

Nurturing growth,
achieving distinction

Integrated
Report
2015



Growing Together...

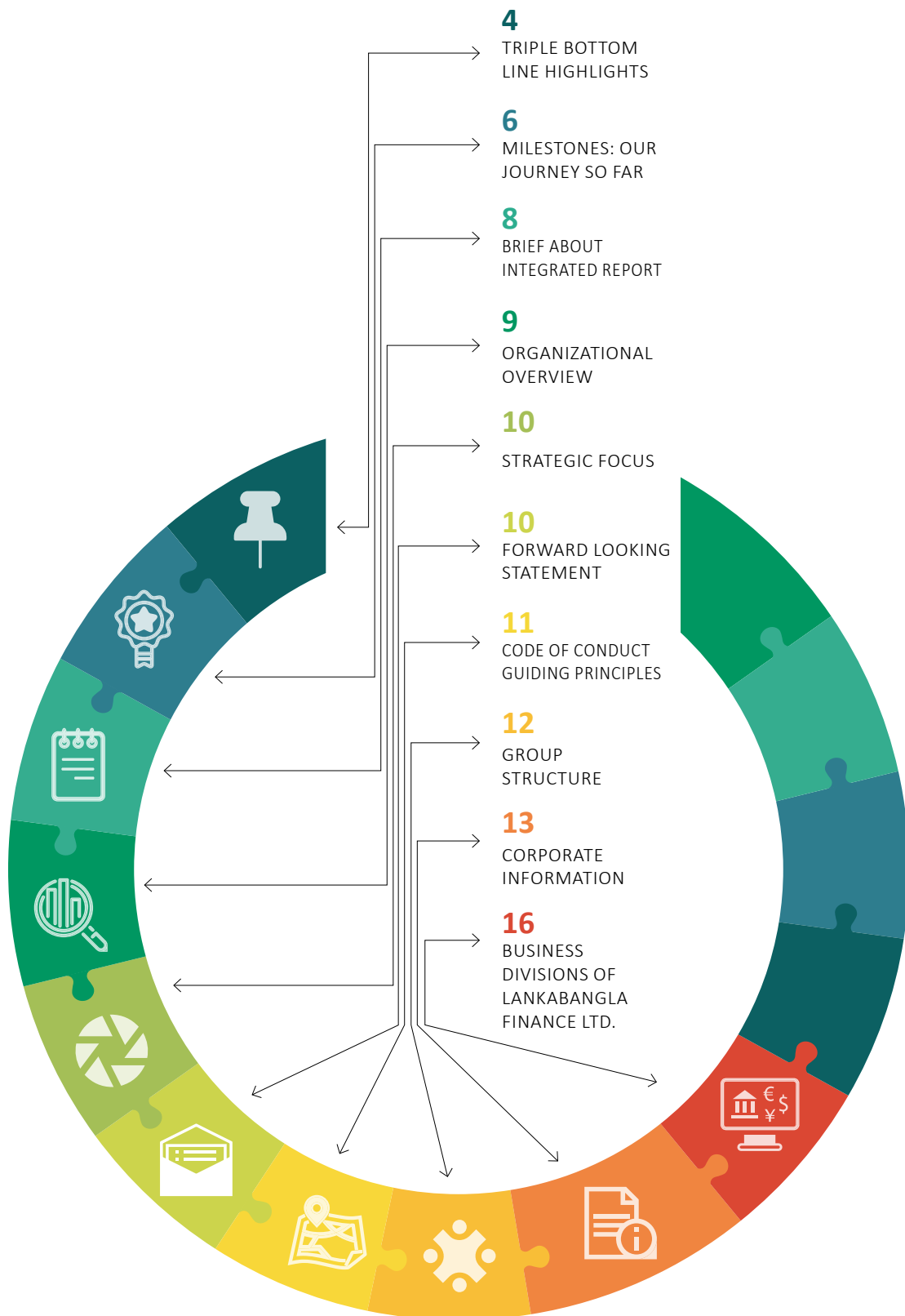

LankaBanglaTM
FINANCE



NURTURING GROWTH, ACHIEVING DISTINCTION

The interconnectedness of business acumen is largely attributed to the practice of fostering growth potential. LankaBangla believes in promoting fresh ideas, innovation and trading propositions that opens up horizon for new frontiers. The integration of potential ideas is thus a common practice at LankaBangla, which propels us towards new frontiers and allows us achieve dexterity within our endeavors.

CON



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TRIPLE BOTTOM LINE HIGHLIGHTS

Financial Highlights

	LBFL		Group	
	2015 BDT M	2014 BDT M	2015 BDT M	2014 BDT M
Results for the year				
Gross Income	5,298	4,090	6,237	5,100
Interest Income	4,605	3,657	4,787	3,965
Interest Expenses	3,219	2,631	3,715	3,033
Profit before Tax	1,046	465	533	434
Provision for Taxation	16	(187)	377	349
Profit after Tax	1,030	652	421	454
Financial Position at the year end				
Shareholders' Fund (Stated Capital and Reserves)	5,459	4,647	6,262	6,096
Deposits from Customers	30,381	16,717	29,992	16,683
Lease, Loans & Advances	36,019	24,266	41,819	30,396
Total Investment	1,836	2,181	4,373	4,840
Fund Under Management (FUM)	75,012	53,114	77,596	53,802
Total Assets	44,615	32,353	50,448	39,030
Investors				
Gross Dividend	722	438	722	438
Earnings per Share (BDT)	4.28	2.71	1.76	1.84
Dividends per Share (BDT)	3.00	2.00	3.00	2.00
Net Assets per Share (BDT)	22.68	19.31	26.02	25.33
Ratios				
Return on Shareholders' Funds (%)	22.99%	14.54%	6.81%	7.02%
Return on Average Assets (%)	2.68%	2.21%	0.94%	1.27%
Year on Year Growth in Dividends on Ordinary Shares (%)	65%	5%	65%	5%
Interest Cover (Times)	1.65	1.55	1.24	1.26
Equity : Assets (%)	12%	14%	12%	16%
Debt : Equity (%)	717%	596%	623%	466%
P/E Ratio (Times)			16.44	21.77
Non-Performing Loans Ratio (%)	3.72%	5.08%	3.20%	4.05%
Advance Growth (%)	48%	26%	38%	20%
Deposit Growth (%)	82%	54%	80%	54%
Statutory Ratios				
Core Capital to RWA - Minimum Required 5%	13.30%	14.24%	12.67%	14.72%
Capital Adequacy Ratio (CAR) - Min. Req. 10%	14.17%	15.07%	13.41%	15.42%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.51%	2.64%	2.51%	2.64%
Statutory Liquidity Reserve - Minimum Required 5%	6.00%	6.06%	6.00%	6.06%



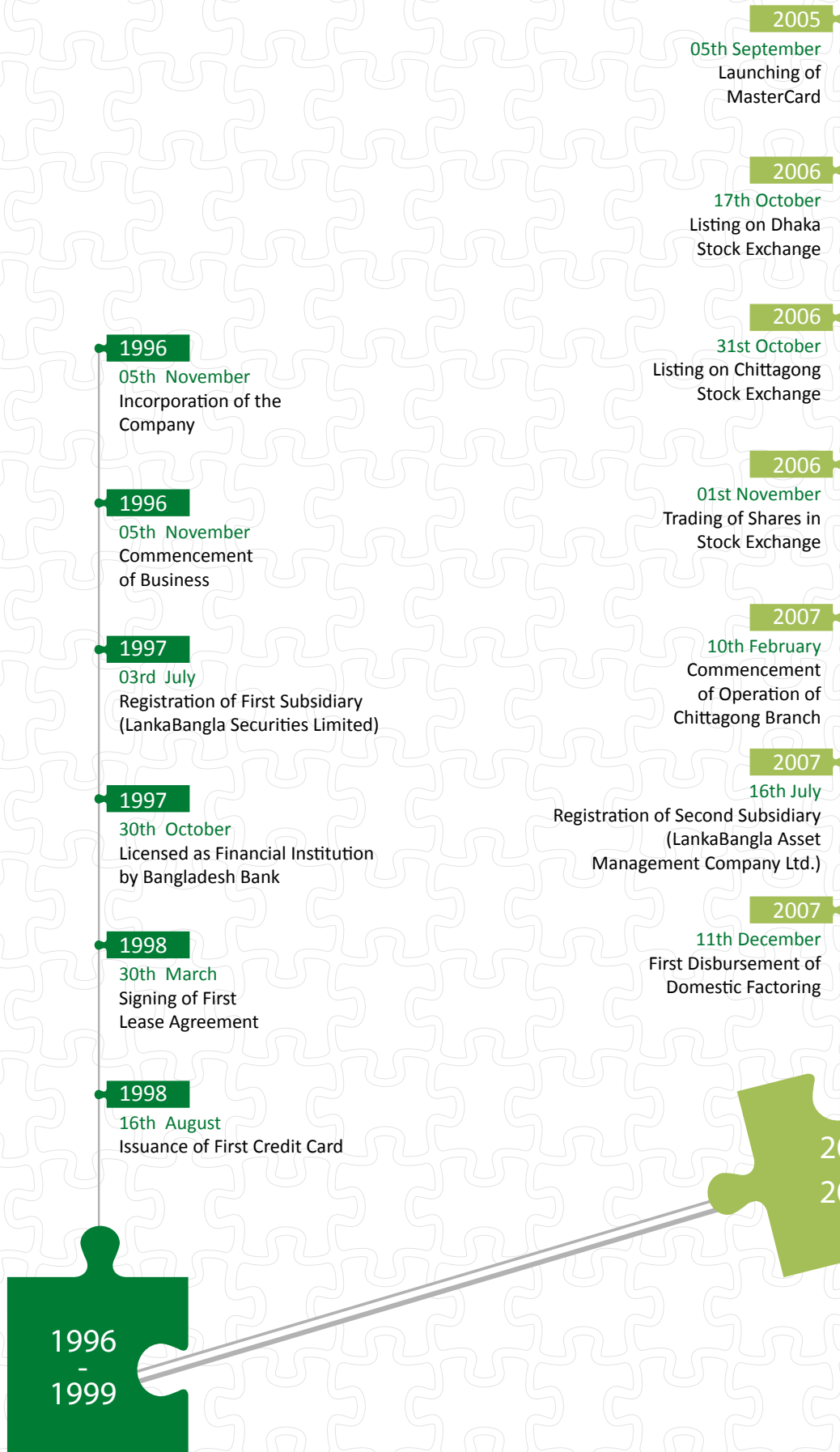
Non Financial Highlights

	2015 BDT M	2014 BDT M
Economic Sustainability		
Direct Economic Value generated & distributed	1,464	1,206
Economic Value Addition	101	(165)
Community Investment Cost	5	13
Number of new branches launched	2	1
Employee benefit liability	165	85
Environment Sustainability		
Electricity Consumption in value	20.2	15.8
Fuel Cost	2.0	1.7
Water Consumption in value	1.9	1.5
Significant environment fines	Nil	Nil
Environment protection expenditure	0.1	0.2
Number of environmental grievances	Nil	Nil
Labor Sustainability		
Total Workforce in number	520	473
Recruitments in number	134	176
Attrition rate	89	46
Retention rate after parental leave	100%	100%
Number of injuries	Nil	Nil
Average Training hours per employee	9.2	12.6
Employee performance appraisal as a percentage of total workforce	100%	100%
Human Rights Sustainability		
Incidents of discriminations	Nil	Nil
Incidents of child labor (below 18 years)	Nil	Nil
Incidents of forced labor	Nil	Nil
Human rights incidents reported and resolved	Nil	Nil



MILESTONES: OUR JOURNEY SO FAR

20 Years of Achieving and Sustaining Excellence



2008
-
2011

2008

18th February
First Disbursement of
Mortgage Loan

2009

27th April
Commencement of
Operation of Sylhet Branch

2009

23rd November
Licensed as Primary
Dealer

2009

24th November
Issuance of First
VISA Card

2009

01st December
First Participation in the Auction of
Govt. Securities as Primary Dealer

2010

29th March
Registration of Third Subsidiary
(LankaBangla Investments Ltd.)

2012
-
2016

2012

31st January
Approval of Right
Issue by BSEC

2012

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

2013

28th January
Commercial Launching of
Narsingdi Branch

2013

03rd February
Commercial Launching
of Comilla Branch

2013

13th February
Commercial Launching
of Jessore Branch

2013

12th November
Commercial Launching of
Banani Principal Branch

2013

11th December
Commercial Launching
of Dhanmondi Branch

2014

21st January
Contact Center
Launching

2014

03rd March
Commercial Launching
of Uttara Branch

2014

25th May
Commercial Launching of
CDA Branch, Chittagong

2014

15th December
Zero Coupon
Bond Issue

2014

23rd December
Commercial Launching
of Motijheel Branch

2015

29th January
Commercial Launching
of Mirpur Branch

2015

24th May
Commercial Launching
of Bogra Branch

2015

24th June
Commercial launch
of Barisal Branch

BRIEF ABOUT INTEGRATED REPORT

The success of our clients and the trust and support of our stakeholders strengthen our commercial sustainability. This interdependence required that we remain relevant to their changing needs and expectations, and are able to demonstrate our ability to connect profitability so socially beneficial outcomes. Although our annual integrated report is aimed principally at providers of financial capital, it is also considered to be of interest to our other stakeholders.



Scope and boundary

Our 2015 annual integrated report covers the period 1 January 2015 to 31 December 2015. All material matters up to board of directors' (board) approval on 22 February 2016 are also included. The annual integrated report discusses operations of LankaBangla Finance Limited (LBFL) and its subsidiaries. Unless indicated otherwise, all data pertains to the group, which includes our financial operations and subsidiaries.

