community. We believe that clustering strategic priorities in this manner will enable flawless execution of the medium term strategic plan.

Going forward, Retail and SME financial services would be our prime focus in the leading portfolio. Recognizing SME segment's value addition and employment generation capabilities, we are keen to finance various initiatives especially start-up enterprises as well as ones looking to scale up. We are planning to expand our business horizon in major cities/township of the country. While we engage in doing business, we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. We will be engaging more on social ventures and community development. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.



# Code of Conduct

## Guiding Principles

LankaBangla is a value driven organization that means we do not depart from our principles even if it gives sometimes temporary benefit to the company. We believe and recognize that our company remains in our heart and its reputation and dignity are 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.

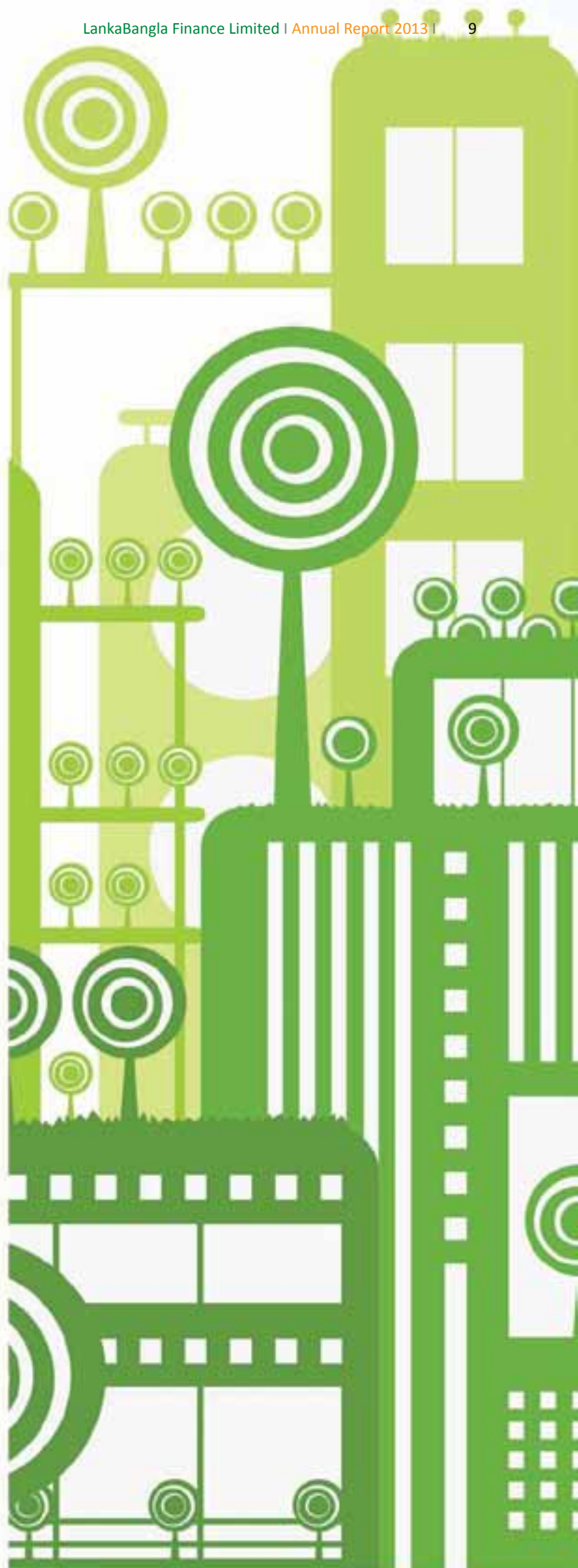
The Code of Conduct is designed to guide the employees of the company to observe, comply with the prudential norms of conduct, manner and behaviour. It is in alignment with the Company's Vision and Values to achieve the Mission, Objectives and aims at enhancing the ethical and transparent process in 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 regulation that affect each of the business that we do. Complying to 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
- Maintain an effective system of internal control and compliance over financial reporting and operational activities
- Protect company's assets and properties
- Ensure cost efficiency



## LankaBangla at a Glance

### 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 & 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 the general safety and the environment
- Respond to public and cooperate with the government

LankaBangla Finance Limited started its journey long back in 1997 as a joint-venture financial institution with multinational collaboration having license from Bangladesh Bank under Financial Institution Act-1993. Now 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. LankaBangla is a primary dealer of government securities since November 2009. The company got listed in both of the bourses of country i.e. DSE & CSE in 2006.

LankaBangla is the market leader in the capital market services and giving all out effort to develop an efficient, vibrant and transparent capital market in Bangladesh. Through our subsidiary, LankaBangla Securities Limited we are providing top notch broking services and leading the industry with cutting edge trading, top rate research and customer service. Another subsidiary, LankaBangla Investments Limited is a premier investment bank in the country providing corporate advisory, issue management and portfolio management services. The other subsidiary, LankaBangla Asset Management Company Limited is providing professional wealth management services.

We recently have gone through a business process reengineering to build capacity to offer our clients superior experience than any time ever. The company now operates in centralized administrative framework through cutting edge technological environment. LankaBangla is serving with wide operational periphery covering major business hubs of the country.

We are the recipient of National Award for Best Published Accounts and Reports for the past six years declared by the Institute of Chartered Accountants of Bangladesh (ICAB) and also received SAFA award for the last four years which represent the quality we maintain in disclosure of information.

LankaBangla practises participatory management and adheres to industry best practices in all 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 step ahead. By embracing high ethical standards, governance and transparency, we dream to grow big. Our ethos is simple. We envision our success being the growth partner of our enterprising clients. We are committed to change the lives of the ordinary.



## Milestones of LankaBangla

Incorporation of the Company	5th November, 1996
Commencement of Business	5th November, 1996
Registration of First Subsidiary (LankaBangla Securities Limited)	3rd July, 1997
Licensed as Financial Institution by Bangladesh Bank	30th October, 1997
Signing of First Lease Agreement	30th March, 1998
Issuance of First Credit Card	16th August, 1998
Launching of MasterCard	5th September, 2005
Listing on Dhaka Stock Exchange	17th October, 2006
Listing on Chittagong Stock Exchange	31st October, 2006
Trading of shares in Stock Exchanges	1st November, 2006
Commencement of Operation of Chittagong Branch	10th February, 2007
Registration of Second Subsidiary (LankaBangla Asset Management Company Ltd.)	16th July, 2007
First disbursement of Domestic Factoring	11th December, 2007
First disbursement of Mortgage Loan	18th February, 2008
Commencement of Operation of Sylhet Branch	27th April, 2009
Licensed as Primary Dealer	23rd November, 2009
Issuance of First VISA Card	24th November, 2009
First Participation in the Auction of Govt. Securities as Primary Dealer	1st December, 2009
Registration of Third Subsidiary (LankaBangla Investments Ltd.)	29th March, 2010
Approval of Right Issue by SEC	31st January, 2012
Signing of Agreement with Leads Corporation for Bank Ultimus (CBS)	10th January, 2012
Commercial Launching of Khatungonj Branch, Chittagong	8th March, 2012
Commercial Launching of Narsingdi Branch	28th January 2013
Commercial Launching of Comilla Branch	3rd February, 2013
Commercial Launching of Jessore Branch	13th February, 2013
Commercial Launching of Banani Principal Branch	12th November, 2013
Commercial Launching of Dhanmondi Branch	11th December, 2013
Commercial Launching of Uttara Branch	3rd March, 2014

# Corporate Information

<b>Registered Name of the Company</b>	LankaBangla Finance Limited
<b>Legal Form</b>	Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh on November 5, 1996 under Companies Act, 1994
<b>Company Registration Number</b>	C-31702 (823)/96
<b>Bangladesh Bank Licence No.</b>	FID(L) - 1053/41-1088
<b>Corporate Office</b>	Safura Tower (Level 11) 20 Kemal Ataturk Avenue, Banani Dhaka-1213, Bangladesh Phone: (8802) 9883701-10, Fax: (8802) 8810998
<b>Company E mail</b>	info@lankabangla.com
<b>Company Website</b>	www.lankabangla.com
<b>Corporate, Personal &amp; SME Financial Services Division</b>	Safura Tower (Level 8) 20 Kemal Ataturk Avenue, Banani Dhaka-1213, Bangladesh Phone: (8802) 9883701-10, Fax: (8802) 8810998 E-mail: info@lankabangla.com
<b>Card Centre</b>	Faruk Rupayan Tower (Level 6) 32 Kemal Ataturk Avenue, Banani Dhaka 1213, Bangladesh Phone:(88 02) 9882268, 9862695, 9862696, 8836483, 8836387 Fax:(88 02) 9861547 E-mail: cards@lankabangla.com
<b>Contact Centre</b>	Safura Tower (Level 5) 20 Kemal Ataturk Avenue, Banani Dhaka-1213, Bangladesh Contact Centre Number: Local-16325 Overseas-0961101632
<b>Operations Division</b>	Safura Tower (Level 15) 20 Kemal Ataturk Avenue, Banani Dhaka-1213, Bangladesh Phone: (8802) 9883701-10 Fax: (8802) 8810998 E-mail: card@lankabangla.com
<b>Tax Consultant</b>	Adil & Associates 50, Purana Paltan Line (3rd floor) Dhaka-1000, Bangladesh

<b>Legal Advisors</b>	Sadat Sarwat & Associates House #28, Road #23 Gulshan-1, Dhaka-1212
<b>Principal Bankers</b>	Prime Bank Limited Shahjalal Islami Bank Limited AB Bank Limited National Bank Limited Janata Bank Limited Bank Asia Limited Al-Arafah Islami Bank Limited Dhaka Bank Limited ONE Bank Limited United Commercial Bank Limited Standard Chartered Bank Commercial Bank of Ceylon Limited

## Subsidiaries & Branches

### Subsidiaries of LankaBangla Finance Limited

LankaBangla Securities Limited

LankaBangla Investments Limited

LankaBangla Asset Management Company Limited

### Branches of LankaBangla Finance Limited

<b>Principal Branch, Banani</b>	Safura Tower (Level 13), 20 Kemal Ataturk Avenue, Banani, Dhaka 1213
<b>Dhanmondi Branch</b>	MIDAS Centre (8th Floor, North Side), House No. 05, Road. No. 126 (New), 27 (Old), Dhanmondi 1206, Bangladesh Phone: (88 0421) 9114451, 9114460, 9114498, 9114574, 94114607, 91146478, 9114658, Fax: 9114671 E-mail: dhanmondi@lankabangla.com
<b>Uttara Branch</b>	Uttara Tower (4th Floor), Plot-1, Jasimuddin Avenue, Sector-03, Uttara C/A, Uttara Model Town, Dhaka-1230 Phone: 8958863, 8960256, 7914230
<b>Agrabad Branch, Chittagong</b>	Akhteruzzaman Center (Level 6) 21/22, Agrabad C/A, Chittagong-4100 Bangladesh Phone: (88 031) 2512601-03, 2514563-5, Fax: (88 031) 2512604 E-mail: ctgagrabad@lankabangla.com
<b>Khatungonj Branch Chittagong</b>	Asma Chamber (Level 4) 1649, Ramjoy Mohajan Lane Khatungonj, Chittagong 4100 Bangladesh Phone: (88 031) 2868901-3 Fax: (88 031) 2868904 E-mail: ctgkhatungonj@lankabangla.com
<b>Sylhet Branch</b>	Khoirun Bhawan (Level 3) Holding No. 102 Azadi, Mirboxtula, Sylhet 3100, Bangladesh Phone: (88 0821) 728418-19, 01833326093 Fax: (88 0821) 2830873 E-mail: sylhet@lankabangla.com

<b>Comilla Branch</b>	Omri Mansion (4th Floor) Badurtola, Kandir Par Comilla 3500, Bangladesh Phone: (88 081) 73371-2, 01715622884 E-mail: comilla@lankabangla.com
<b>Narsingdi Branch</b>	56/1 Jalpatty Road (2nd Floor) Madhabdi Bazar, Narsingdi 1600 Bangladesh Phone: (88 02) 9446730-3, 01847026836 E-mail: narsingdi@lankabangla.com
<b>Jessore Branch</b>	Mohashin Super Market (2nd Floor) 10 R. N. Road, Jessore-7400, Bangladesh Phone: (88 0421) 71146-47, 01833314787, Fax: (880 421) 71148 E-mail: jessore@lankabangla.com
<b>Bangshal Booth</b>	5, Bangshal Lane (Level 3), (57 Shahid Sayed Nazrul Islam Avenue), Dhaka 1000, Bangladesh Phone: (88 02) 9550482, 9513822 Fax: (88 02) 7112904 E-mail: bangshal@lankabangla.com

### Branches of LankaBangla Securities Limited

<b>LankaBangla Securities Ltd.</b> (Subsidiary of LankaBangla Finance Limited)	A-A Bhaban (Level 5) 23, Motijheel Commercial Area, Dhaka-1000, Bangladesh Tel: (8802) 9563901-5 Fax: (8802) 9563902 Web: www.lbsbd.com
<b>Principal Branch, Motijheel</b>	DSE Annex Building (1st Floor) 9/E, Motijheel C/A, Dhaka-1000 Phone: +880-2-9561868, 7176970, 7174315 Fax: +880-2-9555384 E-mail: elah@lbsbd.com
<b>Banani Branch</b>	Faruk Rupayan Tower (6th Floor) 32 Kemal Ataturk Avenue, Banani, Dhaka-1213 Phone: +880-2-8836627 Fax: +880-2-8836822 E-mail: aziz@lbsbd.com
<b>Uttara Branch</b>	Uttara Tower, Plot-1, Jasimuddin Avenue, Sector-03, Uttara C/A, Uttara Model Town, Dhaka-1230
<b>Islampur Branch</b>	Jahangir Tower (11th Floor) 114-116, Islampur Road, Dhaka, Phone: +880-2- 7396117, 7393573, 7393306 Fax: +880-2-7391196 E-mail: nadim@lbsbd.com

<b>Narayangonj Branch</b>	Haji Plaza (2nd Floor) 53/1, S.M. Maleh Road Tan Bazar, Narayangonj E-mail: mokhles@lbsbd.com
<b>Chittagong Main Branch</b>	Shafi Bhaban (2nd Floor) 1216/A, Sk Mujib Road Agrabad, Chittagong Phone: +880-31-724547, 724548, Fax: +880-31-710203 E-mail: amir@lbsbd.com
<b>Khatungonj Branch</b>	Asma Chamber, 1016 (Old) Ramjoy Mohajan Lane Khatungonj, Chittagong Phone: +880-31-630011, 632276, 626709 Fax: +880-31-627312 E-mail: nazim@lbsbd.com
<b>Nasirabad Branch</b>	Rahima Center (5th Floor) 1839, CDA Avenue, Nasirabad, Chittagong Phone: +880-31-2554171-3 Fax: +880-31-2554174 E-mail: munir@lbsbd.com
<b>Sylhet Branch</b>	R N Center (4th Floor) Chowhatt a, Sylhet-3100 Phone: +880-821-711143, 711752, 711912 Fax: +880-821-711918 E-mail: shamsuddin@lbsbd.com
<b>Comilla Branch</b>	Nahar Plaza (1st Floor) 67/58, Nazrul Islam Avenue Kandirpar, Comilla E-mail: nazir@lbsbd.com

### LankaBangla Investments Limited

<b>LankaBangla Investments Ltd.</b> (Subsidiary of LankaBangla Finance Limited)	Eunoos Trade Centre (Level 21) 52-53, Dilkusha Commercial Area Dhaka-1000, Bangladesh Phone: (88 02) 9561238, Fax: (88 02) 9561107 E-mail: mail@lankabangla-invest- ments.com
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### LankaBangla Asset Management Company Limited

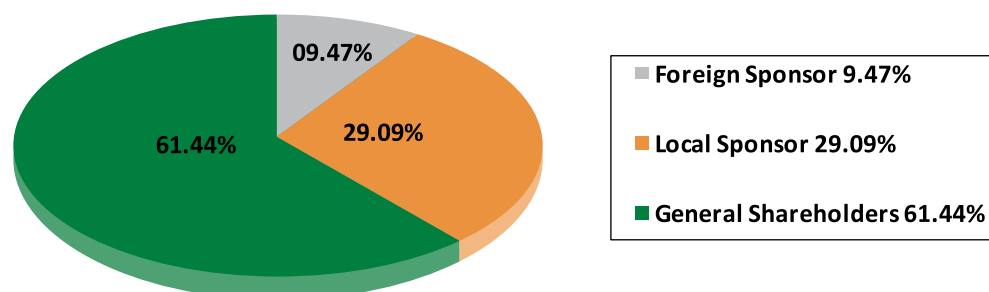
<b>LankaBangla Asset Management Company Ltd.</b> (Subsidiary of LankaBangla Finance Limited)	Rupsha Tower (Level 02) House: 07, Road: 17, Banani C/A Dhaka-1213, Bangladesh Phone: (8802) 9820219-20 Fax: (8802) 9820221 E-mail: amcl@lankabangla.com
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# Shareholding Structure of LankaBangla as on December 31, 2013

<b>Authorised Capital</b>	<b>BDT</b>
300,000,000 ordinary shares of Tk.10 each	<u><b>3,000,000,000</b></u>
<b>Issued, Subscribed and Paid up Capital</b>	
208,349,295 ordinary shares of Tk.10 each	<u><b>2,083,492,950</b></u>

## Details of shareholding structure is as under

Sponsors	Total Holding (No. of Share)	% of Shareholding
<b>a) Foreign Institutions:</b>		
Sampath Bank PLC (Sri Lanka)	19,734,000	9.47%
<b>Sub-Total</b>	<b>19,734,000</b>	<b>9.47%</b>
<b>b) Local Institutions:</b>		
ONE Bank Limited	10,120,000	4.86%
SSC Holdings Limited	2,235,255	1.07%
Shanta Apparels Limited	3,623,070	1.74%
<b>Sub-Total</b>	<b>15,978,325</b>	<b>7.67%</b>
<b>c) Individuals:</b>		
Mr. Mohammad A. Moyeen	8,832,388	4.24%
Mr. Mahbubul Anam	9,279,444	4.45%
Mr. Tahsinul Huque	8,117,505	3.90%
Mrs. Aneesha Mahial Kundanmal	16,048,029	7.70%
Mrs. Jasmine Sultana	2,352,900	1.13%
<b>Sub-Total</b>	<b>44,630,266</b>	<b>21.42%</b>
<b>Sponsor Local</b>	<b>60,608,591</b>	<b>29.09%</b>
<b>Sponsor Total</b>	<b>80,342,591</b>	<b>38.56%</b>
<b>d) General Shareholders:</b>	<b>128,006,704</b>	<b>61.44%</b>
<b>Grand Total</b>	<b>208,349,295</b>	<b>100.00%</b>





## Profile of the Directors of the Board



**Mr. Mohammad A. Moyeen**  
Chairman

Mr. Moyeen is a leading industrialist and entrepreneur in Bangladesh. He is associated and involved with a number of businesses and industries which include, among others, Apollo Hospitals Dhaka, International School Dhaka, Tropica Garments Limited and WAC Logistics Limited. He is also the Chairman of LankaBangla Securities Limited, a leading brokerage house of the country and LankaBangla Investments Limited, a leading Merchant Bank of the country. Mr. Moyeen is an Architect from BUET.



**Mr. Mahbulul Anam**  
Director

Mr. Anam is a Mechanical Engineer from BUET. He has long experience of 27 years in different businesses including Freight Forwarding, Travel Related Services, International Courier etc. He has been running a number of reputable business houses in country in Management capacity. Mr. Anam is the Managing Director of Expo Freight Limited and Director of a number of businesses and industries. Mr. Anam enjoys enormous reputation in the field of sports, cultural and social work. Presently he is the President of Bangladesh Freight Forwarders Association (BAFFA) and Director of Bangladesh Cricket Board and member of the local organizing committee of the T20 World Cup 2014.



**Mr. I.W. Senanayake**  
Director

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



**Mr. Aravinda Perera**  
Director

Mr. Perera is the Managing Director of Sampath Bank PLC. He worked as Chief Operating Officer, Deputy General Manager, Corporate Banking and played other roles spanning a career of 26 years at Sampath Bank. Prior to joining the Bank he worked as a Senior Project Officer, DFCC and Departmental, Manager and Service Engineer at Ceylon Tobacco Company and engineer at National Milk Board. He is a Fellow Member of Institute of Bankers, Sri Lanka, Chartered Institute of Management Accountants, UK, Chartered Engineer and member of the Institute of Engineers, Sri Lanka. He completed his MBA from the University of Sri Jayawardenapura and Bachelor of Science degree in Engineering from the University of Moratuwa. He is a Member of Credit Committee, Board Risk Management Committee, HR & Remuneration Committee, Strategic Planning Committee and Board Treasury Committee of Sampath Bank PLC.



**Mr. Mirza Ejaz Ahmed**  
Director

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



**Mr. M. Fakhru Alam**  
Director

Mr. Alam, Managing Director of ONE Bank Limited, is an MBA from the Institute of Business Administration (IBA), University of Dhaka. He has diverse experiences in Banking spanning over 29 years, including Corporate, Treasury and Investment Banking in various capacities in different banks and financial institutions. He started his Career at Agrani Bank Limited as an Officer in 1983, and later served different organizations at home & abroad including IFIC Bank Limited and Bank of Credit & Commerce International (Overseas) Ltd. Before joining at ONE Bank Limited, he was the Deputy Managing Director and Head of Corporate Banking, Treasury & Investment Banking of Eastern Bank Limited. He is serving ONE Bank Limited as Managing Director since October 08, 2013.



**Mr. Tahsinul Huque**  
Director

Mr. Huque graduated from Williams College, Massachusetts, USA with majors in Economics and Political Science. He started his career with Merrill Lynch in 1990 and served the company at different capacities until 2003. He then joined Deutsche Bank as Managing Director of Investment Banking Division and is stationed at London, UK. Mr. Huque has established himself as an accomplished investment banker in the international arena.



**Mrs. Aneesha Mahial Kundanmal**  
Director

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



**Mr. Al-Mamnoon Md. Sanaul Huq**  
Independent Director

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



**Mr. Mahmood Osman Imam**  
Independent Director

Mr. Imam is the Professor of Finance and served as Chairman, Department of Finance, University of Dhaka. He is also the Executive Director, Center for Corporate Governance and Finance Studies, University of Dhaka and the Editor, Journal of Institute of Bankers, Bangladesh. He also served as the Director, Bureau of Business Research, Faculty of Business Studies, University of Dhaka and as Provost, Bangabandhu Sheikh Mujibur Rahman Hall.

He is on the Board of Directors as Independent Director of LankaBangla Finance Limited. He is an Independent Director and Chairman, Audit Committee, Mercantile Bank Ltd. He is also the Independent Director and Chairman, Audit Committee, ICB AMCL and founder director, Bangladesh Institute of Capital Market.

Dr. Imam is a financial analyst and capital market specialist. He has over 27 years of working experiences in this field. He did MBA (major in Finance) and Ph.D in Applied Economics at K.U. Leuven, Belgium. He is a Fellow Cost & Management Accountant too.

In his long tenure of career, he worked as national and international consultants with a number of both national and international organizations, viz., World Bank; ADB; UNDP; Bilance, Netherlands; Pohl Consulting Ltd, Germany; Dhaka Stock Exchange (DSE); Ontario Centre for Environmental Technology Advancement (OCETA); Dhaka Chamber of Commerce and Industry (DCCI) and CIPE, USA, ERRA PROJECT. He also worked as Professor of Finance, School of Business, Independent University Bangladesh.

He is a prolific researcher and has been awarded twice as best paper author by the Faculty of Business Studies, University of Dhaka. To his credit, there are also two published research monographs.



**Mr. Mohammed Nasir Uddin Chowdhury**  
Managing Director

Mr. Chowdhury an Old Faujian, accomplished his graduation and post-graduation from the University of Chittagong. Prior to his new assignment as Managing Director in LankaBangla Finance, Mr. Chowdhury was the Chief Executive Officer of LankaBangla Securities Limited from July 2002 to April 2011 and Director of MIDAS Financing Ltd. representing LBFL till October, 2011. Mr. Chowdhury also served as Senior Vice President and Director of Dhaka Stock Exchange Limited from May 2010 to March 2011 and May 2008 – May 2009 respectively. He is a member of the Board of Directors of LankaBangla Securities Limited (LBSL) and LankaBangla Investments Limited. His role was instrumental in the development of LBSL & Merchant Banking Operation of LankaBangla Finance which was later converted into a subsidiary of LBFL. He attended a number of trainings, workshops and seminars at home and abroad including USA, Hong Kong, Singapore, Sri Lanka, India, Thailand and other countries.

## Names of the Directors together with a list of entities in which they have interest

Directors' interests in different entities stated below

SI No	Name of Directors	Status in the Institution	Name of the firms/companies in which there is interest as proprietor, partner, director, managing agent, guarantor, employee etc.
01	Mr. Mohammad A. Moyeen	Chairman	Airline Cargo Resources Limited Air & Sea International Logistics Limited BizBangla Media Limited Colloid Enterprises Limited Cross Freight Lines Limited Expo Express Services Limited Freight Care Aviation Services Limited Global Aviation Services Limited LankaBangla Securities Limited LankaBangla Investment Limited LankaBangla Information System Limited Orchid Air Limited Pulsar Shipping Agencies Ltd 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 Aviation Limited Wings Spence Aviation Limited Wings Express Limited Wings Logistics Limited Wings Ocean Freight Limited Wings Classic Tours & Travels Limited Wings Tours & Travels Limited Global Ground Services Limited Information Technology Consultants Limited (ITCL)
02	Mr. Mahbubul Anam	Director	Expo Freight Limited Air & Sea International Logistics Limited Airline Cargo Resources Limited Airlines Services Limited Allied Aviation Bangladesh Limited Aeroness International Aramex Dhaka Limited Cargo Center Limited

SI No	Name of Directors	Status in the Institution	Name of the firms/companies in which there is interest as proprietor, partner, director, managing agent, guarantor, employee etc.
			Colloid Enterprises Limited Cross Freight Lines Limited Expo Express Services Limited Freight Care Aviation Services Limited LankaBangla Securities Limited BizBangla Media Limited LankaBangla Information System Limited Global Aviation Services Limited Orchid Air Ltd. Pulsar Shipping Agencies Limited S.G Logistics (Pvt.) Ltd. Standard Paper Products Ltd. STS Educational Group Ltd. STS Holdings Ltd. The M & M Ltd. Tropica Garments Ltd. SDV Bangladesh Private Limited UCL Logistic Limited Voyager Airlines Limited Voytech Limited WAC Logistics Limited Wings Classic Tours & Travels Limited Wings Express Limited Wings Aviation Limited Wings Spence Aviation Limited Wings Ocean Freight Limited Eastern Cables Limited.
03	Mrs. Aneesha Mahial Kundamal	Director	Royal Park Residence GDS Chemical Bangladesh Limited.
04	Mr. Tahsinul Huque	Director	N/A
05	Mr. I.W. Senanayake & Mr. Aravinda Perera (Representative of Sampath Bank PLC)	Director	N/A
06	Mr. M. Fakhrul Alam (Representative of ONE Bank Limited)	Director	N/A
07	Mr. Mirza Ejaz Ahmed (Representative of SSC Holdings Ltd.)	Director	Shirt Makers Limited International Shirt Line Limited Section Seven Limited Section Seven Apparels Limited Section Seven Agro Limited Section Seven International Limited Share Knitwear Limited Excel Apparels Limited Lumbini Limited Star Feeds Limited
08	Mr. Al- Mamoon Md. SanaulHuq	Independent Director	LankaBangla Securities Limited LankaBangla Investments Limited LankaBangla Asset Management Company Ltd.
09	Dr. Mahmood Osman Imam	Independent Director	Mercantile Bank Limited ICB Asset Management Company Limited Bangladesh institute of Capital Management

## Board Committees

Executive Committee		Audit Committee	
Name	Designation	Name	Designation
Mohammad A. Moyeen	Chairman	Al-Mamoon Md. Sanaul Huq	Chairman
Mahbubul Anam	Member	Mohammad A. Moyeen	Member
Al-Mamoon Md. Sanaul Huq	Member	Mahbubul Anam	Member
Aneesha Mahial Kundanmal	Member	Mirza Ejaz Ahmed	Member
M. Fakhurul Alam	Member	M. Fakhurul Alam	Member

## Management Committee (MANCOM)

Executive Committee			
SL. No	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	EVP & Head of Operations	A.K.M. Kamruzzaman	Member
4.	SVP & Head of Treasury & FI	Quamrul Islam	Member
5.	SVP & Head of Retail Financial Services	Khurshed Alam	Member
6.	SVP & Chief Risk Officer	Mohammed Kamrul Hasan	Member
7.	SVP & Group Company Secretary	Mostafa Kamal	Member Secretary
8.	VP & Head of Corporate Financial Services	Mohammad Shoaib	Member
9.	VP & Chief Credit Officer	Kazi Masum Rashed	Member
10.	SAVP & Chief Financial Officer	Shamim Al Mamun	Member
11.	SAVP & Head of IT	Sheik Mohammad Fuad	Member

## Management Team

### Mohammed Nasir Uddin Chowdhury Managing Director

Mohammed Nasir Uddin Chowdhury joined LankaBangla Finance Limited (LBFL) as Managing Director on December 1, 2011. Prior to joining LankaBangla Finance, Mr. Chowdhury was the Chief Executive Officer of LankaBangla Securities Limited from July 2002 to April 2011 and Director of MIDAS Financing Limited representing LBSL till October,



2011. Mr. Chowdhury also served as Senior Vice President (SVP) and Director of Dhaka Stock Exchange Limited from May 2010 to March 2011 and May 2008 to May 2009 respectively. He is a member of the Board of Directors of LankaBangla Securities Limited (LBSL) and LankaBangla Investments Limited (LBIL). His role was instrumental in the development of LankaBangla Securities & Merchant Banking Operation of LankaBangla Finance which was later on converted into a subsidiary of LBFL. Mr. Chowdhury is an Old Faujian, completed his graduation and post-graduation

### Khwaja Shahriar Deputy Managing Director

Khwaja Shahriar Joined LankaBangla Finance Limited as Deputy Managing Director on June 11, 2012. Prior to his current position he held different positions in the banking sector. He served BRAC Bank Limited for quite some time in different positions including the Head of Corporate Banking, Head of Cash Management, Custodial Services & Probashi Banking.



He also served in various positions as Senior Executive 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 Limited.

Mr. Shahriar completed his BA (Hons) and MA in English from Dhaka University. 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.

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

A. K. M. Kamruzzaman, FCMA, is working as the Executive Vice President & Head of Operations, with the responsibility of Asset Operations, Legal Affairs, Recovery & Monitoring, Special Asset Management (SAM), Liability Operations and Treasury Operations. During his long eleven 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.

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)

### Quamrul Islam Head of Treasury & FI

Quamrul Islam, Senior 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.



**Khurshed Alam**  
Head of Personal Financial Services

Khurshed Alam, Senior 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 under the University of Dhaka. He also got his Post Graduate Diploma in Personnel Management (DPM) from Bangladesh Institute of Management. He has attended a number of training in home and abroad.

**Mohammed Kamrul Hasan, Mostafa Kamal, FCA**  
Group Company Secretary  
Chief Risk Officer

Mohammed Kamrul Hasan, Senior Vice President 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 Bachelor Degree in Accounting from the National University of Bangladesh. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

Mostafa Kamal, Senior 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 The Institute of Chartered Accountants of Bangladesh for the year 2010-2011. Mr. Kamal played a very vital role in opening Dhaka Chapter of Information System Audit and Control Association (ISACA) of USA. He held the position of Director, Communication and Director, Academic Relations of ISACA Dhaka Chapter for the years 2009 to 2013. Mr. Kamal is an active member of various Committees of ICAB.

**Mohammad Shoaib**  
Head of Corporate Financial Services

Mohammad Shoaib, 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 Businesses.

Mr. Shoaib has over 10 years of financial services experience and held various senior



management positions in credit & investment, corporate finance, retail finance, SME finance and credit administration. Prior to joining LankaBangla, he was Branch In-charge, Chittagong Branch of Prime Finance & Investment Limited. He is a Bachelor in Business Administration with Honors in Accounting and a Masters in Business Administration in Accounting & Information Systems from the University of Dhaka.

**Kazi Masum Rashed**  
Chief Credit Officer

Kazi Masum Rashed, Chief Credit Officer, is responsible for Credit Risk Management Division of LankaBangla Finance Limited.

He joined LankaBangla Finance Limited in June, 2011 with more than ten years experience in banking sector with exposure in credit & banking.



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

**Shamim Al Mamun, ACA**  
Chief Financial Officer

Shamim Al Mamun, ACA is working as Chief Financial Officer since April 2013. Before getting this responsibility he acted as Head of Finance & Accounts from April 2012. Before joining this Company, he was the CFO of Fareast Stocks & Bonds Limited and Fareast Finance Limited.

He is an associate member of Institute of Chartered Accountants of Bangladesh.



He obtained his Honors degree in Information Technology from American International University of Bangladesh. He is also an ex-cadet and completed his secondary education from Sylhet Cadet College.

Shamim Al Mamun, ACA possesses extensive competencies and experiences in Financial Reporting, Financial Modeling, Internal Control, Corporate Governance and Financial Management. He is also a resource person of ICAB in the capacity of providing training to students and in the process of educational development.

**Sheik Mohammad Fuad**  
Head of IT

Sheik Mohammad Fuad, Senior Assistant Vice President joined LankaBangla Finance in 1999. He held various positions in the Company and currently is working as the Head of IT.

Mr. Fuad is ITIL Certified and a member of PMI. His core strength lies in managing IT infrastructure, IT security and networking.



He was successfully involved in Core Banking software implementation project, credit card software migration, tier 4 Data Centre establishment, enhancement of security, installation of layer 3 network for branch connectivity, central Antivirus system, attendance system and video surveillances.

“We, at LankaBangla, believe in teamwork. We have been striving to bring in diversity to our team through knowledge sharing, skills development and expertise. Believing in the power of qualified, dedicated and result oriented talent pool, we have embedded the essence of team spirit and thereby grown up as **Team LankaBangla.**”

## Management Committees

### Enterprise Risk Management Forum

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Treasury & FI	Quamrul Islam	Member
5.	Head of Personal Financial Services	Khurshed Alam	Member
6.	Chief Risk Officer	Mohammed Kamrul Hasan	Secretary
7.	Head of Corporate Financial Services	Mohammad Shoaib	Member
8.	Chief Credit Officer	Kazi Masum Rashed	Member
9.	Chief Financial Officer	Shamim Al Mamun	Member
10.	Head of IT	Sheik Mohammad Fuad	Member
11.	Head of Liability	SM Abu Wasib	Member
12.	Head of SME	Md. Kamruzzaman Khan	Member
13.	Head of ICC	Mohd. Shafiqul Islam	Member

### Management Credit Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Personal Financial Services	Khurshed Alam	Member
5.	Head of Corporate Financial Services	Mohammad Shoaib	Member
6.	Chief Credit Officer	Kazi Masum Rashed	Secretary

### Asset Liability Management Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Treasury & FI	Quamrul Islam	Secretary
4.	Head of Personal Financial Services	Khurshed Alam	Member
5.	Head of Corporate Financial Services	Mohammad Shoaib	Member
6.	Chief Credit Officer	Kazi Masum Rashed	Member
7.	Chief Financial Officer	Shamim Al Mamun	Member
8.	Head of Liability	SM Abu Wasib	Member
9.	Head of SME	Md. Kamruzzaman Khan	Member

### Central Compliance Unit (Anti Money Laundering Committee)

Sl. No.	Designation	Name	Position in the Committee
1.	Chief Risk Officer & CAMLCO	Mohammed Kamrul Hasan	Head
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Treasury & FI	Quamrul Islam	Member
5.	Head of Personal Financial Services	Khurshed Alam	Member
6.	Chief Financial Officer	Shamim Al Mamun	Secretary

### IT Development Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Deputy Managing Director	Khwaja Shahriar	Chairman
2.	Head of Operations	A.K.M. Kamruzzaman	Member
3.	Head of Treasury & FI	Quamrul Islam	Member
4.	Head of Personal Financial Services	Khurshed Alam	Member
5.	Chief Credit Officer	Kazi Masum Rashed	Member
6.	Head of IT	Sheik Mohammad Fuad	Secretary

### Human Resources & Remuneration Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Treasury & FI	Quamrul Islam	Member
5.	Chief Credit Officer	Kazi Masum Rashed	Member
6.	Senior Manager, HR	Md. Mahbulul Wahid	Secretary

### BASEL II Implementation Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Treasury & FI	Quamrul Islam	Member
5.	Head of Personal Financial Services	Khurshed Alam	Member
6.	Chief Risk Officer	Mohammed Kamrul Hasan	Secretary
7.	Head of Corporate Financial Services	Mohammad Shoaib	Member
8.	Chief Credit Officer	Kazi Masum Rashed	Member
9.	Chief Financial Officer	Shamim Al Mamun	Member

### Purchase Committee (Sub-Committee of MANCOM)

Sl. No.	Designation	Name	Position in the Committee
1.	Deputy Managing Director	Khwaja Shahriar	Chairman
2.	Head of Treasury & FI	Quamrul Islam	Member
3.	Group Company Secretary	Mostafa Kamal	Secretary
4.	Head of IT	Sheik Mohammad Fuad	Member

## Internal Control and Compliance Committee

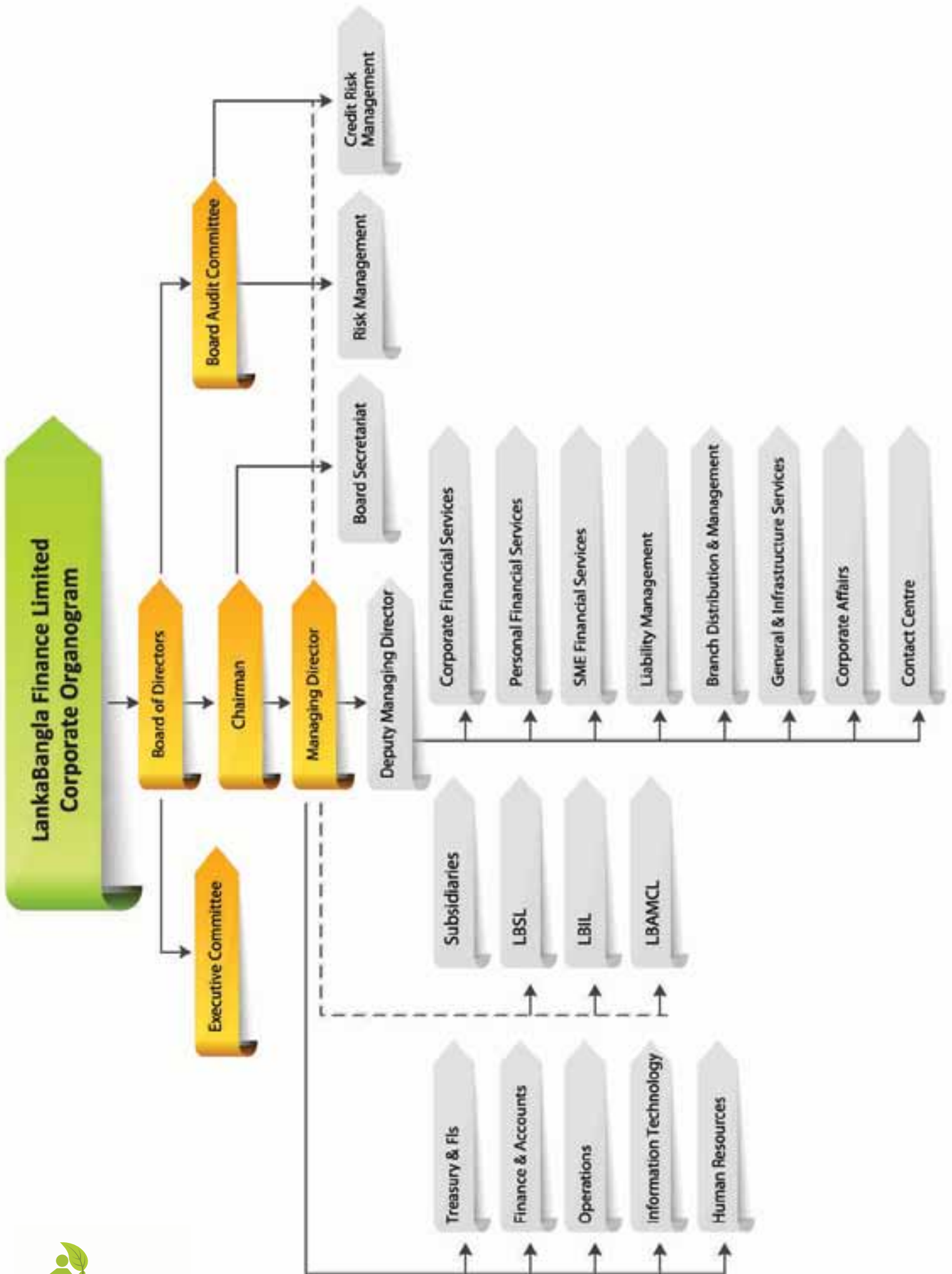
Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Operations	A.K.M. Kamruzzaman	Member
4.	Head of Treasury & FI	Quamrul Islam	Member
5.	Head of Personal Financial Services	Khurshed Alam	Member
6.	Chief Risk Officer	Mohammed Kamrul Hasan	Secretary
7.	Group Company Secretary	Mostafa Kamal	Member
8.	Head of Corporate Financial Services	Mohammad Shoaib	Member
9.	Chief Credit Officer	Kazi Masum Rashed	Member
10.	Head of IT	Sheik Mohammad Fuad	Member

## Capital Market Operations Committee

Sl. No.	Designation	Name	Position in the Committee
1.	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2.	Deputy Managing Director	Khwaja Shahriar	Member
3.	Head of Treasury & FI	Quamrul Islam	Member
4.	Senior Manager, Capital Markets	M A Faisal Mahmud	Secretary

## Green Banking Unit Members

Sl. No.	Designation	Name	Position in the Committee
1.	Chief Risk Officer	Mohammed Kamrul Hasan	Chairman
2.	Head of General & Infrastructure Services	Mohammad Anisur Rahman	Member
3.	Head of Asset Operations	Mohammad Faruk Ahmed Bhuya	Member
4.	Head of Corporate Credit	Mohammad Nazmul HasanTipu	Member
5.	Senior Manager, IT	Kazi Mohtasim Bellah Alom	Member
6.	Senior Manager, Human Resources	Md. Mahbulul Wahid	Member
7.	Manager, Corporate Affairs	Md. Raziuddin	Member
8.	SRO, Personal Financial Services	Md. Jakir Hossain Rasel	Member
9.	ARM, SME Business	Sabih-UI Alam	Member
10.	ARM, Corporate Financial Services	Md. Tareque Anower Bin Rashid	Member
11.	ARM, Emerging & Commercial Business	Md. Nazmul Arefeen	Member
12.	Assistant Manager, Enterprise Risk Management	Ujjal Kumar	Coordinator



# Business Divisions

## Corporate Financial Services

The corporate financial services division of LankaBangla takes ownership to focus exclusively on corporate and institutional clients domiciled or conducting business in its footprint, offering clients access to its extensive branch network.

The division delivers services through 4 (four) units namely Corporate & Institutions Unit, Project & Structured Finance Unit, Emerging & Commercial Business Unit and Corporate Liability Unit.

### Corporate & Institutions Unit

The smart Relationship Managers, equipped with efficient management skill and sound knowledge about the industry and market, are here to provide a full array of corporate financial solutions like lease finance, term finance, bridge finance, club finance, working capital finance and structured financial products.

### Project & Structured Finance Unit

LankaBangla's Project & Structured Finance Unit is a specialized unit comprising of experienced professionals who are expert in conducting the technical, financial and economic feasibility of all types of projects, product structuring etc. The Project & Structured Finance Unit structures syndication finance, equity participations, agency arrangements and vetting of project risks by appraising financial feasibility and viability of the customers' projects during the pre-booking stage and also monitors the progress of the project implementation during the post-booking stage. LankaBangla also handles mergers, acquisitions etc.

### Emerging & Commercial Business Unit

With the change of time, financial needs of business are changing. A company may be set up with heavy machinery, equipments, buildings, etc.; but to run the business effectively and efficiently, the existence of a sound working capital is a must. Keeping all these views in mind LankaBangla is striving to introduce the dynamic financial services like Factoring, Supply Chain Solutions, Distributor Finance, Reverse Factoring, Bill Discounting, etc. through a dedicated team of business acumen under this unit.

### Corporate Liability Unit

LankaBangla welcomes the opportunity to respond to the request for a proposal by the corporate clients. We understand that the corporate clients of LankaBangla are seeking a qualified and committed financial partner for investment of the fund, specifically for Term Deposit solution.

In addition to traditional industries like RMG, Steel, Pharmaceuticals, Textiles, Transportation, Ship Breaking & Trading sector, LankaBangla has enhanced its footprints into Packaging, Food, Power, Real-estate and Construction, Glassware, Healthcare, Plastic & Polymer, Telecommunications, Ship Building, Agri-Business etc.

## Personal Financial Services Division

LankaBangla Finance Limited is one of the leading financial institutions in Bangladesh offering a wide variety of personal financial services to cater to the full scope need of innovative, customized solutions and services. The personal financial services division currently offers auto loan, home loan, personal loan, loan against deposit, mortgage loan (for any purpose) and credit cards. The division delivers services through 4 (Four) units namely Auto Loan Unit, Mortgage Loan Unit, Personal Loan Unit and Card Center.

### Auto Loan Unit

The unit deals with all sales, marketing, business promotions, relationship management with customers and auto dealers, customer service activities including planning, budgeting, target setting & allocation, and also execution, monitoring & evaluation of sale deals, customer service quality, etc.

### Home Loan Unit

The activities of Home Loan Unit includes sales, marketing, business promotions, relationship management with customers & developers, customer service management, etc. including planning, budgeting, target setting & allocation and also execution, monitoring and evaluation of sale deals, customer service quality, etc. The products are mainly Home Loans for purchasing, constructing or renovation of homes or takeovers of existing home loans with other financiers and Mortgage Loans for any purpose against mortgage of properties.

### Personal Loan Unit

Any purpose loans for personal exigencies are offered under Personal Loan Unit which deals with all sales, marketing, business promotions, relationship management, customer service activities including planning, budgeting, target setting & allocation and also execution, monitoring & evaluation of sale deals, customer service quality, etc. Loan against lien of deposits, shares of listed companies, savings instruments etc. are also offered under the unit for any purpose.

### Credit Card

Card Centre deals with issuing of MasterCard and VISA credit cards; There are mainly two categories of cards – Gold & Classic; individual and corporate. LankaBangla is the lone Financial Institute that offers cards and provides third party card processing services through its state-of-the-art card software. The unit deals with all sales, marketing, business promotions, relationship management, customer service activities including planning, budgeting, target setting and allocation, execution, monitoring and evaluation of sale deals, customer service quality, etc.



## SME Financial Services

Keeping in mind that Small and Medium Enterprises (SME) are the economic growth engines of Bangladesh, LankaBangla strengthened its SME Financial Services Division. The division deals with all sales, marketing, business promotions, relationship management, customer service activities including planning, budgeting, target setting & allocation and also execution, monitoring & evaluation of sales deal, customer service quality, etc.

## Corporate and Retail Liability

The management has adopted the strategy to reduce bank borrowing dependencies by increasing core deposits to balance the heat of extreme volatility of money market. In this regard a separate division has been formed named Retail Liability Division under which deposits are being collected from retail customers. Different liability products are being offered to customers to cater to their requirements. The retail liability division has been formed with a number of professional deposit collecting teams. Separate retail deposit teams have been deployed throughout the branches and the members of the teams work under the predefined target.

The division runs under the target as agreed under the yearly budget and duly distributed among the sales teams.

## Other Divisions

### Treasury & FI

The treasury & FI division at LankaBangla is mainly responsible for the balance sheet management. The scope of functions of the division mainly is separated into two broad heads; treasury front office and treasury mid office. The treasury front office is assigned to buy, sell and trade in money market instruments, securities, equity and ensure compliance with board's policy. Treasury mid office is responsible for the critical functions of independent market risk monitoring, measurement, analysis and reporting for the Asset Liability Management Committee.

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 Markets Unit. Treasury at LankaBangla is a financial hub which operates as a financial clearing house for all other parts of the organization. Treasury ensures the availability of funds at the right time, right place at the possible minimum cost. The core functions are as under

#### Treasury Front Office

- Significant interactions with various trading and delivery teams
- Money Market Operation, i.e. Dealings with Overnight/ Placement/Treasury Line etc
- Striking of deals (trading) and ensuring profits from trading
- Credit Relationship with Banks & FIs

- Maintenance of CRR and SLR
- Liquidity Management by prudent Cash Management
- Primary Dealership Operation by Primary & Secondary Trading
- Repo & Reverse Repo dealings i.e. ALS/LS, Repo & Special Repo with Central Bank, Interbank Repo

#### Treasury Middle Office

- Monitoring, measurement, analysis and reporting of risks, namely
  - Interest Rate Risks
  - Liquidity Risks
- Asset Liability Management (ALM)

#### Capital Markets Unit

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

## Operations Division

LankaBangla, towards its endeavor to the best practices of customer service excellence, effective utilization of time and resources, and high quality corporate governance, has centralized its operational activities under Operations Division independent of its business and compliance divisions.

Operations Division takes the ownership of all activities commencing after establishment of a relationship with the customer either in the form of obtaining a loan or opening a deposit or liability account. The operating activities encompass all asset and liability products like corporate finance including factoring of accounts receivables, retail finance including home loan, auto loan, personal loan, credit card, SME finance, retail and corporate deposit, bank borrowing, call loan, capital market investment, etc.

The centralized Operations Division is divided under 6 (six) units, namely Asset Operations Unit, Legal Affairs Unit, Asset Recovery & Monitoring Unit, Special Asset Management Unit, Liability Operations Unit, Treasury Operations Unit.

#### Asset Operations Unit

The unit deals with CIF (Customer Information Folio) Completion & Validation, Account Set-up, Security & Charge Documents Preparation, Asset Acquisition, Pre-Appraisal Documents Authentication Check, Post Appraisal Documents Authentication, Disbursement, Execution, and Follow-up of pending documents.

#### Legal Affairs Unit

The unit looks after Security & Charge Documents Vetting, Property Documents Vetting, Genuineness check of Property Documents, Security/ Charge Documents safeguarding.





### Recovery & Monitoring Unit

The unit looks after post disbursement activities like monitoring, collection, early alert raising, etc. until settlement through regular due date and overdue status reminders vide SMS, e-mails, letters, telecommunications, meetings, discussions, visits, etc.

### SAM (Special Asset Management) Unit

For managing NPL cases, a dedicated unit is in place to directly monitor, put into action and intensify recovery and collection drives through dedicated internal recovery officers and also third party collection service providers, where necessary. Litigation Department of SAM Unit is well organized with the assistance of leading law firms of the country to ensure all out legal actions for collection.

### Liability Operations Unit

It deals with Term Deposit (TDR) account opening, KYC and CIF, instrument issuing, interest servicing to depositors, loan against TDR, customers' statements, tax certificates and other query servicing, pre-encashment/ maturity request processing, settlement management, etc.

### Treasury Operations Unit

It deals with treasury back office activities related to day-to-day treasury deals, call money market operations, facilities taken from other banks and financial institutions, capital market investments, and also primary dealership operations.

## Finance and Accounts Division

The finance and accounts division is one of the most important divisions of the Company, as it helps to provide various financing and accounting information necessary to make various decisions. Finance and Accounts division is responsible for the proper record keeping and production of financial information to the stakeholders of the company.

For achieving the control objective of segregation of duties, the division is divided into two units i.e. Business Finance Unit and Financial Reporting & Budgeting Unit.

### Business Finance Unit

It deals with day-to-day business transactions and processing of various business activities including all asset and liability products like corporate finance, retail finance, SME finance, capital & money market investments, deposit, bank borrowing, primary dealership, etc.

### Financial Reporting & Budgeting Unit

The unit encompasses a number of duties i.e. general financial transactions recording, preparation of financial statements, budgeting and budgetary control, development of financial and tax strategies, performance measurement that supports the company's strategic direction, preparation and analysis of MIS related to the financial health of the organization and also regulatory reporting.

## IT Division

IT Division is responsible for creating, operating & maintaining IT infrastructure for the whole organization.

There are approximately 183 nos. of Desktops, 440 Laptops and 30 nos. higher end Rack Servers which are providing access to business software of all the users. LAN (Local Area Network) with a capacity of 300 nodes has been created at Head Office as well as in 9 branches with Layer 2 and Layer 3 connectivity. Customized software development and maintenance are done by IT Division. It has also installed Central Antivirus server for securing all local users' computing devices; file server to ensure that users data have not been lost if their own workstations crash; proxy server to make faster browsing for local users; bandwidth manager to ensure proper usage of bandwidth.

IT Division works through 3 (three) separate units namely **DBA & Application Development Unit, Infrastructure, Network & Security Unit and Maintenance & Support Unit.**

The Division conducts IT operations, the routine delivery of IT services such as, workstation (whether desktop/laptop) delivery, data backup of core organizational software, user level support for hardware, software or network. SMS services for customers to send sms regarding loan or credit card bill or due date reminder or transaction are also looked after by the division. Scheduled maintenance of different servers which includes hardware maintenance as well as software/patch/kernel up-gradation, database maintenance and replacement of equipment at the end of its service life, etc. are also looked after regularly and consistently. As a financial organization, for LankaBangla, IT division has to comply with the rules of Bangladesh Bank ICT Policy for Financial Institute.

## Human Resources Division

LankaBangla Finance Limited serves HR activities from planning to separation. The division is mostly focusing on quality HR recruitment, retention and development of the resources for meeting future needs. In 2013, the division implemented the online leave application system through ERP, the block leave plan, newly introduced performance management (PM) system. The HRIS system which was implemented in 2012, is serving the requirement of HR and still going through further development stages.

The HR Division conducts its activities through 4 (four) separate units namely **HR Administration Unit, Learning & Development Unit, Recruitment & Selection Unit and Compensation & Benefits Unit.**

## General & Infrastructure Services

LankaBangla has put in place the centralized General & Infrastructure Services (GIS) Division to ensure that all general, logistics, and infrastructure services are planned, organized, executed, and monitored on a continuous manner to ensure timely, cost-effective, and result oriented support to all segments and operations of the company.

GIS Division's functions are divided under 3 (three) units, namely Logistics & Support Unit, Procurement Unit, and Infrastructure & Development Unit.

### Logistics & Support Unit

It deals with day-to-day support activities for making available printing & stationery materials, office supplies, ensuring floor cleaning & environmental standard maintenance, transport management, storage, etc.

### Procurement Unit

The unit processes all sorts of procurement planning, approval with the recommendation of Purchase Committee of the management and approval of the competent authority, and procurement.

### Infrastructure & Development Unit

It undertakes all infrastructure and development activities like planning, acquisition and development of new office premises for expansion of head office, Branches, Booths; opening of new branches and booths; and their launching, etc.

## Credit Risk Management

In compliance with Enterprise Risk Management strategy, LankaBangla has established an independent Credit Risk Management Division which is separate from business and operations divisions. All credit proposals are independently assessed – different risk factors and mitigation plans are identified in line with company's Board approved credit policy and placed before Management Credit Committee (MCC) for onward recommendation to the appropriate approval authority. Any findings, be it positive or negative, relevant to make note of, is also highlighted for perusal of the approving authority for consideration.

Credit Risk Management Division regularly monitors the quality of loan portfolio and actively works on Early Alert Reports generated by business/ operations units. Analysis on delinquent asset portfolio not only helps to chart the right course of lending but also allows maintaining the NPL at its minimum level. Over the last one and half year it has become possible, by following Board's guidance and management's strict adherence to corporate lending policy, to keep the quality of lending at its best possible profile.

At LankaBangla, industry best practices are implemented to ensure the quality of lending portfolio and relentless effort is in place to retain the culture of applying due diligence at all levels of credit risk management.

## Risk Management

Risk Management Division (RMD) at LankaBangla is committed to adopt sound risk management principles and to manage risk in accordance with recognized best practices. In order to deliver this objective a consistent and systematic approach to managing risk is adopted by all staff in all areas of the company's activities. The Risk Management Division is maintaining the highest possible integrity for services provided by LankaBangla & ensures Safeguard company's assets (people, property, reputation and financials). RMD has created an environment where LankaBangla employees assume responsibility for managing Risk and identifying possible risks in their respective areas of control. RMD ensures that LankaBangla management can appropriately maximize its opportunities and minimize its threats. Regular audit from RMD (Risk Management Division) are conducted in addition to central Bank's audit for meticulous compliance of policy issues.

The Risk Management Division which directly reports to the Board Audit Committee (BAC) is divided in 3 (three) departments, namely **Internal Audit & Inspection Unit, Enterprise Risk Management Unit and Internal Control & Compliance Unit.**

## Board Secretariat

The role of the Board Secretariat Division is to serve as a liaison between the Board of Directors, the management, the shareholders, the regulators and other stakeholders concerning the operations of the Company. The Board Secretariat employees' mission is to assist the Board members and facilitate the management in carrying out their respective roles and responsibilities effectively and to serve the stakeholders by providing required information regarding the activities of LankaBangla Finance Limited (including its subsidiaries) as well as the Board of the respective company. The Board Secretariat is reportable to the Board and for administrative purpose to the Managing Director. The Board Secretariat is the authorized representative of the Board of Directors. The Board Secretariat is often the first contact point for the shareholders regarding the operation of the Company. The concerned employees of the Secretariat prepare meeting notices, arrange Board and its Committee and shareholders' meetings, produce and distribute meeting materials and ensure all of the required arrangements in this regard. The concerned employees prepare the official minutes of the meetings which to be kept in perpetuity.



## Products & Services we offer at lankaBangla

LankaBangla is partnering country's economic growth by sharing knowledge and building capacity of the entrepreneurial efforts in Bangladesh. We are contributing to the development of the root of growth through Agribusiness financing, boosting new generation ventures with SME financing and empowering women through Woman Entrepreneur Finance. Our services are:



## Projects Financed by LankaBangla



Power Generation Plant

Ship Building



Steel Manufacturing Plant

Cement Manufacturing



Cargo Vessels

Ready Mix Processing Plant



# Projects Financed by LankaBangla



Petroleum Plant

Paper Manufacturing Plant



Spining Mill

Textile Mill



Denim Factory

Ready-Made Garments



## Projects Financed by LankaBangla



Jute Mill



Shoe Manufacturing Plant



Salt Manufacturing



Beverage Plant



Ice Cream Manufacturing



Ball Pen Factory



# Projects Financed by LankaBangla



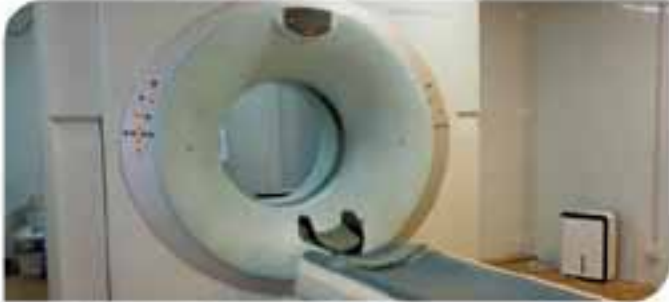
Sanitary Ware Manufacturing Plant

Vehicle



Printing House

Medical Equipments



Furniture Manufacturing Plant

Hospitality



## Green Financing by LankaBangla



Power Solar

Auto Brick



ETP

## IT Sector Financing by LankaBangla



IT



# An Eventful Year for LankaBangla



The 16th AGM of LankaBangla Finance Limited

The Directors of LankaBangla Finance on Board Meeting



Shareholders of LankaBangla Finance at 16th AGM

The Directors of LankaBangla Securities on Board Meeting



## An Eventful Year for LankaBangla



The Directors of LankaBangla Investments on Board Meeting

LankaBangla Finance Jessore Branch Opening



The Directors of LankaBangla Asset Management Company on Board Meeting

LankaBangla Finance Comilla Branch Opening



## An Eventful Year for LankaBangla



MoU Between  
Bangladesh Bank  
and  
LankaBangla Finance

LankaBangla Securities  
Alpha Hunters



MoU Between  
Auto Museum  
and  
LankaBangla Finance

MoU Between  
Habib Group  
and  
LankaBangla Investments  
(IPO Management)



## An Eventful Year for LankaBangla



MoU Between  
Anwar Landmark  
and  
LankaBangla Finance

MoU Between  
BURO Bangladesh  
and  
LankaBangla Finance



MoU Between  
LONG BEACH HOTEL  
and  
LankaBangla Finance

LankaBangla Leadership  
Programm



## An Eventfull Year for LankaBangla



MoU Between  
BBS Cables  
and  
LankaBangla Investments  
(IPO Management)

MoU Between  
Well Park Residence  
and  
LankaBangla Finance  
Limited



MoU Between  
Aman Group  
and  
LankaBangla Finance  
Limited  
(Syndication Financing)

MoU Between  
K.K automobiles  
and  
LankaBangla Finance  
Limited



# Consolidated Financial Highlights



## Consolidated Financial Highlights

All figures in BDT million except %

Particulars	2009	2010	2011	2012	2013	Growth in 2013 over 2012	5 Year CAGR (%) Average*
Total Assets	13,435.00	19,322.24	22,380.00	25,336.57	32,064.89	26.56%	24.29%
Total Liabilities	11,335.07	14,532.20	16,659.83	18,862.61	25,035.40	32.73%	21.91%
Business Disbursement	4,689.28	4,275.50	4,443.70	6,369.79	11,069.91	73.79%	23.95%
Property Plant and Equipment	92.46	195.00	189.06	238.13	291.41	27.38%	33.24%
Current Assets	8,839.66	8,985.65	9,345.29	19,887.03	19,281.43	-3.05%	21.53%
Current Liabilities	7,394.94	7,859.65	8,945.25	10,804.71	14,964.52	38.50%	19.27%
Net current assets	1,444.72	1,116.00	400.04	9,082.32	4,316.91	-52.47%	31.48%
Non Current Assets	4,595.93	10,336.59	13,034.71	5,449.54	12,783.46	134.58%	29.14%
Long Term Liabilities	3,940.13	6,652.55	7,714.58	8,057.90	10,070.87	24.98%	26.44%
Term Deposits	4,432.90	4,550.00	5,309.62	7,615.92	10,827.26	42.17%	25.01%
Total Investment Portfolio	10,699.17	15,054.57	18,703.35	21,851.25	30,314.47	38.73%	29.74%
<b>Operational Performance</b>							
Operating Revenue	2,427.07	4,176.11	3,410.33	3,537.43	4,948.84	39.90%	19.50%
Operating Expenses	1,362.38	1,513.72	2,023.40	3,298.18	3,623.00	9.85%	27.70%
Financial Expenses	936.61	1,016.08	1,396.57	2,147.52	2,730.92	27.17%	30.67%
Net Profit Before Tax	908.07	2,331.10	1,304.04	510.31	997.14	95.40%	2.37%
Net Profit After Tax	744.08	1,700.15	791.1	348.02	954.55	174.28%	6.43%
Turnover of Share Trading by LBSL	242,210.58	560,356.03	229,161.62	135,335.25	135,794.51	0.34%	-13.47%
<b>Financial Ratios</b>							
Operating Profit Ratio	43.87%	63.75%	40.67%	6.76%	26.79%	296.11%	16.78%
Cash reserve ratio/ liquidity asset ratio (Required 2.5%)	48.39%	5.68%	3.59%	2.80%	2.58%	-7.91%	2.69%
Statutory Liquidity Reserve (Required 5%)	27.87%	26.91%	8.92%	7.57%	6.52%	-13.83%	7.04%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	-	-	10.32%	19.64%	20.75%	5.65%	16.90%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	5.38%	7.90%	6.51%	3.96%	4.84%	22.22%	5.72%
Cost to Income Ratio	56.13%	36.25%	59.33%	93.24%	73.21%	-21.48%	63.63%
Current Ratio	1.2	1.14	1.04	1.84	1.29	-30.00%	1.30
Debt Equity Ratio	5.4	3.03	2.92	2.91	3.66	25.62%	3.58
Financial Expense Coverage Ratio	1.79	2.67	1.57	1.15	1.49	28.96%	1.73
Return on Equity (%)	35.42%	35.49%	13.83%	5.04%	13.96%	176.89%	20.75%
Return on Assets (%)	5.54%	8.80%	3.53%	1.37%	2.98%	116.73%	4.44%
<b>Equity Parameters</b>							
Authorized Capital	1,000.00	1,000.00	3,000.00	3,000.00	3,000.00	0.00%	31.61%
Paid-up Capital	442.75	531.3	823.52	1,894.08	2,083.49	10.00%	47.28%
Shareholders' Equity	2,100.53	4,790.04	5,720.17	6,473.96	6,839.91	5.65%	34.33%
No. of Share Outstanding	44.28	53.13	82.35	189.41	208.35	10.00%	47.28%
Net Asset Value (NAV) Per Share	47.44	90.18	69.46	34.18	32.83	-3.95%	-8.79%
Earnings Per Share (EPS)	14	32	9.61	1.77	4.58	159.22%	-24.37%
Market Price Per Share (Closing)	313.8	497.9	170.2	59.0	66.5	12.71%	-32.15%
Price Earnings Ratio (Times) *	22.41	15.56	17.72	33.39	14.52	-56.52%	20.72
Dividend Payment (C-cash & B- bonus)	20% B 15% C	55% B -	30% B -	10% B -	5% B 15% C		32%
Dividend Payout Ratio (%)	25.00%	17.19%	31.22%	56.60%	43.67%	-22.84%	14.95%
Dividend Coverage (Times)	4.80	5.82	3.20	1.84	2.29	24.67%	-16.89%
Dividend Yield (%) *	1.12%	1.10%	1.76%	1.69%	3.01%	77.44%	1.74%
Profit Per Employee (mn)	2.55	5.57	2.46	0.77	1.79	132.83%	2.63

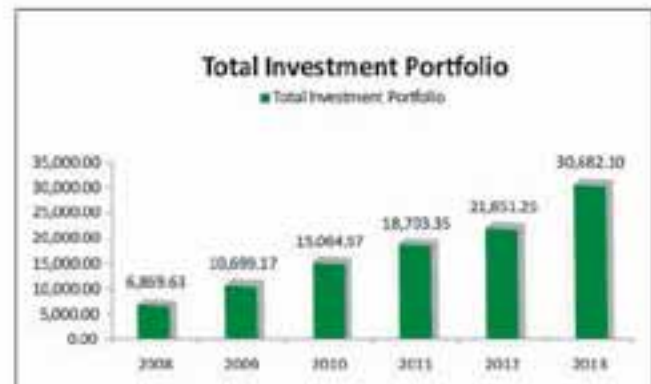
\* Historical figures have been restated



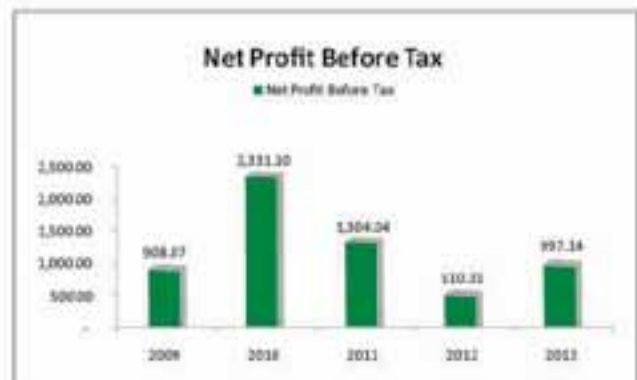
Total assets are growing at 24% (Avg.) due to Company's relentless effort to disburse quality loans.



