

STATEMENT OF CORPORATE GOVERNANCE

1. Overview

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

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

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

2. Framework and Regulations Applied

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

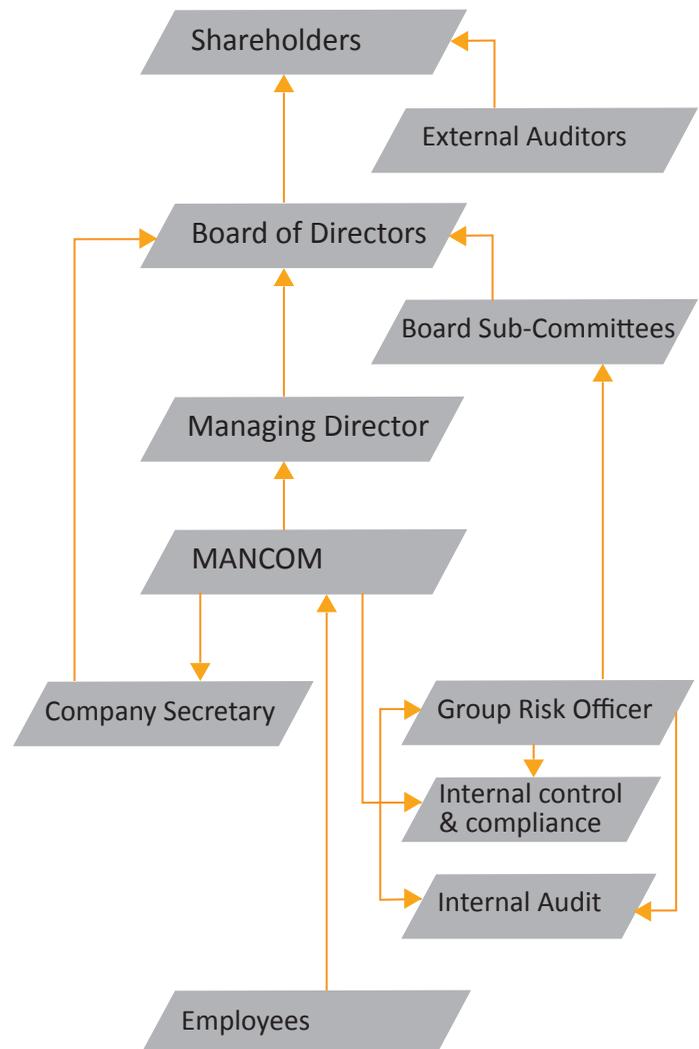
The following Acts, Regulations and Circulars have been used:

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

The following internal principles and guidelines have been followed;

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

3. Corporate Governance Structure



4. Governance Systems



5. Key Activities of the Board in 2016

5.1 Strategy

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

5.2 Operational and Financial Performance

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

5.3 Governance and Risk

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

5.4 Capital Adequacy

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

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

6. Functioning of the Board and its Governance Processes

6.1 Board Composition and Frequency

The present Board comprises of ten non-executive directors of whom four are nominee directors and two are independent directors. This number is appropriate for the current scope of the company's operations. The Board meets not less than four times in any given

calendar year, with at least one meeting per quarter.

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

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

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

6.2 Selection and Term of Appointment of New Director

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

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

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

6.3 Independence of Directors

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

Independent directors of LankaBangla bring their special

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

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

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

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

6.5 Retirement and Re-election of Directors

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

6.6 Learning and Development Program of Directors

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

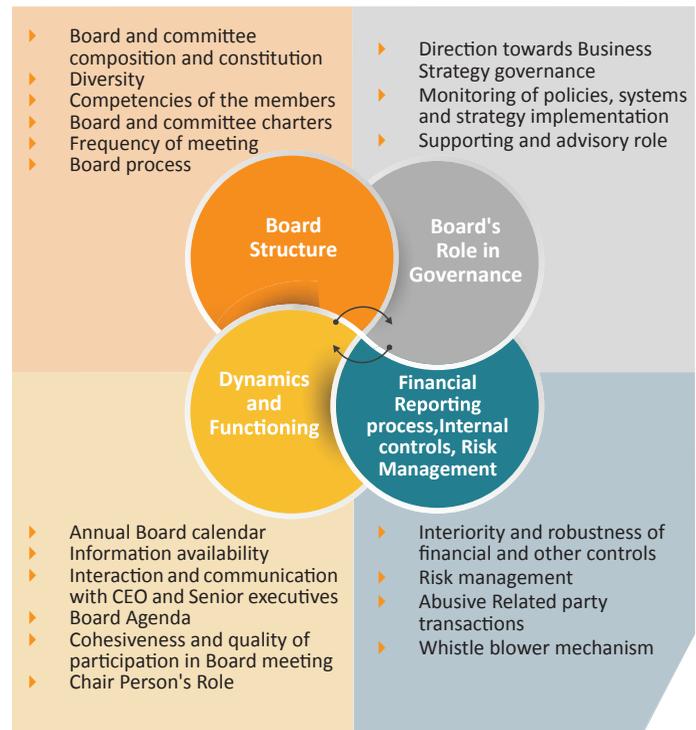
The Chairman ensures that all Directors receive a complete formal induction on joining the Board, facilitated by the MANCOM members which includes:

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

6.7 Appraisal of Performance of the Board

The Board performs three major roles in LankaBangla- it provides direction (i.e. sets the strategic direction of the company), it controls