Any restatements of comparable information have been noted as such. Group financial information is prepared on the basis of BFRS and DFIM circular #11 dated 23 December 2009 issued by Bangladesh Bank. Non- financial information deemed material is also included. Information relating only to SBSA, the group's largest subsidiary, has been clearly marked.

In line with best practice, and to facilitate the <IR> Framework's principle of conciseness, while still meeting our other reporting obligations.

Any other information which is required by the stakeholders can found online.



Materiality determination

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

We view the process of determining material issues as a business tool that facilitates integrated thinking. The materiality determination process undertaken in 2015 complemented our day-to-day stakeholder engagements, going beyond these engagements and placing particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material issues have been revised and are outlined on page 63.

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

ORGANIZATIONAL OVERVIEW

Growing Together

LankaBangla Finance Limited started its journey long back in 1997 as a joint-venture financial institution with multinational collaboration having license from Bangladesh Bank under Financial Institution Act-1993. Now LankaBangla is the country's leading provider of integrated financial services including Corporate Financial Services, Personal Financial Services, SME Financial Services, Stock Broking, Corporate Advisory and Wealth Management Services.

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

Under the broadest umbrella of products and service offerings, we are the lone financial institution to operate credit card (MasterCard and VISA) and also provide third party card processing services to different banks in Bangladesh.

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

In quest of sustainable business, LankaBangla is positioning itself to provide enduring value to the people, customers, shareholders and the communities. There are some other key divisions involved for setting up the strategic priorities by managing balance sheet prudently, by helping to provide various decisions, by creating, operating and maintaining IT infrastructure, by nurturing human resources to deliver the best and uphold the livelihood of our community.

We are the recipient of National Award for Best Published Accounts and Reports for the past few years declared by the Institute of Chartered Accountants of Bangladesh (ICAB). And also received "Category Winner - Financial Service Sector" and "Overall Winner" for the "Best Presented Annual Report and SAARC Anniversary Award for Corporate Governance Disclosure 2014" from South Asian Federation of Accountants (SAFA, An Apex body of SAARC). This is undoubtedly an igniting accomplishment and it is a reflection of ethical practices, true compliance and a great team work.

LankaBangla practices participatory management and adheres to industry best practices in all endeavors. Increasing stakeholders' value is a natural driving force for the people at LankaBangla. Our long standing sustainability efforts are creating environmental and social value while we step ahead. By embracing high ethical standards, governance and transparency, we dream to grow big. Our ethos is simple. We envision our success being the growth partner of our enterprising clients. We are committed to change the lives of the ordinary.



STRATEGIC FOCUS



Vision

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



Mission

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



Core Values

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

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

FORWARD LOOKING STATEMENT

“The next is NOW” is the motto of LankaBangla’s journey in 2016 which signifies the objective of marching ahead of time. What would be that next prominent strategy for the penetration in the financial landscape of Bangladesh, is well deemed and happening NOW in our territory.

- ▶ In 2016, we would put high emphasize on the Retail and SME Financial Services to achieve a fragmented portfolio to diversify risk and high yield. Through establishing credit delivery channels, staffed with the required skill sets, making improved process flow, and decentralizing credit decisions, we will expand our business at high pace.
- ▶ With the objective of optimizing the Company’s funding mix, we would look forward to more diversified sources of fund. The Cost of Funds is also anticipated to come down with the diversification of the Company’s funding portfolio. ALCO will be more vibrant in 2016 to tap market level opportunities.
- ▶ We would be upgrading our interface and functionality by using latest technology, systems and tools. This will increase operational efficiency, reduce lead time, and fasten customer service. It will also enable quicker information dissemination to loan and liability clients, thereby saving cost.
- ▶ We believe product diversification is the key to achieving customer satisfaction by meeting the tailor made needs of customers. Innovation would be a continuously sought out strategy in the foreseeable future.
- ▶ In 2016, more emphasis will be given to running the branches more independently so that we can deliver the finest customer service. Branch will be the main focal point and one stop service delivery center for business acquisitions, retention and development, and for providing customer care and maintaining relationship with all parties.
- ▶ Cost control will be one of the top strategies for 2016. We would take initiatives to reduce cost to income ratio as minimum as possible.
- ▶ Continuous monitoring will be done to restrict NPL at a tolerable low level. Initiatives will be taken to increase the efficiency level of Recovery & Monitoring team and Special Asset Management Team to reduce NPL at minimum level.
- ▶ While we engage in doing things we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.



CODE OF CONDUCT

GUIDING PRINCIPLES

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

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

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



Personal Responsibilities

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

Workplace Responsibilities

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

Marketplace Responsibilities

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

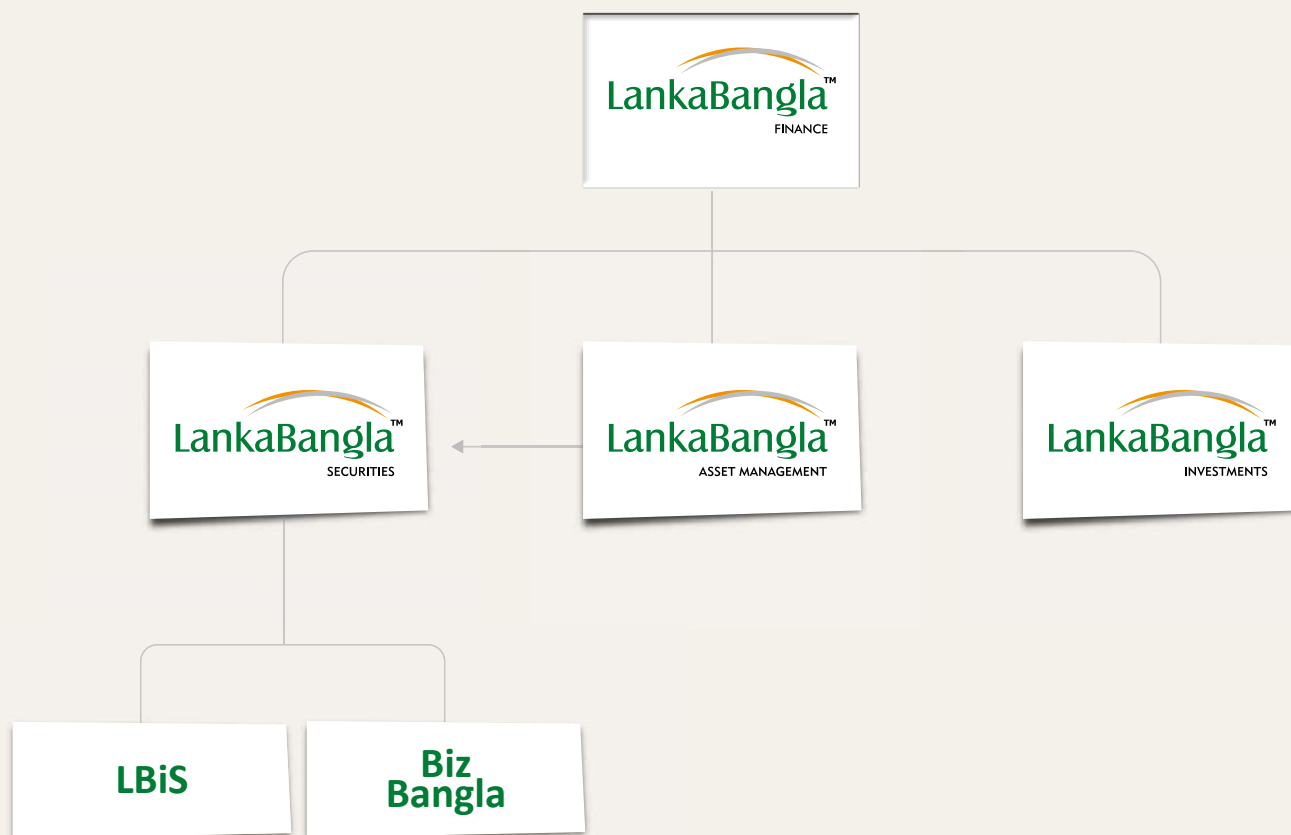
Corporate Citizenship

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



GROUP STRUCTURE

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



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

Name	Place of business	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
LankaBangla Securities Limited	Bangladesh	90.9091570%	5.5066579%	96.4158149%
LankaBangla Investments Limited	Bangladesh	99.9999964%	-	99.9999964%
LankaBangla Asset Management Company Limited	Bangladesh	99.9990000%	-	99.9990000%
LankaBangla Information System Limited	Bangladesh	-	96.2229833%	96.2229833%
BizBangla Media Limited	Bangladesh	-	77.1326519%	77.1326519%

CORPORATE INFORMATION

Registered Office & Address

Legal Form

Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh on November 5, 1996 under Companies Act, 1994

Company Registration Number

C-31702 (823)/96

Bangladesh Bank Licence No.

FID(L) - 1053/41-1088

Corporate Office

Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh
Phone: (880-2) 9883701-10
Fax: (880-2) 8810998

Company E mail

info@lankabangla.com

Company Website

www.lankabangla.com

Corporate, Personal, Liabilities & SME Financial Services Division

Assurance Nazir Tower, 65/B Kemal Ataturk Avenue, (9th Floor), Banani, Dhaka 1213, Bangladesh
Phone: (880-2) 9883701-10, Fax: (880-2) 8810998
E-mail: info@lankabangla.com

Card Centre

65/B Assurance Nazir Tower, (Level-6/B), Banani
Phone: (880-2) 55035245, (880-2) 55035255
Email: cards@lankabangla.com

Contact Centre

Safura Tower (Level 5), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh, Contact Centre Number: Local-16325, Overseas-0961101632

Operations Division

Safura Tower (Level 13), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh
Phone: (880-2) 9883701-10
Fax: (880-2) 8810998
E-mail: card@lankabangla.com

Tax Consultant

Adil & Associates, 50, Purana Paltan Line (3rd floor), Dhaka-1000, Bangladesh

Legal Advisors

Sadat Sarwat & Associates
House # 28, Road # 23
Gulshan-1, Dhaka-1212

Auditors

ACNABIN
Chartered Accountants, BDBL Bhaban (Level 13 & 14), 12 Kawran Bazar Commercial Area, Dhaka 1215, Bangladesh
Phone: (880-2) 8144347-52 & 8189428-29
Fax: (880-2) 8144353
E-mail: acnabin@bangla.net
Web: www.acnabin-bd.com

Branches and Subsidiaries of LankaBangla Finance Ltd.

Principal Branch, Banani

Assurance Nazir Tower, 65/B Kemal Ataturk Avenue, (3rd Floor), Banani, Dhaka 1213, Bangladesh
Phone: (880-2) 9840720
Fax: (880-2) 9840662
E-mail: banani@lankabangla.com

Dhanmondi Branch

MIDAS Centre (8th Floor, North Side)
House No # 05, Road No # 16 (New), 27 (Old)
Dhanmondi-1209, Dhaka, Bangladesh
Phone: (880-2) 9114460, 9114451, 9114648, 9114574
Fax: (880-2) 9114671
E-mail: dhanmondi@lankabangla.com

Uttara Branch

Uttara Tower, (4th Floor), Plot # 1, Jasimuddin Avenue, Sector # 03, Uttara C/A, Uttara Model Town, Dhaka 1230, Bangladesh
Phone: (880-2) 8958863, 7914230
Fax: (880-2) 8960256
E-mail: uttara@lankabangla.com

Mirpur Branch

Northern Khan Height Tower (Level 3)
Plot No # 34, Road No # 03, Block # D
Section # 11, Mirpur, Dhaka 1216, Bangladesh
Phone: (880-2) 9037841, 9037842-8, 9037851-2
Fax: (880-2) 9037848
E-mail: mirpur@lankabangla.com





Mirpur Branch

Northern Khan Height Tower (Level 3)
Plot No # 34, Road No # 03, Block # D
Section # 11, Mirpur, Dhaka 1216, Bangladesh
Phone: (880-2) 9037841, 9037842-8, 9037851-2
Fax: (880-2) 9037848
E-mail: mirpur@lankabangla.com

Motijheel Branch

Peoples Insurance Bhaban (10th Floor)
36 Dilkusha C/A, Dhaka 1000, Bangladesh
Phone: (880-2) 9514570-2, 9513714-16, 9514767-8
E-mail: motijheel@lankabangla.com

Agrabad Branch

Hal's Aster Anwer 1728, 14th Floor, Sheikh Mujib
Road, Agrabad, Chittagong 4100, Bangladesh
E-mail: agrabad@lankabangla.com

CDA Avenue Branch

Yunusco City Centre (8th Floor)
807/1056, CDA Avenue, OR Nizam Road
Khulshi, Chittagong 4000, Bangladesh
Phone: (880-31) 2868901-3
Fax: (880-31) 2868904
E-mail: cdaavenue@lankabangla.com

Sylhet Branch

Khoirun Bhaban (Level 3), Holding No # 118, Azadi,
Mirboxtula, Sylhet 3100, Bangladesh
Phone: (880-821) 728420
Fax: (880-821) 728418
E-mail: sylhet@lankabangla.com

Comilla Branch

Omri Mansion (3rd Floor), 349/KA (new)
Badurtola, Kandir Par, Comilla 3500, Bangladesh
Phone: (880-81) 73371-2
E-mail: comilla@lankabangla.com

Narsingdi Branch

56/1 Jalpatty Road (2nd Floor)
Madhabdi Bazar, Narsingdi 1604, Bangladesh
Phone: (880-2) 9446730-31
E-mail: narsingdi@lankabangla.com

