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## Independent Auditor's Report

To the shareholders of  
LankaBangla Finance Limited

We have audited the accompanying consolidated financial statements of LankaBangla Finance Limited and its Subsidiaries (the "Group") as well as the separate financial statements of LankaBangla Finance Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2016, the consolidated and the separate profit and loss account, statement of changes in equity, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation of the consolidated financial statements of the Group and also the separate financial statements of the Company that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules 1987 and other applicable laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements of the Group and the separate financial statements of the Company are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and the separate financial statements of the Company. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and separate financial statements of the Company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements of the Group and separate financial statements of the Company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and also the separate financial statements of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2016, and of the consolidated and the separate financial performance and cash flows of the Group and the Company for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and

comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### Report on Other Legal and Regulatory Requirements

We also report that:

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;
- 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;
- The consolidated balance sheet and the consolidated profit and loss account of the Group and the separate balance sheet and the separate profit and loss account of the Company together with annexed notes from 1 to 40 dealt with by the report are in agreement with the books of account;
- The expenditure incurred was for the purpose of the Group and the Company's business;
- The consolidated financial statements of the Group and those of the Company 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 to the extent applicable to the Company;
- The record submitted by the parent company and the subsidiary companies have been audited and consolidated properly in the financial statements;
- The records and accounts of the branches have been properly maintained and consolidated in the financial statements;
- Adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- Statements sent to Bangladesh Bank have been checked on a sample basis and no inaccuracy has come to our attention;
- Taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;
- Nothing has come to our attention that the Company has adopted any unethical means i.e. "window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- Proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank and other regulatory authorities have been complied properly;
- The internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- The Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/ leases found satisfactory;
- The consolidated financial statements of the Group and the separate financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- We have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,650 person hours for the audit of books and accounts of the Group and the Company; and
- All other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report;

Dhaka,  
13 February 2017

BAKER TILLY  
INTERNATIONAL

## Consolidated Balance Sheet

As at 31 December 2016

	31.12.2016	31.12.2015
	Taka	Taka
<b>PROPERTY AND ASSETS</b>		
<b>Cash</b>	<b>700,351,241</b>	<b>516,273,295</b>
Cash in hand (including foreign currencies)	786,380	334,081
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	699,564,861	515,939,214
<b>Balance with other banks and financial institutions</b>	<b>4,343,232,588</b>	<b>1,427,389,298</b>
Inside Bangladesh	4,343,232,588	1,427,389,298
Outside Bangladesh	-	-
<b>Money at call and short notice</b>	<b>-</b>	<b>-</b>
<b>Investment</b>	<b>5,036,650,257</b>	<b>4,372,854,794</b>
Government securities	-	-
Other investments	5,036,650,257	4,372,854,794
<b>Leases, loans and advances</b>	<b>51,244,299,783</b>	<b>41,819,015,931</b>
Loans, cash credit and overdraft etc.	51,244,299,783	41,819,015,931
Bills discounted and purchased	-	-
<b>Fixed assets including land, building, furniture and fixtures</b>	<b>1,429,556,859</b>	<b>1,291,853,287</b>
<b>Other assets</b>	<b>1,181,066,060</b>	<b>1,020,498,293</b>
<b>Non-Banking assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROPERTY AND ASSETS</b>	<b>63,935,156,789</b>	<b>50,447,884,897</b>
<b>LIABILITY AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Borrowings from Bangladesh Bank, other banks and financial institutions</b>	<b>10,874,998,487</b>	<b>9,006,817,980</b>
<b>Deposits and other accounts</b>	<b>40,148,492,755</b>	<b>30,106,707,729</b>
Current deposits and other accounts etc.	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits	40,033,189,441	29,991,564,599
Bearer certificate of deposits	-	-
Other deposits	115,303,314	115,143,130
<b>Other liabilities</b>	<b>6,140,234,836</b>	<b>4,985,106,251</b>
<b>TOTAL LIABILITIES</b>	<b>57,163,726,078</b>	<b>44,098,631,960</b>
<b>Shareholders' Equity</b>	<b>6,686,609,319</b>	<b>6,261,793,994</b>
Paid up capital	2,767,399,490	2,406,434,340
Share premium	1,090,888,800	1,090,888,800
Statutory reserve	1,202,043,919	987,633,085
General reserve	46,768,017	53,849,069
Retained earnings	1,579,509,093	1,722,988,700
<b>Non controlling interest</b>	<b>84,821,392</b>	<b>87,458,943</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>63,935,156,789</b>	<b>50,447,884,897</b>
<b>OFF-BALANCE SHEET ITEMS</b>		
<b>CONTINGENT LIABILITIES</b>		
Acceptances and endorsements	-	-
Letter of guarantee	241,148,846	-
Irrevocable letters of credit	-	-
Bill for collection	-	-
Other contingent liabilities	-	-
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>241,148,846</b>	<b>-</b>
<b>OTHER COMMITMENTS</b>		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	6,156,822,112	6,607,801,622
<b>TOTAL OTHER COMMITMENTS</b>	<b>6,156,822,112</b>	<b>6,607,801,622</b>
<b>TOTAL OFF BALANCE SHEET ITEMS</b>	<b>6,397,970,958</b>	<b>6,607,801,622</b>