(i.e. monitors the management), and provide support and advice. Board evaluation examines these roles of the Board and the entailing of responsibilities, and how effectively these are fulfilled by the Board. Appraisal of the performance of the Board is conducted considering the following parameters:



6.8 Directors' Remuneration

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

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

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

6.9 Annual Evaluation of Managing Director by the Board

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

6.10 Board Role and Responsibilities

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

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

Broadly, the responsibilities of the Board includes the following:

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

6.11 Chairman of the Board of Directors

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

6.12 Role of the Chairman

The Chairman leads the Board. The Chairman serves as the primary link between the Board and management, and works with the Managing Director and the Company Secretary to set the agenda

for Board meetings. It is the Chairman's responsibility to provide leadership to the board and ensure that the Board works effectively and discharges its responsibility as directors of the Company.

6.13 Separation of the role of Chairman and the Managing Director

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

6.13.1 The Chairman's responsibilities include

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

6.13.2 The Managing Director's responsibilities include

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

6.14 IT Governance

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

6.15 Ethical Standard - Dealings in Securities

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

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

6.16 Whistle Blowing Policy

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

6.17 Communication and Relationship with Stakeholders

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

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

The Company embraces and commits to fair, transparent and

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

6.17.1 Communication through Quarterly Reports

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

6.17.2 Communication through Annual General Meeting (AGM)

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

6.17.3 Communication through Digital Media

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

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

7. Board and Board Committees

7.1 Board

7.1.1 Members and 2016 Meeting Attendances

Members and 2016 Meeting Attendances

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

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

7.1.2 Summary of Key Terms of Reference

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

7.2 Audit Committee

7.2.1 Members and 2016 Meeting Attendances

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

7.2.2 Summary of key terms of reference:

7.2.2.1 External audit

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

7.2.2.2 Internal Audit and Financial Crime

- ▶ Reviews, approves and monitors the internal audit plan
- ▶ Reviews and approves the internal audit charter as per the board's delegated authority
- ▶ Considers and reviews the internal auditors' significant findings and management's response
- ▶ Annually re-evaluates the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system

- ▶ Reviews the reports and activities of the financial crime to ensure the mitigation and control of fraud and related risks.

7.2.2.3 Compliance

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

7.2.2.4 Financial Reporting and Financial Controls

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

7.2.2.5 Risk Management

- ▶ Reviews the quarterly risk management report noting all significant financial and non-financial risks that may have an impact on the group.

- ▶ Considers any significant matters raised at RMC meetings.

7.2.2.6 Information Technology

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

7.2.3 Summary of Key Focus Areas in 2016

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

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

7.3 Executive Committee

7.3.1 Members and 2016 Meeting Attendances

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

7.3.2 Summary of Key Terms of Reference

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

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

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

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

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

7.3.3 Summary of Key Focus Areas in 2016

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

8. Management Committees

8.1 Management Committee (MANCOM)

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

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

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

8.2 Risk Management Forum

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

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

8.3 Management Credit Committee

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

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

8.4 Asset Liability Committee (ALCO)

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

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

8.5 Central Compliance Unit (Anti Money Laundering Committee)

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

8.6 IT Development Committee

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

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

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

8.7 Human Resource Committee

The objectives of HRC are as follows:

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

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

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

8.8 BASEL II Implementation Committee

The objectives of BASEL II are as follows:

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

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

8.9 Purchase Committee

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

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

8.10 Internal Control and Compliance Committee

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

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

8.11 Capital Market Operations Committee

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

8.12 Green Banking Unit

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

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

8.13 Integrity Committee

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

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

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

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





23 February 2017

Our Ref: 01/02/2017

LankaBangla Finance Limited

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

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

Dear Sir,

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

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

Thanking you.

Yours faithfully,

MMH & Co.,
Chartered Accountants



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

(Report under Condition Number 7.00)

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

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

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

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

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

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

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

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

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

Compliance of Section 1.5(xx)

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

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

Notes:

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

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

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

Notes:

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



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

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

Notes:

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

Compliance of Section 1.5(xxi)

The Pattern of Shareholding

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

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

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

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

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

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

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

BOARD AUDIT COMMITTEE REPORT

1. The Composition of the Committee

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

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

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

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

2. The Charter of the Audit Committee

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

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

3. Terms of Reference

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

4. Roles and responsibilities of the Audit Committee

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

The main objective of the Audit Committee is to assist the Board of Directors to effectively carry on its responsibilities relating

to financial and other connected affairs of LankaBangla. The Committee is empowering to monitor, review and examine:

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

5. Meetings

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

6. Activities

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

6.1 Financial Reporting

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

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

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

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

6.2 Regulatory Compliance

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

6.3 Identification of Risk and Control measures

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

6.4 Corporate Governance Report

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

6.5 Internal Audit Function

The Audit Committee approves the terms of reference of internal audit and reviews the effectiveness of the internal audit function. In line with leading practice, it to provide

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

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

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

6.6 External Audit

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

6.7 Internal Controls

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

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

6.8 Ethics and Good Governance

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

6.9 Bangladesh Accounting Standards

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

6.10 Appointment of the External Auditor

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

7. Evaluation of the Committee

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



Al-Mamoon Md. Sanaul Huq
Chairman – Audit Committee

Dhaka
13 February, 2017