Jessore Branch

Mohashin Super Market (2nd Floor)
10 R. N. Road, Jessore 7400, Bangladesh
Phone: (880-421) 71146-47
Fax: (880-421) 71148
E-mail: jessore@lankabangla.com

Barisal

Yunus Plaza, 1st Floor, 444 K.B. Hemayet Uddin
Road, Barisal 8200, Bangladesh
Phone: (880-431) 61884
E-mail: barisal@lankabangla.com

Bogra

Bogra Trade Center (Level-4), Dotto Bari, Borogola
Bogra 5800, Bangladesh
Phone: (880-51) 71031-35
E-mail: bogra@lankabangla.com

Mymensingh

Sabit Sharif Bhaban, 2nd Floor, 55/A Boro Bazer
Mymensingh 2200, Bangladesh

Khulna

Tribune Tower, 2nd floor, 2/A KDA Avenue
Khulna 9200, Bangladesh

Rajshahi

Ahmed Plaza, 2nd floor, 182-Alo Patti, Ghoramara
Boalia, Rajshahi, Bangladesh

Bangshal Booth

5 Old Bangshal Lane (57 New shahid Sayed Nazrul
Islam Sharani) Dhaka 1100, Bangladesh
Phone: (880-2) 9550482, 9513822
Fax: (880-2) 7112904
E-mail: bangshal@lankabangla.com

Branches of LankaBangla Securities Limited

LankaBangla Securities Limited

(Subsidiary of LankaBangla Finance Limited)
A. A. Bhaban (Level 5), 23, Motijheel Commercial
Area, Dhaka-1000, Bangladesh
Tel: (88 02) 9563901-5, Fax: (88 02) 9563902
Web: www.lankabangla.com

Principal Branch, Motijheel

DSE Annex Building (1st Floor)
9/E, Motijheel C/A, Dhaka-1000
Phone: (88 02) 9561868, Fax: (88 02) 9555384
E-mail: nadim@lbsbd.com
ANNEX: Eunoos Trade Center (Level 15)
52-53, Dilkusha, Dhaka-1000
Phone: (88 02) 9581629, 9581630
E-mail: riyadh@lbsbd.com

Banani Branch

Faruk Rupayan Tower (6th Floor)
32 Kemal Atatürk Avenue, Banani, Dhaka-1213
Phone: (88 02) 9820669, Fax: (88 02) 8836822
E-mail: aziz@lbsbd.com

Uttara Branch

Uttara Tower (4th Floor), Plot-1, Jasimuddin Avenue, Sector-03, Uttara C/A, Uttara Model Town, Dhaka-1230
Phone: (88 02) 8958575, 8951658, Fax: (88 02) 8959286
E-mail: mosharef@lbsbd.com

Narayangonj Branch

Haji Plaza (2nd Floor), 53/1, S.M. Maleh Road Tan Bazar, Narayangonj
Phone: (88 02) 7632352, 7630582, Fax: (88 02) 7630560
E-mail: mokhles@lbsbd.com

Chittagong Main Branch

Shafi Bhaban (2nd Floor)
1216/A, Sk Mujib Road, Agrabad, Chittagong
Phone: (880 31) 724547, 724548, Fax: (880 31) 710203
E-mail: amir@lbsbd.com

Khatungonj Branch

Asma Chamber, 1016 (Old)
Ram Joy Mohajan Lane, Khatungonj, Chittagong
Phone: (880 31) 630011, 632276, 626709, Fax: (880 31) 627312
E-mail: nazim@lbsbd.com

Nasirabad Branch

Rahima Center (5th Floor)
1839, CDA Avenue, Nasirabad, Chittagong
Phone: (880 31) 2554171-3, Fax: (880 31) 2554174
E-mail: munir@lbsbd.com

Sylhet Branch

R. N. Center (4th Floor)
Chowhatta, Sylhet-3100
Phone: (88 0821) 711143, 711752, 711912
Fax: (88 0821) 711918
E-mail: shamsuddin@lbsbd.com

Comilla Branch

Nahar Plaza (1st Floor) 67/58, Nazrul Islam Avenue, Kandirpar, Comilla
Phone: (88 081) 62117, 62109, 61768, Fax: (88 081) 62116
E-mail: nazir@lbsbd.com

LankaBangla Investments Limited

LankaBangla Investments Limited

(Subsidiary of LankaBangla Finance Limited)
Eunoos Trade Centre (Level 21), 52-53, Dilkusha Commercial Area, Dhaka-1000, Bangladesh
Phone: (880-2) 9561238, Fax: (880-2) 9561107
E-mail: mail@lankabangla-investments.com
Web: www.lankabangla.com

LankaBangla Asset Management Company Limited

LankaBangla Asset Management Company Limited

(Subsidiary of LankaBangla Finance Limited)
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LBIS

LankaBangla Information Systems Limited
(Subsidiary of LankaBangla Securities Limited)

BizBangla Media Limited

BizBangla Media Limited
(Subsidiary of LankaBangla Securities Limited)





BUSINESS DIVISIONS OF LANKABANGLA FINANCE LTD.



Corporate Financial Services

The Corporate Financial Services Division of LankaBangla is responsible for providing the full spectrum of corporate finance advice to middle market businesses, both public and private. Proper guidance to access various lease, loans and advances is provided to corporate and institutional clients and also providing access to the company's extensive branch network.

The division delivers services through 3 (three) units, namely Corporate & Institutions Unit, Project & Structured Finance Unit and Emerging & Commercial Business Unit.



Corporate and Institutional Service Unit

Corporate and Institutional unit prides at being the leader in providing the right funding ideas to its clients. It offers a comprehensive range of lending solutions that can turn ambition into accomplishment. The unit has a team of professionals who works within specialized industry groups, enabling them to understand each client's specific needs and determine the most cost-effective way to access the necessary funds. From a straightforward Term Loan to complex Club Financing, the Corporate and Institutional Unit can help by providing a range of options and solutions. LankaBangla Finance Limited combines broad knowledge of the industry with a deep understanding of the unique circumstances of the client. The smart and experienced team will help the client to integrate these two perspectives into a cohesive strategy, developing the most appropriate financial solutions. The unit is equipped with relationship managers

with efficient management skills and sound knowledge of the industry and market which is necessary in providing a complete range of corporate financial solutions suited to the respective clients. To better understand customers, different distinct units are created each with a focus area. Each specialized group has its own Relationship Management Teams that pride themselves on their sub-specialties. Through their focus on industry sub-specialties, the teams have developed a wealth of understanding about the industry.

The organization must be a legitimate corporate entity with potential business prospects in order to avail the loan facilities. Also the entity must have a successful business track record with sound repayment history.

The followings are the products offered by Corporate and Institute Unit:

- ▶ Lease Finance
- ▶ Term Finance
- ▶ Short term Finance
- ▶ Revolving Finance
- ▶ Loan against TDR
- ▶ Work order Finance
- ▶ Club Finance
- ▶ Bridge Finance
- ▶ Project Finance



Emerging and Commercial Business Unit

At LankaBangla, we understand the importance of adequate cash flow working as a blood circulation for live running of a business. With this objective in mind, the Emerging and Commercial unit of LankaBangla Finance constantly strives to provide innovative financial solutions to meet working

capital needs of businesses. The unit helps to manage cash flow for effective cash management for business. To overcome the challenges of cash constraints in everyday business, the Emerging and Commercial Unit offers working capital solutions to give business a positive cash flow boost – freeing up working capital, giving the financial freedom and flexibility to grow business. These are uniquely structured working capital solutions against receivables, lifting orders, confirmed payables, credit advisory, collections, etc. The procedure is relatively kept simple for the convenience of the clients. Through the products/services offered by this unit, LankaBangla intends to be an active partner in the management of the client's supply/delivery chain.

The followings are the products offered by Emerging and Commercial Business Unit:

- ▶ Factoring Finance
- ▶ Distributor Finance
- ▶ Reverse Factoring



Project and Structured Finance Unit

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

Apart from being a corporate entity with successful business track records and sound repayment history, the entity must have credit sales and a minimum of one year continuous operation.

The followings are the products offered by Project and Structured Finance Unit:

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



Retail Financial Services

The Retail Financial Service division offers a variety of personal financial services to fulfill the needs of individuals. By providing innovative, customized solutions and services, the Retail division of LankaBangla Finance is one of the leaders in the market of

personal financial services. The division currently provides services through two different sectors namely Loan Unit and Card Center.

The division delivers services through 4 (Four) units namely Auto Loan Unit, Home and Mortgage Loan Unit, Personal Loan Unit and Card Center.



Auto Loan Unit

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

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



Home & Mortgage Unit

With a host of Home Loan options, the Home & Mortgage Unit aims to meet the individual needs for housing solutions.

The activities of Home & Mortgage Loan Unit include sales, marketing, business promotions, and relationship management with customers and developers. The unit provides customer service management like planning, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Home loan serves the following purpose:

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

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

- ▶ Highest loan ceiling of BDT 100 million
- ▶ Loan term up to 20 years including maximum 12 months



moratorium period

- ▶ EMI calculation on Monthly Reducing Balance Method
- ▶ Partial Prepayment or Early Settlement options at any time on outstanding principal amount.
- ▶ Approval of home loan before purchase of apartment for high net worth customer
- ▶ Loan disbursement during the construction stage
- ▶ Disburse against tripartite agreement or registered mortgage
- ▶ Top up facility
- ▶ Loan takeover facility
- ▶ Semi Fixed and Variable interest rate – anyone can choose
- ▶ Loan facilities for Non-Resident Bangladeshis



Personal Loan Unit

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

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



Credit Card Unit

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

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

The basic features of LankaBangla Credit Card are as follows:

- ▶ Unsecured & revolving credit line

- ▶ Safer substitute to cash
- ▶ Monthly billing on purchases & cash withdrawals
- ▶ Partial payment options
- ▶ Card members can pay outstanding in full to avoid any interest payments
- ▶ Minimum required payment per month: 5% or BDT 500 whichever is higher
- ▶ Interest free periods – Minimum of 15 days or Maximum 45 days
- ▶ Cash Withdrawal Facility – 50% of Credit Limit, No Interest Free period on Cash Advance
- ▶ Interest calculated daily, applied monthly on billing date



SME Financial Services

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

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

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

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

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

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

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



Small Business

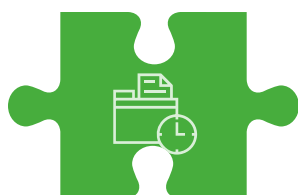
- ▶ Astha (Fully Secured)
- ▶ Anonnya (Women Entrepreneur)
- ▶ Durbar (Commercial Vehicle Finance)
- ▶ Ejara (Lease Finance)
- ▶ Somporko (Combination of Capital and Entrepreneurship)



Medium Business

- ▶ Ahona (Unsecured loan)
- ▶ Swarnali (Agro Processing Industry Finance)
- ▶ Biswas (Partial Secured Loan)
- ▶ Abash (Loan for Construction of Mess)

Rent)



Liability Management

Liability Management division offers a wide range of deposit products which can be both

beneficial and profitable as per the client's needs. The unit provides high quality services coupled with maximum security. Depositors are able to earn lucrative returns from the hard earned deposits as well as avail loan facilities against their deposits.

The key features of the deposit schemes are as follows:

- ▶ Flexible Tenor
- ▶ Competitive higher return and interest rate
- ▶ Wide range of deposit products
- ▶ Minimum deposit amount BDT 50,000 only

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

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

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

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



Retail Liability Department

The core objective of Retail Liability Department is to focus on retail deposits. Different Liability products are being offered to customers to cater their requirements.

Considering the nature of retail clients and to provide the best customer service through strong relationships, various retail deposit teams consisting of a large pool of product marketing officers have been deployed throughout the branches all over Bangladesh. All members of the teams work under predefined monthly targets.



Corporate Liability Department

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



SUBSIDIARIES OF LANKABANGLA FINANCE LTD.

LankaBangla Securities Ltd.

LankaBangla Securities Limited (LBSL) is committed to providing top notch brokerage services and leading the industry with cutting edge trading, top rated research and customer service. LankaBangla Securities began as Vanik Bangladesh Securities Ltd in 1997 with their activities confined only within the Chittagong Stock Exchange (CSE) Ltd. A year later, they made a step ahead and introduced themselves to the Dhaka Stock Exchange (DSE). It rebranded to LankaBangla Securities Ltd. in 2005 following a restructuring of the company. The company is 90.91% owned subsidiary of LankaBangla Finance Limited (LBFL) which is one of the leading listed non-banking financial institutions in Bangladesh engaged in Leasing, Credit Card Services, Merchant Banking, Corporate Financing, and Financial Consultancy. LBFL is owned by a group of highly successful local business entrepreneurs of Bangladesh- Sampath Bank Limited of Sri Lanka, One Bank Limited of Bangladesh, and the general public. With all these on the back, our house LBSL is undoubtedly a global one which knows clients' preferences, acts on their choice, and guarantees the most comfortable investment environment while investing in Bangladesh.

LankaBangla Securities Ltd. is the leader in customer transactions. The ability to meet the demands considering every client's time horizon, goals, and risk tolerance have made the company settle relations with thousands of retail and institutional clients all over the globe. This is reflected in the fact that the brokerage house is crowned as the largest in terms of transaction value for the 9th consecutive time in DSE and 10th in CSE in 2014.

At LBSL, people specialize in developing the country's most efficient stock brokerage workforce with unmatched skills and consummate perfectionism. Also, in whichever corner of the country the customers are, LBSL gets them covered with their 10 branches spread in the leading cities and towns.