	2016	2015
	Taka	Taka
<b>Operating Income</b>		
Interest income	5,661,544,246	4,787,247,300
Less: Interest expenses on deposits & borrowings	3,964,079,328	3,714,884,740
Net interest income	1,697,464,918	1,072,362,560
Income from investment	483,526,596	436,307,012
Commission, exchange and brokerage income	566,226,015	562,067,448
Other operational income	599,634,180	450,938,098
<b>Total operating income</b>	<b>3,346,851,709</b>	<b>2,521,675,118</b>
<b>Operating Expenses</b>		
Salary and allowances	987,348,613	821,578,089
Rent, taxes, insurance, electricity etc.	187,066,477	159,808,261
Legal and professional fees	30,013,397	19,744,690
Postage, stamp, telecommunication etc.	20,638,151	17,006,908
Stationery, printing, advertisement	47,485,747	40,167,644
Managing director's salary and allowance	17,489,000	16,775,264
Director fees and expenses	2,591,389	1,822,127
Audit fees	1,227,625	667,584
Charges on loan losses	-	-
Repairs, maintenance and depreciation	123,478,392	109,543,227
Other expenses	587,201,180	424,855,180
<b>Total operating expenses</b>	<b>2,004,539,970</b>	<b>1,611,968,795</b>
<b>Net Operating Income</b>	<b>1,342,311,739</b>	<b>909,706,343</b>
<b>Provisions for loans, investments and other assets</b>	<b>395,649,328</b>	<b>376,862,732</b>
Provisions for leases and loans	199,224,797	132,649,299
Provision for margin loan	313,531,665	280,292,635
Provision for diminution in value of investments	(117,107,133)	(27,138,202)
General provision for other assets	-	(8,941,000)
<b>Profit before tax and reserve</b>	<b>946,662,411</b>	<b>532,843,411</b>
<b>Provision for tax made during the year</b>	<b>151,019,485</b>	<b>111,914,896</b>
Deferred tax expense or (income)	148,304,531	111,998,262
	2,714,954	(83,366)
<b>Net profit after tax</b>	<b>795,642,925</b>	<b>420,928,514</b>
<b>Attributed to</b>		
Shareholders of the Company	795,521,340	424,536,041
Non controlling interest	121,585	(3,607,526)
	<b>795,642,925</b>	<b>420,928,514</b>
<b>Appropriations</b>	<b>207,329,782</b>	<b>207,109,893</b>
Statutory reserve	214,410,834	206,002,705
General reserve	(7,081,053)	1,107,188
<b>Retained surplus</b>	<b>588,191,558</b>	<b>217,426,148</b>
<b>Earnings Per Share (2015 restated)</b>	<b>2.87</b>	<b>1.53</b>