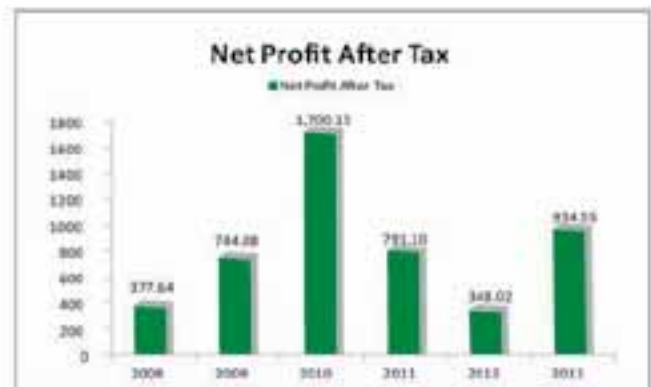
74% growth is achieved in 2013 due to recorded amount (845 crore) of disbursement to corporate clients.



Investment portfolio also grows to a high extent due to gigantic amount of disbursement during the year.



Higher growth of total income (60%) over total expenses (39%) contributes high growth of NPBT.



Large amount of carry forwarded tax losses because of unabsorbed depreciation results decrease in tax.







Significant growth in interest income and investment income contributes upward movement of revenue.



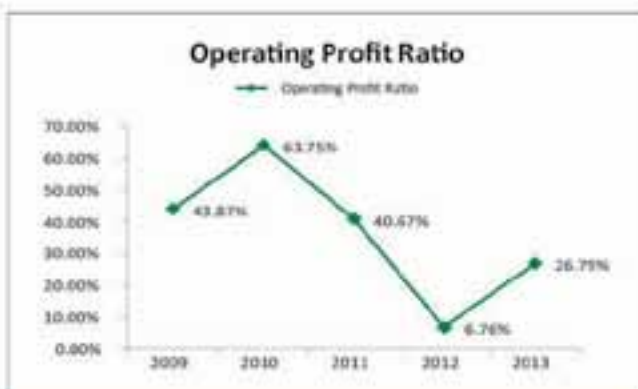
Equity increased by 36.5 crore over 2013 mainly due to not giving any cash final/interim dividend.



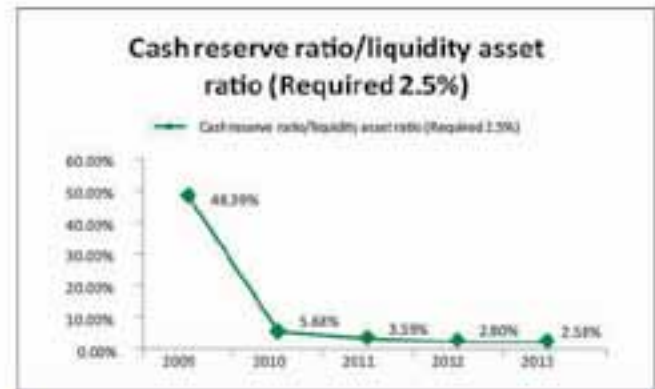
Huge growth in net profit (174%) results substantial upward movement of EPS.



NAV decreased by 4% just only due to increase of 190 million share in 2013 due to issue of bonus share.



Operating ration improves due to Company's strategy of tight ening cost of borrowing & operating cost.



The Company is now more concerned to keep CRR a little bit above of 2.5% to avoid surplus liquidity.

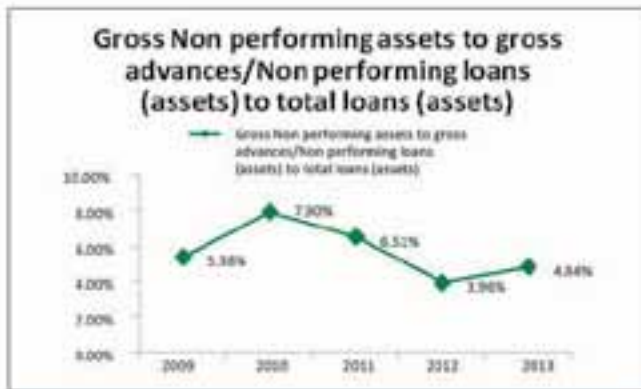




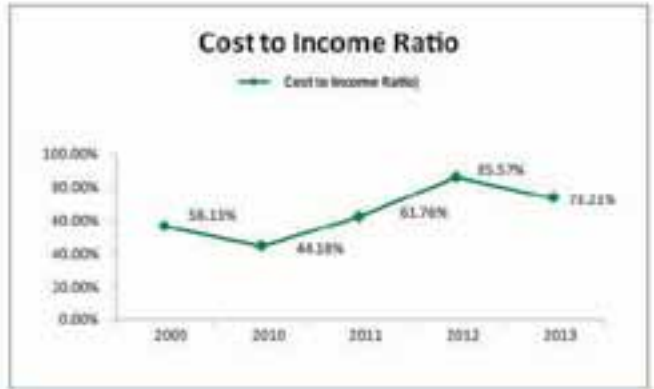
The Company is now more concerned to keep SLR a little bit above of 5% to avoid surplus liquidity.



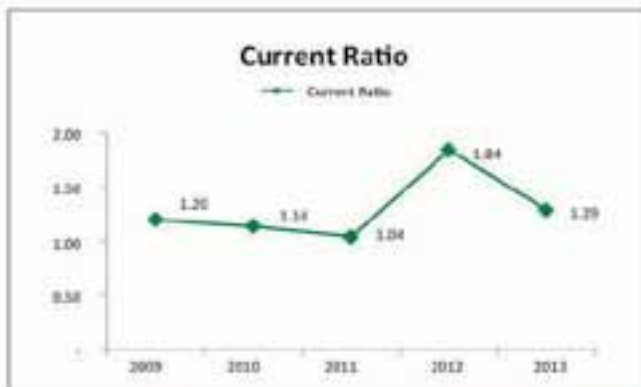
The Company always endeavors to keep more than adequate capital in order to be compliant and risk free



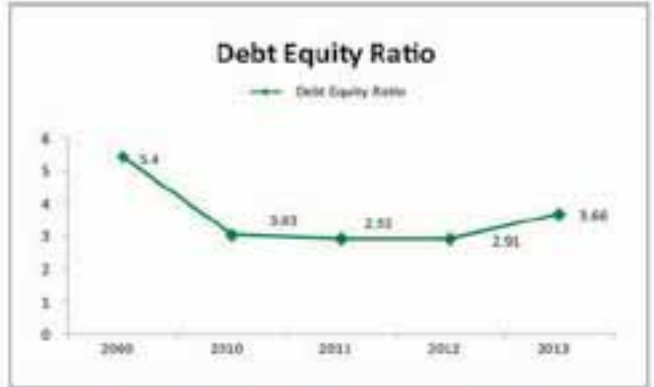
Increase of NPL is positively correlated with the political unrest of 2013; albeit it is not alarming.



This ratio improves due to radical reduction in cost of borrowing and continuous improvement in efficiency.



Current ratio falls due to having more current liability in the form of short term public deposit in capital structure.



High growth of assets mainly financed by liabilities increased debt equity ratio to 3.66; however still low in terms of industry practice.



## Horizontal Analysis

For the last 5 years  
Statement of Comprehensive Income

	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
<b>Operating Income</b>					
Net interest	213%	164%	234%	142%	100%
Interest income	268%	209%	175%	119%	100%
Less : Interest expenses on deposits & borrowings	292%	229%	149%	108%	100%
Income from investment	469%	23%	109%	252%	100%
Commission, exchange and brokerage income	10571%	10618%	16909%	41867%	100%
Other operational income	22%	22%	15%	35%	100%
<b>Total operating income</b>	<b>149%</b>	<b>93%</b>	<b>135%</b>	<b>212%</b>	<b>100%</b>
<b>Operating Expenses</b>					
Salary and allowances	231%	190%	102%	118%	100%
Rent, taxes, insurance, electricity etc.	372%	289%	156%	117%	100%
Legal and professional fees	455%	325%	244%	158%	100%
Postage, stamp, telecommunication etc.	241%	196%	122%	89%	100%
Stationery, printing, advertisement	163%	124%	96%	81%	100%
Managing director's salary and allowance	223%	200%	42%	103%	100%
Director fees and expenses	345%	285%	143%	117%	100%
Audit fees	345%	261%	295%	168%	100%
Changes on loan losses	0%	0%	33%	32%	100%
Repairs, maintenance and depreciation	164%	146%	77%	72%	100%
Other expenses	170%	185%	246%	138%	100%
<b>Total operating expenses</b>	<b>210%</b>	<b>186%</b>	<b>147%</b>	<b>117%</b>	<b>100%</b>
<b>Net Operating Income</b>	<b>125%</b>	<b>56%</b>	<b>130%</b>	<b>250%</b>	<b>100%</b>
Provisions for loans / investments					
Provisions for leases and loans	156%	41%	47%	165%	100%
Provision for diminution in value of investments	-192%	-57%	0%	-179%	100%
General provision for other assets					0%
<b>Profit before tax and reserve</b>	<b>110%</b>	<b>56%</b>	<b>144%</b>	<b>257%</b>	<b>100%</b>
	26%	99%	271%	300%	100%
Provision for tax made during the year	16%	101%	268%	308%	100%
Deferred tax expense or (Income)	-1404%	436%	-142%	1389%	100%
<b>Net profit after tax</b>	<b>128%</b>	<b>47%</b>	<b>115%</b>	<b>247%</b>	<b>100%</b>

# Horizontal Analysis

For the last 5 years  
Statement of Financial Position

	2013	2012	2011	2010	2009
<b>PROPERTY AND ASSETS</b>					
<b>Cash</b>	361.42%	302.52%	220.88%	172.22%	100.00%
Cash in hand	178.33%	158.78%	161.63%	196.03%	100.00%
Balance with Bangladesh Bank	361.77%	302.80%	221.00%	172.17%	100.00%
<b>Balance with other banks and financial institutions</b>	<b>227.08%</b>	<b>146.25%</b>	<b>195.39%</b>	<b>170.56%</b>	<b>100.00%</b>
<b>Money at call and short notice</b>					
<b>Investment</b>	<b>199.28%</b>	<b>192.44%</b>	<b>202.30%</b>	<b>130.35%</b>	<b>100.00%</b>
Government securities	137.41%	151.03%	245.35%	183.24%	100.00%
Other investments	243.39%	221.96%	171.59%	92.64%	100.00%
<b>Leases, loans and advances</b>	<b>308.15%</b>	<b>231.15%</b>	<b>129.48%</b>	<b>117.50%</b>	<b>100.00%</b>
Lease portfolio, term finance, short term loan, etc.					
<b>Fixed assets including land, building, furniture and fixtures</b>	<b>315.17%</b>	<b>257.54%</b>	<b>204.46%</b>	<b>210.90%</b>	<b>100.00%</b>
<b>Other assets</b>	<b>35.78%</b>	<b>57.28%</b>	<b>248.15%</b>	<b>225.75%</b>	<b>100.00%</b>
<b>TOTAL PROPERTY AND ASSETS</b>	<b>238.54%</b>	<b>188.50%</b>	<b>166.49%</b>	<b>143.74%</b>	<b>100.00%</b>
<b>LIABILITY AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities</b>	<b>235.63%</b>	<b>172.89%</b>	<b>144.65%</b>	<b>114.66%</b>	<b>100.00%</b>
Borrowings from Bangladesh Bank, other banks and financial institutions	228.12%	173.83%	166.33%	124.93%	100.00%
Term deposits	244.25%	171.80%	119.78%	102.87%	100.00%
<b>Other liabilities</b>	<b>143.07%</b>	<b>121.59%</b>	<b>138.22%</b>	<b>179.61%</b>	<b>100.00%</b>
<b>TOTAL LIABILITIES</b>	<b>378.70%</b>	<b>294.48%</b>	<b>282.87%</b>	<b>294.27%</b>	<b>100.00%</b>
<b>Shareholders' Equity</b>	<b>325.63%</b>	<b>308.21%</b>	<b>272.32%</b>	<b>228.04%</b>	<b>100.00%</b>
Paid up capital	470.58%	427.80%	186.00%	120.00%	100.00%
Share premium					0.00%
Statutory reserve	463.29%	399.55%	223.74%	157.35%	100.00%
General reserve	1305.63%	1215.21%	1249.55%	1106.41%	100.00%
Fair value measurement reserve	14.04%	90.91%	90.91%	90.91%	100.00%
Retained earnings	284.15%	238.77%	293.92%	241.04%	100.00%
<b>Non controlling interest</b>	<b>826284%</b>	<b>839649%</b>	<b>1620172%</b>	<b>1495624%</b>	<b>100%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>238.54%</b>	<b>188.50%</b>	<b>166.49%</b>	<b>143.74%</b>	<b>100.00%</b>



## Vertical Analysis

For the last 5 years  
Statement of Comprehensive Income

	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
<b>Operating Income</b>					
Net interest	39.5%	38.1%	47.8%	18.5%	27.6%
Interest income	162.7%	192.6%	117.1%	50.7%	90.4%
Less : Interest paid on deposits & borrowings	123.1%	154.5%	69.4%	32.2%	62.8%
Income from investment	29.6%	12.6%	7.6%	11.2%	9.4%
Commission, Exchange and Brokerage Income	21.5%	34.5%	37.9%	59.9%	56.8%
Other operational income	9.3%	14.7%	6.7%	10.5%	6.2%
<b>Total :</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating Expenses</b>					
Salary and allowances	19.9%	26.2%	9.7%	7.1%	12.8%
Rent, taxes, insurance, electricity etc.	4.0%	4.9%	1.8%	0.9%	1.6%
Legal & professional fees	0.8%	0.9%	0.5%	0.2%	0.3%
Postage, stamp, telecommunication etc.	0.5%	0.6%	0.3%	0.1%	0.3%
Stationery, printing, advertisement	0.9%	1.1%	0.6%	0.3%	0.8%
Managing director's salary & allowance	0.5%	0.8%	0.1%	0.2%	0.4%
Director fees and expenses	0.1%	0.1%	0.0%	0.0%	0.0%
Audit fees	0.0%	0.0%	0.0%	0.0%	0.0%
Charges on loan losses	0.0%	25.7%	0.1%	0.1%	0.4%
Repairs, maintenance and depreciation	3.3%	4.6%	1.7%	1.0%	3.0%
Direct Charges	-	-	-	4.0%	4.8%
Other expenses	10.3%	17.8%	16.3%	1.8%	4.1%
<b>Total :</b>	<b>40.2%</b>	<b>82.8%</b>	<b>31.1%</b>	<b>15.7%</b>	<b>28.6%</b>
<b>Net Operating Income</b>	<b>59.8%</b>	<b>17.2%</b>	<b>68.9%</b>	<b>84.3%</b>	<b>71.4%</b>
<b>Provision for loans &amp; advance</b>	<b>14.8%</b>	<b>-19.5%</b>	<b>4.1%</b>	<b>10.5%</b>	<b>10.5%</b>
Specific provision	12.1%	-20.4%	2.6%	5.0%	3.9%
General provision	2.7%	0.9%	1.5%	5.5%	6.6%
<b>Profit before tax and reserve:</b>	<b>45.0%</b>	<b>36.7%</b>	<b>64.8%</b>	<b>73.8%</b>	<b>60.9%</b>
<b>Provision for tax</b>	<b>1.9%</b>	<b>11.7%</b>	<b>22.1%</b>	<b>15.6%</b>	<b>11.0%</b>
Provision for the period	1.2%	12.0%	22.0%	16.1%	11.1%
Deferred tax expenses/(income)	0.7%	-0.4%	0.1%	-0.5%	-0.1%
<b>Net profit after tax:</b>	<b>43.0%</b>	<b>25.0%</b>	<b>42.7%</b>	<b>58.2%</b>	<b>49.9%</b>
Non Controlling Interest	0.9%	1.6%	3.4%	4.4%	0.0%
<b>Net Profit for the Year Attributable to Shareholders of Parent Company</b>	<b>42.2%</b>	<b>23.5%</b>	<b>39.3%</b>	<b>53.8%</b>	<b>49.9%</b>

## Vertical Analysis

For the last 5 years  
Statement of Financial Position

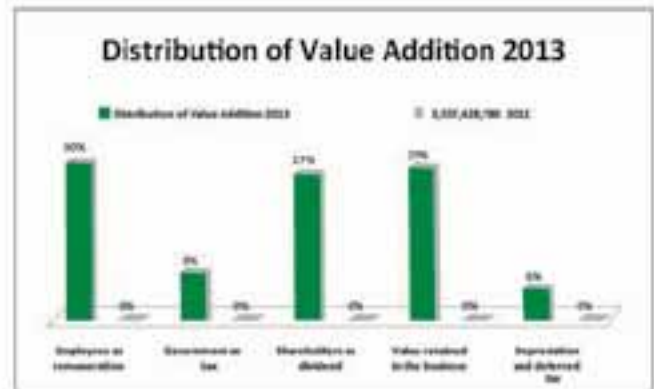
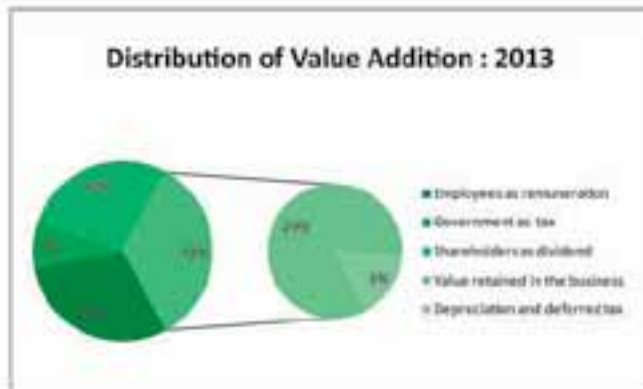
	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
<b>PROPERTY &amp; ASSETS</b>					
<b>Cash</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.4%</b>
Cash in hand	0.0%	0.0%	0.0%	0.0%	0.0%
Balance with Bangladesh Bank	0.6%	0.6%	0.5%	0.5%	0.4%
<b>Balance with others bank and financial institutions</b>	<b>7.3%</b>	<b>6.0%</b>	<b>9.0%</b>	<b>9.1%</b>	<b>7.7%</b>
Local Currency:	7.3%	6.0%	9.0%	9.1%	7.7%
Foreign Currency:	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Investment</b>	<b>11.0%</b>	<b>13.4%</b>	<b>15.9%</b>	<b>11.9%</b>	<b>13.1%</b>
Government securities	3.1%	4.4%	8.1%	7.0%	5.5%
Others investment	7.8%	9.0%	7.9%	4.9%	7.7%
<b>Lease, Loans and advances</b>	<b>77.5%</b>	<b>73.8%</b>	<b>46.6%</b>	<b>49.0%</b>	<b>60.0%</b>
<b>Fixed assets</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.8%</b>	<b>1.0%</b>	<b>0.7%</b>
At cost	0.9%	0.9%	1.6%	1.7%	1.6%
Less: Accumulated depreciation	0.0%	0.0%	0.8%	0.7%	1.0%
<b>Other assets</b>	<b>2.72%</b>	<b>5.2%</b>	<b>27.0%</b>	<b>28.4%</b>	<b>18.1%</b>
<b>TOTAL ASSETS:</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITY &amp; CAPITAL</b>					
<b>Liabilities</b>	<b>69.9%</b>	<b>64.9%</b>	<b>61.5%</b>	<b>56.5%</b>	<b>70.8%</b>
Borrowings from Bangladesh Bank, Other Banks & Financial Institutions	36.2%	34.9%	37.8%	32.9%	37.8%
Term deposits	33.8%	30.1%	23.7%	23.6%	33.0%
<b>Other liabilities</b>	<b>8.1%</b>	<b>8.7%</b>	<b>11.3%</b>	<b>17.0%</b>	<b>13.6%</b>
<b>Capital/Shareholder's Equity</b>	<b>21.3%</b>	<b>25.6%</b>	<b>25.6%</b>	<b>24.8%</b>	<b>15.6%</b>
Paid up Capital	6.5%	7.5%	3.7%	2.7%	3.3%
Share Premium	3.4%	4.3%	4.9%	5.6%	0.0%
Retained earnings	9.0%	9.6%	13.4%	12.7%	6.4%
Fair Value Measurement Reserve	0.2%	1.8%	2.0%	2.3%	3.7%
General Reserve	0.1%	0.2%	0.2%	0.2%	0.0%
Statutory Reserve	2.0%	2.2%	1.4%	1.1%	1.0%
<b>Non-Controlling Interest</b>	<b>0.6%</b>	<b>0.8%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>0.0%</b>
<b>TOTAL LIABILITIES:</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Value Added Statement (Consolidated)

For the year ended 31 December 2013

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

	31 Dec 2013		31 Dec 2012	
	Taka	%	Taka	%
<b>Value added</b>				
Operating revenue	4,948,836,253		3,537,428,780	
Cost of borrowing	(2,730,923,423)		(2,147,517,286)	
Provisions	(328,697,034)		(73,651,484)	
Operating expenses excluding staff cost and depreciation	(371,483,893)		(364,736,659)	
<b>Available for distribution</b>	<b>1,517,731,904</b>		<b>951,523,351</b>	
<b>Distribution of value addition</b>				
Employees as remuneration	453,127,285	30%	374,750,592	39%
Government	130,207,558	9%	167,328,701	18%
Shareholders as dividend	416,698,590	27%	189,408,450	20%
	1,000,033,433	66%	731,487,743	77%
<b>Retained for expansion and future growth</b>				
Value retained in the business	434,009,445	29%	170,908,464	18%
Deferred tax	16,220,356	1%	(5,037,107)	-1%
Depreciation	67,468,670	4%	54,164,251	6%
<b>Amount distributed</b>	<b>1,517,731,904</b>	<b>100%</b>	<b>951,523,351</b>	<b>100%</b>
Number of employees at the end of the year	534		425	
<b>Value created per employee (BDT)</b>	<b>2,842,195</b>		<b>2,238,878</b>	
Number of shares	208,349,295		149,408,450	
<b>Value created per share (BDT)</b>	<b>7.28</b>		<b>6.37</b>	



## Market Value Added (MVA) Statement (Consolidated)

For the year ended 31 December 2013

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 13,855.2 million whereas the book value of the shares stood at Tk 2,083.4 million, resulting a Market Value Addition of Tk 9,281.01 million as of December 31, 2013. The calculation of Market Value Added is given below:

Particulars	2012		
	No. of Share	Value in Taka	Taka
Market Value	208,349,295	66.5	13,855,228,118
Book Value	208,349,295	10	2,083,492,950
<b>Market Value Added</b>			<b>11,771,735,168</b>

Particulars	2011		
	No. of Share	Value in Taka	Taka
Market Value	189,408,450	59	11,175,098,550
Book Value	189,408,450	10	1,894,084,500
<b>Market Value Added</b>			<b>9,281,014,050</b>





## Economic Value Added (EVA) Statement (Consolidated)

For the year ended 31 December 2013

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:

$$\text{EVA} = (\text{NOPAT} - \text{Cost of average equity})$$

### NOPAT

NOPAT is the net operating profit after tax which is calculated by deducting the income tax expense from operating profit.

	2013	2012
Operating income	4,948,836,253	3,537,428,780
Operating expenses	(3,623,003,270)	(2,941,168,789)
Operating profit	1,325,832,983	596,259,991
Income tax	(42,583,388)	(162,291,594)
<b>NOPAT</b>	<b>1,283,249,594</b>	<b>433,968,397</b>

### Equity

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

	2013	2012	2011
Shareholders' equity at year end	6,839,911,824	6,473,960,231	6,087,231,098
Accumulated provision for doubtful losses	892,755,998	516,301,680	637,575,065
<b>Equity</b>	<b>7,732,667,822</b>	<b>6,990,261,910</b>	<b>6,724,806,163</b>

### Average equity

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

	2013	2012	2011
Shareholders' equity	7,732,667,822	6,990,261,910	6,724,806,163
<b>Average equity</b>	<b>7,361,464,866</b>	<b>6,857,534,037</b>	

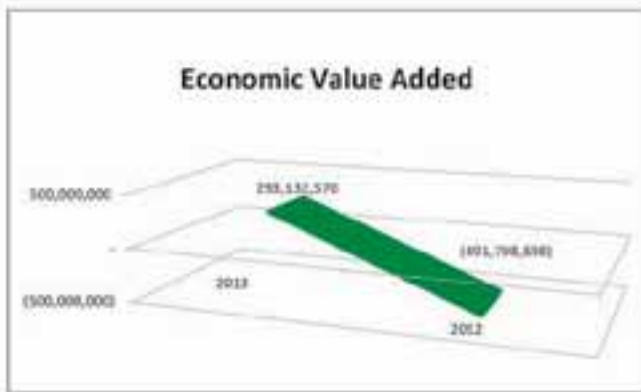
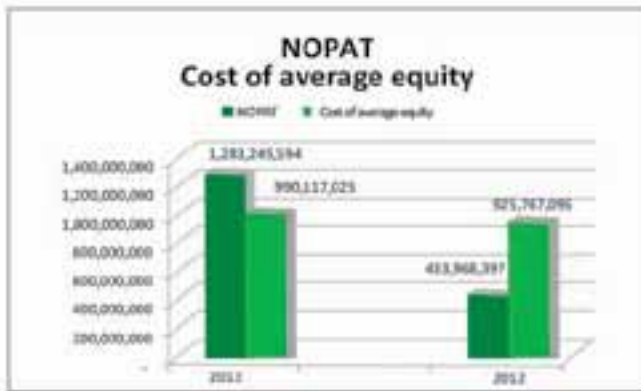
### Cost of equity

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.

	2013	2012
Interest rate on 5 Years Government Treasury Bond as on 31 December	11.45%	8.5%
Standard Risk premium	2%	2%
<b>Cost of equity</b>	<b>13.45%</b>	<b>10.5%</b>

### ECONOMIC VALUE ADDED

	2013	2011
<b>NOPAT</b>	<b>1,283,249,594</b>	<b>433,968,397</b>
Cost of average equity	990,117,025	925,767,095
Average Shareholders' equity	7,361,464,866	6,857,534,037
Cost of capital	13.45%	13.5%
<b>EVA</b>	<b>293,132,570</b>	<b>(491,798,698)</b>
Number of shares	208,349,295	189,408,450
<b>Economic Value Added Per Share</b>	<b>1.41</b>	<b>(2.60)</b>



## Statement of Contribution to Government Exchequer

For the year ended 31 December 2013

Being a legitimate and ethical company, LankaBangla treats Government one of the most important stakeholders and try to contribute to Government for the betterment of the country. During the year 2013, LankaBangla Finance Limited and its subsidiaries have paid a handsome amount of Tk. 435.53 million to Government exchequer (in the form of income tax, withholding tax, VAT, withholding VAT and excise duty ) compared to Tk. 262.30 million in 2012 which reflects its fair and consistent commitment towards contributing to the nation.

Forms of Contribution	2013	2012
Income Tax	407,508,838	237,659,256
Salary	15,632,141	14,991,739
Interest on savings deposit	114,873,846	51,359,192
Payment of Supplier	23,655,317	10,162,194
Advance Corporate Tax	252,784,778	160,404,930
Others	562,756	741,201
VAT	26,003,985	23,630,685
Excise Duty	2,020,153	1,009,105
<b>Total Paid to Government Exchequer</b>	<b>435,532,976</b>	<b>262,299,046</b>

# Human Resource Accounting

The value of our Human Capital is estimated at approximately BDT 13,919.824 million at the end of 2013.

To estimate the value of our Human Capital we have used extensively Lev & Schwartz model of Human resource accounting. We keep it in good faith that human capital as like as one of several forms of holding wealth for our business, as money, securities and physical capital. Hence, the value we arrived herein is an important factor to explain or to predict the future economic growth of the company.

## Assumptions used in Human Capital Valuations

- All existing to continue serving the company up to retirement
- Employee payouts/remunerations include all direct and indirect benefits provided to them
- Annual increment is estimated to be granted at 6%-10.5% on average over the years
- The future benefits of all employees in each year are discounted at 14.41% to calculate present value, which comes with the last on the run 10 years Treasury bond rate plus 2.25% premium for risks
- The value herein is an internal assessment based on the above stated assumptions and subject to change for any deviation with the assumptions

The sweetener of the plain vanilla industry we are serving is the relatively large number of young aged human resources. It's our professionals who make the products unique, execute deals with utmost care and reinforces our promise to grow hand in hand with our customers.



# Message from the Chairman

**“LankaBangla experienced another excellent year of performance in 2013 despite various volatilities and slower growth in the economy. In 2014, the Company intends to further strengthen its position relying on its sound and long-term strategies.”**

**Dear Stakeholders,**

In the name of Allah, the most beneficent and the most merciful.

Distinguished shareholders, guests of honor, ladies and gentlemen,

May peace, mercy and blessings of Almighty Allah be upon you.

It is indeed a great pleasure for me to be here with you in the 17th Annual General Meeting of LankaBangla Finance Limited. On behalf of the Board of Directors and myself, I would like to express my heartfelt thanks and profound gratitude to all of you for your continuous support and guidance in achieving excellence in the performance of the Company. You are aware that there were concerns about slowdown in investment, inflation and about corporate performance. There was a sense of pessimism around the national economy amid political uncertainty.

I am very happy to inform that in 2013 LankaBangla Finance Limited, on a consolidated basis, recorded 174.3% growth in after tax net profit amounting to Tk. 954.55 million which was Tk. 348.01 million in 2012. Operating income of the Company in 2013 stood at Tk. 2,217.91 million which was Tk. 1,389.91 million in 2012 reporting 59.57% growth over last year. Consolidated operating expenses have increased by 12.40% to a level of Tk. 892.08 million against Tk. 793.65 million in 2012; which mainly resulted from increase in overhead expenses due to significant increase in expansion of business and up gradation of branch ambience.

Total deposits of your Company have risen to Tk. 10,827.26 million indicating 42.17% growth over last year's level of Tk. 7,615.92 million. Furthermore, the ratio of retail deposits has increased significantly and dependence on high cost bulk deposits has been reduced. As on December 31, 2013 out of total term deposits of Tk. 10,827.26 million retail deposit was Tk. 7,720.29 million i.e. 70.98% of total deposit. Your Company's strength lies in its wide coverage at all strata of the society and the trust of the people. Due to this the customer acquisition growth is very much encouraging.



You will be glad to know that your Company's consolidated investment portfolio as on December 31, 2013 has stood at Tk. 30,682.10 million. Hence 40.41% portfolio growth was recorded over last year. The growth has mainly resulted from quality investment in large corporate. It was a conscious strategy of your Company to provide facilities at competitive rate of interest to the better rated clients.

Moreover, your Company's retail history has been encouraging. Lending to the retail segment has reached to Tk.4,351.07 million recording a growth of 39.44% over last year's level of Tk. 3,120.48 million. Major contributors in this segment were auto loans, credit card and home loans registering 78.43%, 36.10% and 18.00% growth respectively. The portfolios are quite healthy backed by adequate collateral.

During the year 2013 LankaBangla paid Tk. 435.53 million as advance income tax and withholding tax and made tax provision of Tk. 42.58 million which represents our commitment to contribute to the economic development of the country. Our strategy over the next few years is to build the brand image of LankaBangla as a strong, dynamic, reliable and prudent financial institution. During the year 2013, the Company expanded its network by adding three more branches at Banani, Dhanmondi & Uttara of Dhaka City.

Corporate Social Responsibility (CSR) activities of your Company continued to gain momentum. The Company extended support to the socially relevant schemes such as donation to the Prime Minister's Relief & Welfare Fund, donation to CCP Foundation and Kishoregong Eye Hospital, distribution of blankets among the severely cold affected poor people & providing scholarship to the poor meritorious students.

During the year 2013 NPL ratio of the Company increased to 4.84% from previous year's 3.93%. The absolute figures show increase in classified portfolio from BDT 522.53 million in 2012 to BDT 931.21 million in 2013. The deterioration has occurred in the SME and mid-corporate segments in sectors under stress in the economy mainly Trading, Iron and Steel, Textiles, etc. Special efforts have been made during the year, which has been further intensified during the fourth quarter of 2013. This has helped to reduce the impact of stressful economy on NPL to a sizable extent compared to the industry. Your Company has made required provision for NPLs during the year which amounted to Tk. 371.71 million. The Provision Coverage ratio stands at 39.92%. In the times ahead and supported by the growth in the real economy, we shall take every step to recover the impaired assets through timely and proactive measures.

Capital Adequacy Ratio of your Company stood at 20.75% (on consolidated basis) as against Bangladesh Bank's stipulation of 10%. LankaBangla has taken necessary measures to remain compliant, in line with Bangladesh Bank's guidelines, with its forecasted growth in future.

The Board of Directors of your Company believes in maintaining consistent dividend policy. Accordingly, considering the capital structure of the Company as well as the future business plan and dividend prospect the Board has recommended 15.0% Cash Dividend and 5.0% Stock Dividend against per share for the year 2013.

During the year 2013, the subsidiaries of LankaBangla Finance Limited continued to perform satisfactorily. Three subsidiary companies posted aggregated after tax net profit of Tk. 506.49 million registering 78.0% growth. LankaBangla Securities Limited posted after tax net profit of Tk.484.75 million, recording 87.0% growth. LankaBangla Investments Limited has registered after tax net profit of Tk. 15.45 million, recording 21.0% growth. LankaBangla Asset Management Company Limited has made after tax net profit of Tk.6.29 million representing negative growth of 51.0% over 2012.

We are pleased to inform you that LankaBangla has been awarded credit rating A2 in long term and ST3 in short term by Credit Rating Agency of Bangladesh Limited (CRAB).

The year 2013 was special year for the Company in the arena of technological advancement. Our operational activities were upgraded with integration of advanced IT based solutions and frameworks that deployed and delivered state of the art service.

We will seek new customers and explore new markets, with particular interest in SME financing, asset management, vehicle loan financing, corporate advisory services, corporate financial services, home loan, domestic factoring, strengthening research and development department to enhance investment and provide support to capital market business etc.

Our endeavors range from maintaining higher paid-up capital base, higher and faster growth rate, higher dividend payment. Your company continues to follow prudent policy of maintaining adequate provisions for doubtful accounts & future losses to face the challenges of the rainy days. I would like to express my gratitude to my fellow Board members for their invaluable contributions throughout the year. We are grateful for their insights and contributions to the Company.

Your Company has demonstrated its resilience in the current challenging environment and I am confident that we have the strength and resources which, along with the trust our customers have reposed on us, will enable us to with stand any adversity and emerge stronger. I am proud to say that our success is being possible because of our committed, dedicated and loyal employees and the cooperation and support of our valued business partners. It is actually the customers who have made things happen for us and encouraged us in the path of growth. I would also like to extend my 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. Finally, we stay committed to serve all our stakeholders. On behalf of the Board of Directors, I pledge that we will continue to add value for the shareholders through execution of prudent business strategies whilst ensuring that we contribute towards the achievement of national priorities.

With warm regards,

Yours sincerely,



**Mohammad A. Moyeen**  
Chairman



# Review from the Managing Director

Five years after the recent global financial crisis, the world economy is showing signs of recovery in next fiscal, along by a recovery in high-income economies. Bangladesh, by maintaining political stability, can partner to the world growth engine. Following the national election we expect domestic economy will park up with increased business activities. Against this backdrop, we are strengthening capacity for large scale financing to fuel economic growth and sustainable development.

Amid political tensions, 2013 has been a challenging year with slowing momentum of growth in the economy. Throughout the year we have seen sluggish investment demand in the lead-up to the national elections. There were rising bad assets, delinquencies and high incidence of assets being restructured. Despite, your company has reported impressive results in almost every segment of operation- reflected in healthy growth of business and revenues, improved asset quality, steady growth of our customer base and widening reach through multiple channels. It is also an affirmation of our focus on a balanced growth strategy.

In the milieu of a subdued macro-economic environment, expansion by corporates remained lackluster during the year. Frequent strikes in 2013 contributed to the uncertainty which along with more stringent lending practices by private sector banks led to a slowdown in domestic private sector credit growth. The introduction of new foreign currency borrowing facilities by Bangladesh Bank has been utilized by some corporates who switched to lower cost overseas financing. As such, domestic financial institutions witnessed slow credit demand. However, with a sound infrastructure in the form of a well laid-out retail platform and a large number of corporate relationships, we performed pretty well. It was possible due to the confidence our customers kept on us for delivering on time financing. In effect, LankaBangla has registered robust growth in both business and revenues.

Following a 50 basis point rate cut in January 2013, money market eased and remain liquid throughout the year. Weighted average call money rate was around 7% almost in each month. Sluggish business activities and thus lower money demand left the financial sector with ample liquidity. Deposit and lending rate has been revised downward. Accordingly, our cost of fund has been decreased. Taking lessons from the past, we are working on reducing dependency on bank borrowings. Our deposit base grew more than 40% in 2013. Adequate infrastructure has been made to make the deposit pie dominant in coming days.

In 2013, LankaBangla earned consolidated pretax profit of Tk. 997.14 million, an increase of 95.4% over that of the previous year. The consolidated net profit after tax stood at Tk. 954.55 million registering a growth of 174.3% than





2012. The consolidated earnings per share during the year under review was Tk. 4.58 compared to previous year's Tk. 1.67. Investment portfolio of the company at the end of 2013 stood at Tk. 30,682.10 million marking 40.41% growth over last year. Risk Management unit of LankaBangla has been further strengthened this year and our capital adequacy ratio (CAR) reached to 20.75% well above the regulatory threshold.

We are increasing our business footprints in the industry to position LankaBangla for utmost synergy. In quest of a sustainable portfolio, we focused heavily on core product portfolio. Even with countrywide major political shutdown and cutting edge competition our Corporate Financial Services portfolio grew 41%, Retail Financial Services portfolio continued to outshine with 37% growth while SME Financial Services grew 23% respectively from the outgoing year. We also have a deep and abiding commitment to the environment and the underprivileged. We have adopted green office guide for the best utilization of natural resources. Our CSR initiative has broadened its landscape.

We always believe that knowledge based professional skill development is very imperative to ensure optimum contribution to the company. We are increasing knowledge sharing and training programs to enhance professional capabilities of the employees. We are striving to uphold professional ethics of our people while ensuring transparency in the operational policies, guidelines and procedures.

Going forward, we aim to increase our share in the Retail and SME financial services sector by continuing to build a strong retail infrastructure. SME would be one of the key drivers of our growth strategy, encompassing thousands of small and medium ventures with growing prospects through multiple channels across major townships. Your company is committed to developing long-term relationships with its customers by providing high-quality services.

We believe that every stakeholder bears a sense of ownership towards the company. My heartfelt gratitude to our shareholders for their confidence and trust they put in the company. Special thanks to our invaluable customers who continued to be with us despite intensified competition in the industry. Appreciation goes to all of my fellow colleagues for their teamwork with sincerity, diligence and utmost professionalism. I do express my gratitude to our lenders, depositors, regulators and other stakeholders for their continued support and cooperation. Thank you!



**Mohammed Nasir Uddin Chowdhury**  
Managing Director & CEO



# Sustainability Report

## From MD's Desk

We want to build a really good financial institution. This means providing enduring value to our people, customers, shareholders and the community. We want to be a positive part of the society. In our journey till date, we have succeeded by helping our customers to operate where the growth is. Our job is pretty focused on delivering on time financing to customers to achieve their aspirations. We are doing everything to achieve sustainable profits for our shareholders, building long-lasting relationship with our customers, valuing our highly dedicated human capital, respecting environmental limits and investing in the livelihood of our community.

Our sustainability focus deeply correlated to our strategic priorities and the related five areas of focus are – superior customer experience, technology and operational excellence, trust and team spirit, community development & sustainable bottom line. Like previous years, during 2013, we have continued to build a sustainable business in which our clients have confidence, our employees can take pride and our neighboring community get better livelihood. We remain committed to provide our customers superior and unparalleled experience in the financial services industry in Bangladesh. This year we have established a customer contact center to keep in touch 24/7.

We provide loans to customers carrying out environmental and social due diligence. LankaBangla is developing and offering financial products and services that directly or indirectly lead to long-term environmental benefit and social development. We are committed to provide financial services to a wider section of population.

Engaged employees are an imperative part of any successful financial institution, and we recognize that our people are central to re-shaping our financial activities and delivering on our strategic plan. We have continued to work towards creating a culture of trust and team spirit. We effectively targeted right execution of our HR policy & maintained geographical, cultural and gender diversity in the workplace. Our people maintained high spirit, collaborative workplace culture. We also continued to provide training and development opportunities for our people and actively worked to support the health and wellbeing of all staff. In 2013, total 415 no of employees has participated in training of 4,649 man hours. We believe, learning and skills achieved in these trainings would increase productivity.

As per our long term commitment to our community we continued to invest both in nurturing underprivileged people of

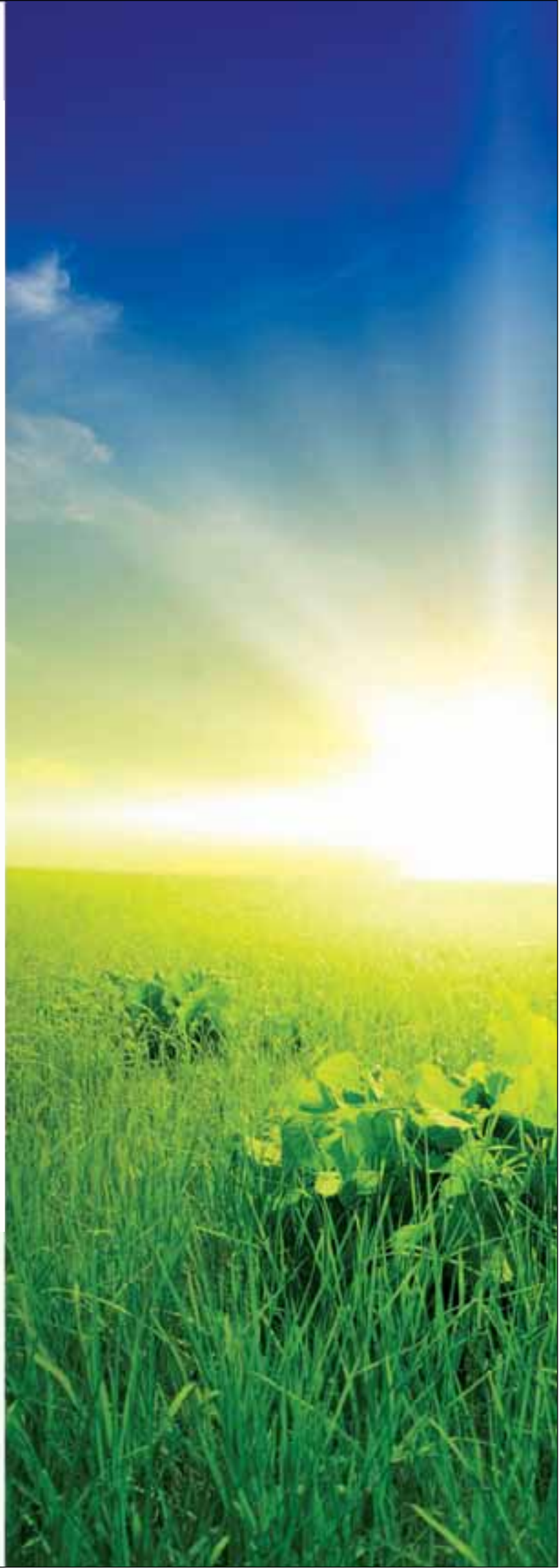


our society and in the environment we breathe. In all credit delivery points, we have instructed to go for financing in eco-friendly and environmentally sustainable business activities and energy efficient industries. Environmental infrastructures projects i.e. renewable energy clean water supply, waste 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 encouraged in our credit policy and we will finance in these projects with top priority.

LankaBangla is serving the country for long 17 years. Now LankaBangla is one of the leading financial service providers in Bangladesh. Our journey would not have been successful without trust and confidence our stakeholders kept on us. . I would also like to thank our customers for their continued engagement and commitment. I am thankful to my employees for bearing a sense of ownership in the company. They have clearly demonstrated the power of pulling together and being effective in their approach and actions. Finally, our thanks to you our shareholders. We value and appreciate your support and will continue to work hard to enhance the value of your investment in your company.



**Mohammed Nasir Uddin Chowdhury**  
Managing Director & CEO



# Directors' Report

**“We have been able to overcome key challenges faced during the year 2013 and reported considerable growth.”**

## **Dear Shareholders,**

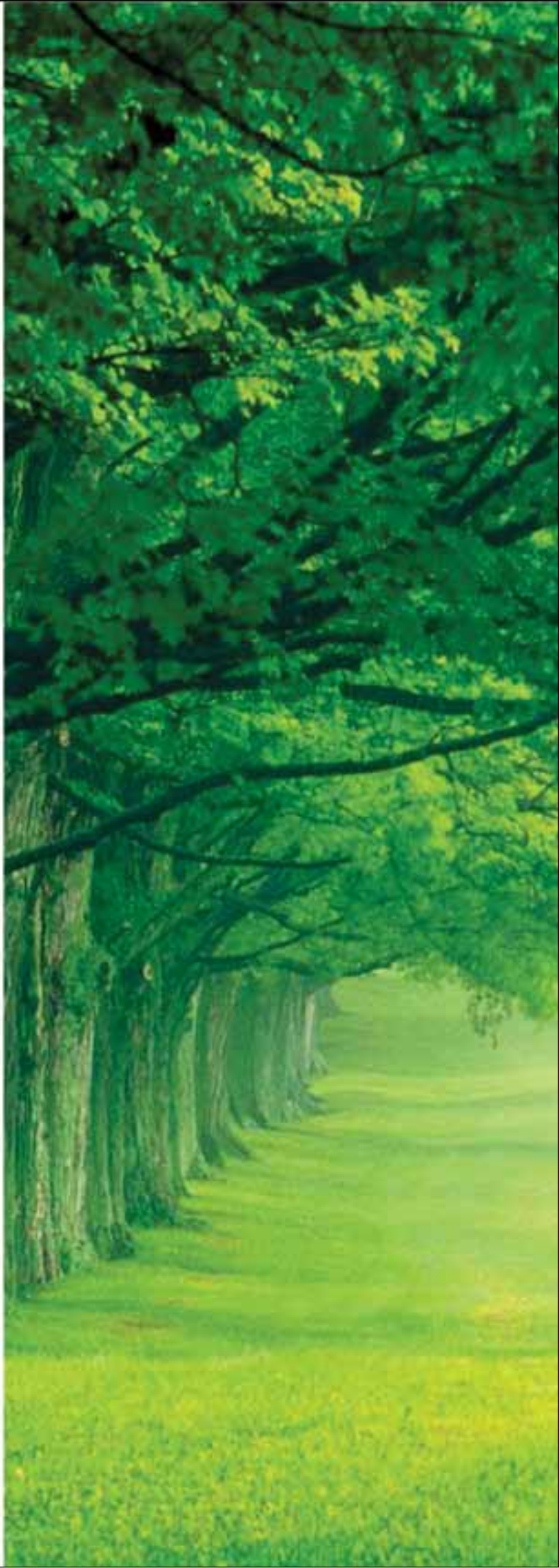
On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 17th Annual General Meeting of the Company. The Board of Directors takes pleasure in presenting the Annual Report for the year ended December 31, 2013 which includes reports on business strategy and review, risk management, corporate governance, separate and consolidated audited financial statements, investor relations and a sustainability supplement. This Annual Report has been prepared in compliance with Companies Act, 1994, Financial Institutions Act, 1993 and the Guidelines issued by Bangladesh Securities and Exchange Commission, Bangladesh Bank and other regulatory authorities.

In the year 2013, LankaBangla Finance Limited recorded remarkable growth in its core business. With rise in the activity of the capital market along with good penetration in loan products, LankaBangla made good profit growth in 2013.

I am pleased to report that during the year 2013, LankaBangla Finance Limited earned consolidated after tax net profit of Tk. 954.55 million, meeting or exceeding all financial and operational objectives. In each quarter of 2013, we have achieved consistent results and had good performance ensuring strong organic growth and increasing contributions. This has consistently proven to be very beneficial throughout the continuing volatile and uncertain global economic conditions. These results continue to demonstrate that we have the right strategy and we are executing it well.

## **World Economy**

Developing economies are still the main driver of global growth, but their output has slowed compared with the pre-crisis period. Major developed economies are trying to boost their economy by quantitative easing. Analysts all around the world are expecting world economy to bounce back in 2014. Overall, global economic environment remains fragile and prone to further disappointment, although the balance of risks is now less skewed to the downside than it has been in recent years. Global growth is expected to remain strong in 2014 compared to 2013. According to the pool of economists' survey by Bloomberg, both world and Euro economies will grow by 2.91% and 1.00% respectively in 2014 which were 2.00% and -0.40% in 2013. Greece's fiscal discipline efforts appear to be paying off, according to budget data released recently showed that the country is turning last year's steep deficit into a surplus, potentially bolstering its case for



further debt relief from international creditors. EU countries which are the major destination of Bangladesh RMGs and the rebound of those economies would help accelerate our external growth. US economy is expected to reap the benefit of quantitative easing in 2014 helping world economics to get back in track.

GDP growth on yearly basis					
	2011	2012	2013E	2014E	2015E
<b>World</b>	2.96	2.23	2.00	2.91	3.20
<b>USA</b>	1.80	2.80	1.60	2.65	3.00
<b>Euro Area</b>	1.50	-0.60	-0.40	1.00	1.40

Source: Bloomberg

GDP growth on quarterly basis								
	2013		2013E		2014E			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>World</b>	1.63	2.23	2.20	2.66	2.99	2.39	2.95	3.01
<b>USA</b>	1.10	2.50	2.00	2.50	2.70	2.80	3.00	3.00
<b>Europe</b>	-1.00	-0.50	-0.30	0.30	0.80	0.80	1.00	1.15
<b>China</b>	7.70	7.50	7.50	7.40	7.50	7.45	7.40	7.30

Source: Bloomberg

## Regional Economy

As per World Bank's report growth of South Asian countries has been estimated at 5.2% in 2013; it will be 6.0% and 6.4% in 2014 and 2015 respectively. Shortage of electricity, macro-economic imbalances including large fiscal deficits and high inflation and policy and security uncertainties contributed to subdued economic activity in the region, which also faced negative impacts from the Euro Area debt crisis and a weak global economy.

India's economic growth had slumped to decade low to 5.00% in 2012-13. It had slid to 4.40% during April-June quarter, the lowest in past several years. Barclays has lowered India's FY14 GDP forecast to 4.7%, saying the growth and fiscal health of the country are likely to remain under pressure, with 2014 election dynamics adding to uncertainties. Adamant inflation, growing current account and budget deficit, falling currency and moreover policy paralysis can be the main hindrance to India's growth in 2014. Growth in Pakistan, the second largest economy in the region, remained low as the economy has suffered a lot during the fiscal year 2012-13 owing to energy crisis and law and order situation coupled with political uncertainties. Bangladesh Bank has estimated GDP growth in Bangladesh at 6.2% for the FY 2013-14 but according to World Bank's forecast the growth will be 5.8%. A comparative picture is given below:

	2011	2012	2013E	2014E	2015E
<b>South Asia</b>	7.4	5.4	5.7	6.4	6.7
<b>Bangladesh</b>	6.7	6.3	5.8	6.2	6.5
<b>India</b>	6.9	5.1	6.1	6.8	7.0
<b>Pakistan</b>	3.0	3.7	3.8	4.0	4.2

Source: World Bank

## World Commodity Price

Commodity prices fell in 2013 due to slowdown in demand and improved supply prospects. As supply conditions improved, prices of agricultural products also recorded declining trend. Overall, the crisis in the major economies also caused the demand to slow down. Commodity prices got heavily corrected in 2012-13. Agricultural price index fell greatly by 11.23%. Prices of cotton and soybeans were in uptrend and prices of wheat, sugar and coffee were in downtrend. The price decline of most commodities earlier in the year reflected intensification of the European debt crisis along with slower growth prospects in emerging economies, especially in China. Pool of analysts' forecast is showing the stable prices for most of the commodities in 2014.

### Forecasts for the upcoming quarters

Commodity	Median Analyst Expectation (in USD)			
	Q3-13	Q4-13	Q1-14	Q2-14
<b>Energy</b>				
<b>Oil (Brent) (per barrel)</b>	106.26	106	106	107
<b>Metals</b>				
<b>Gold (troy ounce)</b>	1,300	1,295	1,275	1,227
<b>Copper(mt)</b>	7,100	7,150	7,000	6,912
<b>Silver (troy ounce)</b>	20.25	21	22	22
<b>Agriculture</b>				
<b>Corn (¢ / bushel)</b>	571.5	525	525	540
<b>Cotton (¢/lb)</b>	85.64	85.07	85	84
<b>Soybeans (¢ / bushel)</b>	1,330	1,277	1,250	1,250
<b>Wheat (¢ / bushel)</b>	670	665	640	635
<b>Sugar (lb)</b>	17	18	17.9	18.45

Source: Commodity forecasts are made by the analysts of different institutions i.e. Goldman Sachs, ANZ Banking Group, JP Morgan, Citi Group, RBC Capital etc. Median forecast value of these commodities has been polled by Bloomberg. Data is availed through Bloomberg Professional Services.

## Bangladesh Economy

Despite slow world economy, Bangladesh outperformed. After the recent national election, we expect economic activities to park up. GDP growth in 2011-12 was 6.23% and GDP growth rate declined to 6.03% in 2012-13. This was due to unfavorable external economics and recent macroeconomic policy tightening measures and financial sector restraints that were needed to stabilize the economy. Also political uncertainty and infrastructural bottleneck have dented the private sector credit growth. Growth is projected to decline to 5.8% - 6.00% in FY 14.

### GDP Growth Rate (%)



Source: Bangladesh Bank

Agriculture has a significant contribution in Bangladesh economy which comprises around 19% -20% of its GDP. In 2012-13, agriculture sector grew by 2.17%. This growth was 3.11% in 2011-12. Growth in industrial sector was convincing 8.99% in 2011-12, backed up by its manufacturing and construction sub-sectors, compared to 8.9% in 2011-12. Service sector growth has declined from 5.96% in 2011-12 to 5.73% in 2012-13.

Sector	2009/10	2010/11	2011/12	2012/13
Agriculture	20.29	20.01	19.42	18.70
Industry	29.93	30.38	31.13	31.99
Services	49.78	49.6	49.45	49.45
GDP at constant Producer Price	100	100	100	100
Growth				
Agriculture	5.24	5.13	3.11	2.17
Industry	6.49	8.2	8.90	8.99
Services	6.47	6.22	5.96	5.73
GDP at constant Producer Price	6.22	6.59	6.28	6.06

Source: Bangladesh Bureau of Statistics

### Fiscal Management

With a size of Tk. 2,224.9 billion, largest in its history, the budget for 2013-14 has gross revenue target of Tk. 1,674.5 billion. This year, budget deficiency has been projected at BDT 550.3 billion which is 4.6% of GDP. Out of this 61.8% will be financed from domestic sources and 38.2% will be financed from external sources.

In this budget, the Gross Domestic Product (GDP) has been projected to grow 7.2% and inflation in this fiscal is expected to touch 7.0%. Total ADP size is Tk. 658.7 billion, which is 19.76% higher than that of previous year (according to original budget of 2012-13). In this ADP, 23.0% is allocated to human resource sector, 25.4% to agriculture sector, 17.2% to power and energy sector and 23.1% to communication sector and 11.0% to other sectors.

Government has targeted its revenue earnings to Tk. 1,674.5 billion, which is 19.88% higher than that of previous financial year (FY 2012-13) revised budget.

Budget deficit has been estimated to be Tk. 550.3 billion (4.6% of GDP) in comparison to Tk. 520.68 billion (5%) revised target for 2012-13. Out of this deficit, Tk. 210.68 billion will be financed from external sources. In 2012-13, target for borrowing from external sector was Tk. 185.84 billion.

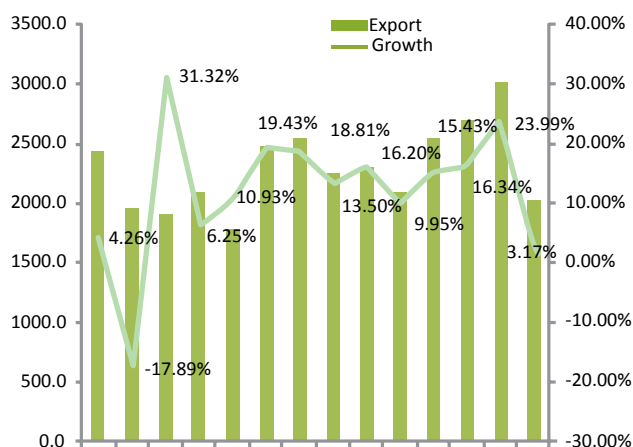
Domestic borrowing target is Tk. 339.64 billion. Out of this Tk. 259.93 billion will be raised from banking sector which was Tk. 230.0 billion in the budget for 2012-13. Therefore, the target is to increase bank borrowing by Tk. 29.93 billion. Non-bank borrowing target is Tk. 79.71 billion which was Tk. 104.84 billion in the budget for 2013-14.

we expect, government borrowing to remain in budgetary limit. In the previous fiscal, collection of tax revenue shortfall against target has forced the government to borrow more from the banking system to meet its budgetary expenditure. But liquidity scenario in the banking system is quite ample and excess amid very poor domestic sector credit growth. So rising bank borrowing to finance budget deficit may not create crowding out effect in FY 14.

### Current Account Balance

The export earnings witnessed 11.18% growth over the previous fiscal year (2011-12) where most of the regional economies failed to achieve even single digit growth. Considering the relative situation of developed and regional economies, Bangladesh export did very well and the positive trend is expected to continue in 2014 amid recovery of EU economies and relatively better projection of world economic growth in 2014.

Monthly Export 2012-13 (USD Million)



Source: Bangladesh Bank

### Impact of Slow Import

Import showed a declining trend in FY 2012-13. The declining trend in import of capital machinery has given a negative signal about investment related activities that are critical to accelerating the pace of the country's economic growth performance. According to Bangladesh Bank import data, import of capital machinery and industrial raw materials fell considerably in last fiscal compared to that in the previous year due to slow growth of investments. Import payment for capital machinery in last fiscal posted a negative growth of 15.85% compared with that of 22.95% growth in the previous fiscal year (2011-12). The growth in import bill payment for industrial raw materials also registered a negative growth of 2.50% in last fiscal year compared with that of 9.65% growth in the previous period.