Quality, convenience, and reliability are some things that LBSL provides the customers at the highest level and which the customers can expect from their brokers. This is the key as LBSL has a strong network of key clients all over the world. Furthermore, the local and international recognitions from financial institutions, custodian banks, corporations, international fund managers, and other fellow brokers for its professionalism has laid the foundation of strength and further success.

Apart from NITA trading, LankaBangla Securities Ltd. (LBSL) is offering trading facilities to foreign institutional clients comprising of different funds, international brokers, banks, etc. who are interested in trading Bangladeshi securities. Throughout the world, any client of an international broker can trade in the Bangladesh Capital Market through LBSL. To make it better, LBSL foreign trade execution team has a Bloomberg terminal on its dedicated foreign trade desk which connects the team with every fund manager around the globe assuring 100% compliant trading for the foreign clients.

Possessing a strong equity base, LBSL focuses on the diversification strategy following which LBSL has made an equity participation in BizBangla Media Limited which is publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Besides, LankaBangla Securities Limited is one of the directors of MIDAS Financing Limited, a renowned financial institution. LBSL has already initiated establishing an independent IT subsidiary LankaBangla Information Systems Ltd.



Brokerage Services

The efficient trade management process and smart pool of traders, LBSL helps to minimize hidden transaction costs which range from market impact to delay costs to missed trade opportunity cost. LBSL provides "Trade Execution Service" for its clients in Dhaka and Chittagong Stock Exchange. It trades in the portfolio accounts maintained with LankaBangla Investments Limited and IDLC Finance Ltd as well as providing custodial services to clients for safe custody of securities. In addition, extended credit facilities are provided through margin trading services. Relevant information to assess the costs and risks of trading is provided to give the client strength of buying and selling interest.

LBSL is not merely an agent of a client's order. Apart from representing order to the market, the company always takes care of every valuable transaction. This is reflected in the belief "Brokerage is more than Commission."

LBSL actively assists in block trade whereby the opposite side of the trade is actively sought.



NITA (Non Resident Investors' Taka Account)

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



Internet Trading Services

LBSL has adopted internet trading facilities for its distance clients for trade execution. LBSL's step toward internet trading is not only enriching the door of potential clientele but also ensuring the company's participation in the overall development of Bangladesh Capital Market. With an understanding of the need of information as source of quicker decision making, LankaBangla Securities Ltd.

is the first to launch a full-fledged financial portal in Bangladesh. LankaBangla Financial Portal is designed to bring all possible information to the client's doorsteps. From market news to DGEN graph and from Economic Indicators to various Analyst Tools, everything is available in this information hive. As the portal is updated on a real-time basis, one can never fall behind. The portal is intended to provide a fast and cost effective way for a company to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation. LankaBangla Financial Portal is providing "Investor Relationship Pages" so that companies can add value to their company websites by strengthening the investor relationship section. LBSL provides the necessary solutions by delivering complex financial data and news correctly and consistently to all the stakeholders of a company at the same time.

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

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



Foreign Trading Services

LBSL has in place world-class equity trading platform for foreign institutional investors. It has dedicated foreign trading team with separate booth

especially for foreign trade with access to Bloomberg terminal on the trading desk. The team stays connected 24X7 with foreign clients ensuring smooth communication, efficient execution and successful settlement by maintaining maximum confidentiality. Fulfilling the clients' needs has always been the top most priority for the company.



CDBL Services

LBSL operates as a Full Service DP at both DSE and CSE. Apart from their BO Account Opening and Maintenance services, they provide their clientele

with De-materialization and Re-materialization services. They offer safe transfers and transmission through CDBL as well as they provide their customers with customized services related to Pledging, Un-pledging and Confiscation of Securities.



Research Services

LBSL firmly believes in the knowledge-based investment in the capital market to keep pace with the advanced market and sophisticated clients.

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



Cutting Edge IT Infrastructure

With IT endeavor, LankaBangla Securities Ltd. has successfully implemented Enterprise Resource Planning (ERP) in its entire sister ventures. Apart from this, the other most recent implementation and development of LBSL IT includes the Tier II Data Center, Market Data Service with Financial Information Exchange (FIX), deployment of Oracle Database Appliance (ODA) for the first time in Bangladesh, and introduction of Strong Backup System with EMC Avamar aimed for ensuring data availability. In 2013, the 24-hour call center (16325: local; +8809611016325: international) got opened up. Most importantly, LBSL's IT advancements have found new heights through getting recognized in the Oracle website. Also, the group website for LankaBangla got launched by end of the year. As part of the ongoing ventures, Fixed Assets' QR Coding is going on across the 11 branches of the company spread countrywide. Much effort has been put to reorganize the back office software as well. The implementation of the OMS (Order Management System) for direct market access (DMA) is on process and the team is closely working on it with the Chittagong Stock Exchange (CSE); investors will get the flavor of DMA through LBSL OMS very shortly. This is the first time in Bangladesh to provide DMA through Broker House instead of exchange provided application. It offers multi-channel e-trading to its customers (web, mobile, and client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc.) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management. It has ability to create interfaces to other systems such as accounting systems,



banking solutions and depository systems; and real time access charting with strategies, indicators and patterns. The Algo trading (VWAP, TAWP, POV, IS, etc.) and STP-Gate/FIX protocol supported system is the advanced option for the futuristic capital market. It requires Ultra low latency bandwidth and configurable network architecture for Broker and Investors. The LBSL OMS is the open platform to integrate with other stock exchange trading engine. It is the new milestone for the capital market in Bangladesh. Dealers and investors can place the order based on conditions and strategies using real time technical analysis and risk management.

New Products of LankaBangla Securities Ltd.



LBSL IPO

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



LBSL Easy Investment Plan (EIP)

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



LBSL Premium

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



LBSL Beginner

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



LBSL Halal

LBSL Halal has been designed to accommodate the value of a client's special circumstances. Many investors want to make the stock market investment

sharia compliant and thus LBSL facilitates the investor with a list of Sharia Compliant Companies (Baskets) included in DSE shariah index where necessary investment can be made.

LankaBangla Investments Ltd.

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

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

Services of LankaBangla Investments Ltd.

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



Corporate Advisory

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



Bond Issuance

LankaBangla Investments Limited combines expertise on debt origination and structuring with established distribution capabilities to a large base of investors. The origination team works directly with issuers, including

corporations, banks and other entities that seek funding. LBIL advises these clients on debt financing strategies from a wide range of Bond Structures.



Alternative financing

LBIL provides Issue Management and Subscription Arrangement in case of Preference Share issuance, Commercial Paper issuance and Equity arrangement through Private Placement. With the market

insight and expertise LBIL provides best possible services for its clients.



Mergers and Acquisitions

LankaBangla Investments Limited acts as the financial advisor for the total Merger or Acquisition transaction, whether the client is the bidder or the target. Our service starts

form designing the scheme to Post-merger compliance.



Joint Advisory Services

LBIL provides Advisory services for the Joint Venture projects. Regular services under this segment includes aligning both local and foreign investors, assisting in legal and regulatory compliances, research support for both the investors, designing the financial structure of the joint venture etc.

Notable achievements of the Investment Banking Services (IBS) of LankaBangla Investment Ltd. are as follows:

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

Primary Market Services

LBIL provides assistance to institutional clients seeking to raise funds through Issue Management, Capital raising & Private

Placement business. The Primary Market Services Team has wide range of experiences in managing different types of issues across various industries, leading to obtaining of in-depth knowledge of the regulatory framework and processes.



Capital Raising for Private & Public Ltd. Companies

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



Issue Management

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



Corporate Advisory Services

Our Corporate Advisory Services in this segment include:

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





Underwriting

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



Value Added Services

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

► Compliance Guideline

- IPO Readiness
- Customized Equity Financing Strategy

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

Portfolio Management Services

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



AlphaPlus (Investments Best Managed)

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



AlphaPlus INITIAL

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



LankaBangla Nishchinto

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

Non-Discretionary Portfolio (IPA Scheme)

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

Discretionary Portfolio Management

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

LankaBangla Asset Management Company Ltd.

Established in 2007, LankaBangla Asset Management Company Limited (LBAMCL) is a 99.99% owned subsidiary of LankaBangla Finance Limited, one of the leading NBFIs in Bangladesh. It received its license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 to operate as a full-fledged asset management company. LBAMCL is the official asset management wing of LankaBangla group, and is deeply committed in providing client driven solution and superior risk adjusted performance to its valued clients. Backed by the group's strong operating history and strong

footprint in the financial sector LBAMCL makes continual investments in the asset management and client service platform, resulting in a client-focused, solutions-driven orientation. LBAMCL values original thinking, due diligence, first hand research and investment discipline. By keeping the target investors in focus, it opts to become one of the leading asset management companies in Bangladesh very soon.

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

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

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

Products and Services of LBAMCL

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



Closed-end Mutual Fund

A closed-end fund is a publicly traded fund that raises a fixed amount of capital from sponsors, institutional investors and from initial public offering (IPO). The fund comes with a fixed number of units and the units can only be purchased and sold in the market.

LBAMCL manages different closed-end mutual funds with different investment strategies like current income, balanced growth capital appreciation etc. Extensive research and fundamental analysis is undertaken to achieve the investment objectives of the funds.



Unit Fund

In the unit fund, the investors can buy or sell as much amount as they want. The fund has virtually no limit of units. The buying or selling price of a unit is always tied to the Net Asset Value (NAV) of that unit. It is not traded in the stock exchanges but can be bought or sold very easily

from selling agents.

LBAMCL's management of open end mutual funds is also based on specific strategies as per the demand of different type of investors. Units can be bought or sold in any working day from a list of easily available selling agents.



Discretionary Portfolio Management

LBAMCL offers the service of discretionary portfolio management where experienced and seasoned portfolio managers take investment decisions to manage clients' money. Risk-return profiles of the investors are carefully extracted. The investment policy statement (IPS) are then prepared, and the fund managed according to the investor specific IPS.

LBAMCL also builds portfolio according to different investment style and investors can put funds in any style specific portfolio. The fund management fee structure of LBAMCL is very competitive.



Islamic Shariah based Products

There is a heavily growing demand of Islamic Shariah (IS) based products. Keeping this in mind LBAMCL offers a full range of IS based products for both institutional and individual investors.

LBAMCL's IS based products and services range from mutual funds of both closed-end and open end types to discretionary portfolio, provident fund, and investment advisory services. An independent Shariah council provides and updates approved IS based securities to best serve the clients' needs and demand.



Provident Fund, Pension Fund, and Gratuity Fund Management

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



Financial Planning Services

Different individuals have different investment bases and different liquidity



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

LankaBangla Information System Limited

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

Products and Services of LankaBangla Information System



Virtual Office Dynamics

ERP is an enterprise re-engineering solution that uses new business computing paradigms to integrate IT processes across company divisions and departments.

LBIS has developed a web based ERP (HR, Payroll, Fixed Asset etc.) solution namely Virtual Office Dynamic (VOD) which is currently running in LankaBangla Finance Limited, LankaBangla Securities Limited, LankaBangla Investment Limited and LankaBangla Asset Management Company Limited.



Market Data Service

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



Project Management

LankaBangla Information System focuses on helping small and mid-sized businesses to manage their IT infrastructures and software implementations. It has a well reputation

of working with clients to maximize their returns on IT investment. All LBIS team members are trained in professional IT project management tools and techniques. This ensures that the clients are working with a team of experienced and knowledgeable Engineers who have experience working with a broad range of IT systems. LBIS team members assist clients in every aspect of IT planning, procurement, implementation and operation. The team of expert consultants can help with all of the following IT issues:

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



Consultancy

LankaBangla Information System Consulting can give you the business analyses you need and follow through with implementation.

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

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



Cloud Services

In this constant and rapidly evolving cloud market, the battle for dominance is raging. Infrastructure, Platform and Software as Service providers are all locked

in an increasingly competitive fight for service superiority and market share. The scalability and rapid deployment characteristics of a cloud environment can be the perfect solution for many of clients' applications. To determine exactly where, when and how cloud infrastructure should be implemented, however, thorough analysis of the level of security, control, customization and support of the customers' applications is required.

LBIS also provides physical and logical space at state of art data center to share server/data to its clients. LBIS cloud service includes Software as a service (Saas), Platform as a service (Paas), Infrastructure as a service (Iaas), Data as a service (Daas) and Backup as a service (Bass). Server Management and Storage as a service is also a part of LBIS cloud service.



Outsourcing

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



Mobile Application Development

Mobile technology has progressed significantly since the advent of Apple iPhone and iOS platform. All users whether enterprises or others want to be connected all the time. Businesses are now looking to build competitive advantages by expanding the reach of essential business and consumer information to the fingertips of the users.

LankaBangla Information System has a good understanding of the mobile application development processes. We have focused our efforts in the three most popular operating systems and platforms - Apple iOS, Google Android, and Microsoft Windows Phone OS.

BizBangla Media Limited

BizBangla Media Limited is an 80% owned subsidiary of LankaBangla Securities Limited, a leading brokerage service company in Bangladesh. BizBangla Media Ltd. is committed to publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Since 2011, Bonik Barta (BB) has been ensuring sustainable growth in quality business reporting and large

clientele base, thereby leading to a strong market positioning in the market.