## Consolidated Profit and Loss Account

For the year ended 31 December 2016

	2016	2015
	Taka	Taka
<b>Operating Income</b>		
Interest income	5,661,544,246	4,787,247,300
Less: Interest expenses on deposits & borrowings	3,964,079,328	3,714,884,740
Net interest income	1,697,464,918	1,072,362,560
Income from investment	483,526,596	436,307,012
Commission, exchange and brokerage income	566,226,015	562,067,448
Other operational income	599,634,180	450,938,098
<b>Total operating income</b>	<b>3,346,851,709</b>	<b>2,521,675,118</b>
<b>Operating Expenses</b>		
Salary and allowances	987,348,613	821,578,089
Rent, taxes, insurance, electricity etc.	187,066,477	159,808,261
Legal and professional fees	30,013,397	19,744,690
Postage, stamp, telecommunication etc.	20,638,151	17,006,908
Stationery, printing, advertisement	47,485,747	40,167,644
Managing director's salary and allowance	17,489,000	16,775,264
Director fees and expenses	2,591,389	1,822,127
Audit fees	1,227,625	667,584
Charges on loan losses	-	-
Repairs, maintenance and depreciation	123,478,392	109,543,227
Other expenses	587,201,180	424,855,180
<b>Total operating expenses</b>	<b>2,004,539,970</b>	<b>1,611,968,795</b>
<b>Net Operating Income</b>	<b>1,342,311,739</b>	<b>909,706,343</b>
<b>Provisions for loans, investments and other assets</b>	<b>395,649,328</b>	<b>376,862,732</b>
Provisions for leases and loans	199,224,797	132,649,299
Provision for margin loan	313,531,665	280,292,635
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<b>Profit before tax and reserve</b>	<b>946,662,411</b>	<b>532,843,411</b>
<b>Provision for tax made during the year</b>	<b>151,019,485</b>	<b>111,914,896</b>
Deferred tax expense or (income)	148,304,531	111,998,262
	2,714,954	(83,366)
<b>Net profit after tax</b>	<b>795,642,925</b>	<b>420,928,514</b>
<b>Attributed to</b>		
Shareholders of the Company	795,521,340	424,536,041
Non controlling interest	121,585	(3,607,526)
	<b>795,642,925</b>	<b>420,928,514</b>
<b>Appropriations</b>	<b>207,329,782</b>	<b>207,109,893</b>
Statutory reserve	214,410,834	206,002,705
General reserve	(7,081,053)	1,107,188
<b>Retained surplus</b>	<b>588,191,558</b>	<b>217,426,148</b>
<b>Earnings Per Share (2015 restated)</b>	<b>2.87</b>	<b>1.53</b>

Dhaka,  
13 February 2017

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	Taka	Taka
<b>A) Cash flows from operating activities</b>		
Interest received	5,643,928,216	4,799,308,668
Interest paid	(3,736,524,929)	(3,467,162,403)
Dividend received	267,597,867	95,159,729
Fees and commission received	919,862,071	824,411,542
Income from investment	294,121,128	360,880,032
Cash paid to employees (including directors)	(1,020,466,579)	(911,853,695)
Cash paid to suppliers	(101,908,389)	(45,047,728)
Income taxes paid	(235,715,801)	(175,648,515)
Received from other operating activities	242,891,136	192,876,080
Paid for other operating activities	(794,659,621)	(648,868,906)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>1,479,125,099</b>	<b>1,024,054,804</b>
<b>Increase/ (decrease) in operating assets &amp; liabilities</b>		
Loans and advances to customers	(9,799,853,088)	(11,422,563,595)
Other assets	(183,113,452)	232,254,283
Deposits from customers	10,041,785,026	13,346,155,086
Other liabilities	957,913,557	(213,963,774)
<b>Total increase/ (decrease) in operating assets &amp; liabilities</b>	<b>1,016,732,044</b>	<b>1,941,881,999</b>
<b>Net cash flow from operating activities</b>	<b>2,495,857,143</b>	<b>2,965,936,804</b>
<b>B) Cash flows from investing activities</b>		
Investment in securities	(543,795,463)	38,337,117
Net proceeds from Treasury bills	-	1,009,100,000
Purchase of property, plant and equipment	(244,124,515)	(862,872,237)
Investment in commercial paper	(120,000,000)	(580,000,000)
Sales proceeds of fixed assets	8,984,971	28,799,486
<b>Net cash used in investing activities</b>	<b>(898,935,006)</b>	<b>(366,635,634)</b>
<b>C) Cash flows from financing activities</b>		
Drawdown of term loan, overdraft and REPO	1,868,180,506	(2,704,656,335)
Dividend paid	(365,181,408)	(192,410,992)
<b>Net cash flow from/(used in) financing activities</b>	<b>1,502,999,099</b>	<b>(2,897,067,328)</b>
<b>D) Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>3,099,921,236</b>	<b>(297,766,158)</b>
<b>E) Cash and cash equivalents at the beginning of the year</b>	<b>1,943,662,593</b>	<b>2,241,428,751</b>
<b>F) Cash and cash equivalents at the end of the year</b>	<b>5,043,583,829</b>	<b>1,943,662,593</b>
<b>* Closing cash and cash equivalents</b>		
Cash in hand (including foreign currencies)	786,380	334,081
Balance with Bangladesh Bank and its agent bank (s)	699,564,861	515,939,214
<b>Balance with other banks and financial institutions</b>	<b>4,343,232,588</b>	<b>1,427,389,298</b>
<b>Balance with other banks and financial institutions</b>	<b>5,043,583,829</b>	<b>1,943,662,593</b>

Dhaka,  
13 February 2017

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Particulars	Amount in Taka						
	Share Capital	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total	Non Controlling Interest
Balance as at 01 January 2016	2,406,434,340	1,090,888,800					