But in the month of current fiscal year LC opening of both capital machineries and industrial raw materials has registered 62.45% and 2.69% growth and the import will accelerate more after easing current stagnant situation.

### Remittance Inflow

Remittance growth has been impressive in 2012-13. Remittance inflow grew by 12.6% in 2012-13 against 10.24% in 2011-12. This huge remittance growth has helped to keep the current account balance in positive territory. But concern remains with declining remittance inflow from top five destinations. In 2014, growth of remittance may slow down.

### Foreign Exchange Reserve

Foreign Exchange reserve has hit historical high of USD 16.00 billion in August 2013, which is around 45.0% higher than last fiscal year. High remittance growth, moderate export growth and low import has helped the foreign currency reserve to build up. Taka has gained strength in 2012-13 against USD, resulting from high remittance inflow and low import. We expect BDT to remain stable against USD in 2014. If political certainty comes back in the first half of 2014, BDT may feel pressure for increased import if economic activities rise along with political stability.

### Inflation

Average inflation decreased from 10.62% in 2011-12 to 7.7% in 2012-13. On point to point basis in June 2013, inflation rate was 7.39% which was 8.56% in June 2012. Slowdown in global demand pushed both fuel and non-fuel commodity prices downward. Bangladesh Bank restrained money supply growth rate with a view to restraining inflation to a target level of 7.0% in recent monetary policy.

Adequate production in two consecutive years and higher government procurement have led to increased level of stock and supply of food grains. With favorable weather condition and satisfactory stock level, Bangladesh food outlook for FY13 appears to be stable according to World Bank's Bangladesh Economic update. International commodity prices are also expected to remain at current level in 2014. But supply disruption due to political situation may push the price up.

### Money Market

After long tightening situation money market has become flexible due to banking on money supply growth, lower credit demand, high foreign exchange reserve due to rising export and remittance and declining import. In the year 2014 domestic liquidity scenario is expected to remain favorable.

Bangladesh Bank (BB) in its last monetary policy gave indication of lower domestic rates ahead. BB has reduced all repo rates by 50 bps in January 2013. The space for private sector credit growth of 15.5% for December 2013 and 16.5% for June 2014 has been kept well in line with economic growth targets.

Increasing foreign currency reserve is causing BB to buy dollar from domestic market and inject domestic currency in the banking system. Moderate 11.22% export growth, call money rate is now hovering around 7% and money market is stable. Short term treasury rates coming down already indicating a favorable interest rate environment ahead.

Private sector credit growth is in a downtrend as import demand is low and due to political uncertainty new investment remained low. Against the target growth of 18.5%, actual growth has been 11.96% in the last fiscal. We forecast private sector credit growth will maintain the same rate leaving excess liquidity in the banking system.

The declining trend of both call money rate and amount, decreasing special repo requirement and increasing reverse repo also confirm the flexible money market in coming months.

### Outlook for Bangladesh Economy in 2014

GDP growth in 2012-13 was 5.8% compared to 6.2% in 2011-12. This slowdown has been inevitable for political uncertainty despite remaining good state of other macro-economic variables. Over the last ten years Bangladesh economy has grown at around 5.8%. Despite all the political instability, natural disaster and global economic downturn the growth is more or less stable. Local economists and major donors including World Bank and ADB expect the growth rate to remain around 6.0%.

As oil and electricity prices were again revised upwards at the end of 2012, non-food inflation remained higher in first few months of 2013. Appreciating BDT will lower import costs, having a downward pressure on inflation. Most of the commodity forecasts are downward. Only any regional inflation knock on effect, oil price surge due to uncertainty in Middle East and local fuel and power price revisit can put an inflationary pressure in the economy. Capital market expectation in 2014 can be seen from the window of corporate profitability and the state of interest rates.

### Principal Activities

The principal activities of LankaBangla Finance Limited and its subsidiaries during the year 2013 were lease finance, term finance, mortgage financing, credit card operation, SME, auto loan, factoring, brokerage services, merchant banking, asset management services etc. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the year under review.

### 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 page 89.



### Risk and Internal Control

The Board considers that strong internal controls are integral part of sound management of the Company. It is committed to maintain strict financial, operational and risk management control of all of its activities.

The directors are ultimately responsible of the Company's system of internal control and for review of its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, recording, evaluating and managing the risk that are faced by the Company and the directors have reviewed the process through the Audit Committee.

The board of directors is satisfied with the effectiveness of the system of the internal control for the year under review and up to the date of approval of the financial statements.

### Risk Management

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

Type of risk	Rating
Credit risk	Moderate
Market risk	Moderate
Liquidity risk	Low
Operational	Low
Business volume risk	Low

### Financial Review of 2013

Despite the challenges posed by economical and political environment, LankaBangla maintained a significant progress in many lines of businesses during 2013. On a cumulative basis profit of the company significantly increased this year compared to the last year by around 174%. Disbursement of record amount of corporate loan, moderate progress in personal business, cautious investment in capital market and right decision on time accompanied by lowering the cost of borrowing by increasing deposit from public and decreasing operating cost by increasing efficiency resulted such a significant performance for the Company.

The company strengthened loan proposal scrutiny framework, increased concentration through due diligence in credit approval and disbursed Tk. 11,069.11 million compared to Tk. 6,369.79 million in 2012. In line with its medium term strategy, the company penetrated in the liabilities market strongly. Deposit grew significantly during this period

outperforming most of other players in the market. Total asset of the company increased from Tk. 25,338.68 million in 2012 to Tk. 32,064.89 million in 2013. Even in the backdrop of the economy in 2013, LankaBangla's investment portfolio reached to Tk. 30,314.47 million in 2013 compared to Tk. 21,851.25 in 2012. Consolidated operating income increased by 59.57% while operating expenses increased by 12.40%. The consolidated profit before tax stood at Tk. 997.14 million in 2013 with increase of 95.40 % than the previous year. Consolidated net profit after tax reported to Tk. 954.55 million. Return on average equity remained 13.96 % during 2013 and consolidated Earnings per Share (EPS) stood of Tk. 4.58. NPL ratio stood at 4.84% in 2013 from previous year's 3.93%.

### Performance Reporting by Business Segment

Amidst a challenging environment not considered as conducive much for business growth in the economy, all of our business segments continued to operate with firm commitment to be a supportive growth partner of our clients' business initiatives. We were forced to go slow in the second half of the year due to political unrest but with due course of time we accelerated our initiative and achieved a disbursement growth over the last year. Business segment-wise performance report is given below:

### Segment Report for the year 2013

The outgoing year was very challenging and successful so far for LankaBangla Finance Limited due to significant initiatives in business expansion and accelerated growth in business disbursement. Amidst the sluggish economy and political unrest during the whole year of 2013, a stunning performance was achieved overall across all of the segments of the Company. Business segment-wise performance report is given below:

### Business Segment Reporting

For the year 2013

Amount in Taka

Particulars	Lankabangla Finance Limited	Lankabangla Securities Limited	Lankabangla Investment Limited	LankaBangla Asset Management Company Limited	Consolidated Total
Income	3,479,015,950	1,733,190,704	677,900,797	13,109,477	5,903,216,928
Less: Inter segmental income	(755,124,129)	-	-	(7,650,760)	(762,774,889)
<b>Total Income</b>	<b>2,723,891,821</b>	<b>1,733,190,704</b>	<b>677,900,797</b>	<b>5,458,717</b>	<b>5,140,442,039</b>
Allocated expenses	2,816,693,595	933,852,108	662,249,238	5,335,442	4,418,130,383
Less: Inter segmental expense	(7,650,760)	(224,377,049)	(530,747,080)	-	(762,774,889)
Segment asset	26,624,115,340	7,818,364,108	5,118,586,882	804,615,441	40,365,681,771
Less: Inter segmental assets	(3,667,926,610)	-	-	(48,688,000)	(3,716,614,610)
<b>Total Segmental asset</b>	<b>22,956,188,730</b>	<b>7,818,364,108</b>	<b>5,118,586,882</b>	<b>755,927,441</b>	<b>36,649,067,161</b>
Segment capital employed	3,665,824,158	3,414,463,238	1,635,968,307	79,397,953	8,795,653,656
Segment liability	22,958,291,182	4,403,900,870	3,482,618,575	725,217,488	31,570,028,115
Less: Inter segmental liabilities	(48,688,000)	(3,330,441,572)	(337,485,038)	-	(3,716,614,610)
<b>Total Segmental liability</b>	<b>26,575,427,340.12</b>	<b>4,487,922,536</b>	<b>4,781,101,844</b>	<b>804,615,441</b>	<b>36,649,067,161</b>





## Core Business Review

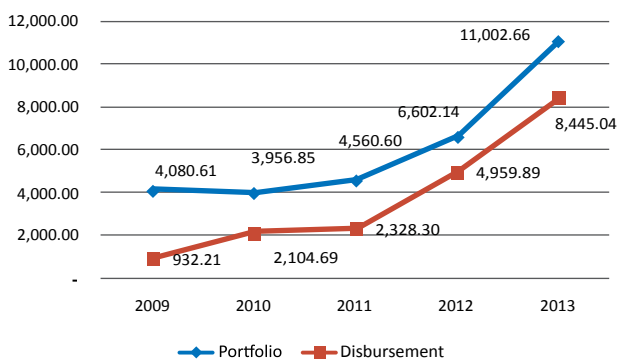
### Corporate Financial Services

LankaBangla is continuously focusing on lease and term loans in its Corporate Business portfolio. During the year 2013, it has also extended its endeavor in the emerging business sector like: factoring which counts 19.0% of total disbursement of its business for the year 2013. In 2013, an amount of Tk. 8,445.04 million has been disbursed from corporate financial services compared to Tk. 3,787.64 in 2012. Thus annual growth of disbursement to corporate stands at 123.0%. Moreover, it has exceeded its budgeted disbursement target by 90% (Budgeted target was Tk. 4,450 million).

Remarkable performance was achieved in factoring business which indicates future potentiality in this segment. During the year 2013, total Tk. 1,567.74 million was disbursed in the form of factoring compared to Tk. 822.26 million in 2012 resulting 90.66% growth. It is noteworthy to mention here that LankaBangla has pioneered reverse factoring (loan against payable) in Bangladesh.

Amidst the sluggish economy during the whole year 2013, corporate portfolio has increased from Tk. 6,602 million in 2012 to Tk. 11,003 million registering a stunning growth of 66.65% due to management's antagonistic and wary strategy.

### Corporate Financial Services



### Retail Financial Services

During the year 2013, the Company has started to concentrate more on this segment by expanding several branches and increasing manpower in retail financial activities. Total Tk. 1,331 million was disbursed during 2013 under retail financial services (except credit card disbursement) in the form of auto loan, home loan, personal loan etc. This amount of disbursement helped the Company to achieve 39.44% growth in this segment.

### Mortgage Loan

Mortgage loan portfolio grew by 21.63% in 2013 compared to 9.81% growth in 2012. At the end of 2013 Mortgage Loan portfolio stood at Tk. 2,035 million from Tk. 1,673.48 million in 2012.

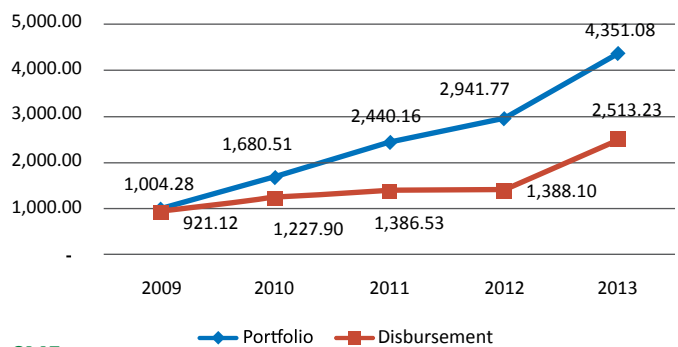
### Auto Loan

In 2013, Tk. 540.12 million has been disbursed as auto loan compared to Tk. 315.10 million in 2012 resulting a 71.4% growth in disbursement. As a result, Auto Loan portfolio grew by 83.72% in 2013 from Tk. 463.38 million to Tk. 851.33 million.

### Credit Card

Credit card portfolio grew by 36.08% over 2012 from Tk. 685.57 million to Tk. 932.97 million.

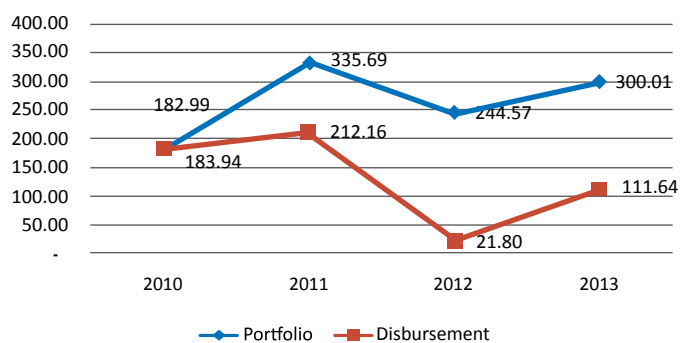
### Retail Financial Services



### SME

In 2013, Tk. 111.64 million has been disbursed as SME loan compared to Tk. 21.80 million of 2012 resulting 250% growth in disbursement. At the end of 2013 SME portfolio stood at Tk. 300 million compared to Tk. 244.56 million resulting 22.67% portfolio growth. However, management of the Company has taken a series of strategy to foster the disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

### SME



### Treasury Operation

The Treasury division of LankaBangla Finance has got a new momentum after implementation of new structure with prudent process flow. The Treasury activities of LankaBangla Finance have increased in size, capacity, scope and responsibility. Moreover, it has evolved as profit center from last year. Complexity and opportunity has increased simultaneously in Treasury Division where risk is



involved. We are continuously exploring new windows that increase the profitability of the company.

The acute liquidity position started improving gradually from the end of February-2013 which was moderately stable during rest of the year. The advance deposit (AD) ratio of banks came down sharply and huge liquidity remained idle in the banking system. Moreover, we saw changes of 50 basis points in the policy rates where repo and reverse repo rates came down to 7.25% and 5.25% respectively and the call rates ranged between 7.25% to 11.00% for LankaBangla.

Due to improvement in liquidity position, we have been able to reduce our cost of borrowing significantly through effective playing in the money market. We tried our level best to fix an optimum borrowing mix through which our target for reduction of borrowing cost was achieved. We negotiated with all of our lending banks to reduce their rate of interest at a desirable limit which had a significant impact for reduction of our cost of borrowing as well.

Treasury generated funds timely to support the business departments. We have been able to explore the opportunities to build up new credit relationship with some new/existing banks. The Treasury has increased its capacity during this time to deal with money market comparatively in a large way. Due to prudent financial management, we had been able to maintain the CRR/SLR balance satisfactorily with Bangladesh Bank and service all kinds of debt obligations on due time.

We have addressed the Asset Liability Management prudently as a core risk area with defined norms of Bangladesh Bank. The company reviewed its ALM and Balance Sheet ratios periodically and took necessary measures as needed time to time. Besides, the ALMC has been empowered more than previous.

As per our funding plan we wanted to be self-reliant and reduce the pie of bank intermediary financing. In this regard the Liability Division has engaged a pool of professional deposit collecting teams who are working enthusiastically outside to penetrate the market by our deposit products. With this effort the deposit collection has been accelerated and a growth of 41.7% has been achieved during the year 2013 compared to previous year.

The Primary Dealership operation was not a big issue during the year 2013 as far as underlying interest cost is concern. Our holding was static to Tk. 1,009.10 million throughout the year 2013 as no further auction/devolvement has taken place. Despite the volatility in the capital market, we had been able to generate substantial amount of revenue by liquidating some of our strategic investments. Beside the trading portfolio, we have concentrated more on strategic investments which will give return eventually in future. Our prudent research refrained us from any wrong investment decision during this year.

### Primary Dealership Operation

LankaBangla is enjoying a reprieve from the routine auction process by Bangladesh Bank, being a Primary Dealer in NBF1 category. The company had passed a tough time in primary dealership operation in last three years. The situation has improved a little bit in 2013 as no further auction/devolvement was imposed on us and the holding size of Govt. securities didn't increase.

On the other hand, we enjoyed substantial amount of repo facilities from both Bangladesh Bank and Interbank against our holdings. Due to adequate liquidity in the money market all the rates were quite stable and as a result we didn't incur that much interest loss like previous. Besides, we sold T-Bond worth Tk. 100.96 million as secondary trading to counter parties in 2013. At present our current holding size of Govt. securities is around Tk. 1,009.10 million comprising of 10, 15 and 20 years T-Bond.

Our main target is to offload the entire holdings to counter party especially Bangladesh Bank through secondary trading by incurring no capital loss.

### Our Human Capital

Human capital policy at LankaBangla Finance Limited is based on the recognition that its people are its most valuable asset. Prudent development, deployment and management of its human resources have been a key contributor to the company's success records. We have found that sensitivity to the needs and aspirations of individual employees is as conducive to successful human resources management as an accurate assessment of employee capabilities, potentials and attitudes. We thus value the contributions an employee exerts in the organization and adopted policy to reward efforts accordingly.

### Recruitment and Selection

Our recruitment system has been designed to ensure that the employees recruited for the service in the company match with the job requirements relevant to the position being hired for. All recruitment policies within the company are in line with the statutory employment laws of Bangladesh and in accordance with the approval of the company's Board of Directors.

### Compensation Policy

LankaBangla Finance Limited decides the scales of the employees belonging to different grades from time to time. The salary structure of the company is reviewed in every three years to allow adjustments to update with the change in the cost of living indices.

### Occupational Health and Safety

Dealing responsibly with the issues of work-life balance of our employees requires a serious, holistic approach. The physical and mental well-being of our staff is important to us, especially considering the stressful effects of the



performance driven culture. Effective counseling for needy employees plays pivotal role in this respect. For us, at LankaBangla Finance Limited, promoting the well-being of our employees is considered as a long-term investment.

Towards achieving the objective of a healthy workforce, adequate provisions have been made. The company has in place a comprehensive Life Insurance and Hospitalization Insurance scheme for all permanent employees.

### Diversity and Equal Opportunity

The company's recruitment and career development policies provide equal opportunities for all citizens in the country. It is our policy that the best qualified applicants be hired without regard to race, colour, age, religion, gender, national origin, physical disability, veteran status, sexual preference, marital status and any other characteristic protected by law. The Company is committed to developing and maintaining a diverse workforce and to treating all individuals with dignity and respect.

### Learning and Development

All newly recruited employees are inducted through a comprehensive orientation programme prior to their placements. Further, employees are provided with on the job training based on standard training modules in addition to customized training programmes as needed.

### Goals and Performance

Through the compassionate management of its human capital, LankaBangla Finance Limited creates a dedicated team that is passionate about what they do. Thus our 'optimal team' initiates, directs and synergizes its common creativity towards achieving continuous excellence and greater levels of customer satisfaction.

### Organizational Responsibility

LankaBangla Finance Limited's HR function is headed by the Managing Director. He is assisted by a Senior Relationship Manager and his team on aspects related to Human Resource Management and Human Resource Development.

### Training and Awareness

LankaBangla Finance Limited is committed at all times to ensure that its people develop to their utmost potential and to equip them to face challenges ahead effectively and with dignity.

Towards this objective, the members of the Human Resource Management Division are regularly trained to labour laws and regulations including training on diversity, equal opportunities and gender sensitivity. They guide the other members of staff who need their assistance.

## Key Performance Indicators of HR Practices and Decent Work Responsibility

### Employment: Total by Employee type, Region and Gender

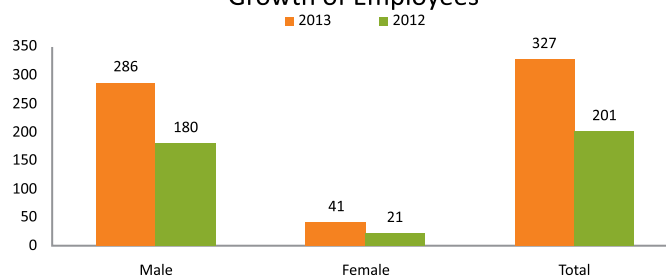
The tables and graphs given below provide information on total workforce by region, employment type, age analysis, service analysis, gender.

LankaBangla has recently opened three new branches in Dhaka city's three major business hubs to serve the countrymen.

### District-wise breakdown of Human Capital as at December 31

District	2013				2012			
	No. of Branches	No. of Employees			No. of Branches	No. of Employees		
		Male	Female	Total		Male	Female	Total
Dhaka	5	224	37	261	2	144	21	165
Chittagong	2	34	1	35	2	23	-	23
Sylhet	1	9	2	11	1	6	-	6
Narsingdi	1	6	1	7	1	2	-	2
Comilla	1	5	-	5	1	2	-	2
Jessore	1	8	-	8	1	3	-	3
<b>TOTAL</b>	<b>11</b>	<b>286</b>	<b>41</b>	<b>327</b>	<b>8</b>	<b>180</b>	<b>21</b>	<b>201</b>

### Growth of Employees



### Employment Type: Full-Time, Contractual and PMO

To boost-up the liability sales and sales of personal products and to explore the lending opportunity in the market, LBFL employed PMO's in different business units in 2013 as well. The percentage of full-time employees have decreased in 2013 comparing to 2012 and contractual employees have increased in this period. Although the numbers grow significantly as shown below:

Employment Type	No. of Employees		Composition in%	
	2013	2012	2013	2012
<b>Full-Time</b>	<b>227</b>	<b>149</b>	<b>88%</b>	<b>89%</b>
Male	227	149	88%	89%
Female	30	18	12%	11%
<b>TOTAL</b>	<b>257</b>	<b>167</b>	<b>100%</b>	<b>100%</b>

Contractual	2013		2012	
	No. of Employees	2013	No. of Employees	2012
Male	59	31	84%	91%
Female	11	3	16%	9%
<b>TOTAL</b>	<b>70</b>	<b>34</b>	<b>100%</b>	<b>100%</b>



PMO	2013	2012	2013	2012
Male	410	123	90%	94%
Female	45	8	10%	6%
<b>TOTAL</b>	<b>455</b>	<b>131</b>	<b>100%</b>	<b>100%</b>

**No. of Employee by Type and Gender 2012 - 2013**

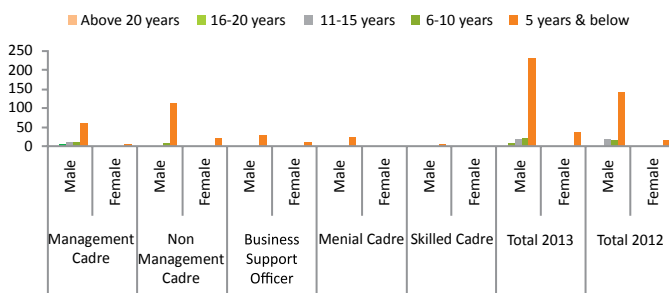


**Age Analysis of Employees as at December 31**

Category	Management Cadre		Non-Management Cadre		Business Support Office		Menial Cadre		Skilled Cadre		Total 2013		Total 2012	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
51-60 years	2	-	-	-	1	-	-	-	-	-	3	-	-	-
41-60 years	16	-	3	1	-	-	4	-	-	-	23	1	18	1
31-40 years	59	3	58	7	7	1	9	-	7	-	140	11	87	7
21-30 years	15	2	61	17	22	10	18	-	1	-	117	29	72	13
20 years & below	-	-	-	-	-	-	3	-	-	-	3	-	3	-
<b>TOTAL</b>	<b>92</b>	<b>5</b>	<b>122</b>	<b>25</b>	<b>30</b>	<b>11</b>	<b>34</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>286</b>	<b>41</b>	<b>180</b>	<b>21</b>

**Service Analysis of Employees as at December 31**

Category	Management Cadre		Non-Management Cadre		Business Support Office		Menial Cadre		Skilled Cadre		Total 2013		Total 2012	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Above 20 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16-20 years	6	-	1	-	-	-	2	-	-	-	9	-	1	-
11-15 years	14	1	2	-	-	-	4	-	1	-	21	1	21	-
6-10 years	11	-	6	3	-	-	3	-	2	-	22	3	17	3
5 years & below	61	4	113	22	30	11	25	-	5	-	234	37	141	18
<b>TOTAL</b>	<b>92</b>	<b>5</b>	<b>122</b>	<b>25</b>	<b>30</b>	<b>11</b>	<b>34</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>286</b>	<b>41</b>	<b>180</b>	<b>21</b>



**Employment Status**

Employees under probation confirmed in service in 2013 increased in number attributable to the growth of the Branch network during the period under review.

Status of Employment as at December 31	No. of Employees		Percentage of Employees by Type (%)	
	2013	2012	2013	2012
Confirmed in Service	203	150	62%	75%
Undergoing Training or on Probation	54	17	17%	8%
Contractual	70	34	21%	17%
<b>TOTAL</b>	<b>327</b>	<b>201</b>	<b>100%</b>	<b>100%</b>

**Employees by Grade**

Management Cadre comprised 97 persons in 2013, accounting around 30% of the total staff strength. Non-Management Cadre including Senior Relationship Officers/Senior Officers, Relationship Officers/Officer and Assistant Relationship Officers/Assistant Officers accounted for 45%. Business Support Officer accounted 13% whereas it was only 8% in 2012. The balance comprised Menial and Skilled Cadres. The number of employees of all grades increased over the previous year with the expansion of branch operations.

Category	2013		2012	
	No. of Employees	Percentage	No. of Employees	Percentage
Management Cadre	97	30%	58	29%
Non-Management Cadre	147	45%	94	47%
Business Support Officer	41	13%	16	8%
Menial Cadre	34	10%	24	12%
Skilled Cadre	8	2%	9	4%
<b>TOTAL</b>	<b>327</b>	<b>100%</b>	<b>201</b>	<b>100%</b>

**New Employees Hired**

During the period 2012 to 2013, LankaBangla Finance Limited hired 199 new staff members, details of which by employee grade are given below:

Category	No. of Employees Hired	
	2013	2012
Management Cadre	18	11
Non-Management Cadre	83	25
Business Support Officer	31	11
Menial Cadre	8	7
Skilled Cadre	-	5
<b>TOTAL</b>	<b>140</b>	<b>59</b>

**Employees Attrition**

There were 20 nos. resignations from service during the year under review. Employee attrition in LankaBangla Finance Limited increased marginally in comparison with the past year due to improved employment opportunities present in the country. Of the total employees resigned, 95% were male and only 5% were female.

Category	Gender-Wise Turnover		Percentage of Employees		Gender-Wise Percentage of Attrition	
	2013	2012	2013	2012	2013	2012
Male	19	10	95%	77%	7%	6%
Female	1	3	5%	23%	2%	14%
<b>TOTAL</b>	<b>20</b>	<b>13</b>	<b>100%</b>	<b>100%</b>	<b>9%</b>	<b>20%</b>

**Gender-wise Employee Turnover**



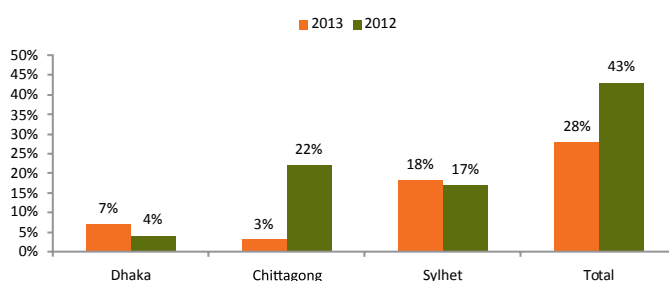
### Employee Attrition Rate by Age Group

Category	No. of Employees Left		Percentage of Employee Attrition Rate	
	2013	2012	2013	2012
51-60 years	-	-	-	-
41-50 years	1	1	4%	5%
31-40 years	10	3	7%	3%
21-30 years	9	9	6%	11%
20 years and below	-	-	-	-
<b>TOTAL</b>	<b>20</b>	<b>13</b>	<b>17%</b>	<b>19%</b>

### Geography-wise Employee Turnover

Category	Turnover (No.)		Turnover (%)	
	2013	2012	2013	2012
Dhaka	17	7	7%	4%
Chittagong	1	5	3%	22%
Sylhet	2	1	18%	17%
<b>TOTAL</b>	<b>20</b>	<b>13</b>	<b>28%</b>	<b>43%</b>

### District-Wise Employee Turnover 2012 - 2013



### 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:

- Performance related bonus
- Festival Bonus
- Fuel allowance for Management Cadres and transport allowance for Non-Management Cadres
- Holiday allowance
- 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
- All employees are members of Employees' Provident Fund administered by Board of Trustees according to the provisions of the Employees' Provident Fund Act and the regulations framed from time to time there under
- Medical benefits enjoyed by all employees include life insurance and hospitalization insurance and staff loan schemes (all concessionary interest rates) to tide over any personal exigency

### Occupational Health and Safety- Employee Representation on Health and Safety Committees

LBFL and all of its employees are to protect and enhance the environment in which they live. All will comply with all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

The following principles will guide and measure our corporate goals and objectives in Health, Safety and Environment:

- We are committed to continuously improving our Health, Safety and Environment performance
- We will continually promote employee safety on and off the job
- We conduct our business so it meets or exceeds all applicable laws and regulations and minimises risk to our employees, the public and the environment
- We will endeavour to do business with companies and contractors that share our expectations for Health, Safety and Environment performance and commitment and we will regularly assess their performance
- We will use our influence with companies in which we have partial ownership so they will want to meet the Health, Safety and Environment Commitment of the Company
- We believe all employees are responsible and accountable for Health, Safety and Environment performance

LBFL provides the training necessary to ensure that all the Company personnel are sensitive to the importance of our Health, Safety and Environment policy, understand the nature of the laws and regulations that govern our activities and have skills to implement our policy and comply with Health, Safety and Environment requirements.

### Learning & Development: Learning and Professional Development

LankaBangla Finance Limited is dedicated to improving the professional competencies and performance of all its employees. In the year under review, the company spent a total of BDT 3.393 million on training and education programmes for employees. 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.

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.

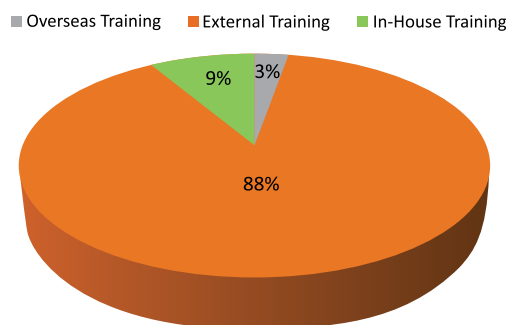
A total of 70 training programmes involving 4,697 man-hours of training were executed during the year. These programmes



were categorized as in-house, external 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 4,697 man-hours of training during the year on various knowledge-building programmes whereas it was only 2,560 man-hours in 2012. This works out to an average of 14.36 man-hours of training per employee comparing to 12.74 man-hours in 2012.

Training Type	2013			2012		
	No. of Programmes	No. of Participants	Person Hours	No. of Programmes	No. of Participants	Person Hours
Overseas Training	2	2	48	2	2	51
External Training	62	139	3,354	56	80	2,014
In-House Training	6	117	1,295	3	70	495
<b>TOTAL</b>	<b>70</b>	<b>258</b>	<b>4,697</b>	<b>61</b>	<b>152</b>	<b>2,560</b>

### Composition of Training Programme



### Training Hours by Employee Grade

Category	2013		2012	
	Male	Female	Male	Female
Management Cadre	3,106	16	1,195	-
Non-Management Cadre	1,341	224	1,016.5	172.5
Business Support Officer	-	10	8	-
Product Marketing Officer	-	-	144	24
<b>TOTAL</b>	<b>4,447</b>	<b>250</b>	<b>2,363.5</b>	<b>196.5</b>

### Our Investment on Training

To further strengthen the staff development process, the company increased its investment on training from BDT 1.503 million in 2012 to BDT 3.393 million in 2013. This approximately 226% increase will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the Bank.

### Career Development Review

All employees of the company irrespective of their gender received formal performance and career development reviews during 2013. 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.

### Outlook

In the coming year, steps will be taken to further enhance productivity, including a closer alignment of the workforce plan with the business plan.

Feedback received during the employee engagement 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; 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 Managerial position, 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.

### Information Technology

To provide our customers with best services and to cope with future business growth LBFL invested quite heavily in its IT infrastructure and software development. Investment in IT division mainly focuses on to ensure function integrity with full automation. IT Personnel's are involved with software development, software integration, database migration, database integration from different platforms of database, network and infrastructure development, redundancy links with different vendor, hardware and troubleshooting of different network, pc devices.

LBFL has successfully implemented developments in IT such as: Core Banking software, database migration, Tier 4 Data Center which includes backup cooling system, backup power distribution system, central surveillance CCTV system, central Antivirus Server, separate network zone implementation, new branches connectivity. IT Department has future plan such as: 3D security implementation, virtualization and cloud computer concept in private network, Credit Card software customization, document management system, DR Site, Call Center DR implementation, Directory Service implementation etc.

### Subsidiaries Operation

LankaBangla Securities Limited (LBSL) is a subsidiary of LankaBangla Finance Limited, a leading equity brokerage house in the country with a diverse clientele of institutions, high net worth individuals, foreign funds and retail investors. The company has the distinction of being the largest broking house in terms of transaction value in Dhaka Stock

Exchange Limited for the last six years and Chittagong Stock Exchange Limited for the last seven years. LBSL has achieved much recognition for its professionalism in its trade execution capability and settlement procedures & cutting edge sell side research base. In 2013 LankaBangla Securities Limited posted after tax net profit of Tk. 484.75 million, recording 87.0% growth.

Another subsidiary of LankaBangla Finance Limited namely LankaBangla Investments Limited has already been successful in establishing itself as one of the country's premier merchant banks. LBIL offers a widerange of investment management services i.e. corporate advisory and consulting for business development, mergers & acquisition, financial restructuring, issue management, portfolio management and so forth. LankaBangla Investments Limited has registered after tax net profit of Tk. 15.45 million, recording 21.0% growth.

LankaBangla Assets Management Company Limited, a fully owned subsidiary of LankaBangla Finance Limited has posted after tax net profit of Tk. 6.29 million representing negative growth of 51.0% over 2012.

### Branch Operation

During the year 2013 we have focused in covering wide range of geographic territory. Chittagong and Sylhet branch had good business performance in 2013. During the year 2013, the compny expended its network by adding 3 more branches at Banani, Uttara and Dhanmondi of Dhaka City.

### Financial Result and Proposed Dividend and Appropriation of Profit

The Company posted pretax profit for the year end 2013 amounting to Taka 997.14 million, indicating increase in growth of 95.4% from Taka 510.31 million in 2012 while net profit after tax increased by 174.28% from Taka 348.02 million of 2012 to Taka 954.55 million in 2013. 2013 was a challenging year towards the growth & prosperity. Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Board has recommended stock dividend at the rate of 5% accompanied by 15% cash dividend for the year 2013.

The Directors are pleased to report the financial results for the year 2013 and recommended the following appropriations:

<b>Net Profit After Tax for the Year 2013</b>	<b>448,059,165</b>
Retained Earnings brought forward	1,226,060,700
<b>Profit available for appropriation</b>	<b>1,674,119,865</b>
Less: Statutory Reserve	89,611,833
Less: Transferred to LB Foundation	4,480,592
<b>Amount available for declaration of dividend</b>	<b>1,580,027,440</b>
Less: Proposed Dividend	
Stock Dividend (5%)	104,174,648
Cash Dividend (15%)	312,523,943
<b>Retained Earnings carried forward</b>	<b>1,163,328,850</b>

### 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 page 45.

### 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 the 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.

### Related Party Disclosure

The directors have also disclosed the transactions, that could be classifies as related party transactions in terms of Bangladesh Accounting Standard – 24: "Related party disclosures". Those transactions disclosed by the directors are given in the note- 34 to the financial statements.

### Directors' Remuneration

Details of directors' emoluments paid during the year are given in notes 27 to the financial statements.

### Contribution to National Exchequer

With a view to assist the Government in building up revenues and thus contribute to the economic development of the Country, LankaBangla Finance deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from various payments and also deposits of income taxes of the Company on its income.

### Future Outlook 2014

Going forward, Retail and SME financial services would be our prime focus in the leading portfolio. Recognizing SME segments value addition and employment generation capabilities, we are keen to finance various initiatives especially start-up enterprises as well as ones looking to scale up. We are planning to expand our business horizon in major cities township of the country. While we engage in doing business, we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. We will be engaging more on social ventures and community development. Purttng priority in ecological balance of the environment, we plan to grow together with our stakeholders.

### Recognition

As a reward of our relentless efforts to the best practices of corporate and financial reporting, we were awarded by the Institute of Chartered Accountants of Bangladesh (ICAB) Prize in Non-Banking Financial Sector for the best published Annual Reports and Annual Audited Accounts for the year 2012.

Our subsidiary Company LankaBangla Securities Limited achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive seven years from 2006 to 2013 by both the Dhaka Stock Exchange (DSE) & for consecutive eight years from 2005 to 2013 by the Chittagong Stock Exchange (CSE).

#### Shareholding Pattern

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 page 14.

#### Election of Directors

In accordance with Article 98 of the Company's Articles of Association Mr. Mahbubul Anam, Mr. Mirza Ejaz Ahmed, M. Y. Aravinda Perera will retire and being eligible, all of them offered themselves for re-election.

#### Board Meeting & Attendance

During the year 2013, Six Meetings of the Board of Directors were held. The attendance of the Directors is shown in the Annexure-3, page 101.

#### Auditors

In the 16th Annual General Meeting of the Company, M/s. Syful Shamsul Alam & Co., Chartered Accountants was appointed as statutory auditors of the Company for the year 2013 until conclusion of the 17th AGM at a consolidated fee of Tk. 150,000. Being legible for the re-appointment, the exiting auditors M/s. Syful Shamsul Alam & Co., Chartered Accountants, offered themselves for re-appointment. As proposed by the Audit Committee, the Board recommends M/s. Syful Shamsul Alam & Co., Chartered Accountants, for further appointment as the auditor of the Company until conclusion of the 18th AGM.

#### Reporting on Corporate Governance Compliance

Pursuant to Clause 5.00 of SEC Notification No. Notification No. SEC/ CMRRCD /200658 /129/ Admin/44 dated 07 August 2012 the Company's compliance status is shown in Annexure-1, page 95.

#### Additional Disclosures

The Directors, in accordance with SEC Notification No. 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
- After issuance of right shares, financial results of the company had not been deteriorated
- 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 any body corporate

#### Events after the Reporting Period

##### Dividend Information

The Board of Director in its 86th Meeting held on February 16, 2014 has recommended 15% Cash Dividend and 5% Stock for the year ended on 31 December 2013 for placement before shareholder at 17th Annual General Meeting of the company scheduled to be held on March 31, 2013.

##### Issuance of Non-Convertible Zero Coupon Bond

LankaBangla Finance Limited has decided to issue Non-convertible Zero Coupon Bond (ZCB) worth Tk. 3.00 billion which has already been approved by the Board of Directors in its 86th Meeting held on February 16, 2014. The main purposes of the issuance of Zero Coupon Bond are as follows:

- ZCB will be treated as the alternative source of fund
- ZCB will reduce the bank dependency
- Pay off the high cost bank borrowings
- Long term fund will reduce the mismatch of asset and liability to some extent
- Zero Coupon Bond has some unique features including tax exemption benefit for the investors (Individuals and Corporate) which would be an attractive selling point than other vanilla bonds

#### The main features of the issue are given below

The issue	Non-convertible Zero Coupon Bond
Amount	BDT 3.00 billion
Trenches of Issue	2 Trenches, Each Trenches at least BDT 1.50 billion
Tenure	3 years
Redemption	Semi Annually (6 equal installments)
Nature	Unsecured
Mode of Placement	Private Placement
Tentative Floatation Time	July 31, 2014 (Subject to approval from Regulatory Bodies)



### Acknowledgement

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

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

I would like to take this opportunity to thank my colleagues on Board, who have extended their all sorts of cooperation, in the face of adverse internal and external conditions, and made the year 2013 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, 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



# Subsidiary Companies

## LankaBangla Securities Limited

LankaBangla Securities Ltd (LBSL)'s scrupulous investment in time and labor to create a better investment pathway for their clientele in the Bangladesh Stock Market has made them become the leading equity brokerage house in the country.

LBSL 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). They rebranded themselves as LankaBangla Securities Ltd. in 2005 following a restructuring of the company.

At LankaBangla Securities Ltd., they 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 as they could find their 10 branches spread in the leading cities and townships countrywide.

LBSL is the leader in terms of customer transactions. That's why they are again crowned as the largest brokerage house in terms of transaction value for the 7th consecutive time in DSE and 8th in CSE in 2012. Quality, convenience, and reliability are some things that they provide the customers at the highest level they can expect from their broker and that is the key that LBSL has such 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 their professionalism has laid the foundation of their strength and further success.

LBSL is a 90.91% owned subsidiary of LankaBangla Finance Ltd (LBFL) by now is undoubtedly a global one which knows the customer preferences, acts on the clientele choice, and guarantees the most comfortable investment environment while the clients choose to invest in Bangladesh. Recent historical volatility in the stock market has tested the mettle of all participants. Adherence to upholding utmost integrity of stock market, loyalty to the clients, state of the art information technology and above all robust internal control and firm wide risk management system has made LBSL a differentiated market leader in Bangladesh capital market.

## Services

### Brokerage Services

LBSL provides "Trade Execution Service" for its clients in Dhaka and Chittagong Stock Exchange. They trade in the portfolio accounts maintained with LankaBangla Investments Limited and IDLC Finance Ltd as well as they provide custodial services to clients for safe custody of securities. In addition, they provide extended credit facilities through their margin trading services.



### Trading Facility through NITA (Non Resident Investor's Taka Account)

LBSL has successfully launched 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 use extensive recourses 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

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.

### 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 Dematerialization and Rematerialization 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 which is solely dedicated to these functions. Currently the Research and Analysis Department is comprised of 10 Research Analysts. 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. Much of the effort involves publishing Daily Market Report, Weekly Market Report, Monthly Market Pulse, Macro Economic Review, Sector Updates, Specific Company Valuations, and IPO Analysis.

### Business Overview of LankaBangla Securities Limited in 2013

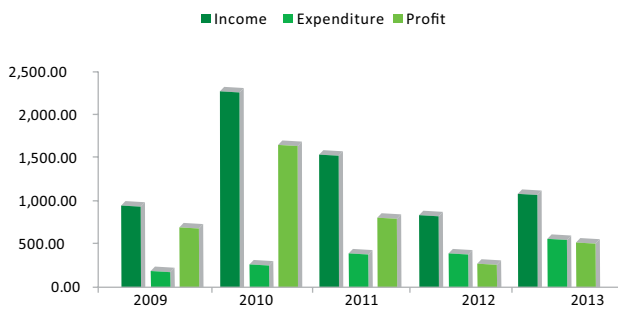
Despite an untidy beginning of the year, the company has been able to finish the year successfully as the benchmark index DSEX posted 5.19% return at the end of the year which is better than negative market return of 19.74% in 2012. DSEX was under severe pressure from the beginning of the year (4055 on 27th January) and went as low as 3438 in 30th April 2013. Market P/E had hit 10.79 in April. However, foreign participation in the market was increased gradually throughout the year. LBSL was able to maintain a stable turnover growth by keeping pace with the impetus of the market. LBSL's market share of both the Bourses was 6.18% in DSE and 9.12% in CSE.

Year	2013	2012	2011	2010	2009
LBSL's Turnover in DSE	117,730.48	119,601.54	199,964.07	492,422.93	198,992.86
LBSL's Turnover in CSE	18,064.03	15,733.71	29,197.55	67,943.10	43,217.72
Total Turnover of LBSL	13,579.45	135,335.25	229,161.62	560,366.03	242,210.58
Market Share in DSE	6.18%	6.00%	6.41%	6.14%	6.75%
Market Share in CSE	9.12%	6.77%	7.84%	9.96%	13.34%

At the end of the year 2013 net profit after tax was soared by almost 88% compared to the similar period of the previous year riding on the hefty growth of capital gain from investments which was 820.75% increase from the year 2012. LBSL was able to increase its Market share in both the bourses of the country. During the year 2013, LBSL's market share in DSE and CSE was 6.18% and 9.12% respectively. In addition to that, company's ROA was 6.36% and ROE was 10.48%.

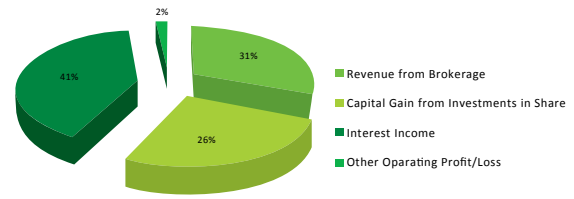
Description	2013	2012	2011	2010	2009
Shareholders' Equity	4,625.65	4,540.72	4,716.76	4,403.05	1,612.64
Total Assets	7,621.98	7,824.08	7,698.24	6,535.66	2,696.06
Total Liabilities	2,996.33	3,283.36	2,981.48	2,132.61	1,083.42
Revenue from Brokerage	477.10	475.12	758.51	1,886.93	842.74
Net Profit After Tax	484.75	259.68	747.62	1,530.59	638.15
Return on Assets	6.36%	3.32%	9.71%	23.42%	23.67%
Return on Equity	10.48%	5.72%	15.85%	34.77%	39.57%
Earnings per Share	2.52	1.35	3.88	7.95	3.32

### Operating Performance

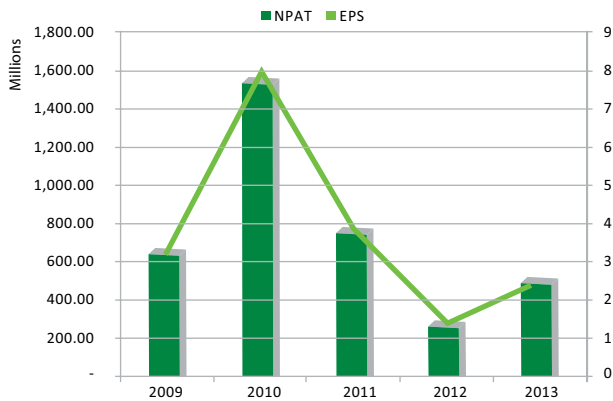


In 2013 total income of the company was BDT 994.62 million which was almost 29% higher than the previous year. Total Expenditure and net Profit was BDT 514.5 million and 484.75 million which was almost 41% and 87% higher respectively from the previous year

### Sources of Income

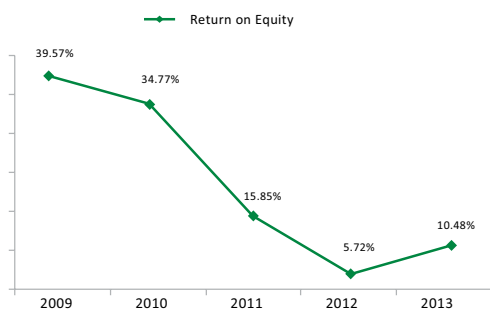


In the year 2013 the main source of income of the company was interest income from the margin loan of the clients which occupied 41% of the total income of the company. The other two main sources of income of the company was Revenue from brokerage and Capital Gain from Investment on the stock market which occupied 31% and 26% of the total income of the company respectively.

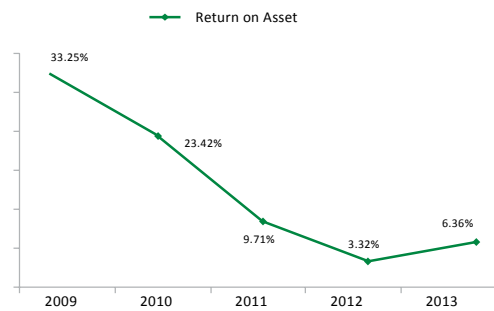


In 2013 Earnings per Share (EPS) and Net Profit after Tax (NPAT) were increased. EPS was BDT 2.52 on 2013 which was BDT 1.35 on 2012. EPS and NPAT both registered a remarkable 87% growth in the year 2013.

### Return on Equity



### Return on Asset



After four years of declining trend in Return on Asset (ROA) and Return on Equity (ROE) from 2009, ROA and ROE both increased on 2013. In 2013 ROA and ROE of the company was 6.36% and 10.48% respectively which made a growth of 93.23% and 84.25% from the previous year.



### Business Strategy for 2014

By analyzing the near future economic outlook, capital market prospects and competitors standing, the company has taken business strategy by maintaining leadership with market share of 7.5% in 2014. Moreover, the company would like to position itself to be the most preferred broker of foreign investors in 2014 and minimizing risk will be the foremost target in 2014.

### Introducing Strategic Sales Department

Strategic Sales Department has been envisioned to achieve the strategic business plan of LankaBangla Securities to align with its vision of maintaining its current market share and increasing the turnover. Setting up a strategic sell department to target corporate funds and high net worth professionals, mass investors targeting through opening BO accounts, increasing numbers of panel brokers will be the prime objectives of sales and development.

### Introducing OMS (Order Management System) in CSE in 2014

LBSL is now well prepared to introduce Order Management System (OMS) solution in DSE and CSE, which will facilitate following high level of functionalities:

- a. Offer multi channel e-trading to its customers (web, mobile, client server)
- b. Use DirectFN Dealer Terminal (DT) for the dealer rooms to manage and trade for their clients
- c. Centralized Risk Management System (RMS) for both on line and off line (dealer room) orders
- d. Use the DirectFN Admin Terminal (AT) for operations in customer account management, customer limit and risk management, MIS, etc
- e. Ability to create interfaces to other systems such as accounting systems, banking solutions and depository systems
- f. Access charting with strategies, indicators and patterns
- g. Integrate broker's research and analysis, news and announcements to Dealer Room and Online trading Clients

### Developing Risk Management Platform

LBSL is going to introduce a new risk management model, in which LBSL's risk has been addressed in five layers; risk in invested stocks, in client account, in dealer code, in branch and finally in LBSL's total portfolio.

LBSL's risk mainly generated from invested stocks of the client and the way client invest in their portfolio. As part of the risk management process, we have already introduced a new portfolio statement for the client, in which they can easily view their portfolio valuation, portfolio liquidity and portfolio

### sensitivity with the market movement.

Moreover, an investor can easily view in what proportion they are invested in different sectors.

In next step, we will develop risk management software in which LBSL can trace risk in client, dealer and branch level. It will also measure overall risk of LBSL. Additionally, we will introduce a business development platform so that we can maximize our business volume with the efficient risk management system.

### To be the most preferred brokers of foreign investors

LBSL has targeted to attain market share around 45% in foreign trading in 2014. In order to achieve and maintain 45% of foreign market share in 2014, LBSL is planning to attend road shows organized by our intl. partners. A strong strategic sales team combining local and foreign trades will be formed. Moreover, the company is planning to subscribe one additional Bloomberg terminal for research and marketing purpose.

### Introducing value added services through web portal

LBSL has already started a web portal ([www.lankaBangla.duinvest.com](http://www.lankaBangla.duinvest.com)) to introduce value added services for its clients, which will generate indirect and direct earnings for the company. By using the portal, LBSL can be able to acquire Client through Portal, advertise various LankaBangla Products i.e. Portfolio Management Services (alpha plus) and Order Management System. In addition to that, existing clients will be able to see their live portfolio through the portal and check out LBSL's monthly publication Market Pulse and various LBSL Research Reports.

### Reducing negative equity size in Margin Loan Portfolios

Currently, LBSL's negative equity size is around BDT 400 Million in margin loan portfolios. To reduce the negative equity size in margin loan portfolios, LBSL has formed a committee along with LankaBangla investment, which will start portfolio rebalancing from 2014. LBSL's expect that in current situation of the market, margin loan portfolio rebalancing will not only reduce negative size but also increase LBSL's turnover.

## LankaBangla Investments Limited

LankaBangla Investments Limited (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. This Company is a fully owned subsidiary of LankaBangla Finance Limited. 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 has obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Securities and Exchange Commission on 2 January 2011. Later on the company converted itself into a public limited company with effect from 12 June 2013. The address of the Company's registered office is 20, Kemal Ataturk Avenue, Banani, Dhaka-1213; besides this the corporate address of the company is Eunoos Trade Center, Level # 21, 52-53 Dilkusha C/A, Dhaka-1000.

During the period of 1999-2005, its operation became stagnant due to the market condition. At the end of 2006, its merchant banking operation started again with a nondiscretionary portfolio product along with issue management and underwriting services. By the end of 2010, it became one of the top merchant banks.

In 2010, to respond to the regulatory desire to spin off its merchant banking operation under a separate company to bring more transparency and regulatory control, LankaBangla Investments Limited was formed as a fully owned subsidiary and it obtained full-fledged merchant banking license from SEC on 02, January, 2011 and officially started its operation on 16th January, 2011 taking ownership of the entire merchant banking obligations of LankaBangla Finance Limited.

LBIL offers a wide selection of advisory and management consultancy 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. The expertise, market insight and knowledge to support the aspirations of clients help LBIL render these services efficiently.

LBIL also offers a selection of investment services and opportunities to both individual and institutional clients. By combining portfolio management expertise with knowledge of the market, objective advice, continuous market access, fast execution of trades and the research support, LBIL brings out the best solutions for each individual with different investment objectives.

LBIL has a commanding view of the capital markets and an expert understanding of what's driving investment trends. Using multiple information sources and a group of expert analysts and researchers, LBIL delivers up-to-the-minute market information to help clients take more informed decisions.

### Vision

To develop into as the finest investment bank in Bangladesh by achieving the benchmark in service quality, corporate governance, human capital, knowledge, market insight and use of technology

### Mission

- Delivering exclusive and flexible equity and investment solutions to customers to meet the unique needs of each individual or corporate body.
- Building capacity through recruitment and development of highly qualified personnel and through effective utilization of state-of-the-art technology.
- Ensuring excellence in corporate governance and strong ethical conduct.
- Create long-term value for clientele and stakeholders and the community as a whole.

### Corporate Slogan: Growing Together

### Services

#### Primary Market Services

LBIL offers a wide selection of advisory and management consultancy 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. We use our expertise, market insight and knowledge to support the aspirations of clients. Providing one stop solutions for our clients is one of our highest priorities, diversification in our service portfolio and engagement in all possible sources of financing, stands out LBIL in this business segment.

#### Equity Placement

Our services include Transaction feasibility analysis, Capital raising, Pricing & valuation, Negotiating with investors, and Effective project management to successful closing.

Raising capital through a private placement of a company's securities is an effective and timely alternative to debt financing. A company can consider such financing at an early stage in its development or as interim financing until a public offering can be completed. We provide end-to-end advisory solutions to companies on their capitalization strategies, which help them to achieve their growth targets.

#### Issue Management

We manage issues for Initial Public Offering (IPO), Repeat Public Offering (RPO), Bonds, and Preference Shares.

LBIL helps companies with good growth potential and excellent business ideas raise fund through initial public offering. Through our issue management services we not only aid clients to increase the value of their company but also aid in increasing the supply of quality shares in the capital market. We manage issues for Initial Public Offering (IPO), Repeat Public Offering (RPO), Bonds, and Preference Shares. The Issue Management Team has wide experience in managing the different types of issues across various industries, leading to



in-depth knowledge of the regulatory issues and processes. Our services include Consultancy services, regulatory compliance fulfillment, valuation of securities, price discovery and book building, underwriting cooperation, public offer and subscription management, and Right Issue/Offer management into successful completion.

### Underwriting

LBIL provides underwriting services for public issues to create efficiencies in the capital markets and reduce risk for new, repeat and right issues. LBIL has underwritten a large number of issues in various industries.

### Corporate and Financial Advisory

In today's environment of complex transactions and competitive markets, increasing the value of business requires skills and experience. Thus we help clients to undertake the right decision in the right way to make their business more competitive and profitable by providing integrated and objective advisory services. We provide assistance in due diligence, support the creation of financial models, act as financial advisors, aid in overall project management and provide solutions on financial and corporate matters. Whatever the size, nature or location of a company or deal - we can play a critical role throughout the deal lifecycle.

LBIL also provides restructuring advisory services to underperforming companies and companies experiencing liquidity problems, in all sectors and in all markets. We provide a prompt and strategic review of the situation and then develop and implement a tailored strategy to help turn around business performance.

### Mergers and Acquisitions

LankaBangla Investments Ltd acts as the financial advisor for the total Merger or Acquisition transaction whether the client is the bidder or the target.

The experienced M&A advisors at LBIL help companies steer through profitable opportunities starting from origination to closure. Our knowledge of company law, business acumen, relationships and resources help facilitate achieve successful transactions. Our work includes identification of the business to be acquired, strategic planning of the acquisition, valuations, transaction structuring, negotiation with parties, advice on financing, supervising due diligence, legal and other issues to work towards successful completion.

### Divestiture

LBIL as a part of advisory activity engages in counseling for divestiture procedures.

A divestiture is the activity of completely or partially selling an investment in an internal trading partner to an "external organization", that is to a company that does not belong to the subgroup or consolidated group. LBIL as a part of advisory activity engages in counseling for divestiture procedures like: whether to divest slowly over time or in a chunk, analysis of divestiture on capital market, financial reporting adjustments, determination of realistic price expectation, prepare

marketing documents, Discreetly locate multiple qualified buyers, Negotiate on behalf of the sellers to obtain the best selling price, arrange financing to make the transaction a reality and so on.

### Completed Projects of 2013

After successful handling of four Initial Public Offerings (IPO) during the period of 2012, the following year was a little dormant in the picture in terms of IPO Approval. But as we all know that the IPO completion process is very much lengthy process in Bangladesh, year 2013 was actually a preparation period for the upcoming issues. Notable achievement in this year was holding the Price Discovery process in Book-Building method for United Power Generation And Distribution Company Limited. On this note it can be mentioned that this was the first company under new Book-Building methods. It was huge challenging task which was successfully done by the designated team with the collective efforts from all parts of LankaBangla Group.

### Ongoing Projects

Considering the state of activities of primary market operations in 2013, the current year will be a busy schedule for the department. Details of the ongoing projects are given in the following:

- Aman Feed Limited is waiting for final approval from BSEC. The issue is expected to be listed in stock exchanges by 2nd quarter of this year
- Revised Prospectus of Aman Cotton Fibrous Limited and Aman Cement Mills Limited have been submitted to BSEC for final review. The issues are expected to be listed in stock exchanges by 3rd quarter of this year
- Cutting Edge Industries Limited is waiting for preliminary review of BSEC
- The Electronic Bidding of United Power Generation & Distribution Co. Ltd. will be held on April 2014. Expected time for listing with stock exchanges is end of 2nd quarter of this year
- MIDAS Financing Limited is waiting for final approval from BSEC
- BSEC grants its consent for raising capital through IPO of The Peninsula Chittagong Limited on February 19, 2014. Prospectus was published on February 25, 2014. Subscription will start from March 30, 2014. Expected time for listing with stock exchanges of this issue is by 2nd quarter of this year
- Application for capital raising through Initial Public Offerings (IPO) of Leads Corporation Limited, Regent Textile Mills Limited and Evince Textiles Limited are expected to be placed in BSEC by end of April 2014
- Recently LankaBangla Investments Limited signed Issue Management Services Agreement with FMC Group, Habib Group and BBS Cables Limited to provide Corporate Advisory and Issue Management Services

## Secondary Market Services

### Non-Discretionary Investment Portfolio

In case of a Non-Discretionary investment portfolio, clients shall have absolute discretionary power to make investment decisions. LBIL provides support for efficient execution of trades through LankaBangla Securities Limited. Apart from execution of trades, LBIL also provides the investors with a range of services, which includes

- Clients have absolute discretionary power to make their buy and sell decisions from the securities approved by the portfolio manager
- All the securities purchased by the clients shall remain in line in favor of portfolio manager
- Portfolio manager will administer the investment of the clients and also provide the total custodian services
- Clients will enjoy trading facility in both the Dhaka and Chittagong Stock Exchanges
- To facilitate the clients to enhance their return on investments through leveraging, the portfolio manager will extend margin loan to the clients
- No restriction on capital withdrawal by the clients.
- Fund management fee is one of the lowest in the industry
- No trigger selling without discussing with the client

### Discretionary Investment Portfolio:

Discretionary Investment Portfolio is suitable for any individual having little or no experience of investing in capital market and those institutions and individuals who do not afford the time to manage a well-diversified portfolio. LBIL has the power to take decisions for managing Discretionary Investment Portfolios according to specific needs and constraints of each investor.

### Alpha Plus

The features of Alpha Plus discretionary portfolio management service include:

- Dedicated investment managers will invest your assets with their best judgment and market outlook
- Investment policy will be specially designed to attain your individual goals and objectives
- All the market related data and information will be closely monitored on your behalf
- Appropriate securities will be identified according to your investment needs
- Forecasting and judging possible market movements will take place with proper scrutiny
- Investment process will be highly professional with strict risk analysis
- Rebalancing of your portfolio will be done according to market scenario and future predication

## LankaBangla Asset Management Company Limited

LankaBangla Asset Management Company Limited (LBAMCL) is an emerging asset management company. It is a 99.99% 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.

The principal activities of the company include the following:

- To manage the assets of any trusts or funds of any type and/or character and to hold, acquire, sell or deal with such assets of any trust or funds as relevant rules
- To float, administer and manage any mutual fund, growth fund provident fund, pension fund or any other allotted scheme for the purpose of investment approved by the BSEC for the time being as per relevant rules

LBAMCL is deeply committed in providing client driven solution and superior risk adjusted performance to its valued clients. LBAMCL values original thinking, due diligence, first-hand research and investment discipline. Its mission is to provide a diverse array of investment choices and the best possible investment management service to investors and institutions.

LBAMCL has already applied for “LankaBangla 1st Balanced Unit Fund” with an initial fund size target of BDT 250mn and is awaiting approval from the BSEC. It is also in the process of launching provident fund, gratuity fund and corporate fund management service very soon. LBAMCL firmly believes in achieving solid long-term investment performance in line with the clients’ needs and providing superior client relationship management. By keeping the target investors in focus it opts to become one of the leading asset management companies in Bangladesh very soon.







# Statement on Corporate Governance

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 Director, led by the Chairman, is responsible for the governance of the Bank, 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.