Today this highly regarded business daily has an extensive network of circulation across the major operation i.e. business hubs/outlets across the country. In the recent years with a consolidated effort and prudent Management leadership, BizBangla has attempted to position itself within the top performing (Bengali) business newspapers in Bangladesh. This has resulted into emerging as one of the major Department of Film & Publications (DFP) compliant organizations. This rating by the DFP provides a very important indication of the integrity and strength of the organization and the concerned Newspaper and is particularly relevant to its ultimate readers/ consumers and other stakeholders such as the strategic partners, shareholders and lenders.

Value adding activities for BizBangla Media are as follows:

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

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



OUR VALUE CREATING BUSINESS MODEL

The primary role of LBFL is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value. Our business model can be understood from multiple perspectives. The primary lens is through the various activities that a financial services institution performs.



Key Stakeholders

Staff

Clients

Shareholders

Suppliers & Business Partners

Lenders

Regulators

Society

Environmental Groups

► *stakeholder analysis*
page no. **37**



Key Activities

Deposit & Borrowing from
Individuals, Corporate & Banks

Loan to Businesses and
consumers

Credit Cards

Financial services including
syndication and factoring

Brokerage Services

Research services

Investment banking services

Advisory services

Portfolio management

Asset management

► *Organizational Overview*
page no. **09**



Key Resources

Financial Capital

Human Capital

Intellectual
Capital

Social & Relationship Capital

Natural Capital

► *Key Resources of LBFL*
page no. **32**



Cost Structure

Interest Expenses

Personnel Expenses

Operating Expenses

Tax

► *How we create value*
page no. **30**



Value Propositions

Client centered innovation

Grow our business network

Investing in our staffs

Delivering consistently to our shareholders

Partnering with our regulators

environmental awareness

Social Contribution

Online trading services



Customer Relationships

Need based products

Before & After sales services

Advisory support to clients

Customer Reward

Customer awareness program



Channels

Branch offices

PMOs

SME Booth

Call Centers

Online Trading Portal



Customers Segments

Corporate Borrowers

Corporate Depositors

Retail Borrowers

Retail Depositors

Consumers

Suppliers

Traders

SME

Investors

► *Organizational Overview*
page no. **09**



Revenue Streams

Interest Income

Investment Income

Fees & Commission Income

Other Operating Income

► *How we create value*
page no. **30**

HOW WE CREATE VALUE

We manage our business activities in a way that connects profitability to socially beneficial outcomes.



Lending enables individual customers to create wealth and generate income, helps business clients remain sustainable and supports employment and economic growth in Bangladesh. Regulatory capital requirements and risk appetite limit our ability to lend, and deteriorating economic conditions may limit the ability of clients to borrow or service their loans.



Investments support economic activity and enable wealth creation. However, regulatory capital and risk appetite limits our ability to invest to ensure we deliver appropriate risk-adjusted returns.



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



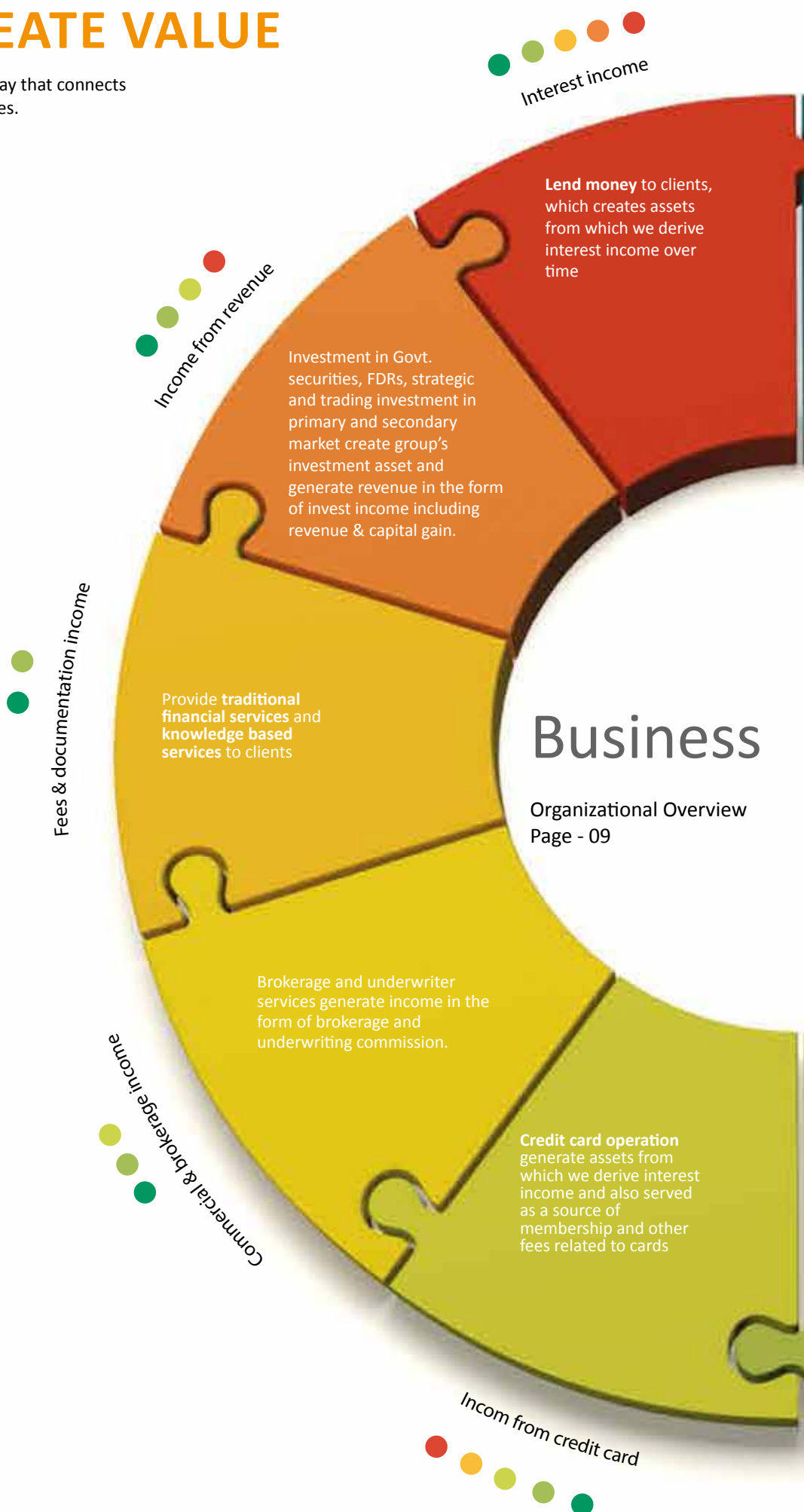
Through our brokerage services we avail clients with hassle free online trading facilities, offer guidance and advice, provide access to our valuable research and help them to achieve their business objectives.



Credit Cards enable the card holder facility of not having to carry cash in pocket everywhere, providing safer interest free purchase facility up to 45 days, installment facilities, discounts and rewards. Most importantly it facilitates the card holders with emergency cash.



Various activities contribute towards revenue from other sources. Through our portfolio & issue management, corporate finance and other advisory services we tend to maximize the return of our clients and help them acting as a link towards investment market. Our research based advisory services helps clients to get the best value for their investments.



Impairment charges

Impairment charges on Lease, loans & advances refer to general and specific provisions against loans & advances FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. Impairment charges on investments refer to the provisions against diminishing value of investments.

Source funding from clients deposits, institutional deposits and bank borrowing to enable lending, creating liabilities that generate interest expense

Invest in our operation including physical and IT infrastructure, to enhance our capabilities and to improve operational efficiency

Investment in our people to align them to our objective of consistently delivering excellent client experiences through efficient back and front office services.

Revenue from other sources linked with portfolio and issue management, corporate finance and other advisory services, advertisement and circulation income, gain on sale of assets and miscellaneous activities.

Income from other sources



Interest expenditure

Other Operational cost

Staff cost

Impairment charges on Lease, loans & advances refer to general and specific provisions against loans & advances FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. Impairment charges on investments refer to the provisions against diminishing value of investments.

Funding provides our depositors and lenders with returns while protecting against the erosion of capital due to inflation. We need to meet liquidity requirements (CRR & SLR) to protect depositor funds, our own sustainability and that of the broader financial system. Cost of funding depends on the interest rate regime.

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

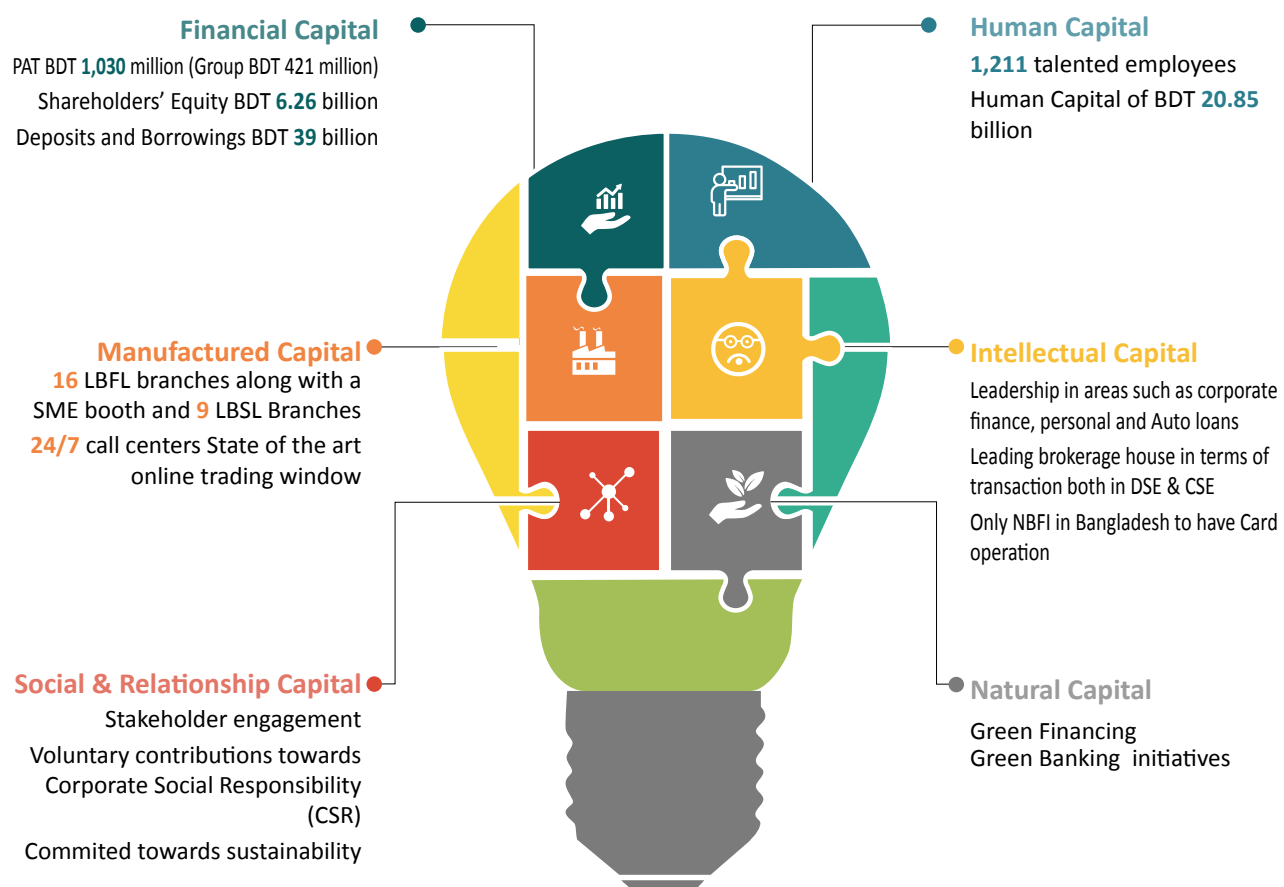
As a significant employer we hire locally wherever possible and through our activities sustain other jobs in local economies. Training and development enhances the level of financial services and related skills in Bangladesh. Digital transformation in financial services requires greater investment in people which includes hiring new skills and training interventions for current employees.

- Credit risk
- Liquidity risk
- Interest rate risk

- Market risk
- Business reputational risk
- Operational risk including compliance, environmental and social risk

Activities

KEY RESOURCES OF LANKABANGLA FINANCE LIMITED





Financial Capital

The money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

BDT Million

	2014	2015	Growth	
			Amount	%
Shareholders' Equity	6,096	6,262	165	2.71%

	2014	2015	Growth	
			Amount	%
LBFL	652	1,030	378	58.05%
Group	454	421	(33)	-7.28%

	2014	2015	Growth	
			Amount	%
Term Deposit	11,711	9,007	(2,705)	-23%
Borrowing from BB and other Banks & FIs	16,683	29,992	13,309	80%
Total Deposit and Borrowing	28,394	38,998	10,604	37%



Human Capital

Our people and how we select, manage and develop them matters to us most. This enables our employees to use their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our clients across diverse regions in which we operate.

BDT Million

	2014	2015
Total employee benefits	713.58	871.53
Training Cost	9.92	11.74
Employee Benefit Per Employees	20.05	21.74
Training Cost per Employees	0.027	0.028
Gross Revenue per employee	143.30	155.58
Total Expenses per employees	121.32	132.89
Operating cost per employee	36.10	40.21
Operating profit per employees	21.98	22.69

Total value of Human Capital has been ascertained BDT 20,845 million in the year 2015 and BDT 16,834 million in 2014 using present value of future earning model (Lev & Schawrtz) by discounting total benefit payable to employees, which was considered minimum expected benefits for them up to retirement.

BDT Million

	2014	2015
Human Capital	16,834	20,845
No. of employee	473	520
Per Capita Value	35.59	40.09



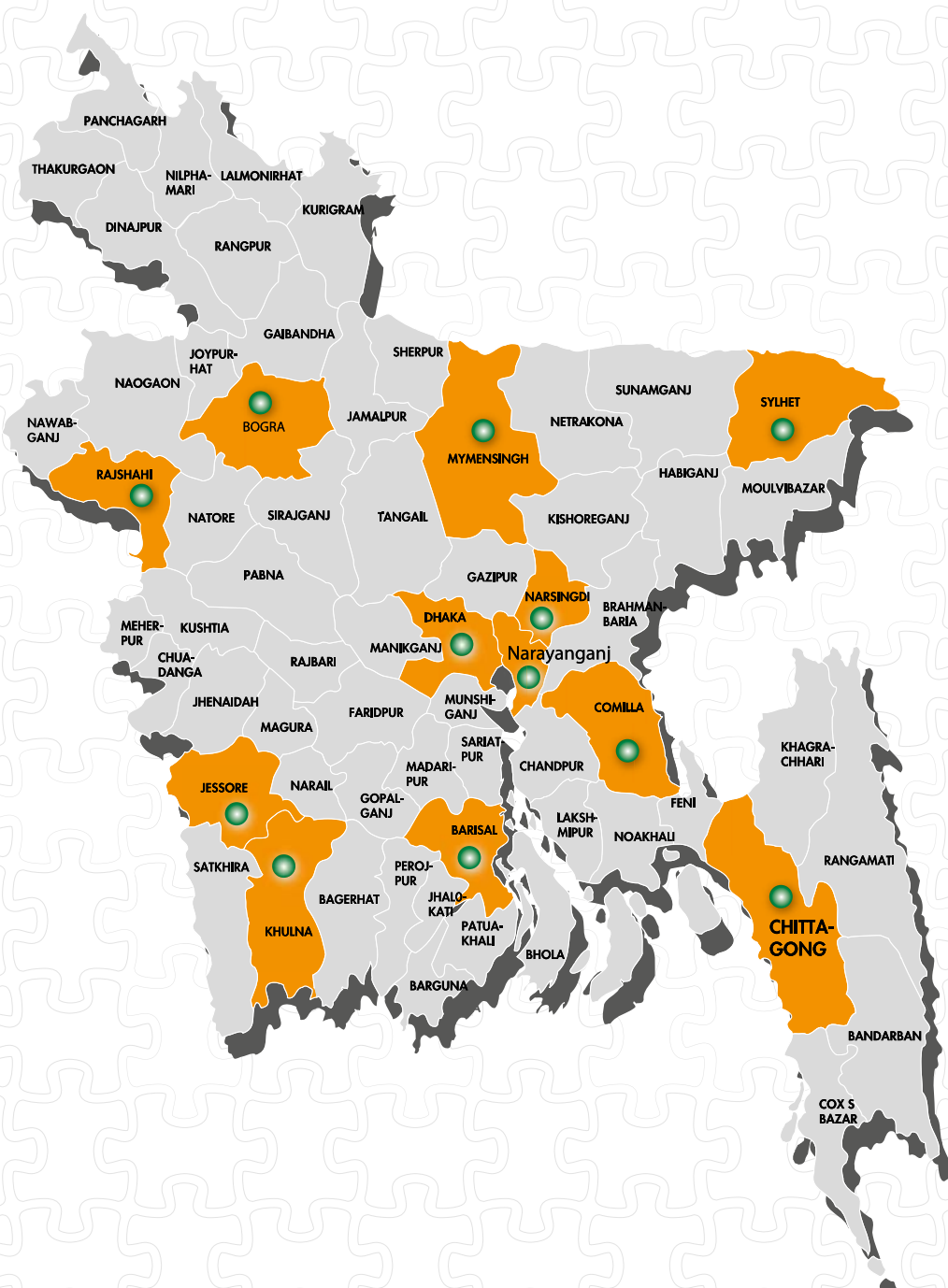


Manufactured Capital

Our manufactured capital are the tangible and intangible infrastructure that we use to conduct our business activities, as well as our network, information technology (IT) assets, and the national infrastructure within which we operate.

Our parent company LBFL has 16 Branches along with a SME booth in Bangshal, while our major subsidiary LBSL has 9 branches distributed all over Bangladesh. This ensures wider peripheral boundary; covering greater horizon and serving greater number of people with our valued services. We invested substantial amount in Information Technology to get better efficiency in operation that resulted in more comfortable services for our valued clients. Online trading window of LBSL provides its clients easy access to the stock market from remote localities and facilitates them with hassle-free trading services.

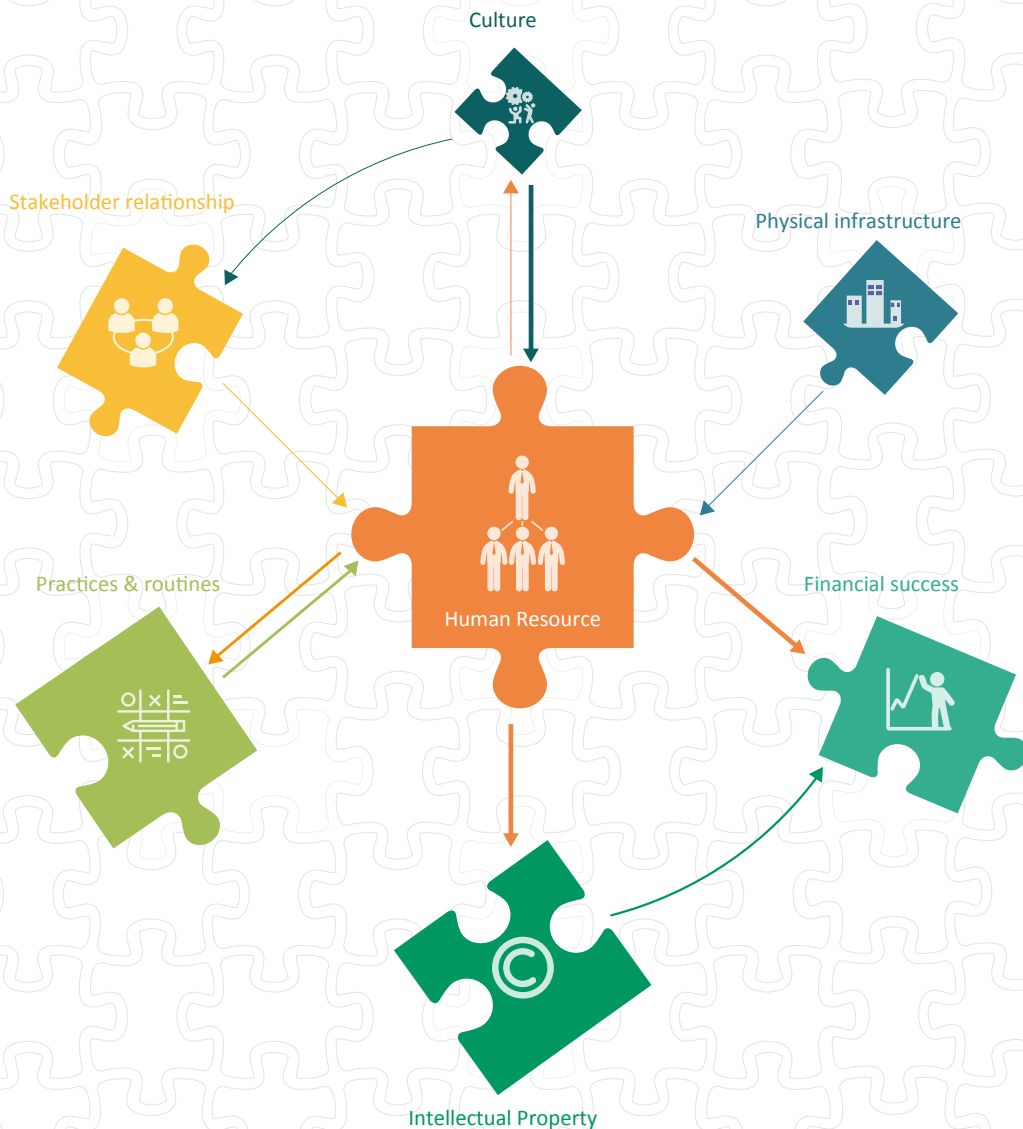
We are committed to further strengthen our branch network to supersede the potential for expanding our footprint in new frontiers. We are also poised for more investment in information technology to increase our service efficiency and to achieve the vision of becoming the most preferred financial service provider in Bangladesh.





Intellectual Capital

Intellectual capital is the group of knowledge assets that are attributed to our group and which significantly contribute to our improved competitive position by adding value to key stakeholders. The knowledge of our people and our intellectual property, brand and reputation, provide us competitive advantage in the industry. These attributes are also closely related to financial, human and manufactured capital; pertaining to the nature of our businesses. .



Value creation map as figured above shows the pathways of how value is created in LBFL. Knowledge assets are represented by puzzles linked with arrows. The size of individual puzzle represents stocks of particular knowledge assets in terms of strategic importance and arrows of different thickness show the transformations and relationships between knowledge assets and stakeholder needs.

Our intellectual capital along with our restructured infrastructure helped us by means of:

- ▶ Achieved market leadership in areas such as Corporate finance, personal loan and Auto loans Segment



Corporate Loan*
20,165



Auto Loan*
2,008



Personal Loan*
1,874

*Disbursement in Million BDT

- ▶ LBSL is the leading brokerage house of the country in terms of transaction both in DSE and CSE. LBSL transected 6.54% and 7.77% of total transaction of DSE and CSE respectively. Transaction volume of LBSL for the year 2015 in DSE and CSE was BDT 134,898 million and BDT 13,747 million respectively
- ▶ LBFL is the only NBFI in Bangladesh having Credit Card operation. We are one of the leading market player in credit card business. Including both MasterCard and VISA, our credit card usage in the year 2015 was BDT 3083.63 million and in the group's revenue credit card segment contributed BDT 484.78 million of gross revenue which was 7.77% of the total gross revenue of LBFL group for the year 2015



Social and Relationship Capital

Social and relationship capital refer to the cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain commercially and socially relevant, and operate as a responsible corporate citizen.

Corporate Social responsibility (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. We focus on social and environmental concerns in all business operations and interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

With our CSR policies & principles, our organization believes in achieving a balance of economic, environmental and social imperatives ("Triple-Bottom-Line Approach") besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute for our sustainable society. LankaBangla through its Foundation extends its support for underprivileged people of the community in particular to ensure their education, health and living.

Following are some of the CSR activities we performed in the year 2015:

- ▶ Supporting education of underprivileged brilliant students
- ▶ Financial Assistance for education for Children of deceased Ex-Officers
- ▶ Protecting Environmental & Ecological Degradation through Tree Plantation
- ▶ Support for local community to protect from Cold Wave
- ▶ Support for Renovation and Modernization of college libraries
- ▶ Creativity and Cultural Development of children through art competitions



Natural Capital

Natural Capital refers to the natural resources on which we depend to create value and returns for our stakeholders. As a financial services group we always carries a positive mentality to deploy our financial capital in a way that promotes the preservation, or at least minimizes the destruction, of natural capital.

LBFL being Participating Financial Institution (PFI) of the Investment Promotion and Financing Facility (IPFF) assist the clients to obtain the low cost funding through Green Banking & CSR Department of Bangladesh Bank:

- ▶ Assisting the green bricks manufacturer avail the ADB funded refinance from Bangladesh Bank under the 'Refinance Scheme of Brick Kiln Efficiency Improvement'
- ▶ Assisting the entrepreneurs of the relevant businesses avail the Bangladesh Bank own funded refinance in the specified sectors as per the BB guidelines

LankaBangla takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, LankaBangla closely monitors the environmental impact of every steps and effectively mitigates any risks arise thereon. With more emphasis on environmental risk management programs, at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride for being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO₂ emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country's first lube-recycling plant and so forth. Green financing has been growing steadily in our portfolio.