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

The extent of compliance by LankaBangla for the year ended 31st December 2013 with the above rule and directive principles and best practices are given in the Annexure:-

### Annexure - I

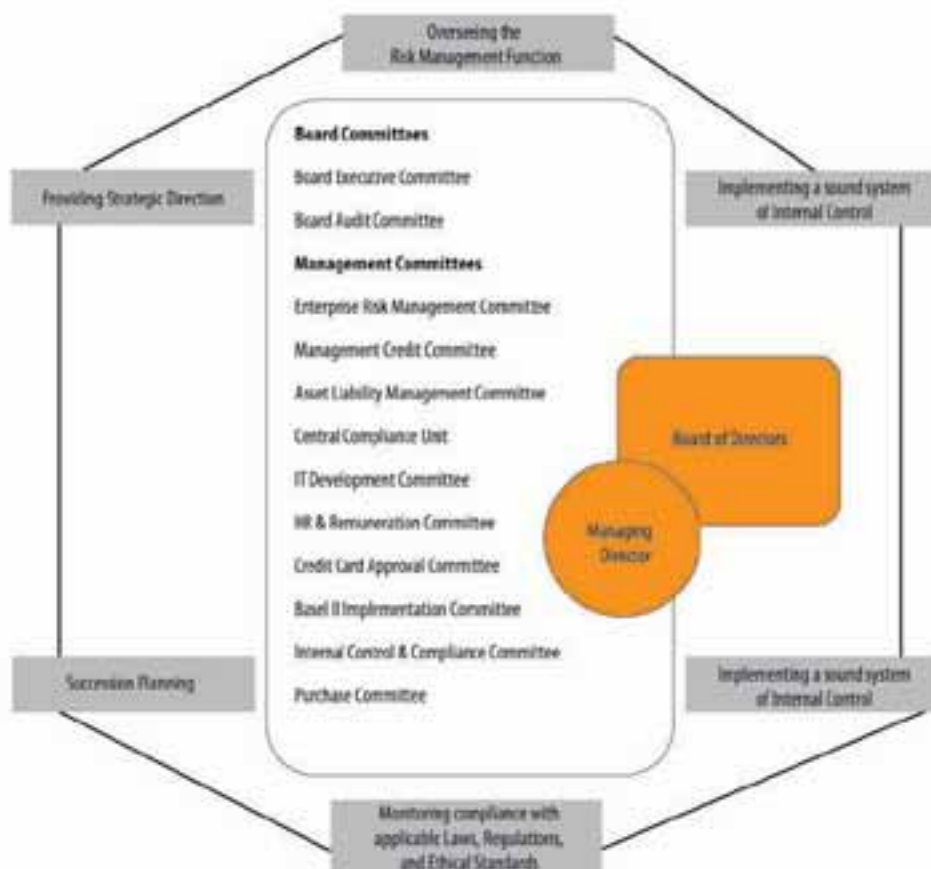
The Code of the best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) of Bangladesh.

### Annexure-II

LankaBangla's level of compliance with the requirement of the Bangladesh Bank circular DFIM Circular No. 07, dated 25 September, 2007.

### Corporate Governance Framework

Good Corporate Governance practices are not just a matter for the Board but are at the heart of everything that we do within the Company. The company operates within a comprehensive Governance framework, which is outlined in the diagram below and set out in the report that follows:



### Lankabangla Initiatives On Corporate Governance During The Year 2013 At A Glance

- a) Further strengthening the composition of the Board with the appointment of Two Non-Executive Independent Director in compliance with the SEC Notification No. SEC/CMRRC/2006-158/129/Admin/44 dated 07 August 2012
- b) Re-Constitutions of the Board Audit Committee and Board Executive Committee
- c) Formation of Risk Management Forum and Risk Analysis Unit in LankaBangla
- d) Strengthening the process of business operation through rearrangement of Corporate Organogram
- e) Revision of the Finance and Accounting Manual of the Company and review by the Board Audit Committee and Approved by the Board of Directors
- f) Revision of the Human Resource Manual & Policy by the Board Audit Committee and Board of Directors
- g) 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
- h) Approval of ICT Policy of the Company by the Board of Directors
- i) Approval of Anti-Money Laundering Policy & Guidelines and Business Continuity Plan for LankaBangla by the Board of Directors
- j) Approval of Green Banking Policy for LankaBangla by the Board of Directors
- k) Review of the Product Program Guidelines (PPG) on Home Loan, Auto Loan, Credit Cards, SME Loan, Personal Loan
- l) Strengthening the process of identification, recording and disclosure of Related Party Transactions
- m) Expansion of geographical presence to cover more customer base by opening 03 new Branches countrywide

### Board Governance

#### Board Composition and Frequency

The present Board comprises of 10 non-executive directors of whom 05 are nominee directors and two are independent director. 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. In the last meeting of the year the Annual Budget for the Company for the coming year is placed to discuss and approve.

The Board sets its agenda for Board meetings well in advance with items proposed by the CEO and 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 Chief Financial Officer attend all Board meetings and ensures 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.

#### 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 agree the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected

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 a sufficient understanding of the Company's operations so as to make an effective contribution as a director.

#### 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.

#### Independence of Directors

Pursuant to the Notification No. SEC/CMRRC/2006-158/129/Admin/44, dated;- 07 August 2012, in LankaBangla, the Board comprises ten non-executive members, of which two are totally independent, being 1/5th of total number of Directors.

The purpose of appointing non-executive and independent directors is first to provide the Board with knowledge, objectivity, 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 executive directors and the management of the Company are up to the standards required. Independent directors of LankaBangla bring their special expertise and knowledge to bear on the strategy and enterprise of the company. They each bring an independent judgment on issues of conformance and performance.



### Board Role and Responsibilities

Surrounded in the principles of corporate governance is that the Board has a fiduciary role responsible for setting the strategic direction and long-term goals of the company. As elected representatives of the shareholders, the Board is expected to use its integrity and capability to vet corporate strategies, policies, plans and major decisions, and to oversee and monitor management in the interests of the shareholders of LankaBangla. Key to good governance in LankaBangla is an informed and well functioning Board of Directors.

#### Broadly, the responsibilities of the Board include the following:

- Reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management
- Ensuring that decisions and investments are consistent with long-term strategic goals
- Ensuring that the Company 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 the Company'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 assets that is material to the Company
- Ensuring that the necessary human resources are in place for the Company 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:
- Overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework, and ensuring that the remuneration practices are aligned and in accord with the remuneration framework

- Providing a balanced and understandable assessment of the Company'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
- Maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

### Chairman of the Board of Director

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

### Role of the Chairman

The Chairman runs 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 discharges its responsibility as directors of the Company.

### Separation of the role of Chairman and the Chief Executive Officer

At LankaBangla, in accordance with the DFIM Circular No. 07, dated 25-09-2007, a clear division of responsibilities between The Chairman and The Chief Executive Officer, 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.

### Role of the CEO & Managing Director

The MD/CEO heads the Company Management Committee, the highest committee of management body of the company. He oversees execution of the Company's corporate and business strategy and is responsible for managing its day-to-day operation.

#### The CEO & managing Director performs the following key responsibilities

- Establishes and directs the vision and mission of the team. In this capacity, the CEO is the source of visionary strength of the Company and keeps it on a consistent track to achieving the vision
- Responsible for directing the operational activities of the Company by scheduling the utilization of the Company's resources, including people and capital equipment. In this way, the CEO gets things done through the efforts of the people in the Company. The CEO is responsible for establishing and executing the Company's operating plan that is necessary to achieve the Company's objectives
- Selects the people for the management team and improves the performance of people through ongoing

counseling. As a coach, the CEO works with people to help them become greater contributors by helping them improve their efficiency and effectiveness

## Board Committees

### Membership

LankaBangla's governance practices require that specialised skills are best exercised through board level committees. In LankaBangla, these are:

- Board Credit Committee (BCC), reviews and approves credit exposures (exceeding certain limits) of all tenors
- Audit Committee (AC), supervises the Company's internal control procedures and interacts with the Internal Auditor and external auditor to ensure full compliance with the law and regulations governing accounting standards and financial reporting

Terms of reference for each of the above Board committees are clearly defined. The terms of reference set forth the responsibilities of that committee, quorum and voting requirements as well as qualifications for committee membership, in line with the regulations and notification issued by Bangladesh Bank and Securities and Exchange Commission. Each committee has direct access to management staff and has the power to hire any independent advisors as it deem necessary.

### Board Executive Committee (BEC)

The Committee comprises Mr. Mohammad A. Moyeen (Chairman), Mr. Mahbubul Anam, Mr. Farman R. Chowdhury, Mrs. Annesha Mahial Kundanmal and Mr. Salahuddin Ahmed Khan. All credit exposures exceeding the limit delegated by the Board to management are approved by this Committee.

The BEC of LankaBangla works with the policies and guidelines issued by Bangladesh Bank, Board and regulatory bodies regarding credit and other operational matters. The Committee ensures properly and timely implementation of Policies and guidelines through the management. The Committee approves Lease/Loan and other business proposals following the approved policy of the board. Management ensures due diligence of the investment policies and risk management before submitting the credit proposals.

### Board Audit Committee

The Audit Committee comprises of Mr. Al-Mamoon Md. Sanaul Huq (Independent Director & Chairman of the Committee), Mr. Mahbubul Anam, Mr. Mohammed A Moyeen, Mr. Mirza Ejaz Ahmed, Mr. M Fakhru Alam, all non-executive Directors. In addition to the review of the LBFL Financial Statements, the Audit Committee reviews and evaluates with the internal auditors and external auditors, the adequacy and effectiveness of the Company's system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the internal and external auditors' audit plans, the effectiveness of audit, and the independence and objectivity of the external auditors.

The Committee meets not less than four times a year with the internal auditors. During the year under review 05 nos. Audit Committee meeting held. All Committee meetings are also attended by Company's Legal, Compliance and Secretariat and the Committee has the discretion to invite any Director and executive officer to attend its meetings. Separate sessions with internal and external audit are also held without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Company's operations.

### Features of Audit Committee Charter

The Audit Committee reviews the audited financial statements with management and the external auditors to ensure that the Company's financial statements are fairly presented in conformity with the relevant Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards in all material aspects, based on its review and discussions with management and the external auditors.

External Auditors' are invited to be present in the Audit Committee meeting where Financial Statements of the Company is reviewed for circulation to the Public. The Committee also performs an annual assessment of the effectiveness of the Company's Internal Audit function and ensures that Internal Audit has adequate resources to fulfill its mandate.

The Committee is also responsible for oversight of risk governance, risk framework and limits of LankaBangla. It approves the overall risk governance framework as well as the framework for credit, market and operational risks, including the applicable limits. It is also responsible for approving certain policies in accordance with regulatory requirements. The Committee also monitors the Company's risk profile, including risk trends and concentrations.

A separate Report on Audit Committee has been given in pages 122

### Board Meetings And Attendance

In the year under review, there were a total of 05 scheduled Board meetings. At these meetings, the Board reviews the Company's financial performance, corporate strategy, business plans, potential strategic acquisitions or alliances, strategic or significant operational issues and significant matters attended to by Board committees. The Board also reviews the Company's long term corporate strategy and business plans and budget, including principal issues and challenges. In addition to the scheduled meetings, ad hoc meetings were also held when necessary.

Board approval for less critical matters may be obtained through resolutions by circulation. Board of Directors attend the annual general meeting, Board meetings and meetings



of the committees on which they serve, and they spend the time needed to properly discharge their responsibilities. Materials and information important for understanding of the matters to be reviewed during the meetings are distributed to the directors in advance of the said meetings to provide sufficient time for the directors to prepare ahead for such meetings.

The table shown in page 101 sets out the number of meetings held and the attendance of the Company's Directors, including meetings of the Audit Committee during the year ended 31 December 2013.

### Internal Audit And Internal Controls Internal Audit Function

LankaBangla's Internal Audit is an independent function that reports functionally to the Audit Committee and administratively to the Managing Director. The functional reporting includes matters relating to Audit Charter, risk assessment and related audit plans, results of internal audit activities and other matters that the Head of Internal Audit deems necessary. The head of Internal Audit has direct access to the Audit Committee. The Audit Committee approves the hiring of Head of Internal Audit including appointment, removal, evaluation, promotion, annual compensation and salary adjustment. Administratively, Company's Managing Director facilitates the day-to-day operations of the internal audit function, including budgeting, management accounting and human resource administration. Internal Audit has unfettered access to any and all of the company's documents, records, properties and personnel including the Chairman and Audit Committee of the Board of Directors.

Internal Audit has developed and maintained a quality assurance and improvement program that covers all aspects of the internal audit activity. Internal audit activity of LankaBangla conforms to the Institute of Chartered Accountants of Bangladesh's (ICAB) Bangladesh Standards on Auditing and International Standards for the Professional Practice of Internal Auditing.

The professional competence of the LBFL's internal auditors is maintained or upgraded through training programs, conferences and seminars that provide updates on auditing techniques, regulations and banking products and services. An annual audit plan is developed under a structured risk assessment approach that examines the Company's activities, their level of inherent risk and control effectiveness against the various risk types. Audit areas are identified and scoped based on this approach and audit resources are focused on the activities deemed to carry higher risks.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of LankaBangla's system of internal controls, risk management procedures, governance processes and the quality of performance in carrying out assigned responsibilities.

The progress of corrective actions on outstanding audit issues is monitored monthly. Information on outstanding issues is categorised according to severity and monthly reports are sent to the Audit Committee Chairman, the Chairman of the Board, senior management and all Division/Department heads. All audit reports which are rated as requiring attention are copied to the Audit Committee and senior management.

Internal Audit team work closely with the external auditors and meets them regularly to discuss matters of mutual interest, to strengthen working relationships and to coordinate audit efforts. The external auditors review the effectiveness of the Company's internal controls and risk management during an annual statutory audit. Material non-compliance with established practices and procedures and regulations, as well as internal control weaknesses noted during the audit, together with recommendations, are reported to the Audit Committee, which ensures that high-risk outstanding issues are dealt with in a timely manner.

### Internal Controls

A sound system of internal controls requires a defined organisational and policy framework. LankaBangla has a management framework that clearly defines the roles, responsibilities and reporting lines of business and support units. The delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Internal Audit, Risk Management and Legal & Compliance functions provide independent oversight over controls and risks within the Group.

The Audit Committee and the Risk Management Committee have reviewed the adequacy of LBFL control environment. The Board believes that the system of internal controls in place up to the date of this report is adequate for the current business scope and operations of the Company.

### Related Party Transactions

LankaBangla has refined and embedded enhanced procedures to comply with existing regulations governing related party transactions for FI'S and listed companies. These regulations include the Financial Institutions Act, Bangladesh Accounting Standards (BAS-24). The relevant provisions in the FI Act and the BAS directives impose prudential limits on credit exposures by the Company to certain Subsidiary and associates entities and persons, also the related party transactions in the BAS cover all types of related party transactions generally.

All new directors are briefed on the relevant provisions that they need to comply with. If necessary, existing credit facilities to related parties are adjusted prior to a director's appointment, and all credit facilities to related parties are monitored on an on-going basis. Checks are conducted prior to the Company entering into credit and non-credit-related transactions to determine whether the counterparty is a related party under applicable regulations and to take the appropriate action to comply with the regulations.

The Company has granted credit facilities to the mentioned related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated values of collaterals as at 31 December 2013 are given in the Notes to the Financial Statements Note.

### IT Governance

Information Technology Governance forms an integral part of the NBF's Corporate Governance, 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.

### Ethical Standard - Dealings In Securities

LankaBangla has adopted more stringent policies than prescribed guidelines issued by SEC and has a policy against insider trading. LankaBangla employees are prohibited from dealing in securities of LankaBangla during the period commencing from two months before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the LankaBangla's stock broking subsidiary.

### Dissemination Of Information

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 and Chief Financial Officer (CFO) and Company Secretary in maintaining a close dialogue with institutional investors.

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

### Report from External Auditors

The External Auditors have performed procedures set out in Bangladesh Securities & Exchange Commission (SEC) Nootification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969, to meet the compliance requirement of the Corporate Governance directive. Their findings presented in thier report dated 3 March 2013 addressed to the Board are consistent with the matters disclosed below and did not identify any inconsistencies to those reported below by the Board.





**MMH**

06 March 2014

Our Ref: 01/03/2014

**LankaBangla Finance Limited**

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

**Subject: Opinion on Status of Compliance of Corporate Governance Guidelines for the year ended 31 December 2013**

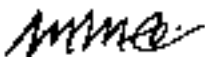
**Dear Sirs,**

We have checked the relevant documents regarding the compliance of the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 for the year ended 31 December 2013.

In our opinion, LankaBangla Finance Limited has complied with the conditions of Corporate Governance Guidelines of BSEC for the year ended 31 December 2013. Actual status of compliance against each requirement of the Corporate Governance Guidelines is shown in **Annexure-1**.

Thanking You.

Yours Faithfully,



**MMH & Co**  
Chartered Accountants



## Annexure - 1

Status of Compliance with the conditions imposed by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 under section 2CC of the Securities & Exchange Ordinance 1969  
(Report under Condition Number 7.00)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	<b>Board of Directors</b>			
1.1	Board Size (number of directors - minimum 5 and maximum 20)	✓		
1.2	<b>Independent Directors</b>			
	(i) Independent Directors (at least one fifth of total number of directors shall be independent Director)	✓		
	<b>Independent Director means-</b>			
	(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	✓		
	(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	✓		
	(c) who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies	✓		
	(d) who is not a member, director or officer of any stock exchange	✓		
	(e) who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
	(f) who is/ was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	✓		
	(g) who shall not be an independent director in more than 3 (three) listed companies	✓		
	(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)	✓		
	(i) who has not been convicted for a criminal offence involving moral turpitude	✓		
	(ii) the independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	✓		
	(iii) the post of independent director(s) can not remain vacant for more than 90 (ninety) days	✓		
	(iv) the Board of Director shall lay down a code of conduct for all the members of Board of Director and annual compliance of the code to be recorded	✓		
	(v) 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	<b>Qualification of Independent Director</b>		
(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		✓		
(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 and Chartered Secretary. The independent director must have at least 12 (twelve) years of corporate management/professional experiences		✓		
(iii) In special cases the above qualifications may be relaxed subject to prior approval of the Commission	✓			
1.4	Chairman of the Board of Director & Chief Executive Officer should be different person	✓		
1.5	<b>The Directors' Report to Shareholders shall includes</b>			
	(i) Industry outlook and possible future developments in the industry	✓		
	(ii) Segment-wise or product-wise performance	✓		
	(iii) Risks and Concerns	✓		
	(iv) A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
	(v) Discussion on continuity of any Extra-Ordinary Gain or Loss	-		N/A
	(vi) Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
	(vii) Utilization of proceeds from public issues, rights issues and/or through any others instruments	-		N/A
	(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
	(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
	(x) Remuneration to directors including independent directors	✓		
	(xi) The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
	(xii) Proper books of account of the company have been maintained	✓		
	(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	✓		
	(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	✓		
	(xv) The system of internal control is sound in design and has been effectively implemented and monitored	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (Contd.)	(vi)	There are no significant doubts 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 the reasons thereof should be disclosed	✓	
	(vii)	Significant deviation from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained	-	N/A
	(viii)	Key operating and financial data of at least 05 (Five) preceding years shall be summarized	✓	
	(ix)	If the company has not declared dividend (cash or stock) for the year, the reason thereof shall be given	✓	
	(x)	Number of board meetings held during the year and attendance by each director shall be disclosed	✓	
	(xi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares.	✓	
	(a)	Parents/Subsidiary/Associate Companies and other related parties (name wise details)	✓	
	(b)	Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children (name wise details)	✓	
	(c)	Executives (top 5 (five)) salaried employees of the Company, other than the Directors, CEO, CFO, Company Secretary and Head of Internal Audit	✓	
	(d)	Shareholders Holding 10% (ten percent) or more voting interest in the company (name wise detail)	-	N/A
	(xii)	Appointment/Reappointment of Director		
	(a)	A brief resume of the director	✓	
	(b)	Nature of his/her expertise in specific functional areas	✓	
(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2	<b>Chief Financial Officer (CFO), Head of Internal Audit (Internal Control &amp; Compliance) and Company Secretary (CS)</b>			
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 Company Secretary shall attend the meeting of the Board of Directors	✓		
3	<b>Audit Committee</b>			
3	(i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors	✓	
	(ii)	The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect true and fair view of the state of affairs of the company and a good monitoring system within the business are in place	✓	
	(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	<b>Constitution of the Audit Committee</b>			
	(i)	The Audit Committee shall be composed of at least 3 (three) members	✓	
	(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	✓	
	(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	✓	
	(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) persons, 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	✓	
	(v)	The Company Secretary shall act as the secretary of the Committee	✓	
	(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓	
3.2	<b>Chairman of the Audit Committee</b>			
	(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	✓	
(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM)	✓		
3.3	<b>Role of the Audit Committee</b>			
	(i)	Oversee the financial reporting process	✓	
	(ii)	Monitor choice of accounting policies and principles	✓	
	(iii)	Monitor internal Control Risk management process	✓	
	(iv)	Oversee hiring and performance of external auditors	✓	
	(v)	Review along with the management, the annual financial statements before submission to the Board of Director for approval	✓	
	(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board of Director for approval	✓	
	(vii)	Review the adequacy of internal audit function	✓	
	(viii)	Review statement of significant related party transactions submitted by the management	✓	
	(ix)	Review Management Letters/ Letter of Internal Control Weakness issued by statutory auditors	✓	





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3.3 (Contd.)	(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 category (Capital Expenditure, Sales and 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	<b>Reporting of the Audit Committee</b>			
3.4.1	<b>Reporting to the Board of Directors</b>			
	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:-			
	(a) Conflict of interest	-		N/A
	(b) Suspected or presumed fraud or irregularity or material defect in the internal control system	-		N/A
	(c) Suspected infringement of laws, including securities related laws rules and regulations	-		N/A
	(d) Reporting of any other matter which shall be disclosed to the Board of Directors immediately			N/A
3.4.2	<b>Reporting to Authorities</b> If any report which has material impact on the financial condition & 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 finding to Commission upon reporting of such matters to the Board for three times or completion of a period of 6 (six) month from the date of first reporting to the Board of Director whichever is earlier.	-		N/A
3.5	<b>Reporting to the Shareholders and General Investors</b> Report on activities carried out by the Audit Committee including any report made to the Board of Director under condition 3.4.1 (i) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the Company	-		N/A
4	<b>External/Statutory Auditors shall not be engaged to perform the following services of the company</b>			
	(i) Appraisal or valuation services or fairness opinion	✓		
	(ii) Financial information systems design and implementation	✓		
	(iii) Book Keeping or other services related to the accounting records or financial statements	✓		
	(iv) Broker-Dealer services	✓		
	(v) Actuarial services	✓		
	(vi) Internal Audit services	✓		
	(vii) Any other services that the Audit Committee determines	✓		
	(viii) No partner or employee 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	✓		
5	<b>Subsidiary Company</b>			
	(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.	✓		
	(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	✓		
	(iii) The minutes of the Board of Director meeting of the subsidiary company shall be placed for review at the following Board of Director meeting of the holding company.	✓		
	(iv) The minutes of the respective Board of Director meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	✓		
	(v) The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
6	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
	The CEO and CFO shall certify to the Board of Director that:-			
	They have reviewed financial statements for the year and that to the best of their knowledge and belief			
	(i)	(a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓	
		(b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓	
(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	<b>Reporting and Compliance of Corporate Governance</b>			
	(i) The Company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/ Cost & Management Accountant/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	✓		
	(ii) The Board of Director of the company shall state, in accordance with the Annexure of notification Number: SEC/CMR/CD/2006-158/134/Admin/44 dated 07 August 2012 in the Directors' Report whether the company has complied with these conditions	✓		



## Annexure - 2

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.	<b>Responsibilities and authorities of the Board of Directors:</b>	
	<b>(ka) Work-planning and strategic management:</b>	
	(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
	<b>(kha) Formation of sub-committee:</b>	
	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
	<b>(Ga) Financial management:</b>	
	(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
	<b>(Gha) Management of loan/lease/investments:</b>	
	(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

	<b>(Uma) Risk management:</b>	
	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
	<b>(Ca) Internal control and compliance management:</b>	
	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
	<b>(Cha) Human resource management:</b>	
	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 in compliance 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
	<b>(Ja) Appointment of CEO:</b>	
	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
	<b>(Jha) Benefits offer to the Chairman:</b>	
	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
<b>02</b>	<b>Responsibilities of the Chairman of the Board of Directors:</b>	
	(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
<b>03</b>	<b>Responsibilities of Managing Director:</b>	
	(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

## COMPLIANCE REPORT ON SEC'S NOTIFICATION

### Annexure -3

#### Compliance of Section 1.4(j)

#### Board of Directors meeting held during 2013 and attendance by each director:

Composition of the Board	Meeting held	Attended
Mr. Mohammed A. Moyeen	06	05
Mr. I.W. Senanayake	06	04
Mr. M.Y. Aravinda Perera	06	01
Mr. B.W. Kundanmal (Alternate Director of Mrs. Aneesha Mahial Kundanmal)	06	01
Mr. Farman R. Chowdhury*	06	02
Mr. M. Fakhru Alam*	06	04
Mr. Mirza Ejaz Ahmed	06	05
Mr. Mahbubul Anam	06	03
Dr. Mahbubul Haque (Alternate Director of Mr. Tahsinul Huque)	06	04
Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	06	06
Dr. Mahmood Osman Imam (Independent Director)	06	05
Mr. Mohammed Nasir Uddin Chwdhury (Managing Director)	06	06

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

\* Mr. M. Fakhru Alam has been appointed as Director of LankaBangla Finance Limited w.e.f. July 30, 2013 representing ONE Bank Limited replacing Mr. Farman R. Chowdhury.

#### Board Executive Committee meeting held during 2013 and attendance by each Director:

Composition of the Board	Meeting held	Attended
Mr. Mohammed A. Moyeen	11	09
Mr. Mahbubul Anam	11	07
Mr. Farman R. Chowdhury*	11	05
Mr. M. Fakhru Alam*	11	05
Mr. B.W. Kundanmal (Alternate Director of Mrs. Aneesha Mahial Kundanmal)	11	0
Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	11	11

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

\* Mr. M. Fakhru Alam has been appointed as Director of LankaBangla Finance Limited w.e.f. July 30, 2013 representing ONE Bank Limited replacing Mr. Farman R. Chowdhury.

**Board Audit Committee meeting held during 2013 and attendance by each Member:**

Composition of the Board	Meeting held	Attended
Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	05	05
Mr. Mohammed A. Moyeen	05	02
Mr. Mahbubul Anam	05	04
Mr. Farman R. Chowdhury*	05	02
Mr. M. Fakhru Alam*	05	03
Mr. Mirza Ejaz Ahmed	05	02

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

\* Mr. M. Fakhru Alam has been appointed as Director of LankaBangla Finance Limited w.e.f. July 30, 2013 representing ONE Bank Limited replacing Mr. Farman R. Chowdhury.

**Compliance of Section 1.4(k)****The pattern of Shareholding****a) Parent/Subsidiary/Associated companies and other related party :**

Name	Relation	Shares Held
Sampath Bank Plc., Srilanka	Related Party	19,734,000

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

Name	Relation	Shares Held
Mr. I.W. Senanayake	Representative of Sampath Bank PLC	19,734,000
Mr. Aravinda Perera		
Mr. M Fakhru Alam	Representative of ONE Bank Limited	10,120,000
Mr. Mirza Ejaz Ahmed	Representative of SSC Holdings Limited	2,235,255
Mrs. Aneesha Mahial Kundanmal	Alternate Director of Mr. B W Kundanmal	16,048,029
Mr. Tahsinul Huque	Alternate Director of Dr. M. Mahbubul Huque	8,117,505
Mr. Mohemmad A. Moyeen		8,832,388
Mr. Mahbubul Alam		9,279,444
Mr. Mohammed Nasir Uddin Chowdhury	Managing Director	None
Mr. Mostafa Kamal FCA	Company Secretary	None
Mr. Shamim Al Mamun, ACA	Chief Financial Officer	None
Mr. Mohammed Kamrul Hasan, FCA	Head of Internal Audit	128

**c) Executives (Top five salaried employees of the company, other than Directors, Managing Directors, Chief Financial Officer, Company Secretary and Head of Internal Audit)**

Designation	Name	Shares Held
Deputy Managing Director	Mr. Khwaja Shahriar	None
Executive Vice President	Mr. AKM Kamruzzaman, FCMA	None
Senior Vice President	Mr. Quamrul Islam	None
Senior Vice President	Mr. Khurshed Alam	None
Vice President	Mr. Mohammed Shoab	None

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



# Statement on Ethics and Compliance

## Our approach

LankaBangla pays close attention to the moral concerns in order to make the right ethical decisions on a day-to-day basis over and above observing the law, one of the basic professional requirements for the NBFIs. We at LankaBangla believe that the upholding of an ethical culture in financial sector is of critical interest to the customers, employees, regulators alike and to the NBFIs themselves 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 the Bank 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 temporary), 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 turn to the commitments we make to our stakeholders.

## Effectiveness of Code, Efforts of the Company

- To apply core values and principles embodied 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 with the code
  - To ensure 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 identifying the ethical issue
  - Taking stock of all stakeholders or parties involved



- Having an objective assessment of each stakeholder's position
- Identifying 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 are 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 behaviors, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy. All Management Cadres must complete an annual attestation that they have read and understood these ground rules and failure to complete this may result in a 'flag' being raised in an individual's performance review.

### Reporting compliance

We have reported breaches of our Code of Conduct and Ethics framework yearly. Breaches of operational, regulatory and compliance requirements are tracked and case management, with corrective action closely monitored until 'closed'. All

breaches of the Code are reported annually to our Management Committee and form part of regular risk reporting to the Management Credit Committee.

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



# Statement on Risk Management

Strong risk management capabilities are 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.

## 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.

### Risk Governance And Organisation

The Board of Directors establishes the Company's risk appetite and risk principles. The Board Audit Committee is the principal Board committee that oversees the Company's risk management. It reviews and approves the Company's overall risk management philosophy, risk management frameworks, major risk policies, and risk models. The Board Audit Committee also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Company's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for discussion and appropriate action.

The Board Audit Committee is supported by Risk Management Division, which has functional responsibility in 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.

### Risk Management Forum at LankaBangla

Risk Management Forum (RMF) and Risk Analysis Unit (RAU) of LankaBangla Finance Limited has been established in LankaBangla during 2013 in compliance 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 busi-

ness and operational heads are the members of the RMF. The main responsibility of the Risk Management Forum includes the following:

- a) Designing overall risk management strategy of the FI
- b) Communicating views of the board and senior management regarding the Risk Management Culture and Risk Appetite all over the FI
- c) Preparing risk management policies and procedures
- d) Monitoring the prescribed/threshold limits of Risk Appetite set by the regulator and/or by the FI itself
- e) Developing, testing, and observing the use of models to measure and monitor the risks
- f) Developing and overseeing implementation of stress testing
- g) Overseeing the Capital Management functions in accordance with the Risk Based Capital Adequacy measurement accord i.e. BASEL-II /III
- h) Determining the most cost-effective way to minimize the risks
- i) Highlighting the risky portfolios and deficiencies of the FIs on timely manner and reporting these analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions
- j) Reviewing the market conditions, identifying the external threats and providing with recommendations for precautionary measures accordingly
- k) Developing overall information system/MIS to support risk management functions of the FI

### 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. In compliance with the Bangladesh Bank guidelines RAU is working 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.

This unit will be responsible only for the followings:

- a) Collecting all relevant data related to the risk indicators from different models and information system at the earliest
- b) Assessing the quality, completeness and correctness of those data
- c) Identifying and quantifying the risks and their exposures to material loss
- d) Preparing Risk Management Paper (RMP) in monthly basis
- e) Conducting periodic Stress Testing

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.

**BASEL II**

LankaBangla has implemented Bangladesh Bank’s Guidelines (Basel Accord for Financial Institutions) on Risk Based Capital Adequacy Requirements for FIs incorporated in Bangladesh with effect from 1 January 2011. Bangladesh Bank adopts the Basel Committee on Banking Supervision’s proposal on “International Convergence of Capital Measurement and Capital Standards,” commonly referred to as BASEL II. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by banks to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. As part of enhanced public disclosures on risk profile and capital adequacy required under the mentioned guidelines.

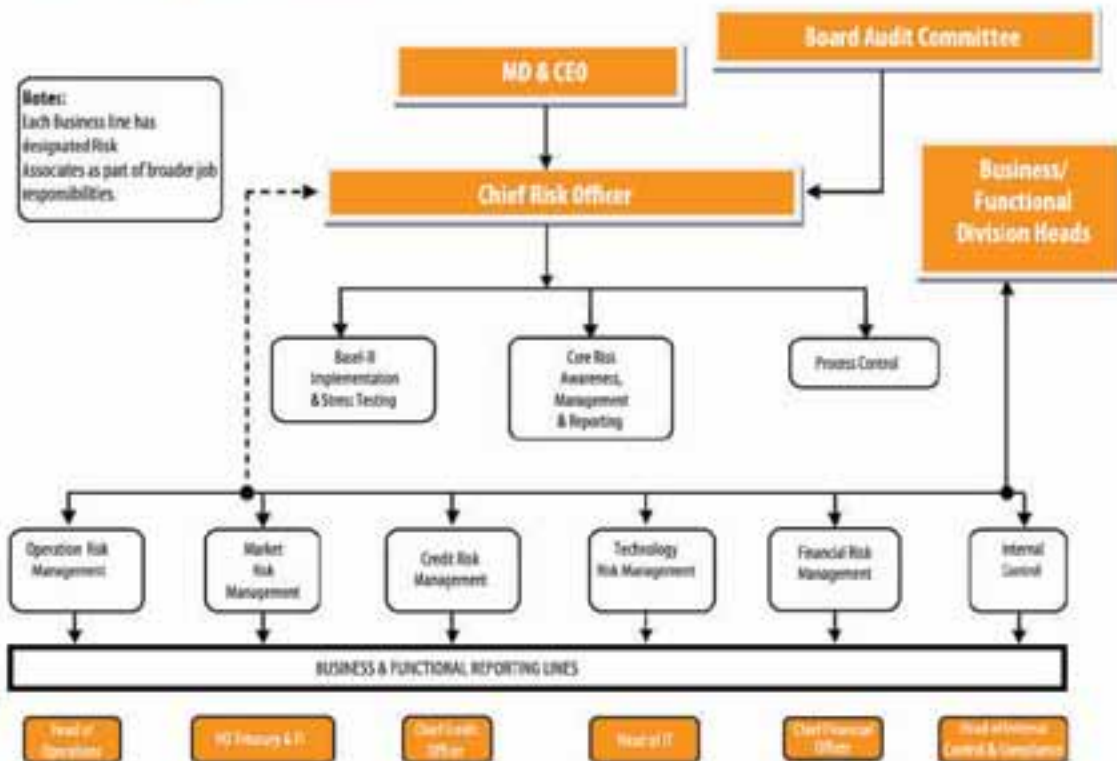
**Stress Testing**

Stress testing is a simulation technique, which is used to de-

termine 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.

**Risk Management Structure**



**Credit Risk Management**

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. As our primary business is Lending, the Company is exposed to credit risks from loans to retail, corporate, and institutional customers. Trading and investment banking activities, such as trading of derivatives, debt securities, securities underwriting, and settlement of transactions, also expose the Company to counterparty and issuer credit risks.

The Company seeks to take only credit risks that meet our underwriting standards. We seek to ensure that risks are commensurate with potential returns that enhance shareholder value.

**Credit Risk Management Oversight And Organization**

The Management Credit Committee is the senior management committee that supports the CEO and the Board Audit Committee in managing the Company’s overall credit risk exposures, taking a proactive view of risks and to position the credit portfolio. The Management Credit Committee also reviews the Company’s credit risk philosophy, framework, and policies, and aligns credit risk management with business strategy and planning. The Management Credit Committee recommends credit approval authority limits, reviews the credit profile of material portfolios, and recommends actions where necessary to ensure that credit risks remain within established risk tolerances.

The Credit Risk Management (“CRM”) departments have functional responsibility for credit risk management, including formulating and ensuring compliance with Group-wide risk policies, guidelines, and procedures. Other Group Risk departments are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting, risk control

systems, and remedial loan management. Company Risk units also conduct regular credit stress tests to assess the credit portfolio’s vulnerability to adverse credit risk events.

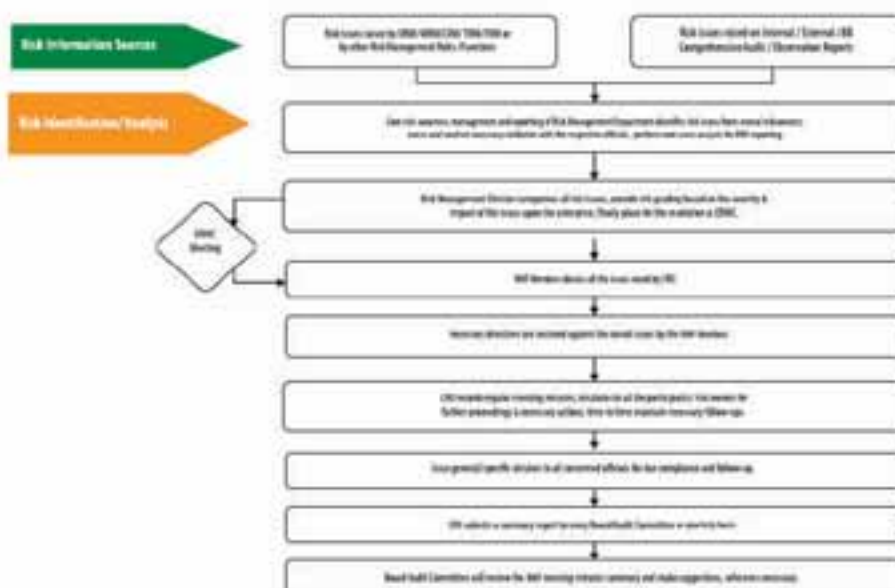
Regular risk reporting is made to the Board of Directors, Board Audit Committee, and the Management Credit Committee in a timely, objective, and transparent manner. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio and geography. Such reporting allows senior management to identify adverse credit trends, formulate and implement timely corrective action, and ensure appropriate risk-adjusted decision making.

**Credit Risk Management Approach**

Our credit risk management framework includes comprehensive credit risk policies for approval and management of credit risk, as well as methodologies and models to quantify these risks in a consistent manner. While Group policies set our minimum credit risk management standards, the key to our success lies also in the experience and sound judgment of our credit officers and embedded regular credit review process. The internal audit review also provides an independent assessment of the effectiveness and adequacy of our credit risk management practices.

Credit underwriting criteria are regularly updated to reflect prevailing economic conditions in our key markets. In addition, we remain selective in purchasing debt securities. Portfolio reviews and stress tests are conducted regularly to identify any portfolio vulnerabilities. Fair dealing is an integral part of LBFL’s core corporate values: credit extensions are only offered after a comprehensive assessment of the borrower’s creditworthiness, as well as the suitability and appropriateness of the product offering.

**Risk Management Process Flow**



### Lending To Consumers And Sme Businesses

Credit risks for the consumer and SME business sectors are managed on a portfolio basis. Such products include mortgage loans, credit cards, auto loans, commercial property loans, Factoring and business term loans. Loans are underwritten under product programs that clearly define the target market, underwriting criteria, terms of lending, maximum exposure, credit origination guidelines, and verification processes to prevent fraud. The portfolios are closely monitored using MIS analytics. Scoring models are used in the credit decision process for some products to enable objective risk evaluations and consistent decisions, cost efficient processing, and behavioral score monitoring of expected portfolio performance.

### Lending To Corporate And Institutional Customers

Loans to corporate and institutional customers are individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support. Credit extensions have to meet pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extensions, co-grantor approvals – or joint approvals – are required from both the business unit as well as credit controllers from the credit risk function.

### Credit Risk Grading (CRG)

Credit risk grading is an important tool for credit risk management as it helps the Financial Institutions to understand various dimensions of risk involved in different credit transactions. The process allows to compare different borrowers under a standardized scale and the aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio.

### Frequency of Preparing CRG

The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as post-sanction stage. At the pre-sanction stage, risk grading helps the sanctioning authority to decide whether to lend or not to lend, the lending price, the extent of exposure etc.

At the post-sanction stage, credit grading helps decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken.

### Functions of Credit Risk Grading

Well-managed credit risk grading systems promote financial institution safety and soundness by facilitating informed decision-making. In line with Bangladesh Bank core risk manual and following the industry best practices, for each and every loan cases CRG score is calculated using the pre-determined CRG format suitable for respective loan products. This al-

lows FI management and examiners to monitor changes and trends in risk levels. The process also allows FI management to manage risk to optimize returns.

### Use of Credit Risk Grading:

- The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of an individual obligor and the credit portfolio as a whole
- As evident, the CRG outputs would be relevant for credit selection, wherein either a borrower or a particular exposure/facility is rated. The other decisions would be related to pricing (credit spread) and specific features of the credit facility
- Risk grading would also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile. It is also relevant for portfolio level analysis

### Credit Risk Grading Process:

The following step-wise activities outline the detail process for arriving at credit risk grading.

**Step I:** Identify all the Principal Risk Components (Quantitative & Qualitative)

**Step II:** Allocate weightings to Principal Risk Components

**Step III:** Input data to arrive at the score on the key parameters.

**Step IV:** Arrive at the Credit Risk Grading based on total score obtained.

### Credit Risk Control

#### Credit Risk mitigation

Transactions are entered into primarily on the strength of a borrower's creditworthiness, ability to repay, and repayment sources. To mitigate credit risk, the Company accepts collateral as security, subject to credit policies on collateral eligibility. Types of collateral include cash and marketable securities; residential and commercial real estate; commercial & private vehicles; and other tangible business assets, such as inventory and equipment.

The value of collateral is prudently assessed on a regular basis, and valuations are performed by independent appraisers. Discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. The loan-to-value ratio is a key factor in the credit granting decision. LBFL also accepts guarantees from individuals, corporates, and institutions as a form of support.

Some netting and collateral agreements may contain rating triggers, although the thresholds in the majority of our agreements are identical in the event of a one-notch rating downgrade. Given the Company's investment grade rating, there is minimal increase in collateral required to be provided to our counterparties if there is a one-notch downgrade of our credit rating.



### Managing Credit Risk Concentrations

Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups, counterparties, industry segments, countries, and cross-border transfer risks. Limits are aligned with the Company's business strategy and resources, and take into account the credit quality of the borrower, available collateral, regulatory requirements, and country risk ratings. Limits are typically set taking into consideration factors such as impact on earnings and capital as well as regulatory constraints.

The Company is in compliance with Section 14 of the Financial Institutions Act, 1993 which limits its exposure to any single client in Bangladesh to not more than 30% of our Equity.

### Remedial Management

The Company has been able to anticipate areas of potential weakness at an early stage through the regular monitoring of the credit quality of our exposures, with an emphasis on a proactive and forward-looking approach to early problem recognition. We value long-term relationships with our customers by working closely with them at the onset of their difficulties. Applying specialist remedial management techniques even before the loan becomes non-performing allows us to maintain sound asset quality and promote customer loyalty and retention. Loans are categorised as "Special Mention", while non-performing loans ("NPLs") are categorised as "Substandard", "Doubtful", or "Bad & Loss" in accordance with FID Circular No. 08 & 11 of Bangladesh Bank. These indicators allow us to have a consistent approach to early problem recognition and effective remedial management.

LankaBangla has established specialist and centralised units to manage problem exposures to ensure timely NPL reduction and maximise loan recoveries. Time, risk-based, and discounted cash flow approaches are deployed to optimise collection and asset recovery returns, including monitoring set indicators like delinquency buckets, adverse status, and behavioural score trigger points for consumer NPLs. The Company uses a suite of collection information systems to constantly fine-tune and optimise its objectives of recovery, effectiveness, and customer retention.

### Provision For Lease/Loans

The Company maintains allowances for loans that are sufficient to absorb credit losses inherent in its loan portfolio. Total loan loss reserves comprise specific allowances against each NPL and a portfolio allowance for all loans on books to cover any losses that are not yet evident. The Company's policy for loan provisions is guided by Bangladesh Bank's FID Circular No. 08 & 11. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homog-

enous loans (such as housing loans, consumer loans, and credit card receivables) below a certain materiality threshold, where such loans may be pooled together according to their risk characteristics and collectively assessed according to the degree of impairment, taking into account the historical loss experience on such loans. Portfolio allowances are set aside based on management's credit experiences and judgment for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 2%/5% for House Loan and 1% Provision for Other Lease/Loan portfolio is being made as the mentioned FID Circulars.

### Write-Offs

Loans are written off against Provisions when recovery action has been instituted and the loss can be reasonably determined.

### Ceasing of Interest Accrual on Loans

When a loan is classified "Substandard", "Doubtful", or "Bad & Loss", interest income ceases to be recognized in the income statement on an accrual basis. However, this non-accrual of interest does not preclude the Company's entitlement to the interest income as it merely reflects the uncertainty in the collectability of such interest income.

### Collateral Held Against NPLs

Land, Real estate, Shares, FDRs in Bangladesh forms the main type of collateral for the Company's NPLs. The realisable value of the collateral is used to determine the adequacy of the collateral coverage. Proceeds from the sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and legal cross collateralization of the facilities have been provided for.

### Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in market factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. LBFL is exposed to market risks from its trading and client servicing activities. Company's market risk management strategy and market risk limits are established within the Company's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

### Market Risk Management Oversight And Organisation

The Risk Management Forum (RMF) is the senior management committee that supports the Board Audit Committee and the CEO in market risk oversight. The Enterprise Risk Management Committee establishes market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies,





measurement systems, and internal controls.

The Enterprise Risk Management Committee is supported at the working level by the Risk Management Division (RMD). RMD is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

### Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for undertaking proactive risk management along with their pursued trading strategies, while the Risk Management Division acts as the independent monitoring unit that ensures sound governance practices. Key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure they are commensurate with the Company's market risk taking activities.

### Market Risk Identification

Risk identification is addressed via the Company's new product approval process at product inception. Market risks are also identified by our risk managers who proactively interact with the business units on an ongoing basis.

### Stress Testing And Scenario Analyses

The Company also performs stress testing and scenario analyses to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Company's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Company's risk tolerance and capital level.

### Asset Liability Management

Asset liability management is the strategic management of the balance sheet structure and liquidity needs, covering funding liquidity risk management, structural interest rate management and structural foreign exchange management.

### Asset Liability management Oversight and Organization

The Asset Liability Management Committee ("ALCO") is responsible for the oversight of our Group liquidity and balance sheet risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units. The ALCO is supported by the Treasury department with a Line reporting to Risk Management Division.

### Asset Liability management Approach

The Asset Liability Management framework comprises liquidity risk management, structural interest rate risk management and structural foreign exchange risk management.

### Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions. Our liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioral basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors, product and geography. In addition, we maintain a level of liquid assets exceeding the regulatory requirement for use in the event of a liquidity crisis. These assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

### Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk includes legal risk and reputation risk. The Company's operational risk management aims to minimise unexpected and catastrophic losses and to manage expected losses. This enables new business opportunities to be pursued in a risk-conscious and controlled manner.

### Operational Risk management Oversight and Organisation

The Risk Management Forum (RMF) is the senior management committee that oversees the execution of the Company's Operational Risk Management, Information Security and Technology Risk practices, and ensures that the respective risk management programs are appropriate, effective, and support the Company's business strategy. RMF also has oversight over the management of the Company's fiduciary, reputational and legal risks. The Risk Management Division establishes the framework, including policies and methodologies for Operational Risk Management. The RM division also provides independent oversight of operational risk monitoring and control. These programs are actively implemented through the respective operational risk co-ordinators or managers in the business units.

### Operational Risk management Approach

The Company manages operational risks through a framework that ensures operational risks are properly identified,



managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Company's control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal. The Company recognises the importance of establishing a risk-awareness culture in the managing of operational risk through embedding risk management in the Company's core processes.

Each business unit undertakes regular self-assessment of the risk and control environment to identify, assess, and measure its operational risks, which include regulatory and legal risks. Risk metrics are also used to detect early warning signals and drive appropriate management actions before risks materialise into material losses. Senior management also attests annually to the CEO and Board Audit Committee on the effectiveness of the internal control system, as well as report key control deficiencies and appropriate remedial plans. Operational risk losses and incidents are used as information for reporting and for providing risk profiling information to senior management and the Board Audit Committee.

For information security, the Company protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets. New and appropriate security technologies are regularly identified and implemented as part of the Company's technology risk management strategy to mitigate any possible threats to the Company's information technology environment. To mitigate the impact of unforeseen operational risk

events, Company management has implemented business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities.

The Company's Fraud Risk Management and whistle-blowing programmes help prevent and detect fraud or misconduct, as well as enable rapid and co-ordinated incident responses, including establishing the cause, remedial actions, and damage control procedures. The Company is on the way to strengthening its Fraud Risk Management infrastructure to manage emerging threats through new programmes and initiatives.

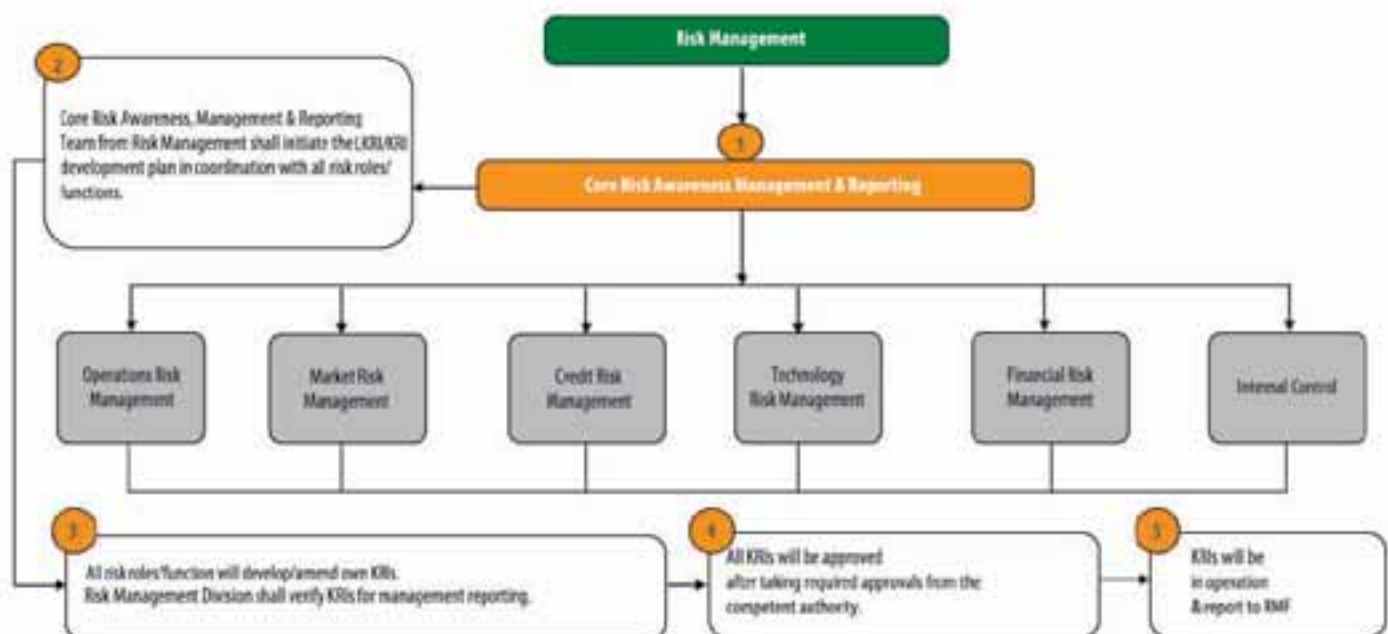
### Reputation Risk management

Reputation risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors and regulators. The Company has a reputation risk management programme to manage any such potential current, or future adverse impact on earnings and continued access to sources of funding. The programme focuses on understanding and managing our responsibilities toward our different stakeholders, and protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

### Regulatory, Compliance and Legal Risks

Each business unit is responsible for the adequacy and effectiveness of controls in managing the Regulatory, Compliance and Legal risks. An annual Regulatory Compliance Certification is provided by senior management to the CEO and Board Audit Management Committee on the state of regulatory & legal compliance.

Management of Key Risk Indicators



## Capital Adequacy and Market Discipline

Capital adequacy is a measure of a Financial Institution's (FI) financial strength and its ability to withstand liquidity shocks during the course of its business activities. The financial crisis clearly revealed the need for regulators and FIs alike to review existing capital and liquidity requirements and to assess a FI's capability of absorbing losses in its daily course of business and during economic and market stress situations.

### Risk Assessment Under Basel II

The primary objective of the Capital Adequacy Ratio (CAR) defined under Basel II is to protect a FI's depositors, whilst maintaining confidence and giving stability to the world banking system. The regulators attempt to accomplish this by setting the capital reserves a FI needs to hold in relation to the risk the FI exposes itself to through its business activities. Keeping in line with international standards, the Bangladesh Bank has supported these regulatory reforms by enhancing them in accordance with local funding and liquidity requirements. The capital adequacy of FIs & Banks is monitored by Bangladesh Bank on a regular basis.

LankaBangla Finance Limited (LBFL) computes CAR as a ratio of its capital to its risk weighted assets. Calculations of the risk weightings defined under credit risk and market risk are based on the standardised approach whereas operational risk is computed by using the basic indicator approach. As the Basel II guidelines are phased in and more sophisticated risk measurement systems and models are implemented, FIs will be in a position to move from the standardised methods to the more refined and robust requirements of the advanced approaches.

LBFL's Capital Adequacy Ratio (CAR) of 16.76% (Solo) & 20.75% (Consolidate) (as of 31-12-2013) remains comfortably above Bangladesh Bank's current capital requirements of Tier 1 and Tier 2. Presently the CAR requirement is 10%.

LankaBangla has taken necessary measures to remain compliant, in line with Bangladesh Bank's guidelines, with its forecasted growth in the future.

### Discloser on CAMD

The Capital adequacy computation as at 31 December, 2013 is given below:

(BDT Million)

Sl.	Particulars	Solo	Consolidate
<b>A.</b>	<b>Eligible Capital</b>		
1.	Tire - 1 Capital	4,322.20	7,098.20
2.	Tire - 2 Capital	210.50	245.10
3.	Total Eligible Capital (1+2)	4,532.70	7,343.30
<b>B.</b>	<b>Total Risk Weighted Assets (RWA)</b>	<b>27,046.20</b>	<b>35,397.10</b>
<b>C.</b>	<b>Capital Adequacy Ratio (CAR) (A3/B)*100</b>	<b>16.76%</b>	<b>20.75%</b>
<b>D.</b>	<b>Core Capital to RWA (A1/B)*100</b>	<b>15.98%</b>	<b>20.05%</b>
<b>E.</b>	<b>Supplementary Capital to RWA (A2/B)*100</b>	<b>0.78%</b>	<b>0.69%</b>
<b>F.</b>	<b>Minimum Capital Requirement (MCR)</b>	<b>2,704.00</b>	<b>3,539.70</b>

Eligible Capital (BDT Million)			
Sl.	Particulars	Solo	Consolidate
1.0	Tire - 1 (Core Capital)		
1.1	Fully paid-up capital/capital lien with BB	2,083.50	2,083.50
1.2	Statutory reserve	651.90	651.90
1.3	Non-repayable share premium account	-	1,090.90
1.4	General reserve	-	45.80
1.5	Retained earnings	1,586.80	3,037.90
1.6	Minority interest in subsidiaries		188.20
1.7	Non-cumulative irredeemable preferences share	-	-
1.8	Dividend equalization account	-	-
1.9	Other (if any item approved by Bangladesh Bank)	-	-
	Less: Shortfall in provisions required against investment in shares	-	-
1.10	Sub-Total (1.1 to 1.9)	4,322.20	7,098.20
Risk Weighted Assets (RWA) (BDT Million)			
Sl.	Particulars		Amount
<b>A.</b>	<b>Credit Risk</b>		
	1. On - Balance Sheet	22,874.60	27,115.70
	2. Off - Balance Sheet	-	-
<b>B.</b>	<b>Market Risk</b>	2,496.20	5,011.10
<b>C.</b>	<b>Operational Risk</b>	1,675.30	3,270.30
	Total RWA (A + B + C)	27,046.20	35,397.10

# Statement on Non-Performing Loan (NPL) Management

Managing Non-performing Loan (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.

## Business Processes and Structures to Facilitate NPL Management

NPL management is one of the topmost priorities of the management of LankaBangla. 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 our sales and relationship teams which drive their business efforts towards quality business through systematic management of any potential risk of NPL
- Our 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 risk 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. until settlement, separate department namely Asset Recovery & Monitoring Department

continuously thrives for protection against 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 collection 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

## Strategies for NPL Management

The recovery strategies are carried out through the following three sub-functions:

- i) Classification of loan portfolio
- ii) Trend analysis of the overdue installments
- iii) Strategy of recovery



### i) Classification of Loan Portfolio

Loans are classified into the following categories.

- a) Regular payees
- b) One monthly installment overdue
- c) Two monthly installments overdue
- d) Three monthly installments overdue
- e) Four monthly installments overdue
- f) Five monthly installments overdue
- g) Six monthly installments overdue
- h) 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.

### ii) Trend Analysis of the Overdue Loans

The data of the outstanding loan portfolio is formatted to generate two different types of reports from the automated computerized system, 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:

#### Sector-wise Age analysis

This report provides information on the sectoral default level of the loan portfolio. If the default happens to be random in nature for a particular sector, the client-wise age analysis is emphasised. If any sectoral default is evident the following further analysis is carried out.

#### Industry Sales Analysis

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

#### 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).

#### 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.

#### 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

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

### 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.

### iii) Strategy of Recovery

The recovery strategy of the asset operation is adopted based on the individual client in the light of the conclusion derived from the sector-wise age analysis and client-wise age analysis. The various recovery actions in order of intensity is given below:

1. Phone Call/ SMS
2. Letter/ E-mail
3. Visit
4. Reminder
5. 2nd Reminder
6. Visit conducted by higher level employee/s
7. Letter to guarantor/s
8. Final letter for legal notice
9. Legal Notice
10. Report to Central Bank and to other agencies
11. Terminate the loan
12. Ask the guarantor of payment/ encashment of security
13. Litigation

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

- a) 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 within seven days of the telephonic conversation. If the letter does not bring in result an official visit is made by a mid-level officer to resolve the matter
- b) 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 are made to give the continuous reminder
- c) If the above actions fail a second reminder is given to the client through letter along with telephonic conversation
- d) If consecutively three installments are overdue the client is taken as problem case. In this case a higher level man-

- agement meeting is conducted, to take corrective action with respect to rescheduling, early realisation, etc
- e) 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
- f) 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

### NPL Status as on December 31, 2013

During the year 2013, the NPL ratio of the Company increased to 4.84% from previous year's 3.93 %. The absolute figures show the increase in classified portfolio from BDT 522.53 million in 2012 to BDT 931.21 million in 2013. The deterioration has occurred under stress in the economy. Special efforts made during the course of the year, which has been further intensified during Q4 FY13 helped reduce the impact of stressful economy on NPL to a reasonable extent comparing to the industry.

The movement in NPL accounts during the year 2013 has been depicted in following table:

Particulars	BDT million
Opening Balance as on January 1, 2013	522.53
Add: Addition During the Year	507.35
Less: Collection During the Year	98.67
Less: Write-offs	Nil
Closing Balance as on December 31, 2013	931.21

Write offs: During the year 2013, the movement in write-off accounts is as under:

Particulars	No of Accounts	BDT million
Opening Balance as on January 1, 2013	9	478.12
Add: Addition During the Year	-	-
Less: Collection During the Year	-	3.75
Closing Balance as on December 31, 2013	9	474.37



## Sector-wise NPL Status

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

Sl. No.	Particulars	Sector-wise Total Credit Portfolio (in BDT mn)	Sector-wise Credit Portfolio (in %)	Sector-wise NPL Portfolio (in BDT mn)	Sector-wise NPL % of respective Portfolio
1	Trade and Commerce	702.07	3.65%	158.36	22.56%
2	Industry	-	0.00%	-	0.00%
	A) Garments and Knitwear	1,129.88	5.87%	101.83	9.01%
	B) Textile	1,294.37	6.72%	92.03	7.11%
	C) Jute and Jute-Products	306.33	1.59%	-	0.00%
	D) Food Production and Processing Ind.	507.74	2.64%	26.62	5.24%
	E) Plastic Industry	-	0.00%	-	0.00%
	F) Leather and Leather-Goods	69.55	0.36%	-	0.00%
	G) Iron, Steel and Engineering	2,051.91	10.66%	75.75	3.69%
	H) Pharmaceuticals and Chemicals	774.43	4.02%	-	0.00%
	I) Cement and Allied Industry	125.56	0.65%	-	0.00%
	J) Telecommunication and IT	409.08	2.12%	-	0.00%
	k) Paper, Printing and Packaging	32.55	0.17%	14.02	43.08%
	L) Glass, Glassware and Ceramic Ind	379.55	1.97%	19.49	5.14%
	M) Ship Manufacturing Industry	574.52	2.98%	-	0.00%
	N) Electronics and Electrical Products	-	0.00%	-	0.00%
	O) Power, Gas, Water & Sanitary Service	569.81	2.96%	34.90	6.13%
	P) Transport and Aviation	366.59	1.90%	163.62	44.63%
	Industry Total	8,591.89	44.62%	528.27	6.15%
3	Agriculture	755.37	3.92%	39.09	5.17%
4	Housing	2,274.40	11.81%	57.24	2.52%
5	Others	-	0.00%	-	0.00%
	A) Merchant Banking (Loan to LankaBangla Investments Limited)	3,330.44	17.30%	-	0.00%
	B) Margin Loan	-	0.00%	-	0.00%
	C) Others	3,599.82	18.70%	148.25	4.12%
	Others Total	6,930.26	35.99%	148.25	2.14%
	<b>Grand Total</b>	<b>19,253.99</b>	<b>100.00%</b>	<b>931.21</b>	<b>4.84%</b>

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 2013 like-wise 2012. We hope significant improvement in year 2014 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 2014.

# Green Banking

## Statement on Green Banking Initiatives

In response to increasing awareness over climate change, environmental degradation, urgent measures for sustainable development have been addressed by some of the stake holders all over the world. Financial system hold a unique position in an economy that can affect production, business and other economic activities through their procedure for financing activities which would in turn contribute to protect environment/climate from pollution. Moreover, efficiency in energy use, water consumption and waste reduction may significantly contribute for controlling operating cost of many of the banks/NBFIs of the country.

### Policy formulation and Governance

In line with the global development and response to the environmental degradation and as per instructions of Bangladesh Bank, LankaBangla Finance has already established its "Green Banking Policy". A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the green banking initiatives of the LankaBangla Finance Ltd.

### Green Banking Unit

As per the Bangladesh Bank Circular No. 04 on "Policy Guidelines for Green Banking" and LankaBangla Finance "Green Banking Policy" approved by Board. A separate Green Banking Unit (GBU) require to establish for designing, evaluating and administering activities related to green banking issues of the LankaBangla Finance. As per the set BB circulation this unit will report to the high powered committee time to time. GBU will be under the supervision of Risk Management Division (RMD). GBU will be comprised of the representatives from each relevant division.

Following are the member of GBU, who will work together for providing input, data and preparing relevant reports as per green banking policy guidelines and Bangladesh Bank requirements.

### Incorporation of Environmental Risk in CRM (Core Risk Management)

The Company conform the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration of a part of the Green Banking policy.

### 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), clean water supply project(s), waste water treatment plant(s), solid and hazardous waste disposal plant(s), Effluent Treatment Plant (ETP), Bio-gas plant(s), Bio-fertilizer plant(s) and energy efficient/low carbon emission project like Auto Bricks using Hybrid Hoffman Kiln, Vertical Kiln, Zig-Zag





Kiln 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 & then as a "Climate Positive Financial Institution".

#### Creation of Climate Risk Fund

The financial institution addresses environmental issues & assesses environmental risks (high/ moderate/low) of projects/ businesses of different sectors in different areas those are financed by the company and create climate risk fund. A comprehensive risk exposure matrix shall be developed for assessing environmental risks and reported to management credit committee of the company by the branches in the risk exposure matrix.

The fund to be allocated/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 & packaging encouraging the potential clients for designing Green Project as well as modifying advertising. Besides, company effectively uses green marketing channels more for widening target markets of usual products. Financial Institution takes steps that will help building awareness among common people for promoting products/services which cause least harm to the environment. Corporate Affairs Division shall plan for developing & marketing Green Banking products for offer.

#### 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 in consultation with GBPIU by the Human Resources Department. Training programs on environmental and social risk and employee awareness development should have to be implemented by the HR Department as a continuous process.

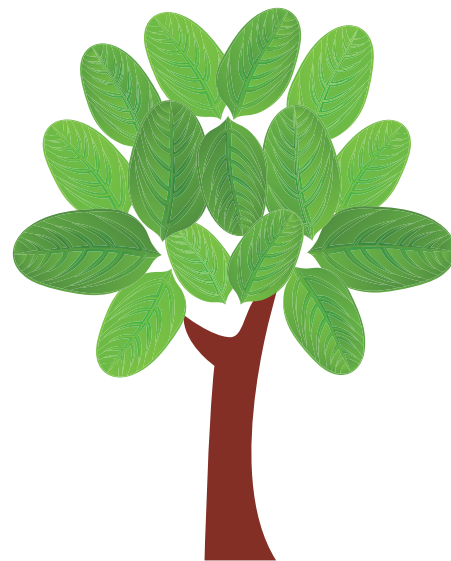
#### Environment Related Initiatives

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 steps and effectively mitigates any risks arise thereon.

With more emphasis on environmental risk management programs, at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride 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 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.



**GROWING  
WITH GREEN**

# Corporate Social Responsibility (CSR)

Corporate Social Responsibility has always been an integral part of LankaBangla's culture and the cornerstone of our core values of good corporate citizenship. We believe our business financing is to not only tie with the business progress but also with the development of the overall economic growth that drives the development of the national at large. We believe our success lies in the stewardship in 'Triple Bottom Line' for sustainability. This believe is reflected on our Mission and our day to day business operation. In this document on Corporate Social Responsibility Report - we are proud to share how actions support our mission to encompass economic, social and ecological value to our stakeholders.

## Supporting Education of Underprivileged Brilliant Students

We are inspired to a knowledge based society. In Bangladesh, we continued to support underprivileged brilliant students who are fighting against darkness to enlighten the society. We are awarding scholarship to such kind of poor but meritorious students, who obtained GPA-5 in SSC & HSC Examination, every year since 2009 and by 2013 our contributions and commitments is total BDT 2,544,000.00 to 70 (seventy) students. We are committed to support them till completion of their Post Graduation. And the number of student will be added in every year.



## ECD (Early Childhood Development) education programs

We have extended our hands to two organizations too which are organizing informal education programs in the slum areas of Dhaka City Corporations. Eminence is operating some ECD (Early Childhood Development) education programs for the underprivileged children in slum areas to support them keep in education track. We have provided Eminence an amount of one year's operating cost to run one ECD Centre in 2012. CCP Foundation also operating same kind of informal education for the underprivileged children in Slum area of Uttara, we also support their one year's operating cost for the centre.





### Helping Victims of Natural Calamities

Bangladesh remains the most vulnerable to the impacts of climate change and gets affected in natural calamities, like flood, cold wave etc. almost every year. When our countrymen get affected in calamities we support the affected communities by extending relief to the victims and their loved ones. This year we distributed 2,000 pcs blankets to the underprivileged peoples of Rangpur, Kurigram & Lalmonirhat.



### Health Caring for Underprivileged Rural Peoples

Most of our poor citizens in rural areas are suffering from blindness problems at their old age due to lack of proper nutrition. In Bangladesh, 80% of the total case of blindness is caused by cataract. As 49.80% people are living below the poverty line so they are not able to pay the service cost for health. To support those suffered peoples Kishoreganj Eye Hospital (KEH) established in 2006 on the mission to 'Provide high quality eye care services to the community rural people for prevention and eradication of avoidable blindness'. The total population of that area reaches to 1.58 million till 2013 and KEH performed about 15,000 eye surgeries. KEH has an excellent team of skilled Ophthalmologist, Surgeons and Ophthalmic personnel to serve the rural people eye care in this region. In 2013 we have donated for medical equipment to the value of BDT 957,000.00 to support the treatments. We assure our continuous support to KEH for the betterment of the KEH and the peoples of that area.



### Support to Boost Up Children for Better Future

LB Foundation have organized Art Camp for the School Children under the slogan of "Borner Uthsashe Bangla Amar" in Chittagong in 2013 to boost up their thinking capacity which will help them to be more vigilant in education and lead to a brighter future. LB foundation provided BDT 140,013 to organize the program. LB Foundation has a plan to initiate such programs in future on regular basis.



### Prime Minister Relief fund (Rana Plaza)

At LankaBangla, we also raised our hands to support the victims of Rana Plaza, at Savar, Dhaka. We provided BDT 2,500,000.00 to PM relief fund.

### Nari Uddog Kendra (NUK)

LankaBangla encourages the empowerment and development of women. For this reason LankaBangla donated BDT 669,500 to Nari Uddog Kendra for the development of women.

### Other Support and Aid

At LankaBangla, we also raised our hands to support other people. We have supported BDT 500,000 to new generation Artist Syed Fida Hossian for his cancer treatment. We also donated BDT 50,000 to Abu Sayed Chowhury for his mother's treatment.

# Board Audit Committee's Report

## The Composition of the Committee

In accordance with the currently accepted Best Practice and Corporate Governance Guidelines, the Board appointed Audit Committee comprises of the following Non-Executive and Independent Directors of the Company:

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

Mr. Al-Mamoon Md. Sanaul Huq was appointed Chairman of the Committee w. e. f. 30 July, 2012

Mr. Huq of the Committee, was a Consultant of World Bank Dhaka Office, Controller General of Accounts and Comptroller & Auditor General of Bangladesh. He possesses considerable experience in the field of Audit, Finance & Management. The Portfolios of the members are given in page 15.

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 Company Secretary functions as the Secretary of the Committee.

## 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 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.

## Role of The Audit Committee

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 Lanka-Bangla. The Committee is empower to monitor, review and examine:

- a) The integrity of the financial statements of LBFL and its 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
- e) The compliance by the Company with legal and regulatory requirements
- f) Examine any matter relating to the financial and other issues connected to the company
- g) Monitor all Internal and External Audit and Bangladesh

- h) 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

## Meetings

The Committee held five (5) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 101 Managing Director/CEO attended the meetings by invitation. 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.

## Activities

The Committee carried out the following activities;

## Financial Reporting

The Committee supports the Board of Directors to discharge their responsibility for the preparation of Financial Statements that reflect true and fair view of the financial performance and financial position based on the Company's accounting records and in terms of 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 systems are 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 of the Company is well monitored

### Regulatory Compliance

To ensure that the Company's procedures are in place in compliance with Bangladesh Bank's instructions and statutory requirements. The Committee monitors the due compliance with all requirements through the quarterly statements submitted by the Internal Audit Department.

### Risk Management

The Committee reviewed the effectiveness of the procedures established for identifying, assessing and managing risks. The Head of 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 identifying and assessing the operational risks. LankaBangla's adherence to Risk Management measures is approved by the Board and it is reviewed annually.

### 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 provides independent and reasonable, but not absolute, assurance that the LankaBangla's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Internal Auditor report 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 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 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 CEO, 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.

### 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. Non-Executive Directors had separate meetings with Auditors to ensure that 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.

### 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.

### 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.

### The Charter of the Audit Committee

The Terms of Reference of Audit Committee was revised in the year 2013 with the concurrence of the Board.

### 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.

### Appointment of the External Auditor

The Audit Committee has recommended to the Board of Directors that M/s. UHY Syful Shamsul Alam & Co. Chartered Accountants, be appointed as Extranal Auditors for the year 2014, subject to consent of Bangladesh Bank & the approval of shareholders at the next Annual General Meeting.



**Al-Mamoon Md. Sanaul Huq**  
Chairman-Audit Committee

Dhaka  
February 25, 2014



# Directors' Responsibility for Financial Reporting and Internal Control

A positive self controlled environment is a commitment by the Board of Directors which is ensured by keeping proper books of accounts for each financial year that gives a true and fair view of the state of affairs of the company.

The Board of Directors are also responsible for establishing and maintaining an effective internal control system that meets statutory and regulatory requirements and responds to changes in the Company's environment and conditions. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They must ensure that the system operates as intended and is modified appropriately when circumstances dictate. The Board and management must make sure that the Company's information systems produce pertinent and timely information in a form that enables employees, auditors, and inspectors to discharge their respective responsibilities.

## In preparing the financial statement both separate and consolidated, the Board of Directors ensures the following

- Select relevant accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- Comply with applicable Financial Reporting Standards
- Prepare the financial statements on going concern basis

The considerations set out above are also required to be addressed by the Directors in preparing the financial statements. The Board of Directors confirms that the International Financial Reporting Standard (IFRS) and International Accounting Standards which are adopted by the Institute of Chartered Accountants of Bangladesh have been followed meticulously subject to any material departure being disclosed and explained in the notes to the accounts. They ensure that the financial statements comply with the sufficient requirement of Companies Act 1994, Securities Exchange Rules 1987, Financial Institution Act 1993 and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The Board of Directors, who oversee the control system in general, approve and review the business strategies and policies that govern the system. They are also responsible for understanding risk limits and setting acceptable ones for the Company's major business activities, establishing organizational control structure, and making sure senior management identifies, measures, monitors, and controls risks and monitors internal control effectiveness. The Board: (1) discuss periodically the internal control system's effectiveness with management (2) review internal control evaluations conducted by management, auditors, and inspectors in a timely manner (3) monitor management's actions on

auditors' and inspectors' recommendations on internal control and their concerns (4) periodically review the Company's strategy and risk limits. Board and management consider whether a control system's methods, records, and procedures are proper in relation to the Company's:

- Asset size
- Organization and ownership characteristics
- Business activities
- Operational complexity
- Risk profile
- Methods of processing data
- Legal and regulatory requirements

The Board of Directors ensure that management properly considers the risks and control issues of emerging technologies, enhanced information systems, and accounting. These issues include: more users with access to information systems; less segregated duties; a shift from paper to electronic audit trails; a lack of standards and controls for end-user systems; and, more complex contingency planning and recovery planning for information systems.

The Board of Directors of LankaBangla Finance Limited is responsible for ensuring that an adequate and effective internal control system exists in the organization and that the senior 114 LankaBangla Finance Limited / Annual Report 2011 management is maintaining and monitoring the performance of that system. Moreover, Board periodically reviews the internal control systems and the significant findings. From the above it can be said that: the Board undertakes the overall responsibility of setting acceptable level of risk, ensuring that the senior management committee take necessary steps to identify, measure, monitor and control these risks, establishing broad business strategy, significant policies and understanding significant risks of the Company.

Through establishment of an 'Audit Committee' of the Board and Internal Control

Department the Board of Directors monitors the effectiveness of internal control system. The internal as well as external audit reports are sent to the Board Audit Committee without any intervention of the management and the Board ensures that the management takes timely and necessary actions as per the recommendations.

The Board holds periodic review meetings with the senior management to discuss the effectiveness of the internal control system of the Company and ensures that the management has taken appropriate actions as per the recommendations of the auditors and/ or inspectors.



## Responsibility Statement of CEO and CFO

In the corporate world the responsibilities of CEOs and CFOs are quite versatile where presentation of fair financial statements is one of the main challenge and commitment towards the organization as well as to stakeholders.

The Financial Statements of LankaBangla Finance Limited both separate and consolidated with its Subsidiaries as at 31st December 2013 are prepared in compliance with the Bangladesh Accounting Standards and/or Bangladesh Financial Reporting Standards as adopted by The Institute of Chartered Accountants of Bangladesh, the requirements of Companies Act 1994, rules and regulations of Securities and Exchange Commission, Bangladesh Bank and other regulatory authorities. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistent (material departures, if any, have been disclosed and explained in the notes to the Financial Statements). There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation requirement.

The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and the management of the Company accept responsibility for the genuineness, integrity and objectivity of these Financial Statements. 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 reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls 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. Company's Internal Audit and Compliance have conducted periodic audits to provide, reasonable assurance that the established policies and procedures of the Company were consistently followed. Besides

they scrutinize and confirm about the procedures and governance of the Company. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Syful Shamsul Alam & Co. Chartered Accountants, the External Auditor of the company. The Audit Committee of the Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. It is also declared and confirmed that the Company has complied with the ensured compliance by the Auditor with the guidelines for the audit of Listed Companies where mandatory compliance is required. It is further confirmed that all the other guidelines of the related regulatory bodies have been complied accordingly.

In conclusion, based on the Internal Control System of the Company and our review of the Financial Statements certify that to the best of our knowledge and belief these statements do not contain any materially untrue statement or omit any material fact or contains statements that might be misleading and also confirm that these statements together present a true and fair view of the Company's affairs and are in compliance with existing Financial Reporting Standards and applicable laws.

We also declare that (to the best of our knowledge and belief) no transactions entered into by the Company during the year which is fraudulent, illegal or violation of the Company's code of conduct.



**Mohammed Nasir Uddin Chowdhury**  
Managing Director & CEO



**Shamim Al Mamun, ACA**  
Chief Financial Officer





**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**



# UHY Syful Shamsul Alam & Co

## Chartered Accountants

### Independent Auditors' Report to the Shareholders of LankaBangla Finance Limited and its Subsidiaries

#### Report on the Financial Statements and Consolidated Financial Statements

We have audited the accompanying financial statements of **LankaBangla Finance Limited and its Subsidiaries** ("the Non-Banking Financial institution"), which comprise the statement of financial position as at 31 December 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows and statement of liquidity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rule 1987 and rules and regulations issued by the Bangladesh Bank 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. The assets and liabilities as at 31 December 2013 and revenue and expenses for the year ended 31 December 2013 of the Company's three subsidiaries namely the LankaBangla Securities Limited, the LankaBangla Investments Limited and the LankaBangla Asset Management Company limited have been consolidated in the consolidated financial statements. The financial statements of the subsidiaries excluding LankaBangla Securities Limited are audited by us. The financial statements of LankaBangla Securities Limited has been audited by other auditors whose reports have been furnished to us and our opinion is as so far as it relate to the amounts included in respect of the company's subsidiaries is based on the reports of the other auditors. In addition, we have performed our audit procedure for consolidation purpose, based on which the financial statements of the subsidiaries have been consolidated. We conducted our audit and checked consolidation procedure in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical

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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 auditor's judgment, including the assessment of the risks of the 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 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 prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the affairs of the company as at 31 December 2013 and of their performance and cash flows for the year then ended and comply with the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987 and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

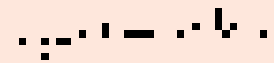
#### We also report that

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 and its subsidiaries so far as it appeared from our examination of these books and proper returns adequate for the purpose of our audit have been maintained ;
- (iii) The Company's consolidated statement of financial position and statement of comprehensive income together with the annexed notes 1 to 36 dealt with by the report are in agreement with the books of account and returns;
- (iv) The expenditure incurred and payments made were for the purpose of the Company's and its subsidiaries' business;
- (v) The consolidated statement of financial position of the Company as at 31 December 2013 and the profit for the year then ended have been properly reflected in the consolidated financial statements;
- (vi) The consolidated financial statements have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;
- (vii) The records submitted by the parent company and the subsidiary companies have been properly maintained and consolidated in the financial statements;
- (viii) Adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- (ix) The information and explanations required by us have been received and found satisfactory;
- (x) It appeared from our test checks that the internal control system was adequate and satisfactory;
- (xi) The consolidated financial statements of the company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (xii) We have reviewed over 80% of the risk weighted assets of the Company and we spent 2,600 man hours for the audit of books and accounts of the subsidiary and the company .

Dhaka, 16 February 2014



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

## LankaBangla Finance Limited Statement of Financial Position

As at 31 December, 2013

Notes	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>PROPERTY AND ASSETS</b>				
<b>Cash</b>	<b>194,402,709</b>	<b>162,721,707</b>	<b>194,303,498</b>	<b>162,650,784</b>
Cash in hand	3 183,868	163,710	84,656	92,787
Balance with Bangladesh Bank	4 194,218,842	162,557,997	194,218,842	162,557,997
<b>Balance with other banks and financial institutions</b>	<b>2,350,845,060</b>	<b>1,514,003,636</b>	<b>745,364,081</b>	<b>443,140,832</b>
Inside Bangladesh	2,350,845,060	1,514,003,636	745,364,081	443,140,832
Outside Bangladesh	-	-	-	-
<b>Money at call and short notice</b>	-	-	-	-
<b>Investment</b>	<b>3,515,894,297</b>	<b>3,395,216,186</b>	<b>2,138,843,810</b>	<b>1,912,098,507</b>
Government securities	1,009,100,000	1,109,100,000	1,009,100,000	1,109,100,000
Other investments	2,506,794,297	2,286,116,186	1,129,743,810	802,998,507
<b>Leases, loans and advances</b>	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>
Lease portfolio, term finance, short term loan, etc.				
<b>Fixed assets including land, building, furniture and fixtures</b>	<b>291,414,287</b>	<b>238,132,007</b>	<b>73,420,503</b>	<b>49,723,729</b>
Other assets	9 871,192,887	1,394,764,076	4,218,773,226	3,159,979,407
<b>TOTAL PROPERTY AND ASSETS</b>	<b>32,064,892,092</b>	<b>25,338,682,762</b>	<b>26,629,580,904</b>	<b>19,501,370,534</b>
<b>LIABILITY AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>	<b>22,424,643,019</b>	<b>16,453,241,743</b>	<b>20,474,019,562</b>	<b>14,219,737,572</b>
Borrowings from Bangladesh Bank, other banks and financial institutions	10 11,597,381,469	8,837,322,438	9,598,070,012	6,542,778,927
Term deposits	11 10,827,261,549	7,615,919,305	10,875,949,549	7,676,958,646
<b>Other liabilities</b>	<b>2,610,754,604</b>	<b>2,218,831,659</b>	<b>1,840,753,746</b>	<b>1,410,403,938</b>
<b>TOTAL LIABILITIES</b>	<b>25,035,397,623</b>	<b>18,672,073,402</b>	<b>22,314,773,308</b>	<b>15,630,141,511</b>
<b>Shareholders' Equity</b>	<b>6,839,911,824</b>	<b>6,473,960,231</b>	<b>4,314,807,597</b>	<b>3,871,229,023</b>
Paid up capital	13 2,083,492,950	1,894,084,500	2,083,492,950	1,894,084,500
Share premium	1,090,888,800	1,090,888,800	-	-
Statutory reserve	14 651,287,206	561,675,373	651,287,206	561,675,373
General reserve	45,823,827	42,650,236	-	-
Fair value measurement reserve	69,285,191	448,531,657	-	-
Retained earnings	15 2,899,133,850	2,436,129,665	1,580,027,441	1,415,469,150
<b>Non controlling interest</b>	<b>189,582,646</b>	<b>192,649,129</b>	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>32,064,892,092</b>	<b>25,338,682,762</b>	<b>26,629,580,904</b>	<b>19,501,370,534</b>

## LankaBangla Finance Limited Statement of Financial Position

As at 31 December, 2013

Notes	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>OFF-BALANCE SHEET ITEMS</b>				
<b>CONTINGENT LIABILITIES</b>				
Acceptances and endorsements	-	-	-	-
Letter of guarantee	-	-	-	-
Irrevocable letters of credit	-	-	-	-
Bill for collection	-	-	-	-
Other contingent liabilities	-	-	-	-
<b>TOTAL CONTINGENT LIABILITIES</b>	-	-	-	-
<b>OTHER COMMITMENTS</b>				
Documentary credits and short term trade-related transactions	4,509,500	-	4,509,500	-
Forward assets purchased and forward deposits placed	-	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-	-
Undrawn formal standby facilities, credit lines and other commitments	4,205,131,466	1,843,426,563	4,205,131,466	1,843,426,563
<b>TOTAL OTHER COMMITMENTS</b>	<b>4,209,640,966</b>	<b>1,843,426,563</b>	<b>4,209,640,966</b>	<b>1,843,426,563</b>
<b>TOTAL OFF BALANCE SHEET ITEMS</b>	<b>4,209,640,966</b>	<b>1,843,426,563</b>	<b>4,209,640,966</b>	<b>1,843,426,563</b>

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



Chairman



Director

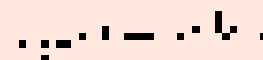


Managing Director



Company Secretary

This is the statement of financial position referred to in our report of even date annexed.



Syful Shamsul Alam & Co.  
Chartered Accountants

Dhaka, 16 February 2014

## LankaBangla Finance Limited

### Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	Consolidated		Separate	
		2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>Operating Income</b>					
Net interest		785,109,671	529,976,451	653,932,436	303,644,664
Interest income	16	3,516,033,094	2,677,493,737	3,063,280,697	2,132,078,152
Less : Interest expenses on deposits & borrowings	17	2,730,923,423	2,147,517,286	2,409,348,261	1,829,333,488
Income from investment	18	747,945,881	175,431,383	311,810,752	1,399,634,124
Commission, exchange and brokerage income	19	477,642,305	479,758,258	202,386	3,191,462
Other operational income	20	207,214,972	204,745,402	114,314,170	92,543,774
<b>Total operating income</b>		<b>2,217,912,830</b>	<b>1,389,911,494</b>	<b>1,080,259,744</b>	<b>1,799,014,024</b>
<b>Operating Expenses</b>					
Salary and allowances	21	440,959,884	363,850,241	218,387,462	153,353,725
Rent, taxes, insurance, electricity etc.	22	88,609,383	68,793,979	40,959,544	27,482,409
Legal and professional fees	23	17,111,890	12,200,497	6,212,932	9,658,289
Postage, stamp, telecommunication etc.	24	10,512,590	8,567,480	6,420,950	4,211,833
Stationery, printing, advertisement	25	20,494,336	15,688,053	12,384,894	8,019,269
Managing director's salary and allowance	26	12,167,401	10,900,351	12,167,401	10,900,351
Director fees and expenses	27	1,544,652	1,275,193	565,500	430,250
Audit fees	28	603,750	457,125	253,000	195,500
Changes on loan losses		-	-	-	-
Repairs, maintenance and depreciation	29	72,489,849	64,569,508	20,587,453	20,402,236
Other expenses	30	227,586,113	247,349,075	89,408,933	139,133,540
<b>Total operating expenses</b>		<b>892,079,847</b>	<b>793,651,503</b>	<b>407,348,069</b>	<b>373,787,403</b>
<b>Net Operating Income</b>		<b>1,325,832,983</b>	<b>596,259,991</b>	<b>672,911,674</b>	<b>1,425,226,621</b>
<b>Provisions for loans / investments</b>					
Provisions for leases and loans	31	278,319,351	73,651,484	278,319,351	179,434,666
Provision for diminution in value of investments		41,249,683	12,298,732	41,249,683	12,298,732
General provision for other assets		9,128,000	-	9,128,000	-
<b>Profit before tax and reserve</b>		<b>997,135,949</b>	<b>510,309,775</b>	<b>344,214,640</b>	<b>1,233,493,224</b>
		<b>42,583,388</b>	<b>162,291,594</b>	<b>(103,844,525)</b>	<b>(2,224,377)</b>
Provision for tax made during the year	32	26,363,032	167,328,701	(103,844,525)	-
Deferred tax expense or (Income)		16,220,356	(5,037,107)	-	(2,224,377)
<b>Net profit after tax</b>		<b>954,552,560</b>	<b>348,018,182</b>	<b>448,059,165</b>	<b>1,235,717,601</b>
<b>Attributed to</b>					
Shareholders of the Company		935,248,186	326,295,611	448,059,165	1,235,717,601
Non controlling interest		19,304,374	21,722,571	-	-
		<b>954,552,560</b>	<b>348,018,182</b>	<b>448,059,165</b>	<b>1,235,717,601</b>
<b>Appropriations</b>					
Statutory reserve		89,611,833	247,143,520	89,611,833	247,143,520
General reserve		3,173,591	3,461,170	-	-
<b>Retained surplus</b>		<b>842,462,762</b>	<b>75,690,921</b>	<b>358,447,332</b>	<b>988,574,081</b>
<b>Earnings per share ( 2012 restated)</b>	33	<b>4.58</b>	<b>1.67</b>	<b>2.15</b>	<b>5.93</b>

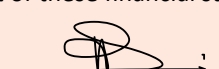
The annexed notes form an integral part of these financial statements.



Chairman



Director



Managing Director



Company Secretary

This is the statement of Comprehensive income referred to in our report of even date annexed.

Dhaka, 16 February 2014

Syful Shamsul Alam & Co.  
Chartered Accountants



## LankaBangla Finance Limited Statement of Cash Flows

For the year ended 31 December 2013

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>A) Cash flows from operating activities</b>				
Interest received	3,757,707,596	1,551,591,125	3,046,920,568	2,071,208,747
Interest paid	(2,699,359,991)	(1,460,342,694)	(2,364,309,788)	(1,723,605,026)
Dividend received	13,891,167	11,557,926	10,099,023	396,212,721
Fees and commission received	533,982,826	30,928,141	63,669,838	13,921,662
Income from investment	642,345,974	134,309,683	210,002,987	134,309,683
Cash paid to employees (including directors)	(472,301,034)	(333,261,369)	(208,611,783)	(169,574,441)
Cash paid to suppliers	(28,218,341)	(58,907,512)	(20,245,848)	(57,381,909)
Income taxes paid	(319,098,759)	(262,299,045)	(11,307,422)	(90,097,826)
Received from other operating activities	5,845,509	429,437,206	50,846,717	75,873,504
Paid for other operating activities	(318,760,718)	(647,527,073)	(136,892,897)	(165,437,657)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>1,116,034,228</b>	<b>(604,513,612)</b>	<b>640,171,398</b>	<b>485,429,458</b>
<b>Increase/ (decrease) in operating assets &amp; liabilities</b>				
Loans and advances to customers	(6,418,406,623)	(1,567,039,957)	(5,485,098,511)	(2,163,334,134)
Other assets	513,090,325	(205,667,296)	71,752,584	(205,667,296)
Deposits from customers	3,211,342,244	1,984,106,908	3,198,990,903	2,237,671,326
Other liabilities	(76,866,123)	(174,949,142)	204,582,597	(284,057,862)
<b>Total increase/ (decrease) in operating assets &amp; liabilities</b>	<b>(2,770,840,176)</b>	<b>36,450,513</b>	<b>(2,009,772,427)</b>	<b>(415,387,967)</b>
<b>Net cash used in operating activities (Total of "A"):</b>	<b>(1,654,805,948)</b>	<b>(568,063,099)</b>	<b>(1,369,601,028)</b>	<b>70,041,491</b>
<b>B) Cash flows from investing activities</b>				
Changes in investment in securities	(220,678,111)	(1,019,499,712)	(326,745,303)	(209,296,963)
Net proceeds/(payments) for sale/ purchase of Treasury bills	100,000,000	692,710,595	100,000,000	692,710,595
Purchase of property, plant and equipment	(123,138,896)	(93,466,155)	(42,854,255)	(28,889,947)
Sales proceeds of fixed assets	7,086,352	4,924,224	2,371,253	4,724,224
Investment in subsidiaries	-	-	(1,084,585,788)	(960,000,000)
<b>Net cash used by investing activities (Total of "B"):</b>	<b>(236,730,656)</b>	<b>(415,331,048)</b>	<b>(1,351,814,094)</b>	<b>(500,752,091)</b>
<b>C) Cash flows from financing activities</b>				
Drawdown of Term Loan, OD and REPO	2,760,059,032	(269,654,090)	3,055,291,086	(269,654,090)
Dividend paid	-	(35,357,806)	-	-
Right Issue	-	823,515,000	-	823,515,000
<b>Net cash generated by financing activities (Total of "C"):</b>	<b>2,760,059,032</b>	<b>518,503,104</b>	<b>3,055,291,086</b>	<b>553,860,910</b>
<b>D) Net Increase/ (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>868,522,428</b>	<b>(464,891,043)</b>	<b>333,875,964</b>	<b>123,150,310</b>
<b>E) Opening cash and cash equivalents</b>	<b>1,676,725,342</b>	<b>2,141,616,385</b>	<b>605,791,616</b>	<b>482,641,306</b>
<b>F) Closing cash and cash equivalents (D+E)*</b>	<b>2,545,247,770</b>	<b>1,676,725,342</b>	<b>939,667,579</b>	<b>605,791,616</b>
<b>* Closing cash and cash-equivalents</b>				
Cash in hand (including foreign currencies)	183,868	163,710	84,656	92,787
Balance with Bangladesh Bank and its agent bank (s)	194,218,842	162,557,997	194,218,842	162,557,997
Balance with other Banks and Financial Institutions	2,350,845,060	1,514,003,636	745,364,081	443,140,832
<b>Total:</b>	<b>2,545,247,770</b>	<b>1,676,725,342</b>	<b>939,667,579</b>	<b>605,791,616</b>

  
Chairman

  
Director

  
Managing Director

  
Company Secretary

Dhaka, 16 February 2014



## LankaBangla Finance Limited Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

Particulars	Amount in Taka								
	Share Capital	Share Premium	Statutory Reserve	General Reserve	Fair Value Measurement Reserve	Retained Earnings	Total	Non Controlling Interest	Total
<b>Balance as at 01 January 2012</b>	823,515,000	1,090,888,800	314,531,853	39,189,066	448,531,657	2,998,842,535	5,715,498,911	371,732,188	6,087,231,099
Items Involved in Changes in Equity									
Net profit for the year	-	-	-	-	-	326,295,611	326,295,611	21,722,571	348,018,182
Changes in non controlling interest	-	-	-	-	-	(376,395,279)	(376,395,279)	(177,753,223)	(554,148,502)
Appropriation to statutory reserve	-	-	247,143,520	-	-	(247,143,520)	-	-	-
Appropriation to general reserve	-	-	-	3,461,170	-	(3,461,170)	-	-	-
Transfer to LB Foundation A/C	-	-	-	-	-	(14,954,013)	(14,954,013)	-	(14,954,013)
<b>Dividend</b>									
Cash dividend	-	-	-	-	-	-	-	(23,052,407)	(23,052,407)
Stock dividend (30%)	247,054,500	-	-	-	-	(247,054,500)	-	-	-
<b>Right Issue</b>	823,515,000	-	-	-	-	-	823,515,000	-	823,515,000
<b>Balance as at 31 December 2012</b>	<b>1,894,084,500</b>	<b>1,090,888,800</b>	<b>561,675,373</b>	<b>42,650,236</b>	<b>448,531,657</b>	<b>2,436,129,665</b>	<b>6,473,960,231</b>	<b>192,649,129</b>	<b>6,666,609,360</b>
<b>Balance as at 01 January 2013</b>	1,894,084,500	1,090,888,800	561,675,373	42,650,236	448,531,657	2,436,129,665	6,473,960,231	192,649,129	6,666,609,360
Items Involved in Changes in Equity									
Prior year adjustments	-	-	-	-	-	(738,561)	(738,561)	-	(738,561)
Adjustments of non controlling interest	-	-	-	-	-	(56,585,840)	(56,585,840)	56,585,840	-
Changes of non controlling interest	-	-	-	-	-	(123,105,610)	(123,105,610)	(63,227,523)	(186,333,133)
Net profit for the year	-	-	-	-	-	935,248,186	935,248,186	19,304,374	954,552,560
Appropriation to statutory reserve	-	-	89,611,833	-	-	(89,611,833)	-	-	-
Appropriation to general reserve	-	-	-	3,173,591	-	(3,173,591)	-	-	-
Adjustment of fair value measurement reserve	-	-	-	-	(379,246,466)	-	(379,246,466)	(15,729,174)	(394,975,640)
Appropriation to LB foundation	-	-	-	-	-	(9,328,117)	(9,328,117)	-	(9,328,117)
Right issue cost	-	-	-	-	-	(292,000)	(292,000)	-	(292,000)
<b>Dividend</b>									
Stock dividend (10%)	189,408,450	-	-	-	-	(189,408,450)	-	-	-
<b>Balance as at 31 December 2013</b>	<b>2,083,492,950</b>	<b>1,090,888,800</b>	<b>651,287,206</b>	<b>45,823,827</b>	<b>69,285,191</b>	<b>2,899,133,850</b>	<b>6,839,911,824</b>	<b>189,582,646</b>	<b>7,029,494,469</b>

The accounting policies and explanatory notes form an integral part of these financial statements.

  
**Chairman**

  
**Director**

  
**Managing Director**



**Chairman**

**Director**

**Managing Director**

**Company Secretary**

This is the statement of Changes in Equity referred to in our report to the shareholders



Dhaka, 16 February 2014

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



## LankaBangla Finance Limited

### Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

Particulars	Amount in Taka				
	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at 01 January 2012</b>	<b>823,515,000</b>	<b>314,531,853</b>	-	<b>686,306,745</b>	<b>1,824,353,598</b>
<b>Items involved in changes in equity</b>					
Net profit for the year	-	-	-	1,235,717,601	1,235,717,601
Appropriation to statutory reserve	-	247,143,520	-	(247,143,520)	-
Appropriation to LB foundation	-	-	-	(12,357,176)	(12,357,176)
Right Issue (1:1)	823,515,000	-	-	-	823,515,000
Stock dividend (30%)	247,054,500	-	-	(247,054,500)	-
<b>Balance as at 31 December 2012</b>	<b>1,894,084,500</b>	<b>561,675,373</b>	-	<b>1,415,469,150</b>	<b>3,871,229,023</b>
<b>Balance as at 01 January 2013</b>	<b>1,894,084,500</b>	<b>561,675,373</b>	-	<b>1,415,469,150</b>	<b>3,871,229,023</b>
<b>Items involved in changes in equity</b>					
Net profit for the period	-	-	-	448,059,165	448,059,165
Appropriation to statutory reserve	-	89,611,833	-	(89,611,833)	-
Appropriation to LB foundation	-	-	-	(4,480,592)	(4,480,592)
Stock dividend (10%)	189,408,450	-	-	(189,408,450)	-
<b>Balance as at 31 December 2013</b>	<b>2,083,492,950</b>	<b>651,287,206</b>	-	<b>1,580,027,441</b>	<b>4,314,807,597</b>

The accounting policies explanatory notes form and integral part of these financial statements.



Chairman



Director



Managing Director



Company Secretary

This is the statement of Changes in Equity referred to in our even dated report to the shareholders.

Dhaka, 16 February 2014

## LankaBangla Finance Limited

### Consolidated Statement of Liquidity

For the year ended 31 December 2013

Particulars	Amount in Taka					
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank)	194,402,709	-	-	-	-	194,402,709
Balance with banks and financial institutions	25,783,483	1,629,690,456	695,371,122	-	-	2,350,845,060
Money at call and short notice	-	-	-	-	-	-
Investments	80,916,580	219,410,224	535,649,660	868,590,173	1,811,327,661	3,515,894,297
Lease, loans and advances	1,525,609,760	2,638,018,378	11,581,330,257	7,766,029,268	1,330,155,187	24,841,142,850
Fixed assets including land, building, furniture and fixtures	-	-	113,802,067	140,789,512	36,822,708	291,414,287
Other assets	844,218	5,985,271	34,615,239	45,960,410	783,787,750	871,192,887
Non-banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,827,556,750</b>	<b>4,493,104,329</b>	<b>12,960,768,345</b>	<b>8,821,369,363</b>	<b>3,962,093,305</b>	<b>32,064,892,092</b>
<b>Liabilities</b>						
Borrowing from other banks, financial institutions and agents	970,000,000	954,562,976	2,748,649,661	5,759,255,822	1,164,913,011	11,597,381,469
Deposits and other accounts	455,561,466	2,273,412,596	7,168,327,594	726,096,347	203,863,546	10,827,261,549
Provision and other liabilities	36,861,471	78,918,072	278,230,046	508,034,576	1,708,710,438	2,610,754,604
<b>Total Liabilities</b>	<b>1,462,422,937</b>	<b>3,306,893,644</b>	<b>10,195,207,301</b>	<b>6,993,386,745</b>	<b>3,077,486,995</b>	<b>25,035,397,623</b>
<b>Net Liquidity Surplus or (Gap)</b>	<b>365,133,813</b>	<b>1,186,210,685</b>	<b>2,765,561,044</b>	<b>1,827,982,618</b>	<b>884,606,310</b>	<b>7,029,494,469</b>

## LankaBangla Finance Limited

### Statement of Liquidity

For the year ended 31 December 2013

Particulars	Amount in Taka					
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank)	194,303,498	-	-	-	-	194,303,498
Balance with banks and financial institutions	25,757,354	55,189,956	664,416,772	-	-	745,364,081
Money at call and short notice	-	-	-	-	-	-
Investments	76,540,829	124,449,407	231,800,726	544,248,029	1,161,804,819	2,138,843,810
Lease, loans and advances	1,525,609,760	2,638,018,378	6,061,859,900	7,703,232,562	1,330,155,187	19,258,875,786
Fixed assets including land, building, furniture and fixtures	-	-	13,802,067	40,789,512	18,828,923	73,420,503
Other assets	3,865,942	27,408,438	158,514,074	210,467,187	3,818,517,586	4,218,773,226
Non-banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,826,077,382</b>	<b>2,845,066,179</b>	<b>7,130,393,539</b>	<b>8,498,737,290</b>	<b>6,329,306,514</b>	<b>26,629,580,904</b>
<b>Liabilities</b>						
Borrowing from other banks, financial institutions and agents	970,000,000	904,562,976	1,743,788,909	4,814,805,118	1,164,913,010	9,598,070,012
Deposits and other accounts	455,561,466	2,187,845,280	6,302,582,910	726,096,347	1,203,863,546	10,875,949,549
Provision and other liabilities	36,861,471	78,918,072	278,230,046	508,034,576	938,709,580	1,840,753,746
<b>Total Liabilities</b>	<b>1,462,422,937</b>	<b>3,171,326,328</b>	<b>8,324,601,865</b>	<b>6,048,936,041</b>	<b>3,307,486,136</b>	<b>22,314,773,308</b>
<b>Net Liquidity Surplus or (Gap)</b>	<b>363,654,445</b>	<b>(326,260,149)</b>	<b>(1,194,208,326)</b>	<b>2,449,801,249</b>	<b>3,021,820,379</b>	<b>4,314,807,597</b>

## LankaBangla Finance Limited Notes to the Financial Statements

For the year ended 31 December 2013

### 1.00 Legal status and nature of the company

#### 1.01 Domicile, legal form and country of operation

**LankaBangla Finance Limited** (hereinafter referred to as “LankaBangla” or “the Company”), a joint venture **non-banking financial institution**, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-31702(823)/96 dated 05 November 1996 as a Public Limited Company under the Companies Act, 1994 in the name of “Vanik Bangladesh Limited”. It

started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LankaBangla also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as Merchant Banker. Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

Consequently the company has acquired the following Licenses and legal approvals:

Sl. No.	Name of License	Registration of License	Date of License	Renewed up to
1.	Trade License	0923826	24.09.2008	2013-2014
2.	Bangladesh Bank License	DFIM(L)/15	30.10.1997	N/A
3.	Tax Identification Number (TIN)	210-200-6736	N/A	N/A
4.	VAT Identification Number	5101018797	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2013-2014
6.	DCCI Membership Certificate	2857	23.12.2008	2013
7.	Board of Investment	9803054-H	30.03.1998	N/A
8.	PD License	DMD-14/2009	23.11.2009	N/A
9.	Registration Number	C-31702(823)/96	05.11.1996	N/A

#### 1.02 Subsidiary companies

##### LankaBangla Securities Limited

The Company is holding a subsidiary company named “LankaBangla Securities Limited” (formerly Vanik Bangladesh Securities Limited) with an equity interest of 90.91% (175,001,386 shares of Tk.10 each totaling Tk. 1,750,013,860) 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, Islampur, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj-Narayangonj Branch.

##### LankaBangla Asset Management Company Limited

The Company is also holding another subsidiary company named “LankaBangla Asset Management Company Limited” with an equity interest of 99.998% (499,990 shares of Tk. 100 each totaling Tk. 499,990,000) 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.

##### LankaBangla Investment Limited

The Company is also holding another subsidiary company named “LankaBangla Investment Limited” with an equity interest of 99.998% (65,999,997 shares of Tk. 10 each totaling Tk. 659,999,970) 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.

#### 1.03 Company's activities

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

- Fees based services include Credit Card Membership Fees, Merchants Commission, Underwriting of Securities, IPOs, Portfolio Management, and Corporate Financial Services etc.
- Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
- LankaBangla also provides brokerage services, Merchant Bank services and Asset Management Services through its majority owned subsidiary company.



## 2.00 Basis for preparation and Significant accounting policies

### 2.01 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, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and Bangladesh Financial Reporting Standards (BFRS), except the circumstances where local regulations differ, and other applicable laws and regulations. The requirements of accounting standards that have been departed have been disclosed in detail in note-2.04.

### 2.02 Presentation of financial statements

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated December 23, 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.

### 2.03 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.

All inter-company balances between the Company and its subsidiaries are eliminated on consolidation.

### 2.04 Disclosure of departure from few requirements of BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provisions 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:

**2.04.1** 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. As such the company measures and recognizes investment in quoted and unquoted shares at cost if the year-end market value (for quoted shares) and book value (for unquoted shares) are higher than the cost. At the year-end the company's market value and book value of quoted

shares was higher than cost price by Tk. 32.47 million in the financial statements. However as per requirements of BAS 39 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 at the year-end is taken to statement of comprehensive income or revaluation reserve respectively.

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.

**2.04.2** As per FID circular No. 08 dated 03 August 2002 and FID circular No. 03, dated 03 May 2006 a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision cannot satisfy the conditions of provision as per BAS 39. At the year end the company has recognized an accumulated general provision of Tk. 205.98 million in the statement of financial position under liabilities.

**2.04.3** 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. As such the company does not prepare the statement of other comprehensive income. However, the company does not have any elements of OCI to be presented.

**2.04.4** 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.

**2.04.5** Bangladesh bank requires the Company to transfer 20% of its current year's profit after tax to statutory reserve until such reserve equals to its paid up capital. The company transfers during the year an amount of BDT 89,611,833 to the statutory reserve closing balance of which is BDT 651,287,206 as at 31 December 2013. However, this is in contrary to the requirements of BAS 37 which prohibits to make a reserve unless there is a present obligation.

**2.04.6** As per BAS 7, cash equivalent only include those investments which are for a short tenure like: 3 months. However, as per the aforementioned circular of Bangladesh Bank, Cash equivalent includes all balances kept with other banks and financial institutions irrespective of consideration of tenure. Hence, an investment of FDR for a tenure of 6 months or 1 year is also considered as cash equivalent which is contrary to the requirement of BAS.

### 2.05 Components of the financial statements

The financial statements comprise of:

- Statement of Financial Position as at 31 December 2013;
- Statement of Comprehensive Income for the year ended 31 December 2013;
- Statement of Changes in Equity for the year ended 31

- December 2013;  
 d) Statement of Cash Flows for the year ended 31 December 2013; and  
 e) Notes to the Financial Statements.

## 2.06 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.

## 2.07 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. 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 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

## 2.09 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 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

## 2.11 Statement of cash flows

Statement of cash flows has been prepared in accordance

with the Bangladesh Accounting Standard-7 "Statement of Cash Flows" under direct method.

## 2.12 Branch Accounting

The Company has 10 branches, with no overseas branch as on December 31, 2013. 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.

## 2.13 Accounting for leases

The company, through implementation of BAS 17, 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.

## 2.14 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 operational revenue periodically.

## 2.15 Investments

Investments comprise of equity and Government Securities. All investments are initially recognized at cost, being fair value of the consideration given, including cost of acquisition associated with the investment. The valuation methods of investments used are:

### Held to maturity (HTM)

Investments in Government Treasury Bills and Government Treasury Bonds classified as "Held to Maturity" are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the management has the intention and ability to held to maturity (HTM).

### Held for trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing- in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in the statement of income for the period in which it arises. These investments are subsequently revalued at current market value.

Value of investments has been enumerated:

Government treasury bills-HTM	Amortized value
Government treasury bills-HFT	Market value
Government treasury bonds-HTM	Amortized value
Government treasury bonds-HFT	Market value

Investment in securities are classified broadly in two categories and accounted for as under:



### Investments in listed securities

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 gain or losses are not recognized in the profit and loss account.

### Investments in unlisted securities

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 financial statements in accordance with BAS-28. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at cost, less impairment losses (if any).

## 2.16 Recognition of fixed assets

### 2.16.1 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.

### 2.16.2 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.

### 2.16.3 Depreciation

#### Depreciation on freehold fixed assets

Depreciation on freehold fixed assets is charged using straight-line method at the following rates starting from the period of acquisition of assets:

Furniture and fixture	15%
Office equipment	20%
Vehicle	25%

No depreciation is charged in the period of disposal.

### 2.16.4 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.

### 2.16.5 Intangible assets

Intangible assets are initially recognized at cost including any directly attributable cost. Amortization is provided on a straight-line basis at 20% to write-off the cost of intangible assets.

Intangible assets include software, integrated systems along with related hardware.

### 2.17 Investment properties

Investment property is held to earn rentals or for capital appreciation or both and the future economic benefits that are associated with the investment property but not sale in the ordinary course of business. Investment property is accounted for under cost model in the financial statements

### 2.18 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.

### 2.19 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.

### 2.20 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. We, however, have applied the same accounting and valuation principles in 2013 as in financial statements for 2012.

### 2.21 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:

- Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- Investments are on the basis of their residual maturity term.
- Loans and advances are on the basis of their repayment or maturity schedule.
- Fixed assets are on the basis of their useful lives.
- Other assets are on the basis of their adjustment.
- 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.

## 2.22 Borrowing costs

Borrowing costs are recognized as expenses in the period in which they incur in accordance with BAS 23 “Borrowing cost”.

## 2.23 Books of account

The Company maintains its books of account for main business in Electronic Form through soft automation.

## 2.24 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 Statement of Financial Position (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 statement of comprehensive income profit and loss account after netting off.

## 2.25 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.

### 2.25.1 Income from lease financing

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 and delinquent charges from lease operations are accounted for on cash basis.

### 2.25.2 Interest income

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.

### 2.25.3 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.

## 2.25.4 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.

## 2.25.5 Dividend income on shares

Dividend income on shares is recognized during the year in which it is declared and ascertained.

## 2.25.6 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

## 2.25.7 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.

- Profit or loss arising from the sale of shares are accounted for on cash basis
- FDRs, if not en-cashed on due date, are considered automatically renewed with interest earned upto maturity date and with the equivalent current rate of interest.

## 2.25.8 Interest suspense account

Interests on lease finance, term finance and car loan 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.

## 2.26 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand and 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.

## 2.27 Provision for 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 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

## 2.28 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.

## 2.29 Corporate tax

### a. Current tax

Provision for current income tax has been made @ 42.50% as prescribed in Finance Act 2013 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".

## 2.30 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:

### 2.30.1 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.

### 2.30.2 Gratuity 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.

## 2.30.3 Profit participation scheme

Every employee who has completed at least three months confirmed services in the concerned year will receive the incentive bonus on a pro data basis. In addition to the above condition, the employee must be on the pay roll on the day of declaration of incentive bonus.

From 2009 onwards, incentive bonus would paid only when the company makes profit in a particular year, the quantum should not have any direct link with the basic salary but with the return on equity. The bases of calculations are as follows:

- No profit, no bonus;
- If Return on Equity (ROE) is less than 12%, no bonus will be entitled as it does not cover the cost of fund of the shareholders;
- If Return on Equity (ROE) is between 12%-20%, the employees would receive 5% of profit after taxes;
- If Return on Equity (ROE) is above 20%, quantum of incentive bonus would be (C) above plus 10% of excess amount of 20% of ROE.

## 2.30.4 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.

## 2.31 Deposits and other accounts

Deposits by customers and banks 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.

## 2.32 Borrowings from other banks, financial institutions and agents

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.

## 2.33 Provision for liabilities

A provision is recognized in the statement of comprehensive income when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

## 2.34 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.

## 2.35 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 # 33”.

### Basic earnings

This represents earnings for the period ended on 31 December 2013 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.

### 2.36 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.

### 2.37 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.

### 2.38 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 2013 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.

### 2.39 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.

### 2.40 BASEL II and its implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on ‘Basel Accord for Financial Institutions (BAFI)’ have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime will be started and the guidelines on BAFI will have come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all financial institutions for the purpose of statutory compliance.

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

### 2.41 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December, 2013 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 2012 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

### 2.42 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 16 February 2014.



### 2.43 Compliance of Bangladesh Financial Reporting Standards (BFRS)

SI #	Name of BAS/BFRS	Status
01	<b>BAS 1:</b> Presentation of Financial Statements	Complied
02	<b>BAS 2:</b> Inventories	Not Applicable
03	<b>BAS 7:</b> Statements of Cash Flows	Complied
04	<b>BAS 8:</b> Accounting Policies, Changes in Accounting Estimates and Errors	Complied
05	<b>BAS 10:</b> Events after the Reporting Period	Complied
06	<b>BAS 11:</b> Construction Contracts	Not Applicable
07	<b>BAS 12:</b> Income Taxes	Complied
08	<b>BAS 16:</b> Property, Plant and Equipments	Complied
09	<b>BAS 17:</b> Leases	Complied
10	<b>BAS 18:</b> Revenue	Complied
11	<b>BAS 19:</b> Employee Benefits	Complied
12	<b>BAS 20:</b> Accounting for Govt. Grants and disclosures of Govt. Assistances	Not Applicable
13	<b>BAS 21:</b> The Effects of Changes in Foreign Exchange Rates	Complied
14	<b>BAS 23:</b> Borrowing Costs	Complied
15	<b>BAS 24:</b> Related Party Disclosures	Complied
16	<b>BAS 26:</b> Accounting and Reporting by Retirement Benefit Plan	Not Applicable
17	<b>BAS 27:</b> Separate Financial Statements	Complied
18	<b>BAS 28:</b> Investments in Associates	Not Applicable
19	<b>BAS 32:</b> Financial Instruments: Presentation	Complied
20	<b>BAS 33:</b> Earnings Per Share	Complied
21	<b>BAS 34:</b> Interim Financial Reporting	Complied
22	<b>BAS 36:</b> Impairment of Assets	Complied
23	<b>BAS 37:</b> Provisions, Contingent Liabilities and Contingent Assets	Complied
24	<b>BAS 38:</b> Intangible Assets	Complied
25	<b>BAS 39:</b> Financial Instrument: Recognition and Measurement	Complied
26	<b>BAS 40:</b> Investment Property	Not Applicable
27	<b>BAS 41:</b> Agriculture	Not Applicable
28	<b>BFRS 1:</b> First-time adoption of International financial Reporting Standards	Not Applicable
29	<b>BFRS 2:</b> Share-based Payment	Not Applicable
30	<b>BFRS 3:</b> Business Combinations	Not Applicable
31	<b>BFRS 4:</b> Insurance Contracts	Not Applicable
32	<b>BFRS 5:</b> Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
33	<b>BFRS 6:</b> Exploration for and Evaluation of Mineral Resources	Not Applicable
34	<b>BFRS 7:</b> Financial Instruments: Disclosures	Complied
35	<b>BFRS 8:</b> Operating Segments	Complied
36	<b>BFRS 9:</b> Financial Instruments	Complied
37	<b>BFRS 10:</b> Consolidated Financial Statements	Complied
38	<b>FRS 11:</b> Joint Arrangements	Not Applicable
39	<b>BFRS 12:</b> Disclosure of Interests in Other Entities	Complied
40	<b>BFRS 13:</b> Fair Value Measurement	Complied

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>3.00 Cash in hand</b>				
Local currency	183,868	163,710	84,656	92,787
Foreign currency	-	-	-	-
	<b>183,868</b>	<b>163,710</b>	<b>84,656</b>	<b>92,787</b>
<b>4.00 Balance with Bangladesh Bank</b>	<b>194,218,842</b>	<b>162,557,997</b>	<b>194,218,842</b>	<b>162,557,997</b>

The above balance was laid with Bangladesh Bank ( local currency)

#### 4.01 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 November 06, 2003 and FID Circular No. 02 dated November 10, 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	177,288,955	141,849,000	177,288,955	141,849,000
Actual reserve held	194,663,287	158,959,000	194,663,287	158,959,000
<b>Surplus/ (Deficit)</b>	<b>17,374,331</b>	<b>17,110,000</b>	<b>17,374,331</b>	<b>17,110,000</b>

##### 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	392,105,266	325,168,000	392,105,266	325,168,000
Actual reserve held	594,255,706	492,055,000	594,255,706	492,055,000
<b>Total Surplus/ (Deficit)</b>	<b>202,150,440</b>	<b>166,887,000</b>	<b>202,150,440</b>	<b>166,887,000</b>

#### 5.00 Balance with other banks and financial institutions

##### Inside of Bangladesh

##### Local Currency

Non interest bearing current account (Note- 5.01)	25,638,629	25,906,675	25,612,500	24,932,710
Interest bearing short term deposit account (Note- 5.02)	1,629,690,456	1,098,062,688	55,189,956	86,173,849
Fixed deposit account (Note- 5.03)	695,371,122	389,886,737	664,416,772	331,886,737
	<b>2,350,700,206</b>	<b>1,513,856,099</b>	<b>745,219,227</b>	<b>442,993,295</b>

##### Foreign Currency

Dhaka Bank Limited-USD Account ( Exchange Rate:Tk. 77.7500)	102,583	105,222	102,583	105,222
Dhaka Bank Limited-POUND Account ( Exchange Rate Tk. 128.7851)	34,230	34,407	34,230	34,407
Dhaka Bank Limited-EURO ( Exchange RateTk.106.9529)	8,041	7,908	8,041	7,908
	<b>144,854</b>	<b>147,537</b>	<b>144,854</b>	<b>147,537</b>
	<b>2,350,845,060</b>	<b>1,514,003,636</b>	<b>745,364,081</b>	<b>443,140,832</b>

##### Outside of Bangladesh

	-	-	-	-
	<b>2,350,845,060</b>	<b>1,514,003,636</b>	<b>745,364,081</b>	<b>443,140,832</b>



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>5.01 Non interest bearing current account</b>				
Bank Al-falah Limited	15,905	17,055	15,905	17,055
BRAC Bank Limited	1,340,832	998,974	1,314,703	998,974
Dhaka Bank Limited	3,482	2,574,562	3,482	2,574,562
Eastern Bank Limited	76,310	-	76,310	-
Exim Bank Limited	588,272	36,810	588,272	36,810
First Security Islami Bank Limited	5,804	6,954	5,804	6,954
Hongkong and Shanghai Banking Corporation Limited	298,310	299,540	298,310	299,540
Mercantile Bank Limited	7,265,462	-	7,265,462	-
National Bank Limited	1,266,047	3,871,706	1,266,047	3,871,706
National Credit and Commerce Bank Limited	5,000	5,000	5,000	5,000
ONE Bank Limited	928,166	435,700	928,166	435,700
Prime Bank Limited	689,104	142,504	689,104	142,504
Shahjalal Islami Bank Limited	38,759	10,968	38,759	10,968
Southeast Bank Limited	110,518	317,980	110,518	317,980
Standard Bank Limited	6,843	7,993	6,843	7,993
Standard Chartered Bank	3,683,065	13,900,618	3,683,065	12,926,653
The Premier Bank Limited	18,401	1,534,377	18,401.17	1,534,377
The Trust Bank Limited	9,298,350	1,745,934	9,298,350	1,745,934
	<b>25,638,629</b>	<b>25,906,675</b>	<b>25,612,500</b>	<b>24,932,710</b>
<b>5.02 Interest bearing short term deposit account</b>				
Al-Arafah Islami Bank Limited	3,675	5,056	3,675	5,056
Arab Bangladesh Bank Limited	255,722	5,407,630	255,722	5,407,630
Bangladesh Development Bank Limited	3,985	64,485	3,985	64,485
Bangladesh Krishi Bank Limited	5,000	5,000	5,000	5,000
Bank Asia Limited	16,267,934	18,477,142	16,267,934	18,477,142
BRAC Bank Limited	-	73,929	-	-
Commercial bank of Ceylon Limited	4,264,801	69,449	-	-
Dhaka Bank Limited	11,285,837	12,598,138	5,201,603	12,230,395
Dutch Bangla Bank Limited	4,947,415	24,513,030	2,778,920	22,703,992
Eastern bank Limited	-	77,580	-	77,580
Exim Bank Limited	575	3,532	575	3,532
Hongkong and Shanghai Banking Corporation Limited	13,131,739	413,165	-	-
ICB Islami Bank Limited	83,708	82,305	83,708	82,305
IFIC Bank Limited	8,942	757,919	8,942	757,919
Janata Bank Limited	-	5,000	-	5,000
Mercantile Bank Limited	1,869,748	4,607,949	1,869,748	4,607,949
Midland Bank Limited	2,427	-	2,427	-
Mutual Trust Bank Limited	(11,245)	349,845	(11,245)	349,845
National Credit and Commerce Bank Limited	8,052	153,523	8,052	153,523
NRB Commercial Bank Limited	14,050	-	14,050	-
ONE Bank Limited	1,464,933,904	1,021,796,058	3,630,601	13,662,737
Prime Bank Limited	1,909,586	1,844,338	752,181	1,461,227
Pubali Bank Limited	46,104	45,821	46,104	45,821
Shahajalal Islami Bank Limited	157,014	565,348	-	10,000
Social Islami Bank Limited	5,091	5,091	5,091	5,091
Southeast Bank Limited	4,259	-	4,259	-
Standard Bank Limited	7,149	9,225	7,149	9,225
Standard Chartered Bank Limited	58,343,447	-	22,193,862	-
The City Bank Limited	231,433	1,206,223	148,508	1,122,488
The Premier Bank Limited	1,832,309	68,600	1,832,309	68,600
United Commercial Bank Limited	66,326	4,846,837	66,326	4,846,837
Uttara Bank Limited	10,470	10,470	10,470	10,470
Union Bank Limited	50,001,000	-	-	-
	<b>1,629,690,456</b>	<b>1,098,062,688</b>	<b>55,189,956</b>	<b>86,173,849</b>
<b>5.03 Fixed deposit account</b>				
Commercial Bank of Ceylon Limited	126,885,331	114,483,648	126,885,331	114,483,648
Mercantile Bank Limited	66,979,046	60,042,272	66,979,046	60,042,272
One Bank Limited	-	30,000,000	-	-
Prime Bank Limited	170,552,395	153,305,523	170,552,395	153,305,523

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
Standard Bank Limited	-	4,055,293	-	4,055,293
Standard Chartered Bank	30,954,350	28,000,000	-	-
Reliance Finance Limited	100,000,000	-	100,000,000	-
Peoples Leasing and Financial Services Limited	200,000,000	-	200,000,000	-
	<b>695,371,122</b>	<b>389,886,737</b>	<b>664,416,772</b>	<b>331,886,737</b>

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

#### 5.04 Maturity grouping of balance with other banks and financial institutions

Up to 1 month	25,783,483	26,054,212	25,757,354	25,080,247
Over 1 month but not more than 3 months	1,629,690,456	1,098,062,688	55,189,956	86,173,849
Over 3 months but not more than 6 months	695,371,122	389,886,737	664,416,772	331,886,737
Over 6 months but not more than 1 year	-	-	-	-
Over 1 year but not more than 5 years	-	-	-	-
Over 5 years	-	-	-	-
	<b>2,350,845,060</b>	<b>1,514,003,636</b>	<b>745,364,081</b>	<b>443,140,832</b>

#### 6.00 Investment

<b>Government securities</b>	<b>1,009,100,000</b>	<b>1,109,100,000</b>	<b>1,009,100,000</b>	<b>1,109,100,000</b>
Treasury bills	-	-	-	-
Treasury Bonds ( Note-6.01)	1,009,100,000	1,109,100,000	1,009,100,000	1,109,100,000

<b>Other investments</b>	<b>2,506,794,297</b>	<b>2,286,116,186</b>	<b>1,129,743,810</b>	<b>802,998,507</b>
Non marketable ordinary shares ( Note-6.02)	483,378,295	210,458,883	46,569,450	24,569,450
Marketable ordinary shares ( Note-6.03)	2,023,416,003	2,075,657,303	1,083,174,360	778,429,057

	<b>3,515,894,297</b>	<b>3,395,216,186</b>	<b>2,138,843,810</b>	<b>1,912,098,507</b>
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#### 6.01 Treasury Bonds

05-Year Treasury Bond	-	-	-	-
10-Year Treasury Bond	479,700,000	579,700,000	479,700,000	579,700,000
15-Year Treasury Bond	294,800,000	294,800,000	294,800,000	294,800,000
20-Year Treasury Bond	234,600,000	234,600,000	234,600,000	234,600,000
	<b>1,009,100,000</b>	<b>1,109,100,000</b>	<b>1,009,100,000</b>	<b>1,109,100,000</b>

#### 6.02 Non marketable ordinary shares

Dhaka Stock Exchange Limited	72,151,060	-	-	-
Chittagong Stock Exchange Limited	42,873,300	-	-	-
BD Venture Limited	20,000,000	10,000,000	20,000,000	10,000,000
Bengal Windsor Th. Limited	-	8,000,000	-	8,000,000
BizBangla Media Limited	252,900,000	172,000,000	-	-
Central Depository (Bangladesh) Limited	1,569,450	1,569,450	1,569,450	1,569,450
Financial Excellence Limited	1,500,000	1,500,000	-	-
CAPM Unit Fund	20,000,000	-	20,000,000	-
Information Technology Consultants Limited	72,384,485	17,389,433	5,000,000	5,000,000
	<b>483,378,295</b>	<b>210,458,883</b>	<b>46,569,450</b>	<b>24,569,450</b>

#### 6.03 Marketable ordinary shares

<b>Bank</b>				
Bank Asia Limited	655,827,647	289,838,363	503,000,311	180,481,230
The Premier Bank Limited	-	3,055	-	3,055
AB Bank Limited	-	106,760	-	-
Eastern Bank Limited	-	30,035	-	-
Exim Bank Limited	-	58,311	-	-
National Bank Limited	-	2,163,150	-	-
One Bank Limited	2,506,670	1,770,878	-	-
Prime Bank Limited	2,849	1,196,394	-	-
Rupali Bank Limited	2,809	2,809	-	-
Southeast Bank Limited	-	673,866	-	-
Shahajalal Islami Bank Limited	48,578	-	-	-
	<b>658,388,553</b>	<b>295,843,621</b>	<b>503,000,311</b>	<b>180,484,285</b>



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>Cement</b>				
Heidelberg Cement Bangladesh Limited	76,901,400	105,534,290	-	14,937,716
MI Cement Factory Limited	4,233	8,362	-	4,129
Confidence Cement Limited	1,858,500	-	-	-
	<b>78,764,133</b>	<b>105,542,652</b>	-	<b>14,941,845</b>
<b>Engineering</b>				
Bangladesh Steel and Re-rolling Mills Limited	21,996,040	7,945,564	21,996,040	7,945,564
Eastern Cables Limited	120,378,041	93,835,135	16,247,718	6,311,639
	<b>142,374,081</b>	<b>101,780,699</b>	<b>38,243,758</b>	<b>14,257,203</b>
<b>Financial Institutions</b>				
Midas Finance and Investment Limited	411,233,851	397,239,895	131,135,369	131,135,369
Union Capital Limited	-	32,854	-	32,854
International leasing Finance Limited	5,720,390	3,446,716	-	-
	<b>416,954,241</b>	<b>400,719,465</b>	<b>131,135,369</b>	<b>131,168,223</b>
<b>Fuel and Power</b>				
GBB Power Limited	-	1,405,984	-	5,984
Jamuna Oil Company Limited	12,324	34,750,542	-	19,743,642
MJL Bangladesh Limited	54,555,370	12,251	54,544,790	1,671
Titas Gas Transmission and Distribution Company Limited	-	19,684,555	-	18,942,310
Meghna Petroleum Limited	168,800	-	-	-
Padma Oil Limited	10,134	273,632	-	-
Power Grid Company Limited	-	657,314	-	-
Summit Power Limited	-	1,429,284	-	-
	<b>54,746,628</b>	<b>58,213,562</b>	<b>54,544,790</b>	<b>38,693,607</b>
<b>Insurance</b>				
Agrani Insurance Company Limited	-	886,193	-	886,193
Continental Insurance Limited	-	2,003,707	-	2,003,707
Delta Life Insurance Company Limited	-	350,535,369	-	105,098,732
	-	<b>353,425,269</b>	-	<b>107,988,632</b>
<b>IT Sector</b>				
Aamra technologies limited	-	10,500,000	-	5,250,000
BD Submarine Cable Limited	-	273,515	-	-
	-	<b>10,773,515</b>	-	<b>5,250,000</b>
<b>Miscellaneous</b>				
Beximco Limited	-	2,109	-	2,109
Summit Alliance Port Limited	67,511	-	-	-
	<b>67,511</b>	<b>2,109</b>	-	<b>2,109</b>
<b>Mutual Funds</b>				
ICB AMCL Sonali Bank Limited 1st Mutual Fund	5,932,344	-	5,932,344	-
1st scheme of Reliance Insurance Mutual Fund	6,380,986	-	6,380,986	-
LR Global Mutual Fund One	222,538,819	300,000,000	50,150,000	-
2ND ICB Mutual Fund	2,817,500	2,817,500	-	-
Popular Life 1st Mutual Fund	3,471,589	-	-	-
Janata Bank 1st Mutual Fund	500,000	500,000	-	-
	<b>241,641,238</b>	<b>303,317,500</b>	<b>62,463,330</b>	-
<b>Pharmaceuticals and Chemicals</b>				
Advance Chemicals Industries Limited	-	21,550,254	-	21,550,254
ACI Formulations Limited	-	17,172,864	-	17,172,864
Beximco Pharmaceuticals Limited	313,110,841	333,821,702	181,650,726	181,650,726
Square Pharmaceutical Limited	-	19,468,586	-	18,092,134
	<b>313,110,841</b>	<b>392,013,406</b>	<b>181,650,726</b>	<b>238,465,978</b>
<b>Tannery Industries</b>				
Apex Tannary Limited	23,243,983	15,963,086	23,243,983	15,963,086
	<b>23,243,983</b>	<b>15,963,086</b>	<b>23,243,983</b>	<b>15,963,086</b>
<b>Telecommunication</b>				
Grameenphone Limited	803,600	21,230,966	-	21,230,966
	<b>803,600</b>	<b>21,230,966</b>	-	<b>21,230,966</b>
<b>Textile</b>				
Envoy Textiles Limited	88,892,277	15,801,000	88,890,709	9,982,000
Saiham Textile Mills Limited	3,190,463	648,436	1,385	1,125
Saiham Cotton Mills Limited	-	62,279	-	-
Argon Denim Limited	4,487	-	-	-
	<b>92,087,227</b>	<b>16,511,715</b>	<b>88,892,094</b>	<b>9,983,125</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>Transport</b>				
Ocean Containers Limited	-	410	-	-
	-	<b>410</b>	-	-
<b>Manufacturing</b>				
Olympic Industry Limited	1,213,575	298,939	-	-
RAK Ceramics (BD) Limited	20,391	20,391	-	-
	<b>1,233,966</b>	<b>319,330</b>	-	-
	<b>2,023,416,003</b>	<b>2,075,657,303</b>	<b>1,083,174,360</b>	<b>778,429,057</b>

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 Guideline.\*

Investments in nonmarketable ordinary shares are valued at cost due to fair value cannot be measured reliably.