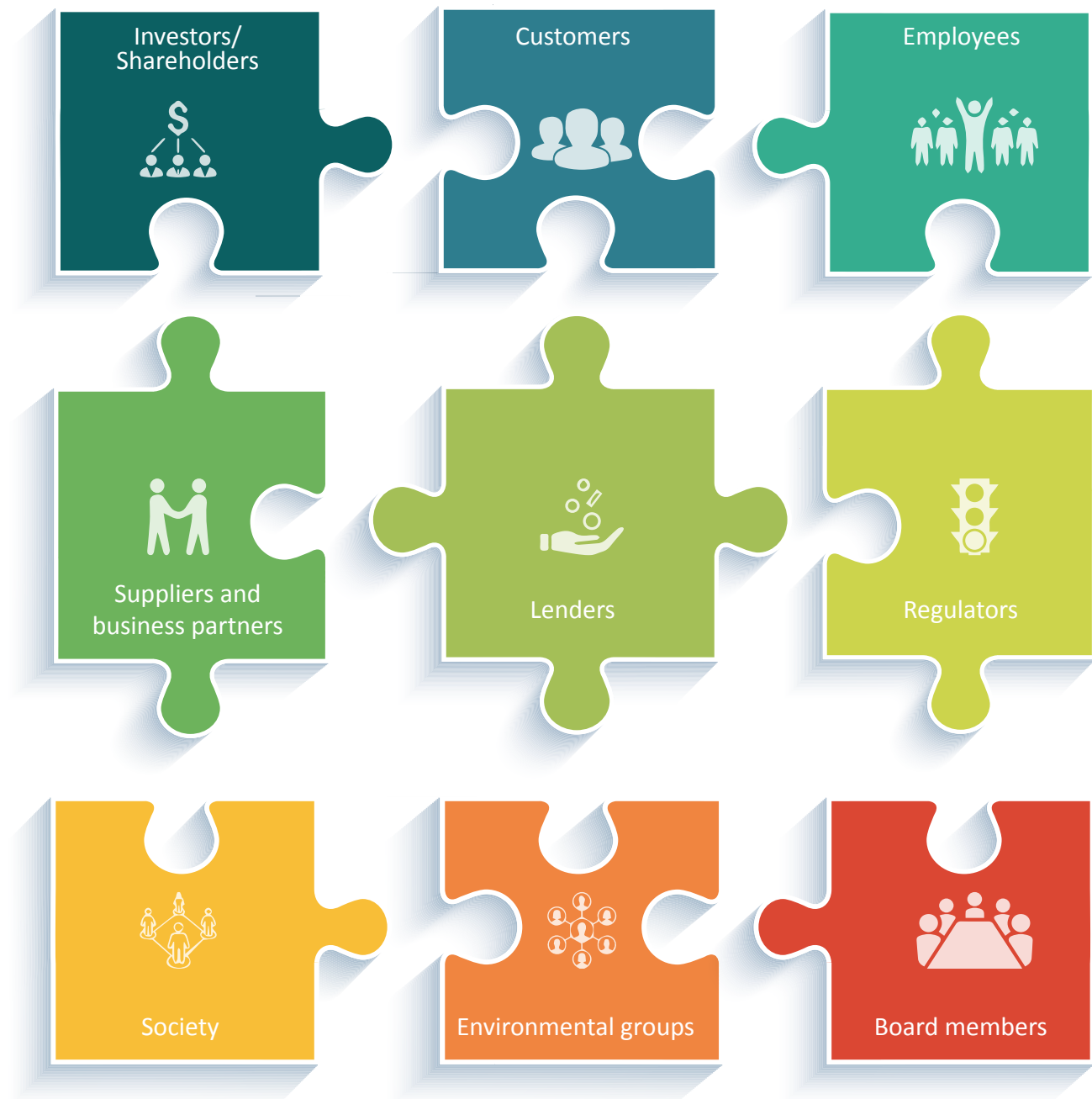
We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy saving bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients' needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.



STAKEHOLDER ANALYSIS

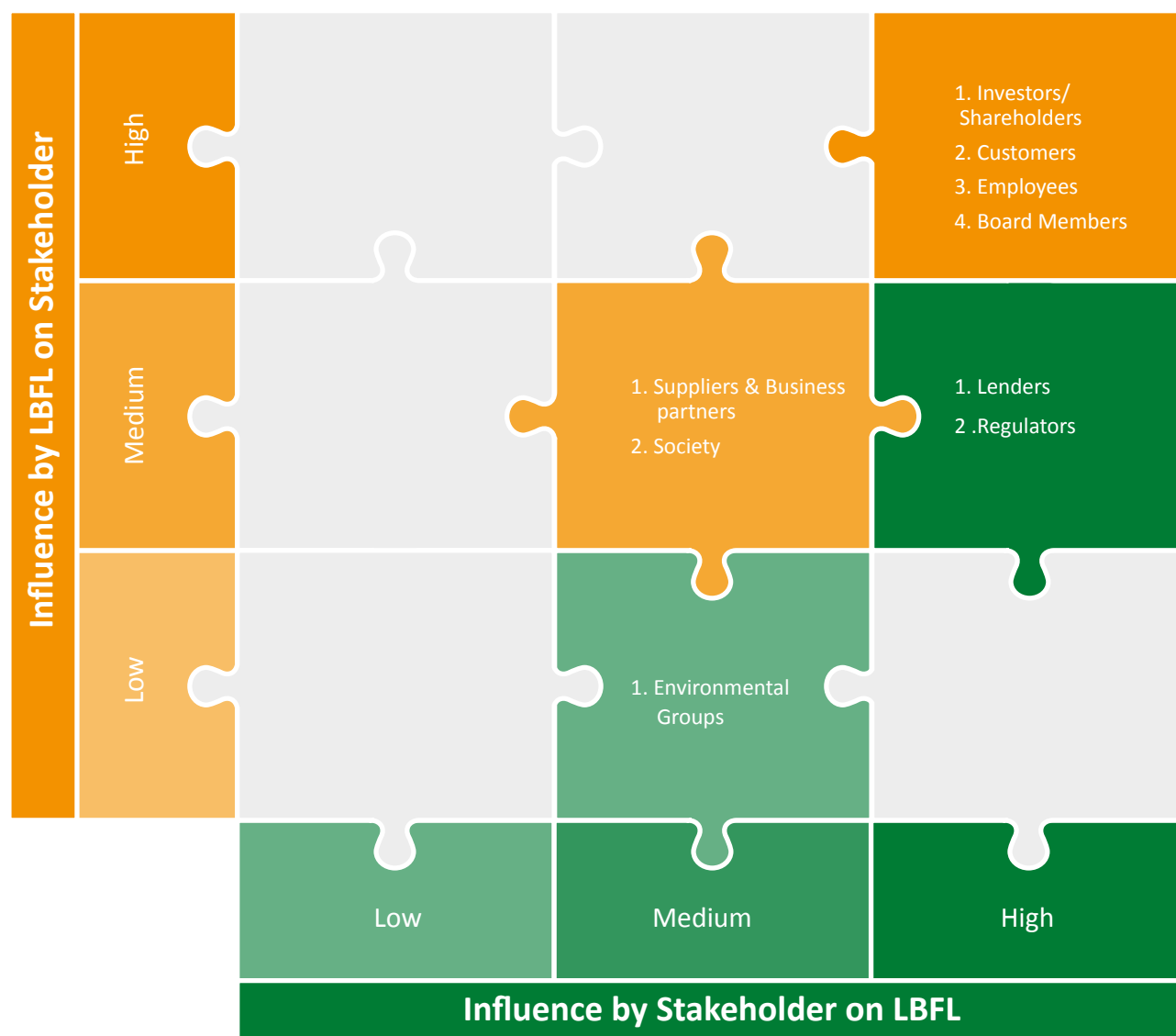
We recognise that we compete and operate on the basis of trust, and that it is our stakeholders who are the ultimate arbiters of our legitimacy and therefore our sustainability.

Our stakeholders are those individuals or organisations who have direct or indirect interest in our success or failure and whose opinions and actions can impact on our ability to execute our strategy and conduct our business activities and without whose continuing participation LBFL cannot survive as a going concern. For reporting purpose, we identified following parties as our key stakeholders, from a sustainability perspective.



Stakeholder	Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
Investors/Shareholders	Investors remain LBFL's key stakeholder, who having invested capital, requires information on a continuous basis to track LBFL's performance and achievements in enhancing shareholder wealth.	High	High
Customers	We consider customers as the bread and butter of LBFL's business, who remain interested as they transact with LBFL on an ongoing basis. It is important for LBFL to sustain business and build bonds with them and also to attract new customers.	High	High
Employees	Employees are considered LBFL's most valuable asset and key to LBFL's continued success. Employees are deemed key stakeholders as they drive LBFL's business forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.	High	High
Suppliers & Business partners	Material suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies.	Medium	Medium
Lenders	Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.	High	Medium
Regulators	As a listed Finance Company and a holder of public deposits, various regulatory bodies continue to be interested to know LBFL's progress, to establish level of safety, soundness and compliance status.	High	Medium
Society	Society has varying expectations of LBFL especially from a broader sustainability perspective. Apart from financial needs, they require corporates to act in a socially responsible manner, for societal benefit.	Medium	Medium
Environmental Groups	In an era where protection of environment and its resources has become vital, LBFL considers environment aspects of high importance, particularly when LBFL continues to build greater presence across the country.	Medium	Low
Board Members	Board members are part of the investors/shareholders. But for the roles and responsibilities, Board members remain vital for LBFL's success.	High	High

LBFL and its stakeholder's relational influential matrix can be chalked out as follows:



Investors/Shareholders

Investors/Shareholders are the provider of financial capital to the group.

We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will remain fully transparent in our communication and disclosure with the investment community.

LBFL has a total 13,598 shareholders with 86.67% domestic holding and 13.37% foreign holding. Details of shareholding structure are as follows:

Sponsor shareholders:	Number of shares	Percentage of shareholding
Foreign institution		
Sampath Bank Limited, Sri Lanka	22,792,770	9.47%
Local institution	18,454,963	7.67%
ONE Bank Limited, Bangladesh	11,688,600	4.86%
SSC Holdings Limited, Bangladesh	2,581,718	1.07%
Shanta Apparel Limited	4,184,645	1.74%



Sponsor shareholders:	Number of shares	Percentage of shareholding
Foreign individual		
Mr. Tahsinul Huque	9,375,717	3.90%
Local individuals	42,172,197	17.52%
Mr. Mohammad A. Moyeen	10,201,405	4.24%
Mrs. Jasmina Sultana	2,717,599	1.13%
Mrs. Aneesa Mahial Kundamal	18,535,437	7.70%
Mr. Mahbub Anam	10,717,756	4.45%
Total Sponsor Shareholders	92,795,647	38.56%
General shareholders	147,847,751	61.44%
Grand Total	240,643,398	100%

Shareholders' needs and expectation

The core needs of our shareholders are as follows:

- ▶ Relevant timeous information on our strategy, prospects and financial and non-financial performance so that the LBFL group can be fairly valued and appropriate credit ratings assigned
- ▶ Consistent financial performance, delivering attractive returns (increasing ROEs) and solid dividend income, underpinned by a sound balance sheet
- ▶ Good and experienced management.
- ▶ An attractive and sustainable growth strategy

How did we deliver value to our shareholders in 2015

- ▶ Achieved economic value addition of BDT 101 million in 2015
- ▶ LBFL achieved net profit after tax of BDT 1,030 million in solo basis
- ▶ Net profit of the Group was BDT 421 million due to impact of bearish trend of capital market on our major subsidiaries LBSL and LBFL
- ▶ Paid a full-year dividend of BDT 3.00 per share, up by 50%.
- ▶ Maintained world-class transparent reporting and increased our disclosure related to financial statements.
- ▶ Experienced smooth leadership transitions, with one of the most experienced management teams in the NBFi industry of Bangladesh



Customers

Customers are the most important people for any organisation. They are the resource upon which the success of our business depends. When thinking about valuing the customers we consider following points:

- ▶ LBFL is dependent upon their customers. If we do not develop customer loyalty and satisfaction, we could lose our customers
- ▶ Without customers the existence of LBFL would not be justified
- ▶ The purpose of LBFL is to fulfill the needs of the customers
- ▶ The customer makes it possible to achieve our business aims

Our Customers

- ▶ The full spectrum of individual demographics in Bangladesh from entry-level to high-net-worth individuals
- ▶ Various legal entities from trusts, non- governmental organisations and associations, to small business up to the largest corporates and the public sector
- ▶ Those who are engage with us even on single product classes, such as advance, deposit, asset management and investment or finance solutions
- ▶ Foreign traders who trade in the secondary market of Bangladesh



Needs and expectations of our customers

- ▶ Offering innovative solutions and services
- ▶ Growing and protecting client investments and wealth
- ▶ Financing the aspirations of clients, while protecting against over indebtedness
- ▶ Providing convenient access to LBFL's financial services with less complexity and improved flexibility
- ▶ Protecting clients and their assets through secured IT systems and infrastructure
- ▶ Providing value added services that are competitive and transparent in pricing
- ▶ Providing sound financial advice and financial education

How did we deliver value to our customers in 2015

- ▶ Offering innovative solutions and services

A good number of new SME products have been launched in 2015 to boost-up the SME portfolio:



Emerging and commercial business unit constantly striving to provide innovative financial solutions to meet working capital needs of our existing and prospective clients. With this intent LBFL has designed products like Factoring, Reverse factoring, distributor finance etc.

Project and structured finance unit comprising of experienced professionals who are expert in conducting the technical, financial and economic feasibility of projects. Financial solutions like syndicated loan, preference share, bond etc. are some of its wide array of services.

▶ Growing and protecting client investments and wealth:

Y-O-Y Growth of 80% in Term deposit in 2015 is evident of increasing clients' confidence on us. We always focusing of providing best value for investment to our depositors by offering need based liability products and attractive return on their investments.

▶ Financing the aspirations and dreams of clients:

Altogether 189 new home loans and 667 cars were financed and we supported many of our business clients in their endeavors to start and grow sustainable business.

▶ Providing convenient access to clients with less complexity and improved flexibility:

LBFL continued to invest in its physical distribution, expanding its footprint with 3 new branches in the year 2015. All LBFL employees are well trained to deliver uncompromised client services. 24/7 helpline service is there to help our valued clients as and when required.

FinSmart, LankaBangla mobile application has been launched to reach the services of LankaBangla to the fingertips of the valued customers.

▶ Protecting clients and their assets through secured IT systems and infrastructure.

LBFL invested meticulously in its IT structure and committed to invest more in upcoming years to align with latest state of the art technology for the smoothness of its operation, strengthen data security and ensure protection for clients assets.

▶ Providing competitive and transparent pricing and giving value back to clients

We always strive to ensure best value for money for our clients by means of competitive pricing of our products and services. We not only charge competitive interest to our asset clients but also ensure transparent and reasonable pricing for documentation and other fees.

We have maintain agreements with good number of vendors which helps our credit card customers to avail attractive discount offers and credit purchase facilities (up to 24 months) with interest facilities.