\*As at December 31, 2013 there was Tk.32,474,592 gross unrealized gain on investment in marketable ordinary shares which has been net off against Tk. 95,363,034 gross unrealized losses at fair value through 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.

<b>6.04 Strategic Classification of investment in shares</b>				
Strategic investment in shares	1,670,817,833	991,372,275	696,952,848	342,497,688
Non-strategic investment in shares	835,976,464	1,294,743,911	432,790,962	460,500,819
	<b>2,506,794,297</b>	<b>2,286,116,186</b>	<b>1,129,743,810</b>	<b>802,998,507</b>
<b>6.05 Maturity grouping of investments</b>				
<b>Maturity Wise Group</b>				
Up to 01 Month	80,916,580	9,728,693	76,540,829	7,947,235
More than 01 Month to 03 Months	219,410,224	659,193,516	124,449,407	278,902,858
More than 03 Month to 01 Years	535,649,660	633,821,702	231,800,726	181,650,726
More than 01 Year to 05 Years	868,590,173	401,062,930	544,248,029	191,792,869
More than 05 Years	1,811,327,661	1,691,409,345	1,161,804,819	1,251,804,819
	<b>3,515,894,297</b>	<b>3,395,216,186</b>	<b>2,138,843,810</b>	<b>1,912,098,507</b>
<b>7.00 Leases, loans and advances</b>				
<b>Corporate Finance</b>				
Factoring Debtors	338,002,456	205,260,592	338,002,456	205,260,592
Lease Finance	1,604,419,794	1,116,211,053	1,604,419,794	1,116,211,054
Revolving Credit-Secured	42,501,808	-	42,501,808	-
Short Term Finance	1,918,444,675	921,082,092	1,918,444,675	921,068,551
Short Term Loan to Subsidiaries (Note-7.01)	-	-	3,667,926,610	3,806,857,351
Term Loan	6,516,768,909	4,344,588,041	6,516,768,909	4,287,675,452
Term Loan Syndication Finance	503,079,444	-	503,079,444	-
Work Order Finance	79,437,980	14,996,300	79,437,980	71,922,428
	<b>11,002,655,066</b>	<b>6,602,138,078</b>	<b>14,670,581,677</b>	<b>10,408,995,428</b>
<b>Retail Finance</b>				
Auto Loan	851,330,646	477,116,935	839,634,446	477,116,935
Credit Card Receivables (Note-7.02)	932,965,577	685,571,402	932,965,577	685,571,402
Loan against Deposit	131,599,890	172,568,356	131,599,890	172,568,356
Mortgage loan ( Note-7.03)	2,035,380,362	1,729,774,683	1,990,380,362	1,729,774,683
Personal Loan	370,890,065	49,389,569	370,890,065	49,389,569
Staff Loan	28,911,440	6,054,988	22,810,934	5,801,922
	<b>4,351,077,981</b>	<b>3,120,475,932</b>	<b>4,288,281,275</b>	<b>3,120,222,867</b>
<b>SME Finance</b>				
SME Finance	300,012,835	244,558,981	300,012,835	244,558,981
	<b>300,012,835</b>	<b>244,558,981</b>	<b>300,012,835</b>	<b>244,558,981</b>
<b>Others</b>				
Margin loan to share trading clients	4,604,661,409	4,160,441,200	-	-
Receivable from clients against share trading	4,582,735,559	4,506,230,959	-	-
	<b>9,187,396,968</b>	<b>8,666,672,159</b>	-	-
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>Place of Disbursement</b>				
In Bangladesh	24,841,142,850	18,633,845,150	19,258,875,786	13,773,777,275
Outside of Bangladesh	-	-	-	-
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>
<b>7.01 Short term finance-Subsidiaries</b>				
Short Term Loan to Subsidiaries				
LankaBangla Investments Limited	-	-	3,330,441,572	3,455,223,066
LankaBangla Securities Limited	-	-	337,485,038	351,634,285
	-	-	<b>3,667,926,610</b>	<b>3,806,857,351</b>
<b>7.02 Credit card receivables</b>				
Master Card	687,233,377	536,040,022	687,233,377	536,040,022
VISA Card	240,958,565	149,531,380	240,958,565	149,531,380
Master Card Ezypay Settlement Account	3,434,323	-	3,434,323	-
VISA Card Ezypay Settlement Account	1,339,312	-	1,339,312	-
	<b>932,965,577</b>	<b>685,571,402</b>	<b>932,965,577</b>	<b>685,571,402</b>
<b>7.03 Mortgage loan</b>				
Bangladesh Bank refinance	723,602,267	760,815,082	723,602,267	760,815,082
Own Finance	1,311,778,095	968,959,601	1,266,778,095	968,959,601
	<b>2,035,380,362</b>	<b>1,729,774,683</b>	<b>1,990,380,362</b>	<b>1,729,774,683</b>
<b>Maturity Wise Group</b>				
On Demand	1,525,609,760	745,901,895	1,525,609,760	461,415,156
Not more than 3 months	2,638,018,378	2,000,862,949	2,638,018,378	1,682,480,642
More than 03 Month to 01 Years	11,581,330,257	3,183,737,044	6,061,859,900	2,266,239,181
More than 01 Year to 05 Years	7,766,029,268	6,252,109,345	7,703,232,562	4,771,542,237
More than 05 Years	1,330,155,187	6,451,233,917	1,330,155,187	4,592,100,059
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>
<b>7.04 Classification wise leases, loans and advances/ investments</b>				
<b>Unclassified</b>				
Standard	23,278,660,810	17,360,127,104	17,696,393,746	12,500,059,229
Special Mention Accounts	631,267,802	751,186,118	631,267,802	751,186,118
	<b>23,909,928,612</b>	<b>18,111,313,222</b>	<b>18,327,661,548</b>	<b>13,251,245,347</b>
<b>Classified</b>				
Sub-standard	268,489,734	97,942,754	268,489,734	97,942,754
Doubtful	50,615,835	20,677,665	50,615,835	20,677,665
Bad/loss	612,108,670	403,911,510	612,108,670	403,911,510
	<b>931,214,238</b>	<b>522,531,928</b>	<b>931,214,238</b>	<b>522,531,928</b>
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>
<b>Loans, advances and lease on the basis of significant concentration</b>				
a) Loans, advances and lease to the institutions in which Directors have interest	5,260,610	8,917,225	3,680,618,747	3,425,738,713
b) Loans, advances and lease to Chief Executive and other senior executives	24,441,365	57,148,037	24,441,365	57,148,037
c) Loans, advances and lease to customer groups:				
i) Real estate finance	1,311,778,095	968,959,601	1,266,778,095	968,959,601
ii) Car Loan	851,330,646	477,116,935	839,634,446	477,116,935
iii) Personal loan	370,890,065	49,389,569	370,890,065	49,389,569
iv) Loan against deposits (LAD)	131,599,890	172,568,356	131,599,890	172,568,356
v) Small and medium enterprises	300,012,835	244,558,981	300,012,835	244,558,981
vi) Special program loan (BB refinancing scheme)	723,602,267	760,815,082	723,602,267	760,815,082
vii) Staff loan	28,911,440	6,054,988	22,810,934	5,801,922
viii) Industrial Loans, advances and leases	11,002,655,066	6,602,138,078	14,670,581,677	10,408,995,428
ix) Other loans and advances	10,120,362,545	9,352,243,560	932,965,577	685,571,402
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
d) <u>Details of Industrial loans, advances and leases</u>				
1) Trade and Commerce	702,065,350	627,590,577	702,065,350	627,590,577
2) Industries				
i) Garments & knitwear	1,129,876,027	602,173,106	1,129,876,027	602,173,106
ii) Textile	1,294,373,371	517,137,790	1,294,373,371	517,137,790
iii) Jute and Jute-products	-	-	-	-
iv) Food Production and Processing industry	507,744,368	143,050,771	507,744,368	143,050,771
v) Plastic Industry	-	-	-	-
vi) Leather and Leather Goods	69,554,762	-	69,554,762	-
vii) Iron, Steel and Engineering	2,051,912,474	1,310,955,557	2,051,912,474	1,310,955,557
viii) Pharmaceuticals and Chemicals	774,426,457	417,758,105	774,426,457	417,758,105
ix) Cement and Allied Industry	125,562,973	-	125,562,973	-
x) Telecommunication and IT	409,077,767	23,864,144	409,077,767	23,864,144
xi) Paper, printing and Packaging	32,548,732	60,666,368	32,548,732	60,666,368
xii) Glass, Glassware and Ceramic Industry	379,548,456	-	379,548,456	-
xiii) Ship Manufacturing Industry	574,524,646	281,939,144	574,524,646	281,939,144
xiv) Electronics and Electrical Products	-	18,359,867	-	18,359,867
xv) Power, Gas, water and Sanitary Service	569,811,810	62,623,269	569,811,810	62,623,269
xvi) Transport and Aviation	366,594,171	190,019,024	366,594,171	190,019,024
	<b>8,285,556,015</b>	<b>3,628,547,145</b>	<b>8,285,556,015</b>	<b>3,628,547,145</b>
3) Agriculture	755,373,440	545,482,490	755,373,440	545,482,490
4) Housing	2,035,380,362	1,729,774,683	1,990,380,362	1,729,774,683
5) Others				
Loan to Subsidiaries Companies	-	-	3,667,926,610	3,806,857,351
Others	13,062,767,683	12,102,450,256	3,857,574,009	3,435,525,029
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>

#### 7.05 Particulars of loans, advances and leases

i) Loan considered good in respect of which the Bank/ FI is fully secured	14,115,245,763	12,850,506,604	8,532,978,699	7,990,438,729
ii) Loan considered good for which the Bank/ FI holds no other security than the debtor's personal security.	932,965,577	685,571,402	932,965,577	685,571,402
iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	9,792,931,510	5,097,767,144	9,792,931,510	5,097,767,144
iv) Loan adversely classified; for which no provision is created.	-	-	-	-
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>
v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.	28,911,440	6,054,988	22,810,934	5,801,922
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.	-	-	3,667,926,610	3,425,738,713

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

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
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.	28,911,440	6,054,988	22,810,934	5,801,922
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.	-	-	-	10,900,000
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	18,530,299	-	18,530,299	-
x) Information in respect of classified loans and advances:				
a) Classified loans for which interest/ profit not credited to income	931,214,238	922,531,928	931,214,238	922,531,928
b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	371,711,342	163,351,235	371,711,342	163,351,235
	<b>1,302,925,580</b>	<b>1,085,883,163</b>	<b>1,302,925,580</b>	<b>1,085,883,163</b>
c) Amount of interest credited to the interest suspense account	122,490,248	333,617,609	122,490,248	333,617,609
xi) Cumulative amount of written off loans:				
Opening Balance	478,117,484	1,815,124	478,117,484	1,815,124
Amount written off during the year	3,108,087	476,302,360	3,108,087	476,302,360
Amount received off during the year	2,750,066	-	2,750,066	-
Balance of written off loans and advances yet to be recovered	<b>483,975,637</b>	<b>478,117,484</b>	<b>483,975,637</b>	<b>478,117,484</b>

The amount of written off loans for which law suits have been filed

#### Leases, Loans, and advances -geographical location-wise

Inside Bangladesh:

##### Urban

Dhaka	18,968,539,026	15,184,374,960	13,386,271,962	10,324,307,085
Chittagong	5,706,224,773	3,396,135,100	5,706,224,773	3,396,135,100
Sylhet	58,617,000	53,335,090	58,617,000	53,335,090
Jessore	67,007,769	-	67,007,769	-
Narshindi	20,902,500	-	20,902,500	-
Comilla	19,851,782	-	19,851,782	-
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>

Outside Bangladesh:

	-	-	-	-
	<b>24,841,142,850</b>	<b>18,633,845,150</b>	<b>19,258,875,786</b>	<b>13,773,777,275</b>

#### 8.00 Fixed Assets including Land, Building, Furniture and Fixtures

Freehold assets (Note 8.01)	217,441,348	170,972,377	64,436,866	41,446,896
Intangible assets (Note 8.02)	48,049,209	47,655,464	6,533,637	4,601,833
Lease hold assets (Note 8.03)	25,923,730	19,504,166	2,450,000	3,675,000
	<b>291,414,287</b>	<b>238,132,007</b>	<b>73,420,503</b>	<b>49,723,729</b>

Details at Annexure- A and Annexure- B

#### 8.01 Freehold assets

##### A. Cost

Opening Balance	333,686,945	295,880,469	123,937,749	101,722,724
Add : Addition/(Disposal) during the year	89,343,221	54,016,454	40,142,125	28,889,949
	423,030,166	349,896,923	164,079,874	130,612,673
Less: Sales/ adjustment during the year	7,114,237	16,209,978	3,825,680	6,674,924
	<b>415,915,929</b>	<b>333,686,945</b>	<b>160,254,194</b>	<b>123,937,749</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>B. Accumulated depreciation</b>				
Opening Balance	162,714,568	135,150,632	82,490,854	76,584,417
Add : Charged during the year	40,486,305	38,103,167	16,874,693	12,345,256
	203,200,873	173,253,799	99,365,548	88,929,673
Less: Adjustment during the year	4,726,292	10,539,231	3,548,220	6,438,820
	198,474,581	162,714,568	95,817,328	82,490,853
<b>C. Written down value Total (A-B)</b>	<b>217,441,348</b>	<b>170,972,377</b>	<b>64,436,866</b>	<b>41,446,896</b>
<b>8.02 Intangible assets</b>				
<b>A. Cost</b>				
Cost				
Opening Balance	78,274,644	28,279,675	27,534,021	27,534,021
Add: Acquisition during the year	18,718,675	49,994,969	2,712,130	-
	96,993,319	78,274,644	30,246,151	27,534,021
<b>B. Accumulated Amortization</b>				
Opening Balance	30,619,180	22,604,288	22,932,188	22,604,288
Add : Charged during the year	18,324,930	8,014,892	780,326	327,900
	48,944,110	30,619,180	23,712,514	22,932,188
<b>C. Written down value Total (A-B)</b>	<b>48,049,209</b>	<b>47,655,464</b>	<b>6,533,637</b>	<b>4,601,833</b>
<b>8.03 Lease hold assets</b>				
<b>A. Cost</b>				
Opening Balance	41,133,867	36,233,867	4,900,000	-
Add: Acquisition during the year	15,077,000	4,900,000	-	4,900,000
	56,210,867	41,133,867	4,900,000	4,900,000
Less: Adjustment during the year	6,913,057	-	-	-
	49,297,810	41,133,867	4,900,000	4,900,000
<b>B. Accumulated depreciation</b>				
Opening Balance	21,629,701	13,545,772	1,225,000	-
Add : Charged during the year	8,657,436	8,083,929	1,225,000	1,225,000
	30,287,137	21,629,701	2,450,000	1,225,000
Less: Adjustment during the year	6,913,057	-	-	-
	23,374,080	21,629,701	2,450,000	1,225,000
<b>C. Written down value Total (A-B)</b>	<b>25,923,730</b>	<b>19,504,166</b>	<b>2,450,000</b>	<b>3,675,000</b>
<b>9.00 Other assets</b>				
<b>Non income generating assets</b>				
Advances and prepayments (Note-9.01)	<b>752,663,646</b>	<b>826,375,661</b>	<b>526,333,594</b>	<b>579,074,425</b>
<b>Income generating assets</b>	<b>118,529,242</b>	<b>568,388,415</b>	<b>3,692,439,632</b>	<b>2,580,904,982</b>
Interest and other receivables ( Note-09.02)	118,529,242	58,388,415	77,504,832	50,555,930
Investment in:	-	510,000,000	3,614,934,800	2,530,349,052
Dhaka Stock Exchange Limited-Membership	-	350,000,000	-	-
Chittagong Stock Exchange Limited-Membership	-	160,000,000	-	-
LankaBangla Securities Limited	-	-	1,274,984,870	1,274,984,870
LankaBangla Asset Management Company Limited	-	-	769,950,000	595,364,212
LankaBangla Investment Limited	-	-	1,569,999,930	659,999,970
	<b>871,192,887</b>	<b>1,394,764,076</b>	<b>4,218,773,226</b>	<b>3,159,979,407</b>
Investments for membership are initially recognized at cost (which includes transaction costs) and are subsequently re-measured at fair value based on current quoted bid price in year 2009. But now in accordance with section 8(Gha) of the Exchanges Demutualization Act. 2013, both stock exchanges has issued shares against membership with Tk. 10 each. Surplus arising from changes in the fair value of investment for membership are transferred to Fair Value Measurement Reserve (FVMR).				
<b>9.01 Advances and Prepayments</b>				
Advance office rent	40,027,550	26,837,345	10,467,463	9,815,195
Advance for expenses	172,693,248	38,689,296	27,592,908	18,047,445
Advance to employee	859,867	-	-	-
Advance income tax	194,824,422	204,456,662	178,770,465	167,460,530

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
Advance interest payment	2,258,618	-	2,258,618	-
Security deposit receivable	2,627,840	-	561,340	-
Advance for Bank Guarantee margin	7,292,367	-	-	-
Prepayments and others (Note-9.01.01)	332,079,734	556,392,358	306,682,800	383,751,255
	<b>752,663,646</b>	<b>826,375,661</b>	<b>526,333,594</b>	<b>579,074,425</b>

\*\*Advance income tax represents corporate income tax paid as per Section- 64 of the Income Tax Ordinance 1984 and the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances of LankaBangla Finance Limited.

#### 9.01.01 Prepayments and others

Prepayments	202,825,205	198,834,371	198,137,072	193,962,398
Receivables/(Payables)-Sampth Bank Limited	(184,470)	66,929,562	(184,470)	66,929,562
Receivables/(Payables) with LBAMCO Limited	-	-	-	2,713,846
Receivables against share trading	3,222,445	4,807,614	(403)	2,671,368
Receivables DSE and CSE	14,834,692	129,448,899	-	-
Deferred tax Asset- (Note 09.01.01.01)	21,592,736	33,175,589	20,670,433	20,670,433
Dividend receivable	78,750,624	78,750,624	78,750,624	78,750,624
Other receivable	11,038,503	44,445,700	9,309,545	18,053,025
	<b>332,079,734</b>	<b>556,392,358</b>	<b>306,682,800</b>	<b>383,751,255</b>

#### 9.01.01.01 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 carrying amounts	(Taxable)/ Deductible temporary diff.
<b>Deferred tax asset is arrived at as follows</b>			
<b>Assets:</b>			
Fixed assets net of depreciation as on December 31, 2013	64,436,866	126,583,257	62,146,391
<b>Liabilities:</b>			
Employee gratuity as on 31 December 2013	174,366	-	174,366
<b>Total</b>	<b>64,611,232</b>	<b>126,583,257</b>	<b>62,320,757</b>
Applicable tax rate for fixed assets and employee gratuity @42.5%			26,486,322
Deferred tax asset as on 31 December 2013			26,486,322
Deferred tax asset as on 31 December 2012			20,670,433
<b>Deferred tax income accounted for during the year</b>			<b>5,815,889</b>

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 (around 102 core) 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.

#### 9.02 Interest and other receivables

Interest receivables-Fixed deposit account	57,486,984	29,241,779	54,453,426	24,781,844
PD- Receivable-Treasury Bonds/Bills	23,051,406	25,774,086	23,051,406	25,774,086
Issue management fees receivable	3,682,550	2,822,550	-	-
Underwriting commission receivable	-	550,000	-	-
Account receivable from PO department	29,388,302	-	-	-
Corporate advisory fees receivable	4,920,000	-	-	-
	<b>118,529,242</b>	<b>58,388,415</b>	<b>77,504,832</b>	<b>50,555,930</b>

#### 10.00 Borrowings from Bangladesh bank, other banks and financial institutions

Inside Bangladesh (Note 10.01)	11,597,381,469	8,837,322,438	9,598,070,012	6,542,778,927
Outside Bangladesh	-	-	-	-
	<b>11,597,381,469</b>	<b>8,837,322,438</b>	<b>9,598,070,012</b>	<b>6,542,778,927</b>



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>10.01 Inside Bangladesh</b>				
<b>Secured:</b>				
Bank overdraft (Note- 10.01.01)	440,772,373	490,518,530	440,772,373	490,518,530
Long term loan-( Note-10.01.02)	7,390,174,189	5,219,895,076	6,424,237,851	4,025,351,565
REPO against Govt. treasury bills and bonds (Note- 10.01.03)	863,059,789	1,041,908,831	863,059,789	1,041,908,831
	<b>8,694,006,350</b>	<b>6,752,322,438</b>	<b>7,728,070,012</b>	<b>5,557,778,927</b>
<b>Unsecured:</b>				
Call loans- (Note- 10.01.04)	970,000,000	450,000,000	970,000,000	450,000,000
Short term borrowings (Note- 10.01.05)	1,933,375,119	1,635,000,000	900,000,000	535,000,000
	<b>2,903,375,119</b>	<b>2,085,000,000</b>	<b>1,870,000,000</b>	<b>985,000,000</b>
	<b>11,597,381,469</b>	<b>8,837,322,438</b>	<b>9,598,070,012</b>	<b>6,542,778,927</b>
<b>10.01.01 Bank overdraft</b>				
<b>Secured by FDR</b>				
Mercantile Bank Limited	10,439,356	50,859,825	10,439,356	50,859,825
Prime Bank Limited	134,344,022	215,027,022	134,344,022	215,027,022
Commercial Bank of Ceylon Limited	127,064,606	127,131,683	127,064,606	127,131,683
	<b>271,847,984</b>	<b>393,018,530</b>	<b>271,847,984</b>	<b>393,018,530</b>
<b>Secured by Pari Passu sharing agreement</b>				
Bangladesh Development Bank Limited	(121,110)	97,500,000	(121,110)	97,500,000
Midland Bank Limited	136,052,140	-	136,052,140	-
Bank Asia Limited	3,112,676	-	3,112,676	-
Dhaka Bank Limited	28,701,798	-	28,701,798	-
Megna Bank Limited	1,178,884	-	1,178,884	-
	<b>168,924,388</b>	<b>97,500,000</b>	<b>168,924,388</b>	<b>97,500,000</b>
	<b>440,772,373</b>	<b>490,518,530</b>	<b>440,772,373</b>	<b>490,518,530</b>
<b>10.01.02 Long term loan</b>				
Opening Balance	5,219,895,076	3,840,752,487	4,025,351,565	3,278,130,642
Add: Drawdown during the year	4,593,677,000	2,782,587,237	4,078,600,000	1,920,000,000
	9,813,572,076	6,623,339,724	8,103,951,565	5,198,130,642
Less: Repayment during the year	(2,423,397,887)	(1,403,444,648)	(1,679,713,715)	(1,172,779,077)
	<b>7,390,174,189</b>	<b>5,219,895,076</b>	<b>6,424,237,851</b>	<b>4,025,351,565</b>
<b>Detail of the above balance is presented bellow:</b>				
<b>From Bangladesh Bank and its agents Bank</b>				
Bangladesh Bank (under Re-Finance)- Women Entrepreneur	61,239,321	45,117,911	61,239,321	45,117,911
Bangladesh Bank (under Re-Finance)- Mortgage Loan	720,188,440	780,543,280	720,188,440	780,543,280
	<b>781,427,761</b>	<b>825,661,191</b>	<b>781,427,761</b>	<b>825,661,191</b>
<b>From other than Bangladesh Bank and its agents Bank</b>				
AL Arafa Islami Bank Limited	322,682,672	413,764,998	322,682,672	413,764,998
Bank Asia Limited	183,688,533	79,747,686	183,688,533	79,747,686
Dhaka Bank Limited	100,375,000	-	100,375,000	-
Dutch Bangla Bank Limited	291,624,019	78,582,636	291,624,019	78,582,635
Exim Bank Limited	278,376,170	46,860,074	278,376,170	46,860,074
Fearest Finance Limited	67,268,213	83,941,803	-	-
International Leasing and Financial Services Limited	139,484,152	184,062,493	-	-
Jamuna Bank Limited	93,654,434	959,786	93,654,434	959,786
MIDAS Financing Limited	-	33,336,008	-	-
Mutual Trust Bank Limited	622,630,521	622,872,625	622,630,522	622,872,625
Meghna Bank Limited	187,036,836	-	187,036,836	-
Mercantile Bank Limited	188,838,742	-	188,838,742	-
Midland Bank Limited	95,970,496	-	95,970,496	-
National Bank Limited	246,139,336	184,786,025	246,139,336	173,858,443
NRB Commercial Bank Limited	354,728,333	-	354,728,333	-
One Bank Limited	500,000,000	500,000,000	-	-
Prime Bank Limited	389,183,627	288,472,184	389,183,627	288,472,184
Prime Finance and Investment Limited	126,082,189	185,555,549	-	-
Shahjalal Islami Bank Limited	958,320,707	734,232,228	846,078,405	551,642,797
Social Islami Bank Limited	-	23,245,687	-	23,245,687
Southeast Bank Limited	242,777,315	123,672,527	242,777,315	123,672,527
Standard Bank Limited	198,063,378	59,407,923	198,063,378	59,407,923
The Premier Bank Limited	735,993,035	389,563,703	735,993,035	389,563,703
The UAE-Bangladesh Investment Company Limited	12,430,783	17,642,976	12,430,783	17,642,976
United Commercial Bank Limited	215,442,601	317,654,956	215,442,601	317,654,956
Uttara Bank Limited	33,369,223	7,166,879	33,369,223	7,166,879
Lease obligation-IPDC	24,586,111	18,705,140	3,726,629	4,574,495
	<b>6,608,746,427</b>	<b>4,394,233,886</b>	<b>5,642,810,090</b>	<b>3,199,690,375</b>
	<b>7,390,174,188</b>	<b>5,219,895,076</b>	<b>6,424,237,851</b>	<b>4,025,351,565</b>

Consolidated		Separate	
2013 Taka	2012 Taka	2013 Taka	2012 Taka

**Bank borrowings are secured by:**

- First ranking pari passu charge on present and future fixed and floating assets of LankaBangla Finance Limited with the future and existing lenders.
- Usual charge documents (Letter of Hypothecation, Promissory Notes, Letter of Continuation, Letter of Arrangements, etc.)
- 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.

**10.01.03 REPO against Govt. treasury bills and bonds**

REPO against Govt. treasury bills	-	-	-	-
REPO against Govt. bonds	863,059,789	1,041,908,831	863,059,789	1,041,908,831
	<b>863,059,789</b>	<b>1,041,908,831</b>	<b>863,059,789</b>	<b>1,041,908,831</b>

**10.01.04 Call loan**

Southeast Bank Limited	-	100,000,000	-	100,000,000
Standard Bank Limited	50,000,000	50,000,000	50,000,000	50,000,000
Mutual Trust Bank Limited	100,000,000	-	100,000,000	-
United Commercial Bank Limited	100,000,000	-	100,000,000	-
The City Bank Limited	100,000,000	300,000,000	100,000,000	300,000,000
Bangladesh Development Bank Ltd	50,000,000	-	50,000,000	-
Arab Bangladesh Bank Limited	50,000,000	-	50,000,000	-
Pubali Bank Limited	50,000,000	-	50,000,000	-
Agrani Bank Limited	100,000,000	-	100,000,000	-
Dutch Bangla Bank Limited	100,000,000	-	100,000,000	-
One Bank Limited	170,000,000	-	170,000,000	-
Basic Bank Ltd	100,000,000	-	100,000,000	-
	<b>970,000,000</b>	<b>450,000,000</b>	<b>970,000,000</b>	<b>450,000,000</b>

**10.01.05 Short term borrowings**

One Bank Limited	3,375,119	1,035,000,000	-	235,000,000
National Bank Limited	-	100,000,000	-	-
Phoenix Finance and Investment Limited	200,000,000	200,000,000	-	-
Standard Bank Limited	-	100,000,000	-	100,000,000
Standard Chartered Bank Limited	830,000,000	-	-	-
Brac Bank Limited	400,000,000	200,000,000	400,000,000	200,000,000
Mutual Trust Bank Limited	100,000,000	-	100,000,000	-
The City Bank Limited	100,000,000	-	100,000,000	-
Al Arafah Islami Bank Limited	300,000,000	-	300,000,000	-
	<b>1,933,375,119</b>	<b>1,635,000,000</b>	<b>900,000,000</b>	<b>535,000,000</b>

**Maturity grouping of borrowings from other banks and financial institutions**

Payable on demand	-	-	-	-
Up to 1 month	970,000,000	607,814,377	970,000,000	450,000,000
Over 1 month but within 3 months	954,562,976	616,089,198	904,562,976	456,126,327
Over 3 months but within 1 year	2,748,649,661	3,313,454,748	1,743,788,909	1,411,232,610
Over 1 year but within 5 years	5,759,255,822	2,933,738,846	4,814,805,118	3,213,924,714
Over 5 years	1,164,913,011	1,366,225,268	1,164,913,010	1,011,495,275
	<b>11,597,381,469</b>	<b>8,837,322,438</b>	<b>9,598,070,012</b>	<b>6,542,778,927</b>

**11.00 Term deposits**

Periodic Return Term Deposits	841,740,023	868,902,555	841,740,023	868,902,555
Cumulative Term Deposits	346,657,319	305,522,953	346,657,319	305,522,953
Double Money Term Deposits	148,425,492	54,513,717	148,425,492	54,513,717
Money Builders Scheme	26,312,345	8,912,126	26,312,345	8,912,126
Fixed Term Deposit	9,260,099,208	6,378,067,954	9,308,787,208	6,439,107,295
Term Deposit Earn First	19,330,875	-	19,330,875	-
Term Deposit Shohoj Sanchoy	67,131,084	-	67,131,084	-
Term Deposit Triple Money	308,649	-	308,649	-
Term Deposit (Fixed Term)-3 Months	117,256,555	-	117,256,555	-
	<b>10,827,261,549</b>	<b>7,615,919,305</b>	<b>10,875,949,549</b>	<b>7,676,958,646</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>11.01 Group-wise break-up of term deposits</b>				
Bank	2,700,000,000	1,290,000,000	2,700,000,000	1,290,000,000
Corporate Houses	2,216,062,469	1,367,482,888	2,264,750,469	1,428,522,229
Employees Provident Fund	926,942,377	543,145,278	926,942,377	543,145,278
Individual	4,070,222,345	2,882,152,025	4,070,222,345	2,882,152,025
Insurance Companies	429,664,807	684,920,290	429,664,807	684,920,290
Non Bank Financial Institute (NBFi)	455,662,750	766,744,440	455,662,750	766,744,440
Non-Government Organization (NGO)	28,706,801	81,474,385	28,706,801	81,474,385
	<b>10,827,261,549</b>	<b>7,615,919,305</b>	<b>10,875,949,549</b>	<b>7,676,958,646</b>
<b>11.02 Remaining maturity grouping of term deposits:</b>				
Payable on demand	-	-	-	-
In not more than 01 month	455,561,466	446,521,053	455,561,466	450,099,787
In more than 01month but not more than 06 months	6,820,237,789	1,403,854,059	6,868,925,789	1,881,013,130
In more than 06 months but not more than 01 year	1,621,502,402	1,386,609,522	1,621,502,402	931,815,192
In more than 01 year but not more than 05 years	726,096,347	2,522,141,056	726,096,347	2,542,355,269
In more than 05 years but not more than 10 years	1,203,863,546	1,856,793,615	1,203,863,546	1,871,675,268
In more than 10 years	-	-	-	-
	<b>10,827,261,549</b>	<b>7,615,919,305</b>	<b>10,875,949,549</b>	<b>7,676,958,645</b>
<b>12.00 Other liabilities</b>				
Accrued expenses	35,171,084	46,009,900	7,776,290	17,593,756
Advance receipt against leases-adjustment a/c	53,483,917	28,948,469	53,483,917	28,948,467
CDBL Expenses payable	4,967,841	14,000	-	-
Client positive balance	69,419,556	112,117,254	-	-
Deferred liability-employee gratuity (Note-12.01)	62,691,555	74,794,638	174,366	30,078,511
Deferred tax liability	5,616,187	-	-	-
E.P.F. Fund Payable	187,109	2,160,784	2,500	2,129,050
Excise duty payable	5,968,904	1,458,653	5,968,904	1,458,653
Interest payable- (Note- 12.02)	368,174,392	336,600,962	351,442,747	304,145,655
Interest suspense account (Note-12.03)	199,202,194	148,336,823	199,202,194	148,336,823
IPO subscription payable	68,646	68,646	68,646	68,646
ITCL Settlement A/C	437,211	49,224	437,211	49,225
Lease rental advances	115,550,422	21,202,830	126,000,422	21,202,830
Payable against MCBS charges	633	724	633	724
Payable against merchants claims and others	8,217,398	5,972,662	8,217,398	5,972,662
Payable against receipt from other card holders	2,103,181	1,593,688	2,103,181	1,593,688
Payable to LB Foundation	9,328,117	14,954,013	4,480,592	12,357,176
Payable DSE and CSE	40,416,507	26,358,220	-	-
Payable to share trading clients	367,626,191	236,442,231	-	-
Provisions for loans / investments (Note-12.04)	693,553,804	367,964,857	688,997,029	363,408,082
Provision for insurance fund	1,156,515	-	1,156,515	-
Provision for taxation (Note-12.05)	431,407,916	630,910,040	350,270,148	454,114,673
Receivables/(payables)-other mastercard operator (Note 12.06)	5,942,054	2,115,650	5,942,054	2,115,650
Payable to right share holder	214,123	214,123	214,123	214,123
Provision for audit fee	531,850	-	212,750	-
Security deposit from supplier and others	37,125	364,280	-	364,280
Sundry creditors Suppliers	6,255,273	-	5,634,173	-
Unpaid dividend	13,494,639	34,037,122	9,581,544	9,568,002
VAT at Source	2,117,167	2,065,439	2,116,267	1,782,371
VISA Settlement A/C	544,232	44,581	544,232	44,581
Withholding tax payable	95,532,123	83,773,475	16,725,911	4,856,311
Brokerage sharing	5,683,715	-	-	-
Other liabilities	5,653,024	40,258,372	-	-
	<b>2,610,754,604</b>	<b>2,218,831,659</b>	<b>1,840,753,746</b>	<b>1,410,403,938</b>
<b>12.01 Deferred liability - employee gratuity</b>				
Balance as at 01 January	74,794,638	47,006,931	30,078,511	22,327,442
Provision during the year	29,317,052	28,012,043	10,550,712	7,764,285
	<b>104,111,690</b>	<b>75,018,974</b>	<b>40,629,223</b>	<b>30,091,727</b>
Payment to gratuity fund	40,000,000	-	40,000,000	-
Payment during the year	1,420,135	224,337	454,857	13,217
Balance as at 31 December	<b>62,691,555</b>	<b>74,794,638</b>	<b>174,366</b>	<b>30,078,511</b>



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>12.02 Interest payable</b>				
Term deposit receipts	330,627,390	264,433,637	331,235,328	268,124,579
Long term loan-Commercial Bank	-	14,387,139	-	10,816,809
Long term loan-Bangladesh Bank	7,380,196	56,742,686	7,380,196	3,504,420
Short term borrowings	29,635,694	1,037,500	12,296,111	20,662,347
Call loan borrowings	531,111	-	531,111	1,037,500
	<b>368,174,392</b>	<b>336,600,962</b>	<b>351,442,747</b>	<b>304,145,655</b>
<b>12.03 Interest suspense</b>				
Lease Finance	114,849,496	96,447,149	114,849,496	96,447,149
Term Finance	56,216,773	34,644,334	56,216,773	34,644,334
Credit Card	11,133,481	15,018,957	11,133,481	15,018,957
Mortgage Loan	17,002,445	2,226,383	17,002,445	2,226,383
	<b>199,202,194</b>	<b>148,336,823</b>	<b>199,202,194</b>	<b>148,336,823</b>
<b>Movement of Interest Suspense Account</b>				
Balance at 01 January	148,336,823	212,691,670	148,336,823	212,691,670
Add: Transferred to Interest Suspense during the year	122,490,248	54,938,568	122,490,248	54,938,568
Less: Interest Suspense realized during the year	(70,527,913)	-	(70,527,913)	-
	200,299,157	267,630,238	200,299,157	267,630,238
Less: Write off during the year	(1,096,963)	(119,293,415)	(1,096,963)	(119,293,415)
Balance at 31 December	<b>199,202,194</b>	<b>148,336,823</b>	<b>199,202,194</b>	<b>148,336,823</b>
<b>12.04 Provisions for loans / investments</b>				
Provision for leases and loans (Note 12.04.02)	<b>616,980,588</b>	<b>341,769,323</b>	<b>616,980,588</b>	<b>341,769,323</b>
Lease finance	231,887,373	99,888,608	231,887,373	99,888,608
Term finance and short term loan	254,670,296	156,540,344	254,670,296	156,540,344
Credit card	108,111,980	68,185,969	108,111,980	68,185,969
Mortgage Loan	22,310,938	17,154,402	22,310,938	17,154,402
Provision for diminution in value of investment in equity shares	67,445,217	26,195,534	62,888,442	21,638,759
Provision for other assets	9,128,000	-	9,128,000	-
	<b>693,553,804</b>	<b>367,964,857</b>	<b>688,997,029</b>	<b>363,408,082</b>
<b>12.04.01 Movement of Provision for loans / investments</b>				
Balance at 01 January	367,964,857	536,575,176	363,408,082	536,575,176
Provision required for the year	425,625,272	448,474,749	425,625,272	448,474,749
Provision released during the year	(96,928,238)	(7,891,546)	(96,928,238)	(7,891,546)
Provision charged for the year	328,697,034	85,950,216	328,697,034	191,733,398
Write off during the year	(3,108,087)	(246,668,989)	(3,108,087)	(357,008,945)
Balance at 31 December	<b>693,553,804</b>	<b>367,964,857</b>	<b>688,997,029</b>	<b>363,408,082</b>
During the year 2013, 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 2009)				
<b>12.04.02 Grouping of provision for loans</b>				
General provision	205,981,235	154,402,121	205,981,235	154,402,121
Specific provision	410,999,353	187,367,202	410,999,353	187,367,202
	<b>616,980,588</b>	<b>341,769,323</b>	<b>616,980,588</b>	<b>341,769,323</b>
<b>12.05 Provision for taxation</b>				
Balance as at 01 January	630,910,040	673,487,699	454,114,673	454,114,673
Provision during the year	130,207,558	168,217,421	-	-
	761,117,598	841,705,119	454,114,673	454,114,673
Adjusted during the year	329,709,682	210,795,079	103,844,525	-
Balance at 31 December	<b>431,407,916</b>	<b>630,910,040</b>	<b>350,270,148</b>	<b>454,114,673</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>12.06 Receivables/(Payables)-Other Master Card Operator</b>				
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	(2,341,844)	(5,750,066)	(2,341,844)	(5,750,066)
BRAC Bank Limited	2,514,531	1,423,029	2,514,531	1,423,029
City Bank Limited	1,381,716	1,371,786	1,381,716	1,371,786
Commercial Bank of Cylen	(1,894,859)	-	(1,894,859)	-
Dutch Bangla Bank Limited	5,211,239	3,869,678	5,211,239	3,869,678
National Bank Limited	664,870	889,181	664,870	889,181
ONE Bank Limited	(1,679,540)	(889,855)	(1,679,540)	(889,855)
Prime Bank Limited	697,667	518,404	697,667	518,404
Premier Bank Limited	615,795	304,001	615,795	304,001
Standard Chartered Bank	772,479	379,492	772,479	379,492
	<b>5,942,054</b>	<b>2,115,650</b>	<b>5,942,054</b>	<b>2,115,650</b>

<b>13.00 Share capital Authorized</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>
<b>Issued, subscribed and paid up</b>	<b>2,083,492,950</b>	<b>1,894,084,500</b>	<b>2,083,492,950</b>	<b>1,894,084,500</b>

Details of shares holding position are as under:

**Sponsor shareholders:**

<b>a. Foreign sponsors</b>	<b>Percentage</b>				
Sampath Bank Limited, Sri Lanka	9.47%	197,340,000	179,400,000	197,340,000	179,400,000
<b>b. Local sponsors</b>					
ONE Bank Limited, Bangladesh	4.86%	101,200,000	92,000,000	101,200,000	92,000,000
SSC Holdings Limited, Bangladesh	1.07%	22,352,550	20,320,500	22,352,550	20,320,500
Shanta Apparel Limited	1.74%	36,230,700	32,937,000	36,230,700	32,937,000
Individuals	21.42%	446,302,660	407,693,340	446,302,660	407,693,340
<b>General Shareholders</b>	29.09%	606,085,910	552,950,840	606,085,910	552,950,840
	61.44%	1,280,067,040	1,161,733,660	1,280,067,040	1,161,733,660
	<b>100%</b>	<b>2,083,492,950</b>	<b>1,894,084,500</b>	<b>2,083,492,950</b>	<b>1,894,084,500</b>

**Classification of shareholders by holding as required by Regulation- 37 of the Listing Regulations of Dhaka Stock Exchange Limited**

Shares groups	Number of share	Percentage	Number of share	Percentage
Less than 500	823,123	0.40	823,123	0.40
501 to 5000	11,907,648	5.72	11,907,648	5.72
5,001 to 10000	7,070,830	3.39	7,070,830	3.39
10,001 to 20000	8,349,134	4.01	8,349,134	4.01
20,001 to 30000	4,999,259	2.40	4,999,259	2.40
30,001 to 40000	4,282,095	2.06	4,282,095	2.06
40,001 to 50000	3,018,526	1.45	3,018,526	1.45
50,001 to 100000	11,923,713	5.72	11,923,713	5.72
100,001 to 1000000	51,861,909	24.89	51,861,909	24.89
Above 1000000	104,113,058	49.97	104,113,058	49.97
	<b>208,349,295</b>	<b>100.00</b>	<b>208,349,295</b>	<b>100.00</b>

The shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on October 17, 2006 and October 31, 2006 respectively, also trading in the both houses from November 01, 2006. Share trade Tk. 66.50 and Tk. 66.60 At Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2013.



	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>13.01 Capital Adequacy Ratio (CAR):</b>				
"As per section 4(GHA) of the Financial Institution Rule 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the company. The surplus eligible capital of the company as well as the Group at the close of business on 31 December 2013 were Tk. 182.36 crore and Tk. 376.62 crore, respectively."				
<b>Core Capital ( Tier-1)</b>				
Paid-up capital (Note-13)	2,083,492,950	2,083,492,950	2,083,492,950	2,083,492,950
Share premium	1,090,888,800	1,090,888,800	-	-
Statutory reserves (note 14)	651,287,206	561,675,373	651,287,206	561,675,373
General reserves	45,823,827	42,650,236	-	-
Dividend equalization reserves	-	-	-	-
Retained earnings (note 15)	2,899,133,850	2,436,129,665	1,580,027,441	1,415,469,150
Non-controlling interest-	189,582,646	192,649,129	-	-
<b>Sub-Total</b>	<b>6,960,209,278</b>	<b>6,407,486,153</b>	<b>4,314,807,597</b>	<b>4,060,637,473</b>
<b>Supplementary capital (Tier -II)</b>				
General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	210,517,568	154,402,121	210,517,568	154,402,121
Assets Revaluation Reserves up to 50%	-	-	-	-
Revaluation Reserve for Securities up to 45%	-	-	-	-
All others preference shares	-	-	-	-
Others (if any other item approved by Bangladesh Bank)	-	-	-	-
<b>Sub-Total</b>	<b>210,517,568</b>	<b>154,402,121</b>	<b>210,517,568</b>	<b>154,402,121</b>
<b>A) Total capital</b>	<b>7,170,726,846</b>	<b>6,561,888,274</b>	<b>4,525,325,165</b>	<b>4,215,039,594</b>
<b>Total assets including off -balance sheet exposures</b>	<b>32,064,892,092</b>	<b>25,338,682,762</b>	<b>26,624,115,340</b>	<b>19,501,370,533</b>
<b>B) Total risk weighted assets</b>	<b>35,397,128,078</b>	<b>28,210,223,620</b>	<b>27,046,152,608</b>	<b>20,068,900,000</b>
<b>C) Required capital based on risk weighted assets (10% on B)</b>	<b>3,539,712,808</b>	<b>2,821,022,362</b>	<b>2,704,615,261</b>	<b>2,006,890,000</b>
<b>D) Surplus (A-C)</b>	<b>3,631,014,038</b>	<b>3,740,865,912</b>	<b>1,820,709,904</b>	<b>2,208,149,594</b>
<b>Capital Adequacy Ratio (%)</b>	<b>20.76</b>	<b>23.26</b>	<b>16.73</b>	<b>21.00</b>
<b>14.00 Statutory reserve</b>				
Balance as at 01 January	561,675,373	314,531,853	561,675,373	314,531,853
Add: Transferred from profit during the year @ 20%	89,611,833	247,143,520	89,611,833	247,143,520
Balance at 31 December	<b>651,287,206</b>	<b>561,675,373</b>	<b>651,287,206</b>	<b>561,675,373</b>
<b>15.00 Retained earnings</b>				
Balance as at 01 January	3,371,377,851	3,325,138,146	1,863,528,315	1,922,024,346
Add: Profit/(loss) for the year	2,436,129,665	2,998,842,535	1,415,469,150	686,306,745
	935,248,186	326,295,611	448,059,165	1,235,717,601
Less: Adjustment during the year:	472,244,001	889,008,481	283,500,875	506,555,196
Transfer to statutory reserve during the year	89,611,833	247,143,520	89,611,833	247,143,520
Transfer to general reserve during the year	3,173,591	3,461,170	-	-
Prior year adjustments	738,561	-	-	-
Adjustments of non controlling interest	56,585,840	-	-	-
Changing effect of non controlling interest	123,105,610	376,395,279	-	-
Payment of stock dividend	189,408,450	247,054,500	189,408,450	247,054,500
Right issue cost	292,000	-	-	-
Transfer LB Foundation	9,328,117	14,954,013	4,480,592	12,357,176
Balance at 31 December	<b>2,899,133,850</b>	<b>2,436,129,665</b>	<b>1,580,027,441</b>	<b>1,415,469,150</b>
<b>16.00 Interest income</b>				
<b>Corporate Finance</b>				
Factoring finance	49,914,796	31,812,975	49,914,796	31,812,975
Lease finance	229,566,606	149,019,471	229,566,606	149,019,471
Lending to subsidiaries	-	-	755,124,129	607,776,763

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
Term loan Secured overdraft	3,494,893	-	3,494,893	-
Short term lending	234,798,858	185,670,224	234,798,858	185,670,224
Term finance	993,537,761	600,252,066	993,537,761	600,252,066
Term Loan Syndication Finance	3,069,444	-	3,069,444	-
	<b>1,514,382,358</b>	<b>966,754,736</b>	<b>2,269,506,487</b>	<b>1,574,531,500</b>
<b>Retail Finance</b>				
Auto loan	121,889,751	63,946,338	121,098,027	63,946,338
Credit card	185,167,358	159,303,867	185,167,358	159,303,867
Home loan	243,815,050	234,358,775	243,815,050	234,358,775
Personal loan	91,691,942	6,508,237	91,585,497	6,175,627
Staff loan	2,713,065	-	2,713,065	-
	<b>645,277,167</b>	<b>464,117,218</b>	<b>644,378,998</b>	<b>463,784,608</b>
<b>SME Finance</b>				
SME finance	36,603,592	49,004,183	36,603,592	49,004,183
	<b>36,603,592</b>	<b>49,004,183</b>	<b>36,603,592</b>	<b>49,004,183</b>
<b>Treasury Finance</b>				
Fixed deposit accounts	113,294,734	45,739,351	109,782,662	39,094,674
Short term deposit accounts	38,928,688	37,131,143	3,008,958	6,563,187
	<b>152,223,422</b>	<b>82,870,495</b>	<b>112,791,620</b>	<b>45,657,862</b>
<b>Others</b>				
Margin trading	571,358,273	550,428,000	-	-
Debit balances of Clients	596,188,281	564,319,105	-	-
	<b>1,167,546,554</b>	<b>1,114,747,105</b>	<b>-</b>	<b>-</b>
	<b>3,516,033,094</b>	<b>2,677,493,737</b>	<b>3,063,280,697</b>	<b>2,132,978,152</b>
<b>17.00 Interest expenses on deposits and borrowings</b>				
<b>Other than Bangladesh Bank</b>				
Term loan- Commercial Bank	385,797,705	819,760,097	651,226,016	460,464,645
Term deposits	40,623,201	43,341,884	1,399,363,032	903,345,083
Short Term Loan	680,907,617	90,855,786	86,253,382	90,855,786
Bank Overdraft	43,011,769	30,354,842	43,011,769	30,354,842
Call loan	100,262,958	70,748,839	100,262,958	70,748,839
	<b>1,250,603,251</b>	<b>1,055,061,447</b>	<b>2,280,117,156</b>	<b>1,555,769,194</b>
<b>Bangladesh Bank</b>				
Term loan- Bangladesh Bank	1,391,712,269	230,222,410	40,623,201	43,341,884
Bangladesh Bank REPO	88,607,903	862,233,429	88,607,903	230,222,410
	<b>1,480,320,172</b>	<b>1,092,455,839</b>	<b>129,231,105</b>	<b>273,564,294</b>
	<b>2,730,923,423</b>	<b>2,147,517,286</b>	<b>2,409,348,261</b>	<b>1,829,333,488</b>
<b>18.00 Income from investment</b>				
Income from investment in share (Capital)	642,345,974	18,655,534	210,002,987	(14,321,088)
Dividend income	13,891,167	14,023,029	10,099,023	1,271,202,393
PD Operation	91,708,741	142,752,820	91,708,741	142,752,820
	<b>747,945,881</b>	<b>175,431,383</b>	<b>311,810,752</b>	<b>1,399,634,124</b>
<b>19.00 Commission, exchange and brokerage income</b>				
Underwriting commission	344,000	2,090,458	-	645,600
Underwriting commission from Treasury Bonds/Bills	-	1,111,875	-	1,111,875
Merchant commission of credit card	202,386	1,433,987	202,386	1,433,987
Brokerage commission	477,095,920	475,121,938	-	-
	<b>477,642,305</b>	<b>479,758,258</b>	<b>202,386</b>	<b>3,191,462</b>
<b>20.00 Other operational income</b>				
<b>Corporate Finance</b>				
Fees and documentations (Note-20.01)	14,101,579	10,153,933	14,095,579	10,153,933
Write off recovery	2,750,066	-	2,750,066	-
Portfolio and issue management fee	83,878,178	121,613,850	-	-
Capital restructuring, PMD	1,700,000	-	-	-
	<b>102,429,823</b>	<b>131,767,783</b>	<b>16,845,645</b>	<b>10,153,933</b>
<b>Retail Finance</b>				
Membership fees of credit card	9,669,900	10,730,200	9,669,900	10,730,200
Other income from Credit card	26,913,843	-	26,913,843	16,808,464
Fees and documentations (Note-20.01)	49,008,313	60,168,355	49,008,313	43,359,891
	<b>85,592,056</b>	<b>70,898,555</b>	<b>85,592,056</b>	<b>70,898,555</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>SME Finance</b>				
Fees and documentations (Note-20.01)	565,946	670,342	565,946	670,342
	<b>565,946</b>	<b>670,342</b>	<b>565,946</b>	<b>670,342</b>
<b>Others</b>				
Profit on sale of fixed asset	7,000,897	4,627,420	2,300,000	4,607,420
Foreign exchange gain	1,064,743	-	1,064,743	-
Corporate finance fees	1,560,000	3,560,000	-	-
Miscellaneous	8,670,807	6,560,718	7,945,780	6,213,524
Income from CDBL	330,700	(13,339,416)	-	-
	<b>18,627,147</b>	<b>1,408,722</b>	<b>11,310,523</b>	<b>10,820,944</b>
	<b>207,214,972</b>	<b>204,745,402</b>	<b>114,314,170</b>	<b>92,543,774</b>
<b>20.01 Fees and documentations</b>				
<b>Corporate Finance</b>				
Lease Finance	782,000	6,028,718	782,000	6,028,718
Term Loan	5,627,636	3,748,236	5,621,636	3,748,236
Term Loan Syndication Finance	1,000,000	-	1,000,000	-
Short Term Loan	1,694,865	244,479	1,694,865	244,479
Revolving Credit-secured	6,000	-	6,000	-
Factoring Finance	4,991,078	132,500	4,991,078	132,500
	<b>14,101,579</b>	<b>10,153,933</b>	<b>14,095,579</b>	<b>10,153,933</b>
<b>Retail Finance</b>				
Auto Loan	4,658,268	3,319,037	4,658,268	3,319,037
Home Loan	3,229,103	3,771,710	3,229,103	3,771,710
Personal Loan	568,021	193,314	568,021	193,314
Credit Card	40,552,921	52,884,294	40,552,921	36,075,830
	<b>49,008,313</b>	<b>60,168,355</b>	<b>49,008,313</b>	<b>43,359,891</b>
<b>SME Finance</b>				
SME Finance	565,946	670,342	565,946	670,342
	<b>565,946</b>	<b>670,342</b>	<b>565,946</b>	<b>670,342</b>
	<b>63,675,838</b>	<b>70,992,630</b>	<b>63,669,838</b>	<b>54,184,166</b>
<b>21.00 Salary and allowances</b>				
Salary and allowances	397,302,110	326,316,891	202,153,112	141,683,146
Provident fund contribution	14,660,898	10,997,629	6,003,814	4,194,396
Gratuity fund	28,996,877	26,535,722	10,230,536	7,476,184
	<b>440,959,884</b>	<b>363,850,241</b>	<b>218,387,462</b>	<b>153,353,725</b>
<b>22.00 Rent, taxes, insurance, electricity etc.</b>				
Office rent	67,447,299	53,585,330	31,145,696	20,613,849
Insurance premium	9,662,821	6,426,742	4,464,278	2,451,054
Electricity	11,499,262	8,781,907	5,349,571	4,417,506
	<b>88,609,383</b>	<b>68,793,979</b>	<b>40,959,544</b>	<b>27,482,409</b>
<b>23.00 Legal and professional fees</b>				
	<b>17,111,890</b>	<b>12,200,497</b>	<b>6,212,932</b>	<b>9,658,289</b>
<b>24.00 Postage, stamp, telecommunication etc.</b>				
Postage and courier	2,267,845	1,990,839	1,978,638	1,818,877
Stamp charges	434,670	209,045	417,408	209,045
Telephone bill	7,810,075	6,367,596	4,024,904	2,183,911
	<b>10,512,590</b>	<b>8,567,480</b>	<b>6,420,950</b>	<b>4,211,833</b>
<b>25.00 Stationery, printing, advertisement</b>				
Printing and stationery	15,061,042	11,393,343	7,738,007	4,608,159
Advertisement	5,433,294	4,294,710	4,646,887	3,411,110
	<b>20,494,336</b>	<b>15,688,053</b>	<b>12,384,894</b>	<b>8,019,269</b>
<b>26.00 Managing director's salary and allowance</b>				
Salary and allowances	11,215,000	9,647,500	11,215,000	9,647,500
Provident fund contribution	632,225	964,750	632,225	964,750
Gratuity fund	320,176	288,101	320,176	288,101
	<b>12,167,401</b>	<b>10,900,351</b>	<b>12,167,401</b>	<b>10,900,351</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>27.00 Director fees and expenses</b>	<b>1,544,652</b>	<b>1,275,193</b>	<b>565,500</b>	<b>430,250</b>
<b>28.00 Audit fees</b>	<b>603,750</b>	<b>457,125</b>	<b>253,000</b>	<b>195,500</b>
<b>29.00 Repairs, maintenance and depreciation</b>				
Repairs and maintenance	5,021,179	10,405,256	1,707,434	6,504,079
Depreciation	67,468,670	54,164,251	18,880,019	13,898,156
	<b>72,489,849</b>	<b>64,569,508</b>	<b>20,587,453</b>	<b>20,402,236</b>
<b>30.00 Other expenses</b>				
Training	5,518,786	2,163,871	2,984,605	1,559,321
Staff welfare	537,006	494,387	537,006	494,387
Membership and renewal fees	9,702,192	6,379,205	3,004,790	6,379,205
Conveyance	1,577,704	1,592,553	1,528,817	1,592,553
Travelling	5,079,513	2,585,117	1,792,183	1,091,308
Internet and e-mail	12,573,599	1,705,886	2,586,764	1,705,886
News paper and periodicals	261,888	173,482	-	32,968
Computer accessories	1,645,562	1,235,624	1,645,562	1,235,624
Fuel expense	1,380,448	1,654,821	378,324	473,526
Vehicle maintenance/registration	18,219,689	10,733,462	8,171,627	3,916,657
Water and sewerage bill	1,427,561	1,343,164	708,388	597,347
Office maintenance	19,671,389	12,340,847	9,154,845	5,899,038
Donation and miscellaneous expenses	1,619,900	224,274	1,619,900	224,274
Entertainment	6,230,369	6,646,045	2,055,801	2,319,536
Business promotion	32,022,578	14,598,157	3,250,945	2,041,722
Bank charges	2,106,141	1,212,456	1,466,622	764,522
Marketing expenses	24,210,789	14,687,917	24,210,789	14,687,917
Recovery commission	608,710	563,343	608,710	563,343
CDBL fee	15,721,443	650,551	326,542	650,551
MCBS charges	11,192,694	12,335,874	11,192,694	12,335,874
Loss on sales of fixed asset	2,302,491	972,086	206,208	119,300
AGM and Related Expenses	5,900,522	5,061,399	5,866,128	4,606,481
Loan processing fee	-	1,723,668	-	-
Corporate guarantee charge	-	15,666,959	-	-
IPO related expenses	-	600,000	-	-
Subscription	92,909	93,207	-	-
Uniform	-	212,802	-	-
Hawla charges	5,118,924	5,060,728	-	-
laga charges	26,133,404	26,303,291	-	-
Other operational expense credit card	4,421,721	2,421,563	4,421,721	2,421,563
Documentation fee	685,899	5,000	500,699	5,000
License and renewal fee	-	2,019,047	-	-
Networking charge	-	9,454,995	-	-
Software maintenance fee	798,749	-	-	-
Commission on bank guarantee	8,000,000	-	-	-
Credit card accessories	1,057,264	-	-	-
Picnic expenses	75,000	-	75,000	-
Other expenses	1,634,271	11,017,657	-	-
Excise duty	57,000	-	57,000	-
Capital loss on Treasury Bill/Bond	-	73,415,638	-	73,415,638
Credit card accessories	-	-	1,057,264	-
	<b>227,586,113</b>	<b>247,349,075</b>	<b>89,408,933</b>	<b>139,133,540</b>

	Consolidated		Separate	
	2013 Taka	2012 Taka	2013 Taka	2012 Taka
<b>31.00 Provisions for loans / investments</b>				
Provisions for leases and loans	<b>278,319,351</b>	<b>73,651,484</b>	<b>278,319,351</b>	<b>179,434,666</b>
General provision	51,579,114	33,332,760	51,579,114	33,332,760
Specific provision	226,740,238	40,318,724	226,740,238	40,318,724
Provision for diminution in value of investments	41,249,683	12,298,732	41,249,683	12,298,732
Specific provision for other assets	9,128,000	-	9,128,000	-
	<b>328,697,034</b>	<b>85,950,216</b>	<b>328,697,034</b>	<b>191,733,398</b>
<b>32.00 Provision for tax made during the period</b>				
Current tax expense	26,363,032	167,328,701	(103,844,525)	-
Deferred tax expense/ (income)	16,220,356	(5,037,107)	-	(2,224,377)
	<b>42,583,388</b>	<b>162,291,594</b>	<b>(103,844,525)</b>	<b>(2,224,377)</b>
In calculating deferred tax, temporary difference arising from freehold assets and liability for gratuity were considered.				
<b>33.00 Earnings per share (EPS)</b>				
Earning attributable to ordinary shareholders	954,552,560	348,018,182	448,059,165	1,235,717,601
Weighted average number of ordinary shares outstanding	208,349,295	208,349,295	208,349,295	208,349,295
<b>Basic Earnings per Share</b>	<b>4.58</b>	<b>1.67</b>	<b>2.15</b>	<b>5.93</b>

### 34.00 Related party disclosure

i)	Names of the Directors together with a list of entities in which they have Interest
----	---

Directors' interests in different entities stated below:

Sl No	Name of Directors	Status in the Institution	Name of the firms/companies in which there is interest as proprietor, partner, director, managing agent, guarantor, employee etc.
01	Mr. Mohammad A. Moyeen	Chairman	Airline Cargo Resources Limited Air & Sea International Logistics Limited BizBangla Media Limited Colloid Enterprises Limited Cross Freight Lines Limited Expo Express Services Limited Freight Care Aviation Services Limited Global Aviation Services Limited LankaBangla Securities Limited LankaBangla Investment Limited LankaBangla Information System Limited Orchid Air Limited Pulsar Shipping Agencies Ltd 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 Aviation Limited Wings Spence Aviation Limited Wings Express Limited Wings Logistics Limited Wings Ocean Freight Limited Wings Classic Tours & Travels Limited Wings Tours & Travels Limited Global Ground Services Limited Information Technology Consultants Limited (ITCL)
02	Mr. Mahbubul Anam	Director	Expo Freight Limited Air & Sea International Logistics Limited Airline Cargo Resources Limited Airlines Services Limited Allied Aviation Bangladesh Limited Aeroness International Aramex Dhaka Limited Cargo Center Limited Colloid Enterprises Limited Cross Freight Lines Limited



SI No	Name of Directors	Status in the Institution	Name of the firms/companies in which there is interest as proprietor, partner, director, managing agent, guarantor, employee etc.
			Expo Express Services Limited Freight Care Aviation Services Limited LankaBangla Securities Limited BizBangla Media Limited LankaBangla Information System Limited Global Aviation Services Limited Orchid Air Ltd. Pulsar Shipping Agencies Limited S.G Logistics (Pvt.) Ltd. Standard Paper Products Ltd. STS Educational Group Ltd. STS Holdings Ltd. The M & M Ltd. Tropica Garments Ltd. SDV Bangladesh Private Limited UCL Logistic Limited Voyager Airlines Limited Voytech Limited WAC Logistics Limited Wings Classic Tours & Travels Limited Wings Express Limited Wings Aviation Limited Wings Spence Aviation Limited Wings Ocean Freight Limited Eastern Cables Limited.
03	Mrs. Aneesha Mahial Kundamal	Director	Royal Park Residence GDS Chemical Bangladesh Limited.
04	Mr. Tahsinul Huque	Director	N/A
05	Mr. I.W. Senanayake & Mr. Aravinda Perera (Representative of Sampath Bank PLC)	Director	N/A
06	Mr. M. Fakhru Alam (Representative of ONE Bank Limited)	Director	N/A
07	Mr. Mirza Ejaz Ahmed (Representative of SSC Holdings Ltd.)	Director	Shirt Makers Limited International Shirt Line Limited Section Seven Limited Section Seven Apparels Limited Section Seven Agro Limited Section Seven International Limited Share Knitwear Limited Excel Apparels Limited Lumbini Limited Star Feeds Limited
08	Mr. Al- Mamoon Md. SanaulHuq	Independent Director	LankaBangla Securities Limited LankaBangla Investments Limited LankaBangla Asset Management Company Ltd.
09	Dr. Mahmood Osman Imam	Independent Director	Mercantile Bank Limited ICB Asset Management Company Limited Bangladesh institute of Capital Management

ii)	Significant contracts where Company is a party and wherein Directors have interest during the year 2013	NIL
iii)	Shares issued to Directors and Executives without consideration or exercisable at a discount	NIL
iv)	<b>Related party transactions</b>	

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 (BAS-24) as noted below:

SL. No.	Name of Related Party	Relationship	Share Holding (%)	Outstanding 2013	Nature of Transactions
1	LankaBangla Securities Limited.	Subsidiary company	90.91	337,485,038.00	Short term loan
2	LankaBangla Securities Limited.	Subsidiary company	90.91	(403.00)	Payable against share trading
3	LankaBangla Investments Limited.	Subsidiary company	99.99	3,330,441,572.00	Short term loan
4	LankaBangla Securities Limited.	Subsidiary company	90.91	7,616,400.00	Lease financing
5	LankaBangla Asset Management Limited	Subsidiary company	99.99	48,688,000	TDR
6	Sampath Bank Limited.	Sponsor Shareholder	9.47	(184,470.00)	Master Card Operation
7	Bizbangla Media Communication	Concern related to Director's		2,179,645.00	Lease financing
8	Expolanka Bangladesh Limited	Concern related to Director's		3,080,965.00	Lease financing
9	Mr. Mahbubul Anam	Director		15,000,000	TDR
10	STS Educational Group Ltd.	Concern related to Director's		18,000,000	TDR
11	STS Holdings Limited	Concern related to Director's		41,346,250	TDR
12	Colloid Enterprise Limited	Concern related to Director's		2,000,000	TDR
13	Airline Cargo Resources Limited	Concern related to Director's		10,000,000	TDR

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

### 35.00 Audit committee disclosures

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October, 2011-an audit committee of LankaBangla Finance Limited (LBFL) was re-constituted by the Board of Director of LBFL in its Board Circular No. 04/2013 dated July 25, 2013.

Sl. No.	Name of Member	Status in the Organization	Status in the Committee	Educational Qualification
01	Mr. Al- Mamoon Md. Sanaul Huq	Independent Director	Chairman	B. Sc. (Hons) and M.Sc in Applied Chemistry with post graduate Diploma in Management Accounting from Highbury College of Technology, Ports-mouth, UK.
02	Mr. Mahabubul Anam	Director	Member	B. Sc. Engineer from BUET
03	Mr. Mohammed A. Moyeen	Director	Member	B.Arch. from BUET
04	Mr. Mirza Ejaz Ahmed	Director	Member	MBA from IBA
05	Mr. M. Fakhru Alam	Director	Member	MBA

The Company Secretary is to act as Secretary of the Audit committee of the Board.

During the year 2013, the Audit Committee of the Board conducted 05 (Five) meetings in which among other things, the following issues were reviewed/discussed.

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

## 36.00 Others

### a) Board meeting and directors' remuneration

Each Director is drawing Taka 5,000 for attending each Board Meeting. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2013. Nothing is due from any Director of the Company as on the date of closing the accounts. During the year under audit five Board of Director's meetings were held. Details are as under:

SI #	Meeting No.	Date of Meeting	# of Attendances
01	80th Board Meeting	March 03, 2013	07
02	81st Board Meeting	May 12, 2013	08
03	82nd Board Meeting	July 30, 2013	06
04	83rd Board Meeting	September 24, 2013	07
05	84th Board Meeting	October 30, 2013	06
06	85th Board Meeting	December 09, 2013	06

### b) Executive Committee (EC) meeting and directors' remuneration

Each Director is drawing Tk 5,000 for attending each Executive Committee Meeting. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2013. During the year under audit ten of Executive Committee director's meetings were held. Details are as under:

SI #	Meeting No.	Date of Meeting	# of Attendances
01	12th EC Meeting	January 22, 2013	04
02	13th EC Meeting	April 10, 2013	04
03	14th EC Meeting	April 29, 2013	03
04	15th EC Meeting	May 04, 2013	03
05	16th EC Meeting	June 09, 2013	03
06	17th EC Meeting	August 26, 2013	03
07	18th EC Meeting	September 19, 2013	04
08	19th EC Meeting	October 02, 2013	03
09	20th EC Meeting	October 27, 2013	03
10	21st EC Meeting	November 07, 2013	04
11	22nd EC Meeting	December 22, 2013	03

### c) Employees' details

No. of employee received TK.3,000 per month  
No. of employee received more than Tk.3,000 per month

Year 2013	Year 2012
0	0
322	201
<b>322</b>	<b>201</b>

### d) Event after the Reporting Period

#### Dividend Information:

The Board of Director in its 86th Meeting held on 16 February 2014 has recommended 5% of Stock Dividend and 15% of Cash Dividend for the year ended 31 December 2013 for placement before shareholders at 17th Annual General Meeting of the company scheduled to be held on 31 March 2014.

### e) Capital expenditure commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2013. There was no material capital expenditure authorized by the Board but not contracted for at 31 December 2013.



**f) Foreign remittances**

During the year 2013, the company remitted **USD 42,589.97** (in BDT 3,375,180.12) and **GBP 11,338.01** (in BDT 1,409,287.43) against Technical Service Fees to the Foreign Shareholders.

SI #	Purpose	Pay to	USD	BDT
01	Annual Membership Fee -2013	Asian Financial Services Association (AFSA)	250.00	19,737.50
02	Annual Maintenance Fee	TSYS Card Tech	42,339.97	3,355,442.62

SI #	Purpose	Pay to	USD	BDT
01	Annual Service Fee	TSYS Card Tech	11,338.01	1,409,287.43

**g) Contingent liabilities**

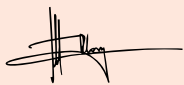
There is no contingent liability of the company as on 31 December 2013.

**h) 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.

**i) General:**

- i) All shares have been fully called up and paid up.
- ii) Company Balances shown in the accounts are duly reconciled.


**Chairman**

**Director**

**Managing Director**

**Company Secretary**

Dhaka, 16 February 2014

## LankaBangla Finance Limited and its Subsidiaries Consolidated Fixed Assets Schedule

As at 31 December 2013

Particulars	COST				DEPRECIATION				Amount in Taka	
	Balance as at 01 January 2013	Addition during the year	Sales/ Adjustment	Balance as at 31 December 2013	Rate %	Balance as at 01 January 2013	Charged during the year	Adjustment	Balance as at 31 December 2013	Written down value as at 31 December 2013
<b>I. Freeholds assets</b>										
Building	80,476,150	34,770,000	-	115,246,150	2.5	5,351,860	2,446,529	-	7,798,389	107,447,761
Furniture and Fittings	66,262,035	22,145,129	150,000	88,257,164	15	34,523,409	10,733,577	45,000	45,211,986	43,045,178
Office Equipment	114,576,020	26,135,380	1,380,699	139,330,701	20	75,051,856	18,950,960	1,144,584	92,858,232	46,472,469
Office Renovation	42,550,121	6,292,712	3,083,538	45,759,295	20	29,903,147	6,114,111	1,036,708	34,980,550	10,778,745
Motor Vehicles	29,822,619	-	2,500,000	27,322,619	25	17,884,296	2,241,128	2,500,000	17,625,424	9,697,195
	<b>333,686,945</b>	<b>89,343,221</b>	<b>7,114,237</b>	<b>415,915,929</b>		<b>162,714,568</b>	<b>40,486,305</b>	<b>4,726,292</b>	<b>198,474,581</b>	<b>217,441,348</b>
<b>II. Intangible assets</b>										
Systems and Software	78,274,644	18,718,675	-	96,993,319	20	30,619,180	18,324,930	-	48,944,110	48,049,209
<b>III. Lease Hold Assets</b>										
Motor Vehicle	41,133,867	15,077,000	6,913,057	49,297,810	20	21,629,701	8,657,436	6,913,057	23,374,080	25,923,730
<b>Total (2013)</b>	<b>453,095,456</b>	<b>123,138,896</b>	<b>14,027,294</b>	<b>562,207,058</b>		<b>214,963,449</b>	<b>67,468,671</b>	<b>11,639,349</b>	<b>270,792,771</b>	<b>291,414,287</b>
As at 31 December 2012										
<b>I. Freeholds assets</b>										
Building	80,476,150	-	-	80,476,150	2.5	3,339,956	2,011,904	-	5,351,860	75,124,290
Furniture and Fittings	52,294,105	21,354,335	7,386,405	66,262,035	15	28,080,033	7,793,475	1,350,099	34,523,409	31,738,626
Office Equipment	94,895,086	22,977,329	3,296,395	114,576,020	20	62,398,850	17,009,020	4,356,014	75,051,856	39,524,164
Office Renovation	41,566,583	1,754,716	771,178	42,550,121	20	22,517,964	7,462,301	77,118	29,903,147	12,646,974
Motor Vehicles	26,648,545	7,930,074	4,756,000	29,822,619	25	18,813,829	3,826,467	4,756,000	17,884,296	11,938,323
	<b>295,880,469</b>	<b>54,016,454</b>	<b>16,209,978</b>	<b>333,686,945</b>	-	<b>135,150,632</b>	<b>38,103,167</b>	<b>10,539,231</b>	<b>162,714,568</b>	<b>170,972,377</b>
<b>II. Intangible assets</b>										
Systems and Software	28,279,675	49,994,969	-	78,274,644	20	22,604,288	8,014,892	-	30,619,180	47,655,464
<b>III. Lease Hold Assets</b>										
Motor Vehicle	36,233,867	4,900,000	-	41,133,867	20	13,545,772	8,083,929	-	21,629,701	19,504,166
<b>Total (2012)</b>	<b>360,394,011</b>	<b>108,911,423</b>	<b>16,209,978</b>	<b>453,095,456</b>		<b>171,300,692</b>	<b>54,201,988</b>	<b>10,539,231</b>	<b>214,963,449</b>	<b>238,132,007</b>

## LankaBangla Finance Limited Schedule of Fixed Assets

As at 31 December 2013

Annexure - B

Particulars	COST				DEPRECIATION				Written down value as at 31-Dec-13	
	Balance as at 1-Jan-13	Addition during the year	Sales/ Adjustment the year	Balance as at 31-Dec-13	Rate %	Balance as at 1-Jan-13	Charged during the year	Adjustment during the year		Balance as at 31-Dec-13
<b>A. Freeholds assets</b>										
Furniture & Fittings	50,200,178	18,828,923	150,000	68,879,101	15	30,427,245	7,666,953	45,000	38,049,199	30,829,902
Office Equipment	53,900,627	21,313,202	1,175,680	74,038,149	20	40,070,682	8,769,240	1,003,220	47,836,703	26,201,446
Motor Vehicles	19,836,945	-	2,500,000	17,336,945	25	11,992,927	438,500	2,500,000	9,931,427	7,405,518
	<b>123,937,749</b>	<b>40,142,125</b>	<b>3,825,680</b>	<b>160,254,194</b>		<b>82,490,854</b>	<b>16,874,693</b>	<b>3,548,220</b>	<b>95,817,328</b>	<b>64,436,866</b>
<b>B. Intangible assets</b>										
Systems and Software	27,534,021	2,712,130	-	30,246,151	20	22,932,188	780,326	-	23,712,514	6,533,637
<b>D. Leaseholds assets</b>										
Motor Vehicles	4,900,000	-	-	4,900,000	25	1,225,000	1,225,000	-	2,450,000	2,450,000
<b>E. Total (C+D)</b>	<b>156,371,770</b>	<b>42,854,255</b>	<b>3,825,680</b>	<b>195,400,345</b>		<b>106,648,042</b>	<b>18,880,019</b>	<b>3,548,220</b>	<b>121,979,842</b>	<b>73,420,503</b>
Amount in Taka										
<b>A. Freeholds assets</b>										
Furniture & Fittings	40,987,210	9,212,968	-	50,200,178	15	25,275,980	5,151,266	-	30,427,246	19,772,932
Office Equipment	41,572,570	14,246,981	1,918,924	53,900,627	20	36,179,260	5,574,242	1,682,820	40,070,682	13,829,946
Motor Vehicles	19,162,945	5,430,000	4,756,000	19,836,945	25	15,129,178	1,619,749	4,756,000	11,992,927	7,844,018
	<b>101,722,724</b>	<b>28,889,949</b>	<b>6,674,924</b>	<b>123,937,749</b>		<b>76,584,418</b>	<b>12,345,256</b>	<b>6,438,820</b>	<b>82,490,854</b>	<b>41,446,895</b>
<b>B. Intangible assets</b>										
Systems and software	27,534,021	-	-	27,534,021	20	22,604,288	327,900	-	22,932,188	4,601,833
<b>D. Leaseholds assets</b>										
Motor Vehicles	-	4,900,000	-	4,900,000	25	-	1,225,000	-	1,225,000	3,675,000
<b>E. Total (C+D)</b>	<b>129,256,745</b>	<b>33,789,949</b>	<b>6,674,924</b>	<b>156,371,770</b>		<b>99,188,706</b>	<b>13,898,156</b>	<b>6,438,820</b>	<b>106,648,042</b>	<b>49,723,728</b>
Amount in Taka										



**Highlights**

Annexure -C

(As per Bangladesh Bank guidelines)

Amount in taka (mn)

S.L No	Particulars	LankaBangla Finance Limited	
		2013	2012
1	Paid-up capital	2,083.49	1,894.08
2	Total capital	4,525.33	4,215.04
3	Capital surplus	1,820.71	2,208.15
4	Total assets	26,629.58	19,501.37
5	Total deposits	10,875.95	7,676.96
6	Total loans, advances and leases	19,258.88	13,773.78
7	Total contingent liabilities and commitments	4,209.64	1,843.43
8	Credit deposit ratio	1.77	1.79
9	Percentage of classified loans against total loans, advances and leases	4.84%	3.79%
10	Profit after tax and provision	448.06	1,235.72
11	Amount of classified loans during current year	931.21	522.53
12	Provisions kept against classified loans	411.00	187.37
13	Provision surplus against classified loan	-	-
14	Cost of fund	13.09%	14.72%
15	Interest earnings assets	20,987.58	15,300.94
16	Non-interest earnings assets	5,642.00	4,200.43
17	Return on investment (ROI)	2.03%	7.67%
18	Return on assets (ROA)	1.68%	6.34%
19	Income from investment	311.81	1,399.63
20	Earnings per share (restated :2012)	2.15	5.93
21	Net income per share (restated:2012)	2.15	5.93
22	Price earnings ratio	30.92	11.21



**LankaBangla Finance Limited**  
Financial Reporting by Segment of the group  
For the year ended 31 December 2013

Amount in taka

Particulars	Lankabangla Finance Limited	Lankabangla Securities Limited	Lankabangla Investment Limited	LankaBangla Asset Management Company Limited	Consolidated Total
Income	3,479,015,950	1,733,190,704	677,900,797	13,109,477	5,903,216,928
Less: Inter segmental income	(755,124,129)	-	-	(7,650,760)	(762,774,889)
<b>Total Income</b>	<b>2,723,891,821</b>	<b>1,733,190,704</b>	<b>677,900,797</b>	<b>5,458,717</b>	<b>5,140,442,039</b>
Allocated expenses	2,816,693,595	933,852,108	662,249,238	5,335,442	4,418,130,383
Less: Inter segmental expense	(7,650,760)	(224,377,049)	(530,747,080)	-	(762,774,889)
Segment asset	26,624,115,340	7,818,364,108	5,118,586,882	804,615,441	40,365,681,771
Less: Inter segmental assets	(3,667,926,610)	-	-	(48,688,000)	(3,716,614,610)
<b>Total Segmental asset</b>	<b>22,956,188,730</b>	<b>7,818,364,108</b>	<b>5,118,586,882</b>	<b>755,927,441</b>	<b>36,649,067,161</b>
Segment capital employed	3,665,824,158	3,414,463,238	1,635,968,307	79,397,953	8,795,653,656
Segment liability	22,958,291,182	4,403,900,870	3,482,618,575	725,217,488	31,570,028,115
Less: Inter segmental liabilities	(48,688,000)	(3,330,441,572)	(337,485,038)	-	(3,716,614,610)
<b>Total Segmental liability</b>	<b>26,575,427,340.12</b>	<b>4,487,922,536</b>	<b>4,781,101,844</b>	<b>804,615,441</b>	<b>36,649,067,161</b>



SECURITIES

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013





## AUDITORS' REPORT To the Shareholders of LankaBangla Securities Limited

We have audited the accompanying Financial Statements of LankaBangla Securities Limited, which comprise the Statement of Financial Position as at December 31, 2013 and the Statement of 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards along with Rules & Regulation Issued by the Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing, those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the Financial Statements have been prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the affairs of the Company as of December 31, 2013 and of the results of its operations and its cash flows for the year ended and comply with the Companies Act 1994, Securities and Exchange Commission Rule 1987, Dhaka Stock Exchange Rule 1954, Chittagong Stock Exchange Rule 1995 and other applicable laws and regulations.

### Report on Other Legal and Regulatory Requirements

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 Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow dealt with by the report are in agreement with the books of accounts;

Place: Dhaka

Date: February 16, 2014

  
**Ahmed Zaker & Co.**  
 Chartered Accountants



## LankaBangla Securities Limited

## Statement of Financial Position

As at December 31, 2013

Particulars	Notes	Amount in Taka	
		31.12.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	203,811,460	172,785,886
Intangible assets	5	-	510,000,000
Employees Car loan	6	9,496,000	-
Long Term Investment in Shares	7	885,625,850	646,898,675
Deferred tax assets	8	-	12,505,156
<b>Total non-current assets</b>		<b>1,098,933,310</b>	<b>1,342,189,717</b>
<b>Current assets</b>			
Advances, deposits and prepayments	9	186,898,087	30,599,792
Investments	10	179,416,590	834,881,384
Current portion of loans and advances	11	53,300,706	2,134,290
Accounts receivable	12	4,607,270,842	4,635,679,857
Accrued interest		3,033,558	4,228,079
Cash and cash equivalents	13	1,493,127,089	974,362,116
<b>Total current assets</b>		<b>6,523,046,872</b>	<b>6,481,885,518</b>
<b>TOTAL ASSETS</b>		<b>7,621,980,182</b>	<b>7,824,075,235</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>Shareholder's Equity</b>			
Share capital	14	1,925,014,000	1,925,014,000
Share premium	15	1,200,000,000	1,200,000,000
General reserve	16	47,724,361	48,387,883
Fair value measurement reserve	17	98,418,360	493,394,000
Retained earnings		1,354,492,615	873,924,106
<b>Total equity</b>		<b>4,625,649,336</b>	<b>4,540,719,989</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loan	18	223,496,712	428,787,291
Defined benefit obligations	19	58,666,967	42,378,015
Deferred tax liabilities	20	5,616,187	-
Finance lease obligation	21	12,815,213	7,255,698
<b>Total non-current liabilities</b>		<b>300,595,079</b>	<b>478,421,004</b>
<b>Current liabilities</b>			
Accounts payable	22	438,849,124	310,132,366
Short term loans	23	1,370,860,158	1,451,634,286
Provision for current tax	24	42,416,047	100,805,071
Current portion of lease obligation	25	8,044,269	6,874,947
Current portion of term loan	26	705,312,533	728,393,816
Other liabilities	27	130,253,634	207,093,757
<b>Total current liabilities</b>		<b>2,695,735,767</b>	<b>2,804,934,242</b>
<b>Total liabilities</b>		<b>2,996,330,846</b>	<b>3,283,355,246</b>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>7,621,980,182</b>	<b>7,824,075,235</b>


The annexed notes 1-45 form an integral part of these financial statements.



Chairman



Director & CEO



Company Secretary

Signed as per our separate report of same date.

Place : Dhaka  
Dated: February 16, 2014



Ahmed Zaker & Co.  
Chartered Accountants




**LankaBangla Securities Limited**  
Statement of Comprehensive Income  
For the year ended December 31, 2013

Particulars	Notes	Amount in Taka	
		31.12.2013	31.12.2012
<b>Revenue</b>			
Interest Income	28	633,684,235	627,482,635
Income from investment	29	409,849,705	44,512,548
Brokerage income	30	477,095,920	475,121,938
Other operational income	31	27,892,945	18,838,207
<b>Total Revenue</b>		<b>1,548,522,804</b>	<b>1,165,955,329</b>
<b>Cost of services</b>		<b>(553,904,464)</b>	<b>(428,642,512)</b>
Interest expenses	32	485,862,183	362,111,148
Other costs directly attributable to services	33	68,042,281	66,531,364
<b>Gross profit</b>		<b>994,618,340</b>	<b>737,312,818</b>
Other non-operational income	34	4,667,900	20,000
<b>Operating expenses</b>		<b>(374,421,630)</b>	<b>(330,215,248)</b>
Salary and allowances	35	186,471,520	164,303,323
Rent, taxes, insurance, electricity etc.	36	33,336,479	28,024,428
Legal & professional fees	37	2,214,763	1,998,681
Postage, stamp, telecommunication etc.	38	3,562,037	3,358,193
Stationery, printing, advertisement	39	7,244,040	6,616,772
Director fees and expenses	40	507,652	552,943
Audit fees	41	115,000	86,625
Repairs, maintenance and depreciation	42	43,642,806	34,958,402
Other expenses	43	97,327,333	90,315,880
<b>Operating profit before provisions</b>		<b>624,864,610</b>	<b>407,117,570</b>
<b>Other Provisions</b>		-	<b>(4,556,775)</b>
For doubtful loans and advances		-	-
For diminution in value of investment		-	4,556,775
<b>Profit before tax (PBT)</b>		<b>624,864,610</b>	<b>402,560,795</b>
<b>Income tax income/ (expense)</b>		<b>(140,112,098)</b>	<b>(142,877,050)</b>
Current tax expense		121,990,755	146,578,500
Deferred tax expense		18,121,343	(3,701,450)
<b>Profit after tax (PAT)</b>		<b>484,752,512</b>	<b>259,683,745</b>
<b>Other comprehensive income, net of tax</b>		-	-
<b>Total comprehensive income</b>		<b>484,752,512</b>	<b>259,683,745</b>
<b>Earnings Per Share (EPS)</b>			
Basic	44	2.52	1.35
Diluted		2.52	1.35

The annexed notes 1-45 form an integral part of these financial statements.

  
Chairman

  
Director & CEO

  
Company Secretary

Signed as per our separate report of same date.

Place : Dhaka  
Dated: February 16, 2014

  
Ahmed Zaker & Co.  
Chartered Accountants




## LankaBangla Securities Limited

### Statement of Cash Flows

For the year ended December 31, 2013

Particulars	Amount in Taka	
	31.12.2013	31.12.2012
<b>Cash Flows from Operating Activities</b>		
Receipts from clients	13,192,908,540	11,508,927,997
Payment to clients	(9,705,654,659)	(8,809,045,784)
Receipts from DSE & CSE	7,231,949,183	6,931,103,345
Payment to DSE & CSE	(9,557,611,916)	(9,013,736,103)
Brokerage sharing with clients	(763,327)	-
Payment to CDBL	(35,289,913)	(34,607,597)
Gratuity Payment	(844,387)	(53,908)
Non-operating Income	681,450	1,102,194
Operating expenses	(346,513,130)	(252,064,657)
	<b>778,861,842</b>	<b>331,625,487</b>
<b>Other Operating Activities</b>		
Interest payment	(495,456,179)	(333,684,587)
Interest Income	38,690,475	72,052,785
Advance, deposits & prepayments	(206,510,712)	(477,686,479)
Income Tax paid	(112,484,024)	(142,987,658)
	<b>(775,760,439)</b>	<b>(882,305,939)</b>
<b>Net cash used in operating activities</b>	<b>3,101,403</b>	<b>(550,680,452)</b>
<b>Cash Flows from Investing Activities</b>		
Investment in Shares	504,661,979	(313,178,832)
Capital gain from investment in shares	406,178,861	32,976,622
Cash dividend income	3,670,843	11,535,926
Leased assets	6,728,837	3,490,249
Sale of fixed assets	3,782,100	200,000
Acquisition of fixed assets	(76,033,660)	(59,403,545)
<b>Net Cash used in Investing Activities</b>	<b>848,988,961</b>	<b>(324,379,580)</b>
<b>Cash Flows from Financing Activities</b>		
Long Term Loan from Bank & Other Institutions	500,000,000	830,000,000
Repayment of Loan	(728,371,861)	(223,255,823)
Interim cash dividend	(36,878,649)	(431,570,527)
Short term Loan	(96,074,881)	265,599,184
<b>Net Cash flow from Financing Activities</b>	<b>(361,325,391)</b>	<b>440,772,834</b>
Net increase in Cash and Cash Equivalents	490,764,973	(434,287,199)
Cash & Cash Equivalent as on January 01, 2013	1,002,362,116	1,408,649,315
<b>Cash &amp; Cash Equivalent as on December 31, 2013</b>	<b>1,493,127,089</b>	<b>974,362,116</b>

  
Chairman

  
Director & CEO

  
Company Secretary

Signed as per our separate report of same date.

Place : Dhaka  
Dated: February 16, 2014

  
**Ahmed Zaker & Co.**  
Chartered Accountants




**LankaBangla Securities Limited**  
Statement of Changes in Equity  
For the year ended December 31, 2013

Particulars	Share Capital	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total Equity
<b>Balance at January 01, 2012</b>	962,507,000	1,200,000,000	43,107,542	493,394,000	2,017,752,689	4,716,761,231
<b>Changes in equity for 2012</b>						
Interim stock dividend	962,507,000	-	-	-	(962,507,000)	-
Interim cash dividend	-	-	-	-	(433,128,150)	(433,128,150)
Total comprehensive income for the year	-	-	-	-	259,683,745	259,683,745
Transfer to general reserve	-	-	5,280,341	-	(5,280,341)	-
Donate to LB Foundation	-	-	-	-	(2,596,837)	(2,596,837)
<b>Balance at December 31, 2012</b>	<b>1,925,014,000</b>	<b>1,200,000,000</b>	<b>48,387,883</b>	<b>493,394,000</b>	<b>873,924,106</b>	<b>4,540,719,989</b>
<b>Changes in equity for 2013</b>						
Total comprehensive income for the year	-	-	-	-	484,752,512	484,752,512
Transfer to general reserve	-	-	(663,522)	-	663,522	-
Fair Value Measurement Reserve	-	-	-	(394,975,640)	-	(394,975,640)
Donate to LB Foundation	-	-	-	-	(4,847,525)	(4,847,525)
<b>Balance at December 31, 2013</b>	<b>1,925,014,000</b>	<b>1,200,000,000</b>	<b>47,724,361</b>	<b>98,418,360</b>	<b>1,354,492,615</b>	<b>4,625,649,336</b>

  
Chairman

  
Director & CEO

Signed as per our separate report of same date.

  
Company Secretary

  
**Ahmed Zaker & Co.**  
Chartered Accountants

Place : Dhaka  
Dated: February 16, 2014

**LANKABANGLA SECURITIES LIMITED**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**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.

**2.00 Basis of preparation and Significant Accounting Policies****2.01 Components of the financial statements**

The financial statements referred to here comprise:

- a) Statement of Financial Position;
- b) Statement of Comprehensive Income;
- c) Statement of Changes in Equity;
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements.

**2.02 Statement of compliance**

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Financial Reporting Standards (BFRS's) including Bangladesh Accounting Standards (BASs) and other applicable laws and regulations.

**2.03 Basis of measurement**

The financial statements have been prepared based on historical cost convention basis, except Investment for Membership in Dhaka Stock Exchange and Chittagong Stock Exchange which have been re-measured at fair value. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

**2.04 Date of authorization**

The Board of Directors accorded its approval and authorized these financial statements on February 16, 2014.

**2.05 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.

**2.06 Use of estimates and judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.





Provisions and accrued expenses are recognized in the financial statements in line with the Bangladesh Accounting Standard (BAS) 37 “Provisions, Contingent Liabilities and Contingent Assets” when

- The Company has a legal or constructive obligation as a result of past event.
- It is probable that an outflow of economic benefit will be required to settle the obligation.
- A reliable estimate can be made for the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

## 2.07 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 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.

## 2.08 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.

## 2.09 Property, Plant and equipment

### i) Recognition and measurement

#### Freehold Assets

The cost of an item of property and equipment is recognized as an asset if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of item can be measured reliably.

Property and Equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition includes purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use as per Bangladesh Accounting Standard (BAS) 16 “Property, Plant and Equipment”.

#### Leasehold assets

Leasehold assets of which the Company assumes substantially all the risks and rewards of ownership are accounted for as finance leases and capitalized at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payment, whichever is lower as per Bangladesh Accounting Standard (BAS) 17 “Leases”. The corresponding obligation under the lease is accounted for as liability.

### ii) Subsequent expenditure on property and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

### iii) Depreciation

Depreciation is calculated on the cost of fixed assets in order to write off such amounts over the estimated useful lives of such assets. The rates of depreciation used on a straight-line method are as follows:

Building	2.5%
Office equipment	20%
Furniture and fixtures	10%
Office renovation	20%
Motor Vehicle	20%
Data Center & Dr.	30%
Lease Assets	20%

Half year’s depreciation is charged in the year in which the related assets are put into use and disposed off irrespective of the date.



The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the Comprehensive Income statement.

#### 2.10 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.

#### 2.11 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.

#### 2.12 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.

#### 2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institutions and short term liquid investments that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standards (BAS) 7, "Cash flow statement" under direct method.

#### 2.14 Provision for tax

##### Current tax

Provision for current tax is made in accordance with the provision of Income Tax Ordinance, 1984 and subsequent amendments made thereto from time to time.

##### Deferred Tax

Deferred Tax is calculated as per Bangladesh Accounting Standard (BAS) 12 "Income Taxes". Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences.

Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date

#### 2.15 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the Bangladesh Accounting Standard (BAS) 18 "Revenue Recognition":

##### a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

##### b. Interest Income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

##### c. Dividend income and profit/ (loss) on sale of marketable securities

Dividend income is recognized when right to receive payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.



**2.16 Earning per share**

The Company calculates earning per share in accordance with Bangladesh Accounting Standard (BAS) 33 “Earning per Share” which has been shown in the face of the Profit and Loss Account.

**2.17 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.

**2.18 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.

**2.19 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:

<b>Year of confirmed service</b>	<b>% of entitlement</b>
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

**2.20 Related party disclosure**

As per Bangladesh Accounting Standards (BAS)-24 “Related Party Disclosures”, parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm’s length basis at commercial rates with related parties.

Related party disclosures have been given in Note 45.

**2.21 Proposed Dividend**

Proposed dividend has not been recognized as a liability in the Statement of Financial Position in accordance with Bangladesh Accounting Standard (BAS)-10 “Event after the Balance Sheet Date.”

**2.22 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.

**2.23 Branch accounting**

The Company has a total 10 number of Branch offices (excluding Head Office), with no overseas branch as on December 31, 2013. Accounts of the branches are maintained at the head offices which are included in the accompanying financial statements.

**3.00 Directors’ responsibility statement**

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.



Amount in Taka	
31.12.2013	31.12.2012

#### 4.00 Property, Plant & Equipment

##### Cost:

Opening balance	271,082,669	215,464,263
Add: Addition during the year	76,033,660	59,403,545
	<b>347,116,329</b>	<b>274,867,808</b>
Less: Disposal during the year	10,134,661	3,785,140
Closing balance	<b>336,981,668</b>	<b>271,082,669</b>

##### Depreciation:

Opening balance	98,296,783	66,933,977
Add: Charged during the year	42,897,604	34,115,160
	<b>141,194,387</b>	<b>101,049,137</b>
Less: Adjustment made during the year	8,024,179	2,752,354
Accumulated depreciation	<b>133,170,208</b>	<b>98,296,783</b>

##### Carrying amount

	<b>203,811,460</b>	<b>172,785,886</b>
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A schedule of property, Plant & Equipment is given in Annexure-A

#### 5.00 Intangible assets

Investment for membership of stock exchanges (Note-5.01)	-	510,000,000
Other intangibles	-	-
	-	<b>510,000,000</b>

#### 5.01 Investment for membership of stock exchanges

Dhaka Stock Exchange Limited- Membership	-	350,000,000
Chittagong Stock Exchange Limited- Membership	-	160,000,000
	-	<b>510,000,000</b>

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.

#### 6.00 Employees Car Loan

Staff Transport Loan	9,496,000	-
	<b>9,496,000</b>	-

#### 7.00 Investment

Investment in equity of unlisted company (Note-7.01)	396,524,360	184,500,000
Investment in equity of strategic company (Note-7.02)	489,101,490	462,398,675
	<b>885,625,850</b>	<b>646,898,675</b>

#### 7.01 Investment in equity of unlisted company

Particulars	No. of Shares	Cost Price	Market Price
Information Technology Consultants Limited	1,700,000	27,100,000	N/A
Financial Excellence Limited	150,000	1,500,000	N/A
Dhaka Stock Exchange Limited	7,215,106	72,151,060	N/A
Chittagong Stock Exchange Limited	4,287,330	42,873,300	N/A
BizBangla Media Limited		252,900,000	N/A
		<b>396,524,360</b>	



Amount in Taka	
31.12.2013	31.12.2012

## 7.02 Investment in equity of strategic company

Particulars	No. of Shares	Cost Price	Market Price	Unrealized Gain/(Loss)
Eastern Cables Limited	1,350,000	94,125,672	113,130,000	19,004,328
Midas Financing Limited	5,583,647	280,098,482	216,645,504	(63,452,978)
Bank Asia Limited	4,425,150	114,877,336	101,778,450	(13,098,886)
		<b>489,101,490</b>	<b>431,553,954</b>	<b>(57,547,537)</b>

## 8.00 Deferred tax assets

Deferred Tax has been calculated based on deductible/ taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 "Income Taxes".

Particulars	Carrying Amount at Balance Sheet	Tax Base	Amount in Taka
			Taxable / Deductible Temporary Difference
<b>Assets:</b>			
Fixed assets net of depreciation	172,785,885	163,754,954	9,030,931
<b>Liabilities:</b>			
Provision for Gratuity	42,378,015	-	(42,378,015)
<b>Total</b>	<b>215,163,900</b>	<b>163,754,954</b>	<b>(33,347,084)</b>
Applicable Tax Rate			37.50%
<b>Deferred Tax Assets as on 31st December 2012</b>			<b>-</b>
			<b>12,505,156</b>

## 9.00 Advances, Deposits and Prepayments Advances

### Advances

Office rent	24,262,087	7,551,150
Advance for Bank guarantee margin	7,292,367	6,666,667
Advance against expenses	150,331,001	11,710,002
	<b>181,885,454</b>	<b>25,927,819</b>

### Deposits

Clearing house	25,000	25,000
Lease Deposit	374,702	-
PCS Bangladesh (Pvt.) Ltd.	64,000	64,000
Security deposit with CDBL	102,500	102,500
Security deposit for office space	1,764,000	1,500,000
	<b>2,330,202</b>	<b>1,691,500</b>

### Prepayments

Group and health insurance	2,285,263	2,125,080
Insurance for office equipment	112,510	622,667
Insurance for motor vehicle	284,658	232,726
	<b>2,682,431</b>	<b>2,980,473</b>
	<b>186,898,087</b>	<b>30,599,792</b>

Amount in Taka	
31.12.2013	31.12.2012

**10.00 Investments**

Investment in listed securities (Note-10.01)	148,462,240	806,881,384
Fixed deposits receipt (FDR) (Note-10.02)	30,954,350	28,000,000
	<b>179,416,590</b>	<b>834,881,384</b>

**10.01 Investment in listed securities**

Particulars	No. of Shares	Cost Price	Market Price	Unrealized Gain/ (Loss)
Beximco Pharma Limited	1,562,525	131,460,115	73,751,180	(57,708,935)
LR Global BD MF One	950,000	9,139,000	6,935,000	(2,204,000)
Janata Bank 1st Mutual Fund	50,000	500,000	300,000	(200,000)
Popular Life 1st Mutual Fund	500,229	3,471,589	3,001,374	(470,215)
2ND ICB Mutual Fund	7,000	2,817,500	1,797,600	(1,019,900)
Jamuna Oil Co. Ltd	44	8,433	8,439	6
RAK Ceramics (BD) Limited	155	20,391	8,262	(12,130)
MJL Bangladesh Limited	120	10,580	9,012	(1,568)
MI Cement Factory Limited	56	4,233	4,379	146
Summit Alliance Port	82	410	2,485	2,074
Rupali Bank Limited	26	2,809	1,695	(1,114)
Cash form	-	1,027,178	-	-
		<b>148,462,240</b>	<b>85,819,426</b>	<b>(61,615,636)</b>

**10.02 Fixed deposit receipts (FDR)**

FDR with Standard Chartered Bank	30,954,350	28,000,000
	<b>30,954,350</b>	<b>28,000,000</b>

**11.00 Current portion of loans and advances**

Loan against salary	6,100,506	2,134,290
Staff transport loan	2,200,200	-
Employee house loan	45,000,000	-
	<b>53,300,706</b>	<b>2,134,290</b>

**12.00 Accounts receivable**

Receivable from clients (Note- 12.01)	4,592,436,150	4,506,230,959
Receivable from DSE & CSE (Note- 12.02)	14,834,692	129,448,899
	<b>4,607,270,842</b>	<b>4,635,679,857</b>

**12.01 Receivable from clients**

IDLC of Bangladesh Ltd.	1,351,729	-
LankaBangla Investments Ltd.	9,700,590	-
Other clients	4,581,383,831	4,506,230,959
	<b>4,592,436,150</b>	<b>4,506,230,959</b>

**Other clients**

Other clients includes receivable from share trading.

		Amount in Taka	
		31.12.2013	31.12.2012
<b>12.02 Receivable from DSE &amp; CSE</b>	DSE	-	38,762,141
ABG&N	DSE	-	32,015,297
ABG&N	DSE	-	34,839,969
ABG&N	DSE	-	40,000
ABG&N (Spot)	DSE	6,644,200	48,500
Z	DSE	83,585	168,726
Z	DSE	390,280	36,500
Z	DSE	344,800	2,111,435
Z	DSE	37,050	1,262,550
Z	DSE	298,600	3,801,070
Z	DSE	247,815	796,838
Z	DSE	1,000,650	9,921,550
Z	DSE	4,935,550	5,322,925
		<b>13,982,530</b>	<b>129,127,501</b>
<b>Total DSE</b>			
ABG&N (Spot)	CSE	471,627	-
Z	CSE	14,795	71,759
Z	CSE	169,278	6,993
Z	CSE	6,644	19,235
Z	CSE	189,819	2,674
Z	CSE	-	66,449
Z	CSE	-	35,664
Z	CSE	-	69,296
Z	CSE	-	49,327
		<b>852,162</b>	<b>321,398</b>
<b>Total CSE</b>			
<b>Grand Total DSE &amp; CSE</b>		<b>14,834,692</b>	<b>129,448,899</b>

**13.00 Cash and Cash Equivalents**

	74,707	63,869
Cash in hand	1,493,052,382	974,298,248
Cash at bank (Notes 13.01)	<b>1,493,127,089</b>	<b>974,362,116</b>

**13.01 Cash at Bank /NBFi**

Standard Chartered Bank	36,061,661	749,795
BRAC Bank Limited	26,129	73,929
ONE Bank Limited	1,386,241,152	970,402,928
Dutch-Bangla Bank Limited	2,168,495	1,809,038
Hongkong and Shanghai Corporation Ltd.	13,131,739	413,165
Prime Bank Limited	1,157,405	383,111
Commercial Bank of Ceylon	4,264,801	69,449
Shahjalal Islami Bank Limited	-	396,834
Union Bank Limited	50,001,000	-
	<b>1,493,052,382</b>	<b>974,298,248</b>

Amount in Taka	
31.12.2013	31.12.2012

**14.00 Share Capital**

Authorized Capital

500,000,000 ordinary shares of Taka 10 each

5,000,000,000

5,000,000,000

Issued, Subscribed and Paid-up Capital

1,925,014,000

1,925,014,000

192,501,400 ordinary shares of Taka 10 each fully paid

1,925,014,000

1,925,014,000

**Detail of Shareholding Position of the Company****Name of the Sponsor & Directors Shareholders****No. of Shares**

LankaBangla Finance Ltd.

175,001,388

1,750,013,880

1,750,013,860

Mr. Mohammad A. Moyeen

87,504

875,040

5,250,040

Mr. Mahbubul Anam

85,752

857,520

5,250,020

Mr. B W Kundanmal

2

20

20

Mr. Khondoker Monir Uddin

-

-

20

Mr. Mohammed Nasiruddin Chowdhury

2,002

20,020

20,020

Mr. Wali Ul Islam

2,000

20,000

20,000

Mr. Mohammad Khairul Anam Chowdhury

2,000

20,000

20,000

175,180,648

1,751,806,480

1,760,573,980

17,320,752

173,207,520

164,440,020

**192,501,400****1,925,014,000****1,925,014,000****General Shareholders****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****16.00 General Reserve**

Opening balance

48,387,883

43,107,542

Add: Addition during the year

-

5,280,341

**48,387,883****48,387,883**

Less: Adjustment during the year

663,522

-

Closing balance

**47,724,361****48,387,883**

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 Fair Value Measurement Reserve****Investment in DSE & CSE**Fair Value  
Measurement  
Reserve (Tk.)Fair Value  
Measurement  
Reserve (Tk.)**(i) Dhaka Stock Exchange Ltd.**

Investment in Dhaka Stock Exchange Limited

60,545,060

338,394,000

**Sub-total****60,545,060****338,394,000**



**(ii) Chittagong Stock Exchange Ltd.**

Investment in Chittagong Stock Exchange Limited

**Sub-total****Total (i+ii)**

Amount in Taka	
31.12.2013	31.12.2012
Fair Value Measurement Reserve (Tk.)	Fair Value Measurement Reserve (Tk.)
37,873,300	155,000,000
<b>37,873,300</b>	<b>155,000,000</b>
<b>98,418,360</b>	<b>493,394,000</b>

Investments for membership are initially recognized at cost (which includes transaction costs) and are subsequently re-measured at fair value based on current quoted bid price in year 2009. But now in accordance with section 8(Gha) of the Exchanges Demutualization Act. 2013, both stock exchanges has issued shares against membership with Tk. 10 each. Surplus arising from changes in the fair value of investment for membership are transferred to Fair Value Measurement Reserve (FVMR).

**18.00 Long Term Loan**

Opening balance	428,787,291	327,181,108
Add: Drawdown during the year	500,000,000	830,000,000
	928,787,291	1,157,181,108
Less: Conversion to Short term	705,290,579	728,393,817
Closing balance	<b>223,496,712</b>	<b>428,787,291</b>

**Detail of long term portion of the above balance is presented below:**

International Leasing Financial Services Ltd. 2	-	6,038,493
International Leasing Financial Services Ltd. 3	9,601,371	21,820,307
International Leasing Financial Services Ltd. 4	90,777,289	112,792,365
Prime Finance & Investment Limited	54,974,762	131,094,341
Fareast Finance Limited	47,284,730	67,268,213
Shahjalal Islami Bank Limited	20,858,560	95,974,692
<b>Sub total</b>	<b>223,496,712</b>	<b>434,988,411</b>

**19.00 Defined benefit obligations**

Opening balance	42,378,015	23,372,385
Add: Addition during the year	17,133,339	19,059,538
	<b>59,511,354</b>	<b>42,431,923</b>
Less: Paid during the year	844,387	53,908
Closing balance	<b>58,666,967</b>	<b>42,378,015</b>

**20.00 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".

Particulars	Carrying Amount at Balance Sheet	Tax Base	Taxable / Deductible Temporary Difference
<b>Assets:</b>			
Fixed assets net of depreciation	203,811,460	188,834,962	14,976,498
<b>Total</b>	<b>203,811,460</b>	<b>188,834,962</b>	<b>14,976,498</b>
Applicable Tax Rate		37.50%	
<b>Deferred Tax Liabilities as on 31st December 2013</b>		<b>5,616,187</b>	<b>-</b>

		Amount in Taka	
		31.12.2013	31.12.2012
<b>21.00 Finance lease obligation</b>			
Opening balance		7,255,698	6,770,644
Add: Addition during the year		15,077,000	7,360,000
		22,332,698	14,130,644
Less: Conversion to Short term		9,517,485	6,874,946
Closing balance		<b>12,815,213</b>	<b>7,255,698</b>
<b>22.00 Accounts payable</b>			
Payable to clients (Note-22.01)		367,626,191	256,297,000
Payable to DSE and CSE (Note- 22.02)		40,416,507	26,358,220
Accrued expenses (Note- 22.03)		30,806,426	27,477,145
		<b>438,849,124</b>	<b>310,132,366</b>
<b>22.01 Payable to Clients</b>			
IDLC of Bangladesh Ltd		-	3,745,373
LankaBangla Investments Ltd		-	19,058,943
Other clients		367,626,191	233,492,684
		<b>367,626,191</b>	<b>256,297,000</b>
<b>Other Clients</b>			
Other clients includes payable from share trading.			
<b>22.02 Payable to DSE &amp; CSE</b>			
ABG&N	DSE	14,323,971	1,945,982
Z	DSE	9,455,483	17,529,715
<b>Total DSE</b>		<b>23,779,454</b>	<b>19,475,697</b>
ABG&N	CSE	16,491,550	6,287,829
Z	CSE	145,503	594,695
<b>Total CSE</b>		<b>16,637,053</b>	<b>6,882,523</b>
<b>Grand Total DSE &amp; CSE</b>		<b>40,416,507</b>	<b>26,358,220</b>
<b>22.03 Accrued Expenses</b>			
Telephone bill		49,553	31,673
Electricity bill		528,979	357,958
Printing & stationeries		584,909	220,975
Office maintenance		853,041	637,513
Water and sewerage bill		114,270	81,327
Audit fees		115,000	86,250
Incentive		25,143,800	24,129,032
Salaries & Allowances		10,697	26,282
CDBL charges		3,406,178	1,906,137
		<b>30,806,426</b>	<b>27,477,145</b>
<b>23.00 Short Term Loan</b>			
Opening Balance		1,451,634,286	1,664,370,816
Loan taken during the year		860,000,000	4,870,000,000
		<b>2,311,634,286</b>	<b>6,534,370,816</b>
Re-scheduled/repayment during the year		940,774,128	5,082,736,530
<b>Closing Balance</b>		<b>1,370,860,158</b>	<b>1,451,634,286</b>

	Amount in Taka	
	31.12.2013	31.12.2012
<b>Detail of the above balance is presented below:</b>		
<b>Loan taken as a short term</b>		
LankaBangla Finance Limited	337,485,039	351,634,286
One Bank Limited	830,000,000	800,000,000
Standard Chartered Bank	3,375,119	-
National Bank Limited	-	100,000,000
Phoenix Finance & Investment Limited	200,000,000	200,000,000
<b>Sub total</b>	<b>1,370,860,158</b>	<b>1,451,634,286</b>
<b>24.00 Provision for Current Tax</b>		
Opening Balance	100,805,071	165,021,650
Add: Provision during the year	121,990,755	146,578,500
	<b>222,795,826</b>	<b>311,600,150</b>
Less: Paid during the year	106,271,034	135,063,466
Advance tax deducted at source	6,212,990	7,924,192
Tax deducted at source on turnover	67,895,755	67,807,421
	<b>180,379,779</b>	<b>210,795,079</b>
	<b>42,416,047</b>	<b>100,805,071</b>
<b>25.00 Current portion of lease obligation</b>		
Opening balance	6,874,947	7,409,753
Add: Conversion from Long Term	9,517,485	6,874,947
	<b>16,392,432</b>	<b>14,284,700</b>
Less: Paid during the year	8,348,163	7,409,753
Closing balance	<b>8,044,269</b>	<b>6,874,947</b>
<b>26.00 Current portion of term loan</b>		
Opening balance	728,393,816	723,255,823
Add: Conversion from Long Term	705,290,579	728,393,817
	<b>1,433,684,395</b>	<b>1,451,649,640</b>
Less: Paid during the year	728,371,861	723,255,824
Closing balance	<b>705,312,533</b>	<b>728,393,816</b>
<b>27.00 Other Liabilities</b>		
Interest on short term loan	17,339,583	36,069,622
Liabilities for other expenses	15,162,317	44,181,031
Brokerage sharing	5,683,715	-
LB Foundation	4,847,525	2,596,837
Un-claimed cash dividend	3,913,095	1,416,713
Cash dividend	-	39,375,032
Diminution value of investment	4,556,775	4,556,775
Tax and VAT deducted at source	78,750,624	78,897,748
	<b>130,253,634</b>	<b>207,093,757</b>

	Amount in Taka	
	31.12.2013	31.12.2012
<b>28.00 Interest income</b>		
Interest on debit balance of clients	596,188,281	564,319,105
Interest on bank deposit (Note-28.01)	36,704,230	62,882,212
Interest on loans and advances to employees	791,724	281,318
	<b>633,684,235</b>	<b>627,482,635</b>
<b>28.01 Interest Income</b>		
<b>Interest on Bank Deposit</b>		
Standard Chartered Bank	-	1,703
BRAC Bank Limited	1,637	12,385
One Bank Limited	33,119,361	27,986,725
FDR with LankaBangla Finance Limited	-	32,163,598
FRD with Standard Chartered Bank	3,431,427	2,479,167
Dutch-Bangla Bank Limited	59,291	69,971
Hong Kong & Shanghi Banking Corporation	4,173	3,322
Commercial Bank of Ceylon	39,091	98,070
Prime Bank Limited	49,250	67,271
	<b>36,704,230</b>	<b>62,882,212</b>
<b>29.00 Income from investment</b>		
Capital gain from shares investment (Note-29.01)	406,178,861	32,976,622
Dividend	3,670,843	11,535,926
	<b>409,849,705</b>	<b>44,512,548</b>
<b>29.01 Capital gain from shares investment</b>		
Sales price of shares	1,443,571,508	100,256,180
Less: Cost price of shares	1,036,257,767	67,258,156
	407,313,741	32,998,024
Less: CDBL & Other charges	1,134,880	21,402
	<b>406,178,861</b>	<b>32,976,622</b>
<b>30.00 Brokerage income</b>		
DSE	413,581,229	418,568,216
CSE	63,514,690	56,553,722
	<b>477,095,920</b>	<b>475,121,938</b>
<b>31.00 Other operational income</b>		
Service charge from clients for CDBL	27,211,495	17,736,013
Sale of beneficiary owner accounts (BO) form	639,400	755,000
Scrap sales	4,700	45,634
Monthly review	37,350	301,560
	<b>27,892,945</b>	<b>18,838,207</b>
<b>32.00 Interest expenses</b>		
Interest on term loan	481,576,893	359,379,388
Interest on lease finance	4,285,290	2,731,759
	<b>485,862,183</b>	<b>362,111,148</b>

	Amount in Taka	
	31.12.2013	31.12.2012
<b>33.00 Other costs directly attributable to services</b>		
Service charge paid to CDBL	36,789,954	35,167,345
Hawla charges	5,118,924	5,060,728
Laga charges	26,133,404	26,303,291
	<b>68,042,281</b>	<b>66,531,364</b>
<b>34.00 Other non-operational income</b>		
Gain on disposal of fixed assets	4,667,900	20,000
	<b>4,667,900</b>	<b>20,000</b>
<b>35.00 Salary and allowances</b>		
Salary and allowances	161,607,813	138,456,419
Provident fund contribution	7,730,367	6,787,366
Gratuity fund	17,133,340	19,059,538
	<b>186,471,520</b>	<b>164,303,323</b>
<b>36.00 Rent, taxes, insurance, electricity etc.</b>		
Office rent	24,006,410	21,495,836
Insurance premium	4,736,049	3,316,740
Electricity	4,594,019	3,211,852
	<b>33,336,479</b>	<b>28,024,428</b>
<b>37.00 Legal and professional fees</b>		
Legal and professional fees	2,214,763	1,998,681
	<b>2,214,763</b>	<b>1,998,681</b>
<b>38.00 Postage, stamp, telecommunication etc.</b>		
Postage and courier	204,600	164,402
Telephone and mobile bill	3,357,437	3,193,791
	<b>3,562,037</b>	<b>3,358,193</b>
<b>39.00 Stationery, printing, advertisement</b>		
Printing and stationery	6,628,072	5,733,172
Advertisement	615,968	883,600
	<b>7,244,040</b>	<b>6,616,772</b>
<b>40.00 Director fees and expenses</b>		
Director fees and expenses	507,652	552,943
	<b>507,652</b>	<b>552,943</b>
<b>41.00 Audit fees</b>		
Audit fees	115,000	86,625
	<b>115,000</b>	<b>86,625</b>
<b>42.00 Repairs, maintenance and depreciation</b>		
Repairs and maintenance	745,202	843,242
Depreciation	42,897,604	34,115,160
	<b>43,642,806</b>	<b>34,958,402</b>

	Amount in Taka	
	31.12.2013	31.12.2012
<b>43.00 Other expenses</b>		
Training	1,699,565	604,550
Incentive	9,399,344	24,129,032
Membership and renewal fees	6,665,252	2,019,047
Traveling and conveyance	3,063,646	1,493,809
Internet and e-mail	9,653,450	9,454,995
News paper and periodicals	140,556	140,514
Fuel expenses	1,002,124	1,181,295
Vehicle maintenance/Registration	10,048,062	6,816,805
Water and sewerage bill	719,173	745,817
Office maintenance	10,313,921	6,654,611
Entertainment	4,154,677	4,326,509
Business promotion	28,771,632	12,556,435
Bank charges	527,696	426,892
Loss on sales of fixed asset	2,096,283	852,786
AGM and Related Expenses	34,394	454,918
Documentation fee	185,200	1,723,668
Miscellaneous (Note-43.01)	8,852,358	16,734,198
	<b>97,327,333</b>	<b>90,315,880</b>
<b>43.01 Miscellaneous</b>		
Software maintenance fee	759,449	374,033
Commission of bank guarantee	8,000,000	15,666,959
IPO related expenses	-	600,000
Subscriptions	92,909	93,207
	<b>8,852,358</b>	<b>16,734,198</b>
<b>44.00 Earnings per Share (EPS):</b>		
Net profit after Tax	484,752,512	259,683,745
Number of Ordinary Shares Outstanding (Note: 44.01)	192,501,400	192,501,400
Earnings Per Share (EPS)	<b>2.52</b>	<b>1.35</b>
Earnings per Share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".		
<b>*** Previous year's EPS has been restated by the current year's outstanding shares.</b>		
<b>44.01 Number of Ordinary Shares Outstanding</b>		
Balance on 1 January	192,501,400	55,004,000
Bonus Issued	-	41,246,700
<b>Total shares before restating</b>	<b>192,501,400</b>	<b>96,250,700</b>
Retrospective effect of bonus issue	-	96,250,700
<b>Number of shares outstanding (2012 restated)</b>	<b>192,501,400</b>	<b>192,501,400</b>

#### 45.00 Related Party Disclosure

During the year the Company carried out a number of transactions with related parties in the normal course of business on arm's length bases. Name of those related parties, nature of those transaction and their total value have been shown below in accordance with the provisions of BAS-24- "Related Party Disclosure."

Name of the Party	Relationship	Nature of Transaction	Transaction			
			Opening balance	Addition	Adjustment	Closing balance
LankaBangla Finance Ltd.	Sponsor Shareholder	Short Term Loan	(351,634,285.71)	-	14,149,246.77	(337,485,038.94)
LankaBangla Investment Ltd.	Sponsor Shareholder	IP Accounts	(19,058,943.00)	-	28,759,533.15	9,700,590.15
LankaBangla Finance Ltd.	Sponsor Shareholder	Lease	(10,640,396.00)	-	3,140,116.00	(7,500,280.00)
LankaBangla Investment Ltd.	Sponsor Shareholder	Fixed Assets Acquisition	(4,189,812.00)	-	-	(4,189,812)
LankaBangla Investment Ltd.	Sponsor Shareholder	Portfolio	(795,826.00)	(5,889,972.62)	-	(6,685,798.62)

**LankaBangla Securities Limited**  
Schedule of Property, Plant & Equipment  
For the Year ended December 31, 2013

Annexure-A  
Amount in Taka

Particulars	COST				"Rate of Depreciation"	DEPRECIATION				Carrying amount as on December 31, 2013
	Balance as on January 1, 2013	Additions during the Year	Disposal during the Year	Balance on December 31, 2013		Balance as on January 1, 2013	Charged during the Year	Disposal during the Year	Balance on December 31, 2013	
Building	80,476,150	34,770,000	-	115,246,150	2.5%	2,446,529	-	7,798,389	107,447,761	
Furniture & Fixtures	7,386,057	453,002	-	7,839,059	10%	761,257	-	2,645,777	5,193,282	
Office Equipment	52,248,904	3,434,401	138,066	55,545,239	20%	8,748,938	74,414	39,708,094	15,837,145	
Data Center & Dr	49,954,969	16,006,545	-	65,961,514	30%	17,387,473	-	24,880,718	41,080,796	
Office Renovation	42,550,121	6,292,712	3,083,538	45,759,295	20%	6,114,111	1,036,708	34,980,550	10,778,745	
Motor Vehicle	2,232,600	-	-	2,232,600	20%	6,860	-	2,232,600	-	
Leased Asset	36,233,867	15,077,000	6,913,057	44,397,810	20%	7,432,436	6,913,057	20,924,080	23,473,730	
<b>Total December 31, 2013</b>	<b>271,082,669</b>	<b>76,033,660</b>	<b>10,134,661</b>	<b>336,981,668</b>		<b>42,897,604</b>	<b>8,024,179</b>	<b>133,170,208</b>	<b>203,811,460</b>	
<b>Total December 31, 2012</b>	<b>215,464,263</b>	<b>59,403,545</b>	<b>3,785,140</b>	<b>271,082,669</b>		<b>34,115,160</b>	<b>2,752,354</b>	<b>98,296,783</b>	<b>172,785,885</b>	





INVESTMENTS

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**



# UHY Syful Shamsul Alam & Co

## Chartered Accountants

### Independent Auditors' Report to the shareholders' of LankaBangla Investments Limited

We have audited the accompanying financial statements of LankaBangla Investments Limited, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

The financial statements of the company for the year ended 31 December 2012 were audited by Rahman Rahman Huq., Chartered Accountants who issued unqualified opinion on 3 March 2013.

#### 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 as explained in note 2.1 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.

#### Corporate Office:

Paramount Heights (Level-6),  
65/2/1, Box Culvert Road,  
Purana Paltan, Dhaka-1000  
Bangladesh

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+880-2-9515431  
+880-2-9515491

Fax :+880-2-9560332

E-mail :ssac@ssacbd.com

Web :www.ssacbd.com

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, prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the financial position of the company as at 31 December 2013 and of their financial performance and cash flows for the period from 1 January to 31 December 2013 comply with the Companies Act 1994 and other applicable laws and regulations.

#### We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books;
- iii) the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- iv) adequate provision on margin loan have been made as per rules and regulation issued by Bangladesh Securities and Exchange Commission.

Place : Dhaka  
Dated: 16 February, 2014

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



**LankaBangla Investments Limited**  
Statement of Financial Position  
As at 31 December 2013

Notes	31 December 2013 Taka	31 December 2012 Taka
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4 10,317,362	14,904,136
Intangible assets	5 434,776	591,907
Investments	6 79,491,485	1,389,433
Deferred tax asset	20 922,303	-
Other non-current assets	7 1,727,057	5,939,810
<b>Total non-current assets</b>	<b>92,892,983</b>	<b>22,825,286</b>
<b>Current assets</b>		
Margin loan	8 4,604,661,409	4,160,441,200
Advances, deposits and prepayments	9.02 24,807,872	38,991,953
Investments	10 254,563,103	52,047,042
Accounts receivable	11 40,894,892	54,041,666
Cash and cash equivalents	12 75,571,479	38,377,677
<b>Total current assets</b>	<b>5,000,498,755</b>	<b>4,343,899,538</b>
<b>TOTAL ASSETS</b>	<b>5,093,391,738</b>	<b>4,366,724,823</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	13 1,570,000,000	660,000,000
Retained earnings	65,767,505	50,608,748
<b>Total equity</b>	<b>1,635,767,505</b>	<b>710,608,748</b>
<b>Liabilities</b>		
<b>Non current liabilities</b>		
Term loan	14 8,020,987	16,267,609
Defined benefit obligations	15 3,850,222	2,338,112
<b>Total non-current liabilities</b>	<b>11,871,209</b>	<b>18,605,721</b>
<b>Current liabilities</b>		
Accounts payable	16 72,100,412	113,097,324
Short term loans	17 3,330,441,612	3,455,223,066
Current portion of term loan	18 8,246,623	6,964,148
Provision for current tax	19 34,338,386	60,708,459
Deferred tax liability	20 -	978,684
Other liabilities	21 625,991	538,673
<b>Total current liabilities</b>	<b>3,445,753,024</b>	<b>3,637,510,354</b>
<b>Total liabilities</b>	<b>3,457,624,233</b>	<b>3,656,116,075</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,093,391,738</b>	<b>4,366,724,823</b>

The annexed notes 1-42 form an integral part of these financial statements.



Chairman



Director

■ ■

Company Secretary



Chief Executive Officer

Signed as per our separate report of same date.

■ ■ ■ ■ ■ ■ ■ ■

Place : Dhaka  
Dated: 16 February 2014

Syful Shamsul Alam & Co.  
Chartered Accountants

**LankaBangla Investments Limited**  
Statement of Comprehensive Income  
For the year ended 31 December 2013

	Notes	31 December 2013 Taka	31 December 2012 Taka
<b>Revenue</b>		<b>682,869,245</b>	<b>686,729,835</b>
Interest income	22	571,358,273	556,107,619
Income from investment	23	21,075,841	3,613,497
Fee based income	24	49,216,064	82,530,148
Other operational income	25	41,219,067	44,478,571
<b>Cost of services</b>		<b>598,062,330</b>	<b>612,727,479</b>
Interest expenses	26	598,062,330	612,727,479
<b>Gross profit</b>		<b>84,806,915</b>	<b>74,002,356</b>
Other non-operational income	27	45,208	30,014
<b>Operating expenses</b>		<b>64,569,459</b>	<b>48,430,596</b>
Salary and allowances	28	24,116,371	21,612,210
Rent, insurance, utilities etc.	29	13,326,182	11,976,613
Legal & professional fees	30	8,684,194	543,527
Postage, stamp, telecommunication etc.	31	825,547	989,894
Stationery, printing, advertisement	32	794,278	1,039,247
Director fees and expenses	33	356,500	292,000
Audit fees	34	201,250	115,000
Repairs, maintenance and depreciation	35	7,683,016	8,640,860
Other expenses	36	8,582,121	3,221,246
<b>Profit before tax (PBT)</b>		<b>20,282,665</b>	<b>25,601,774</b>
<b>Income tax expense / (income)</b>	19.01	<b>4,831,908</b>	<b>12,871,630</b>
Current tax expense / (income)		6,732,895	11,982,910
Deferred tax expense / (income)		(1,900,987)	888,720
<b>Profit after tax (PAT)</b>		<b>15,450,757</b>	<b>12,730,144</b>
Other comprehensive income/(expense), net of tax		-	-
<b>Total comprehensive income</b>		<b>15,450,757</b>	<b>12,730,144</b>

The annexed notes 1-42 form an integral part of these financial statements.



Chairman



Director

■ ■

Company Secretary



Chief Executive Officer

Signed as per our separate report of same date.

■ ■ ■ ■ ■ ■ ■ ■

Place : Dhaka  
Dated: 16 February, 2014

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

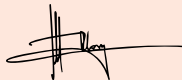


**LankaBangla Investments Limited**  
Statement of Changes in Equity  
For the year ended 31 December 2013

Amount in Taka

	Share Capital	Retained Earnings	Total Equity
<b>Balance at 01 January 2012</b>	300,000,000	37,878,604	337,878,604
<b>Changes in equity for 2012</b>			
Issue of share capital (right issue)	360,000,000	-	360,000,000
Total comprehensive income for the year	-	12,730,144	12,730,144
<b>Balance at 31 December 2012</b>	<b>660,000,000</b>	<b>50,608,748</b>	<b>710,608,748</b>
<b>Balance at 01 January 2013</b>	660,000,000	50,608,748	710,608,748
<b>Changes in equity for 2013</b>			
Issue of share capital (right issue) during the year	910,000,000	-	910,000,000
Total comprehensive income for the year	-	15,450,757	15,450,757
Charge directly attributable to equity (right issue cost)	-	(292,000)	(292,000)
<b>Balance at 31 December 2013</b>	<b>1,570,000,000</b>	<b>65,767,505</b>	<b>1,635,767,505</b>

The annexed notes 1-42 form an integral part of these financial statements.



Chairman



Director



Company Secretary



Chief Executive Officer

Place : Dhaka

Dated: 16 February 2014

**LankaBangla Investments Limited**  
Statement of Cash Flows  
For the year ended 31 December 2013

Notes	31 December 2013 Taka	31 December 2012 Taka
<b>A) Cash flows from operating activities</b>		
Cash received from:		
- Fees and other income	6,195,221	17,006,479
- LBFL for LBIL Employees' PF	-	1,598,967
- Repayment of staff loan	50,000	-
Cash paid for:		
- Service charges to LBFL	(5,830,792)	(7,008,585)
- Rental expenses	(8,614,788)	(6,827,194)
- IT related expenses	(623,721)	(430,333)
- PF bank account	(1,712,917)	(1,496,830)
- Employees' salaries and allowances	(20,283,854)	(18,186,254)
- LBFL PF transfer to employees	-	(1,467,198)
- Other operating expenses	(24,977,149)	(9,423,726)
- Staff loan	(1,000,000)	(450,000)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>(56,798,000)</b>	<b>(26,684,674)</b>
Settlement with LBSL	556,638,779	660,899,513
Client deposits	597,184,291	1,222,065,565
Own portfolio investment	(269,220,000)	(5,160,000)
Client withdrawals	(961,013,899)	(1,475,629,983)
	<b>(76,410,829)</b>	<b>402,175,095</b>
<b>Cash generated from operating activities</b>	<b>(133,208,829)</b>	<b>375,490,421</b>
Income taxes paid-Corporate	(12,500,000)	(28,359,362)
Income taxes paid-Others	(239,780)	-
<b>Net cash from operating activities</b>	<b>(145,948,609)</b>	<b>347,131,059</b>
<b>B) Cash flows from investing activities</b>		
FDR encashment	30,000,000	340,000,000
Received from sale of listed and non-listed securities	259,573,286	-
Proceeds from sale of disposed assets	33,000	-
Dividend on own portfolio investment	86,400	22,000
Refund of under-subscribed amount of underwriting-ILFSL	-	610,500
Investments in FDR	-	(230,000,000)
Payments for capital work-in-progress	(50,000)	(2,148,816)
Investment in listed and non-listed securities	(286,489,800)	-
Net disburse to LBFL	(122,817,627)	(330,000,000)
Procurement of property, plant and equipment	(447,411)	(7,147,163)
<b>Net cash used in investing activities</b>	<b>(120,112,152)</b>	<b>(228,663,479)</b>
<b>C) Cash flows from financing activities</b>		
Received on paid up capital	910,000,000	360,000,000
Short term loan received from One Bank Limited	-	94,550,000
Short term loan repayment to One Bank Limited	-	(94,550,000)
Interest on short term loan from One Bank Limited	-	(2,886,844)
Interest payment on Loan from Shahjalal Islami Bank Limited	(3,427,852)	(4,510,883)
Repayment of loan from Shahjalal Islami Bank Limited	(6,964,148)	(5,881,117)
Interest payment on loan from LBFL	(596,353,436)	(609,437,854)
<b>Net cash used in financing activities</b>	<b>303,254,564</b>	<b>(262,716,698)</b>
<b>D) Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>37,193,803</b>	<b>(144,249,118)</b>
<b>E) Cash and cash equivalents at 31 December 2012</b>	<b>38,377,677</b>	<b>182,626,795</b>
<b>F) Cash and cash equivalents at 31 December 2013 (D+E)</b>	<b>75,571,479</b>	<b>38,377,677</b>

The annexed notes 1-42 form an integral part of these financial statements.



Chairman



Director



Company Secretary



Chief Executive Officer



**LankaBangla Investments Limited**  
**Notes to the Financial Statements**  
 For the year ended 31 December 2013

## 1. Reporting entity

### 1.1 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. The Company has obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Securities and Exchange Commission on 2 January 2011. Later on the company converted itself into a public limited company with effect from 12 June 2013. The address of the Company’s registered office is 20, Kemal Ataturk Avenue, Banani, Dhaka-1213; Besides the corporate address of the company is Eunoos Trade Center, Level # 21, 52-53 Dilkusha C/A, Dhaka-1000. This Company is a fully owned subsidiary of LankaBangla Finance Limited.

### 1.2 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, portfolio management, corporate financial services etc.

## 2. Basis of preparation

### 2.1 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.

### 2.2 Basis of measurement

The financial statements have been prepared on historical cost basis except for financial instruments at fair value through profit or loss measured at fair value.

### 2.3 Basis of accounting

The financial statements except for cash flow information have been prepared on accrual basis of accounting.

### 2.4 Functional and presentation currency and level of precision

The financial statements are presented in Bangladesh Taka (Taka/Tk) currency, which is the Company’s functional currency. All financial information presented in Taka has been rounded to the nearest Taka.

### 2.5 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 recognised in the period in which the estimate is revised and in any future periods affected.

### 2.6 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 1 January 2013 to 31 December 2013.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Property, plant and equipment

#### 3.1.1 Recognition and measurement

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.

### 3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised 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 recognised in the statement of comprehensive income as incurred.

### 3.1.3 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 recognised 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 capitalisation 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	21.43%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.1.4 Disposal of fixed assets

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 recognised net with "other non-operational income" in profit or loss.

### 3.1.5 Impairment

#### Financial assets

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 recognised in profit or loss.

#### Non financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised 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.

### 3.2 Intangible assets

Intangible assets are to be initially recognised at cost including any directly attributable cost. Intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised 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. Amortisation is to be provided on a straight-line basis at 20% to write off the cost of intangible assets. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.3 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.





### 3.3.1 Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

### 3.3.2 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

### 3.3.3 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.

### 3.3.4 Share capital

Only ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognised as a deduction from equity, net of any tax effects.

### 3.3.5 Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

## 3.4 Financial risk management

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's management policies are established to identify and analyse the risk faced by the Company to set appropriate risk limits and controls and to monitor risk 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 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. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

## 3.5 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.

## 3.6 Revenue recognition

As per Bangladesh Accounting Standard (BAS) 18 Revenue, revenue is recognised 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.

### Interest on Margin Loan

Interest is charged on client's balance (due to us) on daily basis at the applicable rate.

### Management fee

Management fee is charged on client's portfolio value (at market price) on daily basis at the applicable rate.



**Fee based income**

Fee based income is recognised when a service is rendered in line with the related agreement.

**3.7 Income and expenditures**

Income and expenditures are recognised on accrual basis. Income is only recognised if its realisation is reasonably certain.

**3.8 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.

**3.9 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.

**3.9.1 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 recognised 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 recognises 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.

**3.9.2 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.

**3.10 Tax****3.10.1 Current tax**

Income tax expense is recognised 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%.

**3.10.2 Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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 realised.

**3.10.3 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 judgements 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.

**3.11 Provisions**

A provision is recognised 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.

**3.12 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.



	31 December 2013 Taka	31 December 2012 Taka
<b>4.00 Property, plant &amp; equipment</b>		
<b>Cost</b>		
Opening balance	23,829,961	20,157,741
Add: Addition during the year	502,457	9,422,133
	<b>24,332,418</b>	<b>29,579,874</b>
Less: Disposal during the year	66,953	5,749,913
Closing balance	<b>24,265,465</b>	<b>23,829,961</b>
<b>Less: Accumulated depreciation</b>		
Opening balance	8,925,825	4,458,769
Add: Charged during the year	5,089,228	5,815,113
	<b>14,015,053</b>	<b>10,273,882</b>
Less: Adjustment on disposal	66,950	1,348,057
Closing balance	<b>13,948,103</b>	<b>8,925,825</b>
<b>Carrying amount</b>	<b>10,317,362</b>	<b>14,904,136</b>

A schedule of Property, plant & equipment is given in Annexure-A.

<b>5.00 Intangible assets</b>		
<b>Cost</b>		
Opening balance	785,654	745,654
Add: Addition during the year	-	40,000
	<b>785,654</b>	<b>785,654</b>
Less: Disposal during the year	-	-
Closing balance	<b>785,654</b>	<b>785,654</b>
<b>Less: Amortization</b>		
Opening balance	193,747	37,283
Add: Charged during the year	157,131	156,464
	<b>350,878</b>	<b>193,747</b>
Less: Adjustment on disposal	-	-
Closing balance	<b>350,878</b>	<b>193,747</b>
<b>Carrying amount</b>	<b>434,776</b>	<b>591,907</b>

A schedule of Intangible assets is given in Annexure-B.

<b>6.00 Investment</b>		
Investment in equity of non-listed company (Note-6.01)	40,284,485	1,389,433
Investment in equity of strategic company(6.02)	39,207,000	-
	<b>79,491,485</b>	<b>1,389,433</b>

**6.01 Investment in equity of non-listed company**

Particulars	No. of Shares	Cost Price	Total cost
Information Technology Consultants Limited	2,064,000	19.52	40,284,485
<b>Total</b>	<b>2,064,000</b>	<b>19.52</b>	<b>40,284,485</b>

**6.02 Investment in equity of strategic company**

Particulars	No. of Shares	Cost Price	Market price as on 31 Dec, 2013	Unrealized Gain/ (Loss)
Bank Asia Limited	1,650,000	33,033,000	37,950,000	4,917,000
Eastern Cables Limited	15,000	11,68,950	1,257,000	88,050
<b>Total</b>	<b>1,665,000</b>	<b>34,201,950</b>	<b>39,207,000</b>	<b>5,005,050</b>



	31 December 2013 Taka	31 December 2012 Taka
<b>7.00 Other Non current assets</b>		
Advances (Note- 9.01)	602,057	101,810
Prepayments (Note-9.01)	1,125,000	5,838,000
	<b>1,727,057</b>	<b>5,939,810</b>
<b>8.00 Margin loan</b>		
Revolving margin loan to clients	4,604,661,409	4,160,441,200
	<b>4,604,661,409</b>	<b>4,160,441,200</b>
<p>Margin loan refers to the amount provided by the company against shares bought by the clients. Up to 31 December 2013, LBIL client's portfolio negative equity comes to Tk. 1,595,224,014.22 and required provision@ 20% on such negative equity comesTk. 319,044,803. However, being these portfolios in the negative territory (Clients equity fully eroded and principal amount is affected), the conditions required to recognise any further interest or fees as revenue in probability basis under IAS-18 (para-29-a &amp;b) is not met. As such from this pool of negative equity Tk. 321,779,456 has not been added with the total margin loan in LBIL book up to 2012. During the year 2013, LBIL management has followed same conservative approach and recognized only 62% revenue on pool of margin loan. As such from this pool of negative equity, a total of Tk. 262,621,364 calculated interest and fees has not been added as margin loan in LBIL's book. It covers the BSEC's requirement of mandatory 20% provision on negative equity.</p>		
<b>9.00 Advances, deposits and prepayments</b>		
Advances (Note-9.01 and 9.02)	20,806,424	35,129,871
Deposits (Note- 9.02)	200,000	200,000
Prepayments (Note- 9.01 and 9.02)	5,528,505	9,601,892
	<b>26,534,929</b>	<b>44,931,763</b>
<b>9.01 Non current portion</b>		
<b>Advances</b>		
Advance to Employees	602,057	101,810
	<b>602,057</b>	<b>101,810</b>
<b>Prepayments</b>		
Office rent	1,125,000	5,838,000
	<b>1,125,000</b>	<b>5,838,000</b>
	<b>1,727,057</b>	<b>5,939,810</b>
<b>9.02 Current portion</b>		
<b>Advances</b>		
Advance to Employees	257,810	151,256
Advance against expenses	4,988,834	-
Advance income tax	14,957,723	34,876,805
	<b>20,204,367</b>	<b>35,028,061</b>
<b>Deposits</b>		
Security deposit Regulators/BTCL/CDBL	200,000	200,000
	<b>200,000</b>	<b>200,000</b>
<b>Prepayments</b>		
Prepayment against expenses	230,505	130,892
Office rent	4,173,000	3,633,000
	<b>4,403,505</b>	<b>3,763,892</b>
	<b>24,807,872</b>	<b>38,991,953</b>
<b>10.00 Investments</b>		
Investment in listed securities (Note-10.01)	254,563,103	22,047,042
Fixed deposits receipt (FDR) (Note-10.02)	-	30,000,000
	<b>254,563,103</b>	<b>52,047,042</b>

**10.01 Investment in listed securities**

Particulars	No. of Shares	Cost Price	Market Price as on 31 Dec. 2013	Unrealized Gain/(Loss)
Confidene Cement Limited	15,000	1,951,425	1,858,500	(92,925)
Grameenphone Limited	4,000	821,999	803,600	(18,399)
Heidelberg Cement Limited	202,000	81,855,517	76,901,400	(4,954,117)
International Leasing and Finance Limited	362,050	3,446,716	5,720,390	2,273,674
LR Global Bangladesh Mutual Fund	22,400,500	156,753,674	163,249,819	6,496,145
Meghna Petroleum	800	129,976	168,800	38,824
Olympic Industries Limited	8,250	1,041,480	1,213,575	172,095
One Bank Limited	158,650	3,252,465	2,506,670	(745,795)
Prime Bank Limited	110	3,561	2,849	(712)
Saiham Textile Limited	75,000	2,202,068	2,137,500	(64,568)
<b>Total</b>		<b>251,458,879</b>	<b>254,563,103</b>	<b>3,104,224</b>

**10.02 Fixed deposit receipts (FDR)****11.00 Accounts receivable**

Receivable from group entities (Note- 11.01)  
Other receivables (Note- 11.02)

**11.01 Receivable from group entities**

LankaBangla Securities Limited

**11.02 Other receivables**

Capital restructuring receivable PMD  
Issue management fees receivable  
Corporate advisory fees receivable  
Underwriting commission receivable  
Other receivables- primary market department  
Accounts receivables- PO department  
Receivable from employee  
Interest receivable on FDR

**12.00 Cash and cash equivalents**

Cash in hand  
Cash at bank (Note- 12.01)

**12.01 Cash at bank**

One Bank Limited  
Dhaka Bank Limited  
Shahjalal Islami Bank Limited  
The City Bank Limited  
Standard Chartered Bank

	31 December 2013 Taka	31 December 2012 Taka
<b>10.02 Fixed deposit receipts (FDR)</b>	-	30,000,000
	<b>-</b>	<b>30,000,000</b>
<b>11.00 Accounts receivable</b>		
Receivable from group entities (Note- 11.01)	1,175,040	24,044,581
Other receivables (Note- 11.02)	39,719,852	29,997,085
	<b>40,894,892</b>	<b>54,041,666</b>
<b>11.01 Receivable from group entities</b>		
LankaBangla Securities Limited	1,175,040	24,044,581
	<b>1,175,040</b>	<b>24,044,581</b>
<b>11.02 Other receivables</b>		
Capital restructuring receivable PMD	1,700,000	-
Issue management fees receivable	3,682,550	2,822,550
Corporate advisory fees receivable	4,920,000	3,360,000
Underwriting commission receivable	-	550,000
Other receivables- primary market department	29,000	186,500
Accounts receivables- PO department	29,388,302	22,819,534
Receivable from employee	-	26,645
Interest receivable on FDR	-	231,855
	<b>39,719,852</b>	<b>29,997,084</b>
<b>12.00 Cash and cash equivalents</b>		
Cash in hand	5,743	2,554
Cash at bank (Note- 12.01)	75,565,736	38,375,123
	<b>75,571,479</b>	<b>38,377,677</b>
<b>12.01 Cash at bank</b>		
One Bank Limited	75,053,550	37,730,393
Dhaka Bank Limited	184,323	178,311
Shahjalal Islami Bank Limited	157,014	158,514
The City Bank Limited	82,925	83,735
Standard Chartered Bank	87,924	224,170
	<b>75,565,736</b>	<b>38,375,123</b>

31 December 2013 Taka	31 December 2012 Taka
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<b>Share capital</b>	
Authorized:	
300,000,000 Ordinary shares of Tk 10 each	<b>3,000,000,000</b>
Issued, subscribed and paid-up:	
157,000,000 (2012: 66,000,000) Ordinary shares of Tk 10 each	<b>1,570,000,000</b>
	<b>3,000,000,000</b>

**13.00****Share capital**

Authorized:

300,000,000 Ordinary shares of Tk 10 each

Issued, subscribed and paid-up:

157,000,000 (2012: 66,000,000) Ordinary shares of Tk 10 each

**13.01****Particulars of shareholdings**

The shareholding position at the date of statement of financial position was as follows:

	2013			2012		
	Number of shares	Value of shares Taka	% of share holding	Number of shares	Value of shares Taka	% of share holding
<b>Name of shareholders</b>						
LankaBangla Finance Limited	156,999,994	1,569,999,940	99.99999618%	65,999,997	659,999,970	99.9999955%
Mr. Mohammad A. Moyeen	1	10	0.00000064%	1	10	0.0000015%
Mr. Md. Abdullah Al Karim	1	10	0.00000064%	1	10	0.0000015%
Mr. Al-Mamoon Md. Sanaul Huq	1	10	0.00000064%	-	-	-
Mr. Mahbul Anam	1	10	0.00000064%	-	-	-
Mr. Khwaja Shahriar	1	10	0.00000064%	-	-	-
Mr. Mohammad Amir Hossain	1	10	0.00000064%	-	-	-
Mr. Ehsanul Haq	-	-	-	1	10	0.0000015%
	<b>157,000,000</b>	<b>1,570,000,000</b>	<b>100%</b>	<b>66,000,000</b>	<b>660,000,000</b>	<b>100%</b>

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.

	31 December 2013 Taka	31 December 2012 Taka
<b>14.00 Term loan</b>		
Opening balance	23,231,759	29,112,876
Add: Drawdown during the year	-	-
	23,231,759	29,112,876
Less: Repayment during the year	6,964,149	5,881,119
Closing balance	<b>16,267,610</b>	<b>23,231,757</b>
A loan (principal amount of Tk 30,000,000) was taken from Shahjalal Islami Bank Limited in November 2011 for a tenure of 4 years for the purpose of meeting the renovation costs of the new office, office equipment, networking equipment and different types of active devices. Amount due within next 12 months has been shown as a current liability.		
<b>14.01 Non-current portion</b>		
Shahjalal Islami Bank Limited	8,020,987	16,267,609
	<b>8,020,987</b>	<b>16,267,609</b>
<b>14.02 Current portion</b>		
Shahjalal Islami Bank Limited	8,246,623	6,964,148
	<b>8,246,623</b>	<b>6,964,148</b>
<b>15.00 Defined benefit obligations(Gratuity)</b>		
Opening balance	2,338,112	1,307,104
Add: Addition during the year	1,633,001	1,188,220
	<b>3,971,113</b>	<b>2,495,324</b>
Less: Paid during the year	120,891	157,212
Closing balance	<b>3,850,222</b>	<b>2,338,112</b>
<b>16.00 Accounts payable</b>		
Payable to clients (Note-16.01)	69,430,272	112,117,254
Accrued expenses (Note- 16.02)	2,670,140	980,070
	<b>72,100,412</b>	<b>113,097,324</b>
<b>16.01 Payable to clients</b>		
Client positive balance	67,085,897	112,117,254
Customer deposit (BDA)	2,344,375	-
	<b>69,430,272</b>	<b>112,117,254</b>

\*Client positive balance as of 31 December 2013 includes Tk. 994,305 for LankaBangla Securities Limited & Tk. 10,716 for LankaBangla Asset Management Company Limited.

**16.02 Accrued expenses**

Audit fee	165,000	100,000
CDBL charges	1,561,663	14,000
Rent Payable	613,686	593,412
Bank charges payable	-	3,000
Security service payable	37,125	37,464
Printing & stationeries	-	11,000
Office maintenance	32,898	24,350
Electricity bill	102,789	70,218
Water charges	17,750	15,000

	31 December 2013 Taka	31 December 2012 Taka
Telephone and mobile payable	27,000	-
Internet expenses payable	-	10,716
Accrued interest payable	46,152	65,910
Payable for other expenses	66,077	23,500
Other IT and communications payable	-	11,500
	<b>2,670,140</b>	<b>980,070</b>
<b>17.00 Short term loan</b>		
LankaBangla Finance Limited	3,330,441,612	3,455,223,066
	<b>3,330,441,612</b>	<b>3,455,223,066</b>
<b>18.00 Current portion of term loan</b>		
Shahjalal Islami Bank Limited (Note-14.02)	8,246,623	6,964,148
	<b>8,246,623</b>	<b>6,964,148</b>
<b>19.00 Provision for current tax</b>		
Opening balance	60,708,459	48,815,513
Add: Provision made during the year	6,732,895	12,871,630
	<b>67,441,354</b>	<b>61,687,143</b>
Less: Transfer to deferred tax liability for prior year		978,684
Less: Adjustment for prior year:		
Assesment year 2012-2013	33,102,968	-
Closing balance	<b>34,338,386</b>	<b>60,708,459</b>
*In 2012 deferred tax liability was included into 'Provision for current tax' which was Tk. 978,684/-. Management of LBIL has decided to separate it from provision in 2013.		
<b>19.01 Tax expense</b>		
Current tax		
Current year	6,732,895	11,982,910
Adjustment for prior years	-	-
	6,732,895	11,982,910
Deferred tax		
Origination of temporary differences (Note: 20)	(1,900,987)	888,720
	<b>4,831,908</b>	<b>12,871,630</b>
<b>20.00 Deferred tax asset/liability</b>		
Deferred tax asset/liability is arrived at as follows:		
	Carrying amount on the date of statement of Financial position Taka	(Taxable)/ deductible temporary difference Taka
	Taka	Taka
<b>Year: 2013</b>		
Property, plant and equipment (Note: 4)	9,869,092	4,308,889
Investment in own portfolio	293,770,103	(6,935,302)
Temporary difference		(2,626,413)
Income tax rate		37.5% & 10%
Deferred tax asset (B)		<b>922,303</b>



**Year: 2012**

Property, plant and equipment (Note: 4)	14,884,136	12,274,311	(2,609,825)
Temporary difference			(2,609,825)
Income tax rate			37.50%
Deferred tax liability (A)			(978,684)
Deferred tax income for 2013 (A-B)			<b>(1,900,987)</b>

**20.01 Reconciliation of effective tax rate**

	percentage	31 December 2013 Taka	percentage	31 December 2012 Taka
Profit before tax	-	20,282,665	-	25,601,774
Tax using the Company's applicable tax rate	37.50%	7,605,999	37.50%	9,600,665
Non-deductible expense	17.22%	3,492,374	15.39%	3,939,025
Deductible expense	-22.47%	(4,557,579)	-6.10%	(1,562,280)
Additional/ adjustment for prior year tax provision	0.00%	-	0.00%	-
Adjustment for dividend income	0.53%	108,500	0.02%	5,500
Adjustment for realized gain on own portfolio	10.12%	2,053,501	0.00%	-
Change in recognised deductible temporary differences	-9.37%	(1,900,987)	3.47%	888,720
	<b>33.54%</b>	<b>6,801,809</b>	<b>50.28%</b>	<b>12,871,630</b>

**21.00 Other liabilities**

	31 December 2013 Taka	31 December 2012 Taka
Deposit suspense account	572,214	180,570
Specific provision	-	72,084
Withholding tax payable (Note-21.01)	53,777	286,019
	<b>625,991</b>	<b>538,673</b>

**21.01 Withholding tax payable**

TDS from suppliers	2,085	1,616
TDS on professional fees	-	3,000
VAT payable on suppliers	20,942	30,903
VAT payable on fees income	-	225,000
VAT payable on professional fees	24,750	19,500
VAT payable on director fees	6,000	6,000
	<b>53,777</b>	<b>286,019</b>

**22.00 Interest income**

Interest on margin loan	571,358,273	556,107,619
	<b>571,358,273</b>	<b>556,107,619</b>

	31 December 2013 Taka	31 December 2012 Taka
<b>23.00 Income from investment</b>		
Dividend income	108,500	27,500
Return from investments in unlisted securities	11,978,538	-
Unrealized gain/loss	6,935,302	1,943,805
Realized gains on listed securities (Note-23.01)	2,053,501	1,642,192
	<b>21,075,841</b>	<b>3,613,497</b>
<b>23.01 Realized gains on listed share</b>		
Sales price of shares	66,364,755	21,915,738
Less: Cost price of shares	64,311,254	20,273,546
	<b>2,053,501</b>	<b>1,642,192</b>
<b>24.00 Fee based income</b>		
Management fees	41,752,064	68,614,954
Capital restructuring	1,700,000	-
Underwriting commission	344,000	1,444,858
Issue management fees	3,860,000	8,910,336
Corporate advisory fees	1,560,000	3,560,000
	<b>49,216,064</b>	<b>82,530,148</b>
<b>25.00 Other operational income</b>		
Documentation charges	6,000	13,500
Settlement fees	38,266,114	34,668,266
Gain on CDBL annual fees payment	330,700	3,336,916
Gain on IP client dividend collection	31,366	35,838
Interest income on FDR	80,645	4,165,510
Interest income on STD balances	2,397,797	2,207,249
Interest income on staff loan	106,445	51,292
	<b>41,219,067</b>	<b>44,478,571</b>
<b>26.00 Interest expenses</b>		
Interest on term loan	3,408,095	4,494,197
Interest on short term loan (Note-26.01)	594,654,235	608,233,282
	<b>598,062,330</b>	<b>612,727,479</b>
<b>26.01 Interest on short term loan</b>		
Interest on short term loan (group entities)	594,654,235	604,961,068
Interest on bank overdraft	-	3,272,214
	<b>594,654,235</b>	<b>608,233,282</b>
<b>27.00 Other non-operational income</b>		
Gain on disposal of fixed assets	32,997	-
Interest on client cheque dishonor	1,375	-
Miscellaneous earnings	10,836	30,014
	<b>45,208</b>	<b>30,014</b>
<b>28.00 Salary and allowances</b>		
Salary and allowances	21,633,091	19,657,928
Provident fund contribution	850,279	766,063
Gratuity fund	1,633,001	1,188,220
	<b>24,116,371</b>	<b>21,612,210</b>

	<b>31 December 2013</b> Taka	<b>31 December 2012</b> Taka
<b>29.00 Rent, insurance, utilities etc.</b>		
Office rent	11,395,314	10,165,116
Insurance premium	422,624	658,948
Utilities	1,508,244	1,152,549
	<b>13,326,182</b>	<b>11,976,613</b>
<b>30.00 Legal and professional fees</b>	8,684,194	543,527
	<b>8,684,194</b>	<b>543,527</b>
<b>31.00 Postage, stamp, telecommunication etc.</b>		
Postage and courier	84,607	60,095
Stamp charges	17,262	39,315
Telephone and mobile bill	390,293	326,057
Internet expense	333,385	564,427
	<b>825,547</b>	<b>989,894</b>
<b>32.00 Stationery, printing, advertisement</b>		
Printing and stationery	623,839	662,947
Advertisement	170,439	376,300
	<b>794,278</b>	<b>1,039,247</b>
<b>33.00 Director fees and expenses</b>	356,500	292,000
	<b>356,500</b>	<b>292,000</b>
<b>34.00 Audit fees</b>	201,250	115,000
	<b>201,250</b>	<b>115,000</b>
<b>35.00 Repairs, maintenance and depreciation</b>		
Repairs and maintenance (Note-35.01)	2,436,656	2,669,734
Depreciation (Note-4 & Annexure-A)	5,089,229	5,814,662
Amortization (Note-5 & Annexure-B)	157,131	156,464
	<b>7,683,016</b>	<b>8,640,860</b>
<b>35.01 Repairs and maintenance</b>		
Office maintenance	1,148,050	1,140,787
Software maintenance fees	196,511	291,388
Vehicle maintenance	324,699	568,517
Repairs	74,504	23,690
Cleaning	288,885	259,815
Fuel costs	404,007	385,537
	<b>2,436,656</b>	<b>2,669,734</b>

	31 December 2013 Taka	31 December 2012 Taka
<b>36.00 Other expenses</b>		
Securities settlement (CDBL) (Note-36.01)	5,816,442	515,141
Travel and accomodation (Note- 36.02)	223,685	359,074
Training and business development (Note- 36.03)	826,616	353,408
Bank Charges	71,843	460,245
Security expenses	512,328	474,830
Newspapers and journals	121,332	298,378
Other IT and telecommunication	216,260	600,486
Client portfolio maintenance	62,967	-
Brokerage commmission- own portfolio	590,696	147,409
Other expenses- own portfolio	5,074	9,015
Other fees and charges	10,000	-
Miscellaneous expenses	124,878	3,260
	<b>8,582,121</b>	<b>3,221,246</b>
<b>36.01 Securities settlement (CDBL)</b>		
CDBL settlement transfer fee	5,681,759	-
CDBL CDS connection fee	4,500	-
Corporate action	130,183	515,141
	<b>5,816,442</b>	<b>515,141</b>
<b>36.02 Travel and accomodation</b>		
Conveyance	102,744	161,290
Traveling	27,848	18,600
Airfare	46,650	60,152
Accommodation	46,443	119,032
	<b>223,685</b>	<b>359,074</b>
<b>36.03 Training and business development</b>		
Meeting	5,130	46,332
Corporate conference	411,261	81,526
Training and development	360,225	145,650
Business development and promotional	-	25,000
Welfare	50,000	54,900
	<b>826,616</b>	<b>353,408</b>

**37 Events after reporting period**

No material event has occurred after the date of statement of financial position to the date of issue of these financial statements, which could affect the values stated in the financial statements or required disclosure in the notes.

**38 Related parties****38.01 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.

**38.02 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	2013	2012
			Taka	Taka
LankaBangla Finance Limited	Parent	Funding	1,705,997,227	932,000,000
		Interest expense	594,654,235	604,961,068
LankaBangla Securities Limited	Subsidiary of parent	Share trading settlement	559,426,575	682,426,678
		LBIL Portfolio	442,369,955	48,111,352
		LBSL Portfolio	42,928,503	119,977,839
		Brokerage commission	590,696	147,410
LankaBangla Asset Management Limited	Subsidiary of parent	LBAML Portfolio	1,087,932,196	407,208,633

**39 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 analyse 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

**39.01 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.

**39.01.01 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:

	2013 Taka	2012 Taka
Margin loan	4,604,661,409	4,160,441,200
Investments	334,054,588	53,436,475
Receivable from group entities(LBSL)	1,175,040	24,044,581
Other receivables	39,719,852	29,997,085
Cash and cash equivalents	75,571,479	38,377,677
	<b>5,055,182,367</b>	<b>4,306,297,017</b>

**39.02 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.

**39.03 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.

**40 Contingencies and commitments**

There are no contingent assets or liabilities and unrecognized contractual commitments at the date of statement of financial position.

**41 Number of employees**

The number of employees engaged for the whole year or part thereof who received total remuneration of Taka 36,000 or above per employee was 33 (2012:30).

**42 Capital expenditure commitment**

There was no capital expenditure commitment as at 31 December 2013.



## Annexure -A

**LankaBangla Investments Limited**  
 Schedule of Property, plant & equipment  
 As on 31 December 2013

	Amount in Taka					
	Office equipment	Furniture and fittings	Motor vehicles	Interior work (movable)	Interior work (immovable)	CWIP Total
<b>Cost</b>						
Balance at 1 January 2012	3,613,192	5,035,756	5,253,000	-	-	6,255,793
Acquisition/addition during the year	1,619,725	913,550	2,500,074	250,640	1,989,328	2,148,816
Transferred from CWIP	1,506,806	125,880	-	1,970,161	4,781,762	(8,384,609)
Disposal/adjustment	752,158	4,997,756	-	-	-	5,749,913
<b>Balance at 31 December 2012</b>	<b>5,987,566</b>	<b>1,077,430</b>	<b>7,753,074</b>	<b>2,220,801</b>	<b>6,771,090</b>	<b>20,000</b>
Balance at 1 January 2013	5,987,566	1,077,430	7,753,074	2,220,801	6,771,090	20,000
Acquisition/addition during the period	449,033	-	-	-	73,424	-
Transferred from CWIP	-	-	-	-	-	(20,000)
Disposal/adjustment	66,953	-	-	-	-	66,953
<b>Balance at 31 December 2013</b>	<b>6,369,646</b>	<b>1,077,430</b>	<b>7,753,074</b>	<b>2,220,801</b>	<b>6,844,514</b>	<b>-</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2012	1,811,155	958,583	1,689,031	-	-	4,458,769
Depreciation for the period	1,929,706	276,362	1,976,598	305,360	1,327,087	5,815,113
Disposal/adjustment	313,257	1,034,800	-	-	-	1,348,057
<b>Balance at 31 December 2012</b>	<b>3,427,604</b>	<b>200,145</b>	<b>3,665,629</b>	<b>305,360</b>	<b>1,327,087</b>	<b>-</b>
Balance at 1 January 2013	3,427,604	200,145	3,665,629	305,360	1,327,087	-
Depreciation for the year/period	1,274,638	220,137	1,795,768	333,153	1,465,531	5,089,228
Disposal/adjustment	66,950	-	-	-	-	66,950
<b>Balance at 31 December 2013</b>	<b>4,635,292</b>	<b>420,282</b>	<b>5,461,397</b>	<b>638,513</b>	<b>2,792,618</b>	<b>-</b>
<b>Carrying amount</b>						
At 1 January 2012	1,802,037	4,077,173	3,563,969	-	-	6,255,793
At 1 January 2013	2,559,962	877,285	4,087,445	1,915,441	5,444,003	20,000
<b>At 31 December 2013</b>	<b>1,734,354</b>	<b>657,148</b>	<b>2,291,677</b>	<b>1,582,288</b>	<b>4,051,896</b>	<b>-</b>
						<b>10,317,362</b>

**LankaBangla Investments Limited**  
Schedule of Intangibles  
As on 31 December 2013

Annexure-B

	Software	Total
	Amount in Taka	
<b>Cost</b>		
<b>Balance at 1 January 2012</b>	<b>745,654</b>	<b>745,654</b>
Acquisition/addition during the year	40,000	40,000
Disposal/adjustment	-	-
<b>Balance at 31 December 2012</b>	<b>785,654</b>	<b>785,654</b>
Balance at 1 January 2013	785,654	785,654
Acquisition/addition during the period	-	-
Disposal/adjustment	-	-
<b>Balance at 31 December 2013</b>	<b>785,654</b>	<b>785,654</b>
<b>Accumulated amortisation</b>		
Balance at 1 January 2012	37,283	37,283
Amortisation for the period	156,464	156,464
Disposal/adjustment	-	-
<b>Balance at 31 December 2012</b>	<b>193,747</b>	<b>193,747</b>
Balance at 1 January 2013	193,747	193,747
Amortisation for the period	157,131	157,131
Disposal/adjustment	-	-
<b>Balance at 31 December 2013</b>	<b>350,878</b>	<b>350,878</b>
<b>Carrying amount</b>		
At 1 January 2012	708,371	708,371
At 1 January 2013	591,907	591,907
<b>At 31 December 2013</b>	<b>434,776</b>	<b>434,776</b>





ASSET MANAGEMENT COMPANY

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**



# UHY Syful Shamsul Alam & Co

## Chartered Accountants

### Independent Auditors' Report to the Shareholders of LankaBangla Asset Management Company Limited

We have audited the accompanying financial statements of LankaBangla Asset Management Company Limited, which comprise the Statement of financial position as at 31 December 2013 and the Statement of comprehensive income for the year ended of 31 December 2013, and the related Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the year then ended 31 December 2013 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), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the LankaBangla Asset Management Company Limited's affairs as on 31

#### Corporate Office:

Paramount Heights (Level-6),  
65/2/1, Box Culvert Road,  
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Bangladesh

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December 2013 and of the results of its operations and its cash flows for the year ended 31 December 2013 and comply with the Companies Act 1994, and other applicable laws and regulations.

#### We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- the Company's statement of financial position dealt with by the report are in agreement with the books of accounts.

Dated, Dhaka;  
16 February 2014.

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



## LankaBangla Asset Management Company Limited

### Statement of Financial Position

As at 31 December 2013

	Notes	Amount in Taka	
		2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	3,430,187	126,350
Investments (Long Term)	5	739,883,934	544,803,147
<b>Total non-current assets</b>		<b>743,314,121</b>	<b>544,929,497</b>
<b>Current assets</b>			
Advances, deposits and prepayments	6	2,638,234	2,119,327
Investments (CurrentTerm)	7	49,875,337	69,076,732
Accounts receivable	8	654,090	20,013,567
Cash and cash equivalents	9	8,133,659	193,932
<b>Total current assets</b>		<b>61,301,320</b>	<b>91,403,558</b>
<b>TOTAL ASSETS</b>		<b>804,615,441</b>	<b>636,333,055</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	50,000,000	50,000,000
Share money deposit		719,951,000	545,365,212
Retained earnings		29,390,115	23,838,589
<b>Total equity</b>		<b>799,341,115</b>	<b>619,203,801</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	11	703,670	2,777,901
Provision for current tax	12	4,383,335	14,303,154
Other liabilities	13	187,321	48,199
<b>Total current liabilities</b>		<b>5,274,326</b>	<b>17,129,254</b>
<b>Total liabilities</b>		<b>5,274,326</b>	<b>17,129,254</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>804,615,441</b>	<b>636,333,055</b>

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



Chairman

■

Director



Chief Executive Officer

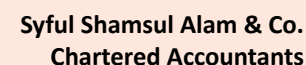
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Company Secretary

Signed as per our separate report of same date.

Place : Dhaka

Dated: 16 February 2014



## LankaBangla Asset Management Company Limited

### Statement of Comprehensive Income

For the year ended 31 December 2013

		Amount in Taka	
Notes	2013	2012	
<b>Revenue</b>	<b>13,109,477</b>	<b>25,467,267</b>	
Interest Income	7,899,893	9,069,316	14
Income from investment	5,209,584	16,397,951	15
<b>Operating expenses</b>	<b>(5,335,442)</b>	<b>(2,087,825)</b>	
Salary and allowances	2,585,187	451,951	16
Rent, taxes, insurance, electricity etc.	1,036,178	1,310,529	17
Legal & professional fees	-	-	18
Postage, stamp, telecommunication etc.	86,328	7,560	19
Stationery, printing, advertisement	71,124	12,765	20
Director fees and expenses	115,000	-	21
Audit fees	34,500	60,000	22
Charges on loan losses	-	-	
Repairs, maintenance and depreciation	576,574	193,978	23
Other expenses	830,552	51,042	24
<b>Profit before tax (PBT)</b>	<b>7,774,034</b>	<b>23,379,442</b>	
<b>Income tax income/ (expense)</b>	<b>(1,483,907)</b>	<b>(8,767,291)</b>	
Current tax income/ (expense)	1,483,907	8,767,291	
Deferred tax income/ (expense)	-	-	
<b>Profit after tax (PAT)</b>	<b>6,290,127</b>	<b>14,612,151</b>	
Other comprehensive income, net of tax	-	-	
<b>Total comprehensive income</b>	<b>6,290,127</b>	<b>14,612,151</b>	
Earnings Per Share (EPS)			25
Basic	12.58	29.22	
Diluted	12.58	29.22	

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



Chairman



Director



Chief Executive Officer



Company Secretary

Signed as per our separate report of same date.

Place : Dhaka  
Dated: 16 February 2014

Syful Shamsul Alam & Co.  
Chartered Accountants




## LankaBangla Asset Management Company Limited

### Statement of Changes in Equity

For the year ended 31 December 2013

	Amount in Taka			
	Share Capital	Share Money Deposit	Retained Earnings	Total Equity
<b>Balance at 01 January 2012</b>	50,000,000	-	9,226,438	59,226,438
<b>Changes in equity for 2012</b>	-	545,365,212		545,365,212
Total comprehensive income for the year	-	-	14,612,151	14,612,151
<b>Balance at 31 December 2012</b>	<b>50,000,000</b>	<b>545,365,212</b>	<b>23,838,589</b>	<b>619,203,801</b>
<b>Changes in equity for 2013</b>				-
Share money deposit	-	174,585,788	-	174,585,788
Total comprehensive income for the year	-	-	6,290,127	6,290,127
Adjustment in Retained Earnings	-	-	(738,601)	(738,601)
<b>Balance at 31 December 2013</b>	<b>50,000,000</b>	<b>719,951,000</b>	<b>29,390,115</b>	<b>799,341,115</b>

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

  
Chairman

  
Director

  
Chief Executive Officer

  
Company Secretary

Place: Dhaka  
Dated: 16 February 2014

## LankaBangla Asset Management Company Limited

### Statement of Cash Flows

For the year ended 31 December 2013

	Amount in Taka	
	2013	2012
<b>Cash Flows from Operating Activities</b>		
Interest received	9,838,072	8,541,988
Realized capital gain	5,196,784	75,326
Dividend received	13,067,840	-
Paid to employee	(2,387,912)	(334,750)
Advance and prepayment	(1,500,000)	(28,773)
Bank charges paid	(35,815)	(2,042)
Withholding Tax and VAT payment	(384,048)	(854,199)
Tax paid	(6,019,875)	-
Other operating expenses paid	(4,445,075)	(49,000)
<b>Net cash used in operating activities</b>	<b>13,329,971</b>	<b>7,348,550</b>
<b>Cash Flows from Investing Activities</b>		
Investments in securities and FDR	(179,937,443)	(553,731,819)
Realized gain from investments	-	-
Acquisition of fixed assets	(3,000,654)	-
<b>Net Cash used in Investing Activities</b>	<b>(182,938,097)</b>	<b>(553,731,819)</b>
<b>Cash Flows from Financing Activities</b>		
Proceed from share money deposit	174,585,788	545,365,212
<b>Net Cash flow from Financing Activities</b>	<b>174,585,788</b>	<b>545,365,212</b>
Net increase in Cash and Cash Equivalents	7,939,727	(1,018,057)
Cash & Cash Equivalent as on 01 January 2012	193,932	1,211,989
<b>Cash &amp; Cash Equivalent as on 31 December 2013</b>	<b>8,133,659</b>	<b>193,932</b>

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



Chairman

■

Director



Chief Executive Officer

■ ■

Company Secretary

Signed as per our separate report of same date.

Place : Dhaka

Dated: 16 February 2014



# LankaBangla Asset Management Company Limited

## Notes to the Financial Statements

For the year ended 31 December 2013

### 1 Reporting entity

#### 1.1 Company profile

LankaBangla Asset Management Company Limited was incorporated with the Registrar of Joint Stock Companies (RJSC) vide registration no. C-67738(289)/2007 dated 16 July 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.

#### 1.2 Nature of business

The principal activities of the Company include the following:

- 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.
- To float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being as relevant rules.
- To manage and administer mutual fund, provident fund, pension fund for purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise relevant rules and regulation permit.

### 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 (Taka/Tk), which is the Company's functional currency. All financial information presented in Taka have 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 1 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:

<b>BAS</b>	<b>1</b>	Presentation of Financial Statements
<b>BAS</b>	<b>7</b>	Cash Flow Statements
<b>BAS</b>	<b>8</b>	Accounting policies, Changes in Accounting Estimates and Errors
<b>BAS</b>	<b>10</b>	Events after the Balance Sheet date
<b>BAS</b>	<b>12</b>	Income Taxes
<b>BAS</b>	<b>16</b>	Property, Plant and Equipment
<b>BAS</b>	<b>17</b>	Leases
<b>BAS</b>	<b>18</b>	Revenue
<b>BAS</b>	<b>19</b>	Employee Benefit
<b>BAS</b>	<b>23</b>	Borrowing Costs
<b>BAS</b>	<b>24</b>	Related Party Disclosures
<b>BAS</b>	<b>32</b>	Financial Instrument: Presentation
<b>BAS</b>	<b>33</b>	Earnings per Share
<b>BAS</b>	<b>37</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>BAS</b>	<b>39</b>	Financial Instrument: Recognition and Measurement

### 3 Significant accounting policies

#### 3.1 Property, plant & equipment

##### 3.1.1 Recognition and measurement

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.

### 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 year of disposal.

Rates of depreciation of assets considering their useful lives are as follows:

Category of assets	Rate of Depreciation
Furniture & Fixtures	15%
Office equipment	20%
Computer Equipments	33%
Electric Equipments	20%
IT Equipments	33%

## 3.2 Investment

Investment in securities is measured at cost.

### 3.3 Revenue recognition

a) Interest income is calculated on a time proportion basis.

b) Dividend income is recognized on the declaration of dividend and subsequently approved in the Annual General Meeting.

c) Gain/losses arising on sale of investment are included in the statement of comprehensive income on the day at which transaction takes place.

## 3.4 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.

## 3.5 Taxation

### 3.5.1 Current Tax

The Company has made income tax provision for quarter concerned as per Finance Act 2013 and also in compliance with Bangladesh Accounting Standards-12 (BAS-12: Income Taxes).

## 3.6 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.

## 3.7 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".

## 3.8 Earning 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.

## 3.9 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 has been calculated by dividing the net profit or loss by the number of ordinary shares outstanding during the period.





		Amount in Taka	
		2013	2012
<b>4.00</b>	<b>Property, plant and equipment</b>		
	Opening balance	505,400	1,025,400
	Add: Addition during the period	3,748,524	-
		<b>4,253,924</b>	<b>1,025,400</b>
	Less: Disposal during the period	-	-
	Closing balance	<b>4,253,924</b>	<b>1,025,400</b>
	<b>Less: Accumulated depreciation</b>		
	Opening balance	379,050	719,240
	Add: Charged during the period	444,687	179,810
		<b>823,737</b>	<b>899,050</b>
	Less: Adjustment	-	-
	Closing balance	<b>823,737</b>	<b>899,050</b>
	<b>Carrying amount</b>	<b>3,430,187</b>	<b>126,350</b>
A schedule of Property, plant and equipment is given in Annexure-A.			
<b>5.00</b>	<b>Investment (Long Term)</b>		
	Strategic equity investment in non-listed company (note 5.01)	731,136,283	544,803,147
	Strategic equity investment in listed company (note 5.02)	8,747,651	-
		<b>739,883,934</b>	<b>544,803,147</b>
<b>5.01</b>	<b>Strategic equity investment in non-listed company</b>		
	<b>Particulars</b>	<b>No of Shares</b>	<b>Cost Price</b>
	LankaBangla Securities Limited	9,890,000	731,136,283
			Market Price
			N/A
			<b>731,136,283</b>
<b>5.02</b>	<b>Strategic equity investment in listed company</b>		
	<b>Particulars</b>	<b>No of Shares</b>	<b>Cost Price</b>
	Eastern Cables	100,000	8,747,651
			Market Price
			8,380,000
			<b>8,747,651</b>
			<b>8,380,000</b>
<b>6.00</b>	<b>Advances, Deposits and Prepayments</b>		
	<b>Advances</b>		
	Advance income tax	1,096,234	2,119,327
		<b>1,096,234</b>	<b>2,119,327</b>
	<b>Prepayments (Note 6.01)</b>		
		1,542,000	-
		<b>1,542,000</b>	<b>-</b>
		<b>2,638,234</b>	<b>2,119,327</b>
<b>6.01</b>	<b>Prepayments</b>		
	Advance office rent	450,000	-
	Advance for software	1,092,000	-
		<b>1,542,000</b>	<b>-</b>
<b>7.00</b>	<b>Investments (Current Term)</b>		
	Fixed Depository Receipts in LankaBangla Finance Limited	48,688,000	61,039,341
	Investments held for trading (note 7.01)	1,187,337	8,037,391
		<b>49,875,337</b>	<b>69,076,732</b>

**7.01 Investments held for trading**

Particulars	No of Shares	Cost Price	Market Price
Argon Denims Ltd.	120	4,487	11,388
Envoy Textiles Ltd.	30	1,568	1,629
Jamuna Oil Co. Ltd.	22	3,891	4,220
Padma Oil	55	10,134	13,877
Saiham Textile	33,900	1,051,578	966,150
Shahjalal Islami Bank Ltd.	2,430	48,578	39,312
Summit Purbanchol Power Co.	2,000	67,101	61,600
		<b>1,187,337</b>	<b>1,098,175</b>

**8.00 Accounts receivable**

Interest receivable	654,090	3,690,942
Dividend receivable	-	16,322,625
	<b>654,090</b>	<b>20,013,567</b>

**9.00 Cash and cash equivalent**

Cash in hand	18,762	4,500
Cash at Dhaka Bank Limited (A/C No: 206.150.1590)	5,899,911	189,432
Cash at One Bank Limited (A/C No: 018 1020001469)	8,600	-
Balance available for Long-Term Investment	10,716	-
Balance available for share trading	2,195,670	-
	<b>8,133,659</b>	<b>193,932</b>

**10.00 Share Capital**

Authorized Capital		
500,000 Ordinary Shares of Tk. 100 each	<b>50,000,000</b>	<b>50,000,000</b>
500,000 Ordinary Shares of Tk. 100 each fully paid up	<b>50,000,000</b>	<b>50,000,000</b>

**Detail of Shareholding Position of the Company**

Name of the Sponsor & Directors Shareholders	No. of Shares		
LankaBangla Finance Limited	499,990	49,999,000	49,999,000
Mr. Mahbubul Anam	9	900	900
Mr. A. Malek Shamsher	1	100	100
	<b>500,000</b>	<b>50,000,000</b>	<b>50,000,000</b>

**11.00 Accounts payable**

Provision for audit fees	39,100	60,000
Outstanding expenses	43,470	4,055
Payable to LankaBangla Finance for outstanding rent	-	2,713,846
Payable to supplier	621,100	-
	<b>703,670</b>	<b>2,777,901</b>

**12.00 Provision for Current Tax**

Opening balance	14,303,154	5,535,863
Provision made during the year	1,483,907	8,767,291
Adjustment for prior year	11,403,726	-
Closing balance	<b>4,383,335</b>	<b>14,303,154</b>

**13.00 Other Liabilities**

Withholding Tax payable	1,812	14,800
Withholding VAT payable	900	1,665
Payable to employees' provident fund	184,609	31,734
	<b>187,321</b>	<b>48,199</b>

**14.00 Interest income**

Interest on term deposit	7,650,763	8,948,056
Interest on short term deposit (STD) account	249,130	121,260
	<b>7,899,893</b>	<b>9,069,316</b>



<b>15.00</b>	<b>Income from investment</b>		
	Net income on sale of securities	5,196,784	75,326
	Dividend Income	12,800	16,322,625
		<b>5,209,584</b>	<b>16,397,951</b>
<b>16.00</b>	<b>Salary and allowances</b>		
	Salary and allowances	2,316,750	389,834
	Provident fund contribution	76,438	15,867
	Festival allowances	192,000	46,250
		<b>2,585,187</b>	<b>451,951</b>
<b>17.00</b>	<b>Rent, taxes, insurance, electricity etc.</b>		
	Office rent	899,880	1,310,529
	Office service charge	49,000	-
	Insurance premium	39,870	-
	Electricity	47,428	-
		<b>1,036,178</b>	<b>1,310,529</b>
<b>18.00</b>	<b>Legal and professional fees</b>	-	-
<b>19.00</b>	<b>Postage, stamp, telecommunication etc.</b>		
	Postage and courier	-	-
	Conveyance	48,887	-
	Telephone and mobile bill	37,441	7,560
		<b>86,328</b>	<b>7,560</b>
<b>20.00</b>	<b>Stationery, printing, advertisement</b>		
	Printing and stationery	71,124	12,765
	Advertisement	-	-
		<b>71,124</b>	<b>12,765</b>
<b>21.00</b>	<b>Director fees and expenses</b>	115,000	-
		<b>115,000</b>	-
<b>22.00</b>	<b>Audit fees</b>	<b>34,500</b>	<b>60,000</b>
<b>23.00</b>	<b>Repairs, maintenance and depreciation</b>		
	Repairs and maintenance	131,887	14,168
	Depreciation	444,687	179,810
	Amortization	-	-
		<b>576,574</b>	<b>193,978</b>
<b>24.00</b>	<b>Other expenses</b>		
	Bank charges, excise duty and others	39,980	21,042
	Interest expenses	425,540	-
	Regulatory fees and charges	32,150	30,000
	Cleaning and maintenance	93,939	-
	Data connectivity charge	39,300	-
	Training fee	8,000	-
	Entertainment expense	19,891	-
	Office relocation expenses	59,685	-
	Security services	87,317	-
	Miscellaneous	24,751	-
		<b>830,552</b>	<b>51,042</b>
<b>25.00</b>	<b>Earnings per Share (EPS):</b>		
	Net profit after Tax	6,290,127	14,612,151
	Number of Ordinary Shares Outstanding (Note: 25.01)	500,000	500,000
	<b>Earnings Per Share (EPS)</b>	<b>12.58</b>	<b>29.22</b>

Earnings per Share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".



**25.01 Number of Ordinary Shares Outstanding**

Balance on 01 January

500,000

500,000

Right share issued

-

-

**Number of shares outstanding****500,000****500,000****26.00 Events after reporting period**

There are no events after reporting period.

**27.00 Related party disclosures**

For LankaBangla Asset Management the related parties are LankaBangla Finance, LankaBangla Securites, and LankaBangla Investments Ltd. Among this related parties we maintain all our FDR and TDR investments with LankaBangla Finance Ltd. We maintain our strategic equity investments in LankaBangla Investments's IPA scheme which had a ledger balance of Tk 10,715.75 as at December 31, 2013.

**LankaBangla Asset Management Company Limited**  
Property, plant and equipment

Annexure-A

For the year ended on 31 december 2013

Particulars	COST				DEPRECIATION				Written down value as at 31.12.2012	
	Balance as at 01.01.2013	Addition during the year	Disposal/ Adjustment during the year	Balance as at 31.12.2013	Rate %	Balance as at 01.01.2013	Charged during the year	Disposal/ Adjustment during the year		Balance as at 31.12.2013
Furniture & Fittings	505,400	2,809,780	-	3,315,180	15	379,050	286,544	-	665,594	2,649,586
Office Equipment	520,000	88,840	520,000	88,840	20	520,000	7,580	520,000	7,580	81,260
Computer Equipments	-	184,908	-	184,908	33	-	49,213	-	49,213	135,695
Electric Equipments	-	221,556	-	221,556	20	-	26,798	-	26,798	194,758
IT Equipments	-	443,440	-	443,440	33	-	74,551	-	74,551	368,889
<b>Total:</b>	<b>1,025,400</b>	<b>3,748,524</b>	<b>520,000</b>	<b>4,253,924</b>		<b>899,050</b>	<b>444,687</b>	<b>520,000</b>	<b>823,737</b>	<b>3,430,187</b>
<b>Year-2012:</b>	<b>1,025,400</b>	<b>-</b>	<b>-</b>	<b>1,025,400</b>		<b>719,240</b>	<b>179,810</b>	<b>-</b>	<b>899,050</b>	<b>126,350</b>

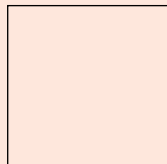


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 Fax: +881 0998, E-mail: info@lankabangla.com

### Proxy Form

I/We .....  
 of .....  
 being a shareholders of LankaBangla Finance limited do hereby appointment Mr./Mrs. ....  
 of .....  
 (or failing) Mr./Mrs. ....  
 of ..... as my/our Proxy to attend  
 and vote on my/our behalf at the 17th Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held  
 on March 31, 2014, Monday at 11:00 a.m. at Spectra Convention Centre, House no. 19, Road No. 07, Gulshan-1, Dhaka-1212 or  
 at any adjournment thereof or any ballot to be taken in consequence thereof.

Signed this ..... day of March, 2014



(Signature of the Proxy)

Signature of the Shareholder(s)

BO ID No. ....

No. of shares being held .....

**Notes:**

- This Form of Proxy, duly completed must be deposited at least 72:00 hours before the meeting at the Company’s Registered Office. Proxy is invalid if not signed and stamped as indicated above.
- Signature of the Shareholder should agree with the specimen signature registered with the Company



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### Attendance Slip

I/We hereby record my/our attendance at the 17th Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on March 31, 2014, Monday at 11:00 a.m. at Spectra Convention Centre, House no. 19, Road No. 07, Gulshan-1, Dhaka-1212.

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.



**LankaBangla Finance Limited**

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