We also offer attractive reward points to the credit card customers which they can cash in by means of different free gifts on the basis of their uses.

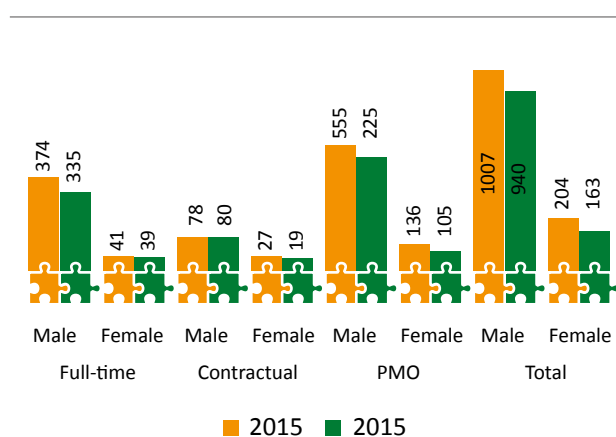
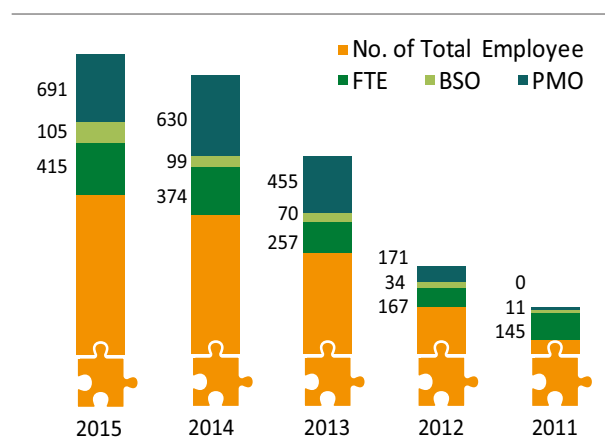
▶ Providing sound financial advice and financial education

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

LBFL has strong research units which rigorously analyze market data and economic trends to produce weekly and monthly market pulse and other research papers to educate the investors and prospective LBFL clients.

Employees

Employees are the most valuable resources of LBFL. We have always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees



are a major force that helps it to achieve sustainable results.

17% of our total employees are mail and 83% are male. Age group composition of our employees is as follows:

Year category	51-60	41-50	31-40	21-30	20 & below
Percentage	0.38%	8.27%	51.92%	39.42%	0.00%

LBFL is a performance driven organization. We have focused more on improving the performance of the employees rather than recruiting new employees to generate our business. During the period 2015, we have hired 134 new employees which are 31.34% less than 2104.

Due to market competitiveness and improved employment opportunity, attrition rate has increased significantly. A total of 74 nos. of resignations has resigned from service during the year under review which includes both full time employee and contractual employee comparing to 46 nos. of resignations in 2014. Attrition rate for the year 2015 is 14% comparing to 10% in 2014. Of the total employees resigned, 87% were male and only 13% were female.

Needs and expectations of our staff

A central component of the achievement of our vision to be the most preferred financial service provider is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees.

In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2015, the following were identified as our employees' most significant needs and expectations:

- ▶ Career development opportunities
- ▶ Adequate training facilities
- ▶ Effective performance management and recognition
- ▶ Effective employee relations
- ▶ A healthy and safe work environment

How we deliver value to our staff

Career development opportunities

All employees of the company irrespective of their gender received formal performance and career development reviews during 2015. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. A significant number of contractual employees have been absorbed under Management Cadre in 2015.

Our Investment on Training

To further strengthen the staff development process, the company increased its investment on training from BDT 5.77 million in 2014 to BDT 6.98 million in 2015. This approximately 21% increase will also support our intensive efforts to improve customer experience across all business units, with long term

benefits accruing to the company. In 2015, we have also launched E-Learning training system for our Management Cadres.

Given the company's strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 17,014 man-hours of training during the year on various knowledge-building programs.

Effective performance management and recognition

In LankaBangla, the management is very much concerned about performance management of its employees and to ensure proper recognition. LBFL has followed a systematic approach to the identification of high performers among its employees to motivate them with good incentive bonus and promotion if deserved. Management also tend to identify the training needs of individual employees and through training, leadership competencies are identified and a pool of talent is created to serve the long term needs of the Company.

Effective employee relations

LBFL always value its employees through maintaining effective employee relations from top to bottom. Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association.

LBFL follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, management has taken further steps to enhance the facilities and benefits afforded to its staff:

- ▶ Festival Bonus
- ▶ Provident Fund
- ▶ Gratuity
- ▶ Staff loan facility at concessionary interest rate
- ▶ Home loan facility at concessionary interest rate
- ▶ Medical benefits enjoyed by all employees including life insurance and hospitalization insurance to tide over any personal exigency
- ▶ Annual increment
- ▶ Performance related bonus
- ▶ Mobile allowance for all permanent employees
- ▶ Motorcycle for employees who need to visit outside office in regular basis
- ▶ Travel allowance & daily allowance
- ▶ Cost sharing for Professional qualification
- ▶ Fuel allowance and transport allowance
- ▶ Disturbance allowance for temporary transfer
- ▶ Reward and Recognition is created to set up a systematic process of expressing appreciation for employees' hard work, dedication and contribution to the company
- ▶ LBFL plan, design and arrange various job specific soft skills and technical training based on individual need assessment and business requirement
- ▶ E-Learning for all Management Cadres

A healthy and safe work environment

LBFL and all of its employees are to protect and enhance the environment in which they live. All will comply with



all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

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

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

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

Suppliers and business partners

Suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies. To ensure uninterrupted day to day operational activities we should maintain smooth flow all related supplies and thus to maintain good relation with our suppliers.

Needs and expectations of our suppliers

- ▶ Compliance to contractual terms

How we deliver value to our suppliers

LBFL operates with its suppliers based on a registered supplier list, which ensures LBFL's expectation of quality versus price is maintained while dealing with reputed parties in a mutually benefiting manner. We are committed to comply with all the contractual regulations with our suppliers and timely payment for supplies is our reputation.

Lenders

Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL

in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.

Needs and expectations of our lenders

- ▶ Competitive interest rate
- ▶ Compliance to contractual terms
- ▶ Building business relationships

How we deliver value to our lenders

Finance is the solution that assists in the our businesses operation, and allows us to take advantage of opportunities to grow. Our lenders supported to excel our advance growth and expanding our operations. We value our lenders through:

- ▶ Providing them with market competitive interest rate on their invested fund
- ▶ Meticulously compliance with all the contractual term and conditions
- ▶ Our treasury division always keen to build and maintain long term relationship with our lenders. In early 2016 Treasury division organized a successful treasury night to promote and value such relations.



Regulators

Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which LankaBangla operates. As a listed financial institution and holder of public deposit LBFL is regulated by following regulators:

- ▶ Bangladesh Bank
- ▶ Bangladesh Securities and Exchange Commission (BSEC)
- ▶ National Board of Revenue (NBR)

Needs and expectations of our regulators

- ▶ Ensure effective corporate governance
- ▶ Compliance with rules and regulations
- ▶ On time regulatory reporting
- ▶ Timely submission of VAT and Tax
- ▶ Ensure value for the general shareholders

How we deliver value to our regulators

In LBFL we firmly believe that our regulators guided us towards our journey to ultimate success. We maintain regulatory requirements with top priorities.

Ensure effective corporate governance

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

Compliance with rules and regulations

LBFL upholds a strong compliance culture within the organisation and maintains a close dialogue with regulators to ensure required regulations are followed to expectations. Our Risk Management division closely monitors our operations, activities and compliance with all the regulatory requirements.

On time regulatory reporting

As a public limited financial institution LBFL has to submit a good number of regulatory reporting on regular basis. In LBFL our regulatory reporting responsibilities are decentralized. It is designed in such a way that concerned division or department or concern individual employee will prepare and submit respective reports to the respective regulatory body. A concrete review process is pre-designed to ensure correctness and timely submission of all the regulatory reports.

Timely submission of VAT and Tax

Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2015, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 467.04 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 381.46 million in 2014, reflecting its fair and consistent commitment towards national contribution.

Ensure value for the general shareholders

Transparent and fair reporting of its financial information is backbone of LankaBangla's success stories so far. Our financials shows our growing picture that we are consistently increasing the value of our shareholders with all our efforts. Our Transparency and fair reporting was not only recognized in national level but also International level. Last year we adjudged the Winner in financial Service Sector and also the Overall Winner for SAFA Best presented Annual Report Award



Society

As a member of the society LBFL has responsibilities towards the society from a broader sustainability perspective. Apart from financial needs, LBFL have to act in a socially responsible manner, for societal benefits.

Needs and expectations of the society

- ▶ To act in a socially responsible manner

How we deliver value to the society

LBFL always act considering itself as a part of the society. Corporate social Responsibilities (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society.

In 2015 we performed following CSR activities:

- ▶ Supporting education of underprivileged brilliant students

- ▶ Financial assistance for education for children of deceased Ex-officials
- ▶ Support local community to protect from cold wave
- ▶ Protecting environmental and ecological degradation through tree plantation
- ▶ Support the renovation and modernization of library of different colleges.



Environmental Groups

Environmental groups are organizations coming out of the conservation or environmental movements that seek to protect, analyse or monitor the environment against misuse or degradation from human forces.

Needs and expectations of the environmental groups

- ▶ Protection of environmental and ecological balance

How we deliver value to the environmental groups

In an era where protection of environment and its resources has become vital, LBFL considers environment aspects with high importance, particularly when LBFL continues to build greater presence across the country. LBFL has already established its Green Banking policies. LBFL promotes its operation in a Green way with less use of paper and increase the use of electronic documents. LBFL is also playing leading role in the banking and financial sector of Bangladesh in introducing and executing Green Finance.



Board Members

LBFL has a group of experienced and professional Board members in its Board. With immense experience and professionalism the Board of LankaBangla is conducting its Business for the last 20 years and ensuring proper corporate governance since then.

Our Board members are as follows:

Name	Designation
Mr. Mohammad A. Moyeen	Chairman
Mr. Mahbulul Anam	Director
Mr. I. W. Senanayake	Director
Mr. M. Y. Aravinda Perera	Director
Mr. Mirza Ejaz Ahmed	Director
Mr. M. Fakhru Alam	Director
Mr. Tahsinul Huque	Director
Mrs. Aneesa Mahial Kundamal	Director
Mr. Al-Mamoon Md. Sanaul Huq	Independent Director
Mr. Kazi Abu Muhammad Majedur Rahman	Independent Director
Mr. Mohammed Nasir Uddin Chowdhury	Managing Director



Needs and expectations of the Board

- ▶ Sound Financial position
- ▶ Efficient Financial performance
- ▶ Effective Corporate Governance
- ▶ Protecting shareholders wealth

How we deliver value to the Board

LBFL management faces the Board on a quarterly basis. Quarterly financial statements along with details financial analysis and rationale for the results has been presented to the board. After details discussions and fact finding analysis the board approved the financial statements.

Based on the financial position and data with explanation presented by the management the board guide the management for the future courses of action. Management adherence with the guidance operate the business to get

desired result and hence strive towards increasing the wealth of the shareholders.

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, LBFL's reputational risk and influence the environment in which we do business. The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralised stakeholder engagement model in which individual business units undertake stakeholder engagement appropriate to their areas and are responsible for identifying stakeholder concerns and taking appropriate action. At the center, the board, oversees all engagement and plays a key role in analysing our business relevant issues and concerns and providing guidance on appropriate responses.

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Investors /Shareholders	Annual General Meeting (AGM)	Annual	<ul style="list-style-type: none"> - Effectiveness of business strategy in delivering anticipated financial results. - Slow improvement in ROE - Cost efficiency 	<ul style="list-style-type: none"> - Higher return on equity - operating efficiency - Effective cost management 	<ul style="list-style-type: none"> - LBFL ensures that the AGM is held in March each year and there is constructive dialogue between management and shareholders and follow up on valid material investor concerns and recommendations - As LBFL is in growth mode operating cost is a bit high at this moment and will be reduced when we will finished the branch expansion activity though the cost to income ratio is reduced to 78.81% from 81.86% - LBFL will give best effort to reduce the fund cost
	Annual Report	Annual	Overall Financial Performance of the Company	- Sustainable business growth.	The Company presents annually a comprehensive Annual Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders wealth created.
	Integrated report	Annual	The value creation and value distribution		For the first time LBFL is presenting a comprehensive Integrated Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders value created. LBFL is committed to continue with annual integrated report for upcoming years.
	Announcements to Shareholders	Ad hoc as necessary (Interim accounts – quarterly)	Financial Performance of the Company		
	Extraordinary General meetings	Ad hoc as and when necessary	Appraising plans, future prospects, in relation to core business growth.		
	One-to-One Meetings	As necessary	Improvements in relation to LBFL operations.		
	LBFL website information updates	On a regular basis	Strengthening governance and risk management mechanisms.		
	Press releases and articles in magazines	At least one release per quarter	Financial Performance of the Company		

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Customers	Customers awareness programs	Annually in every branch	<ul style="list-style-type: none"> - Compliance and rights to the customers - Product information to customers. - Combating financial crimes. - Anti-money laundering issues 	Efficient and customer oriented business environment	<ul style="list-style-type: none"> - To invest more in Information technology - To increase delivery channel to reach more marginal customer segments. - To introduce new product to cater customer needs
	Direct customer feedback to any of LBFL service points	On a regular basis	<ul style="list-style-type: none"> - Aspects on attractive pricing and customer service. - Customer specific problems 	Fulfill one's financial needs to better prospects or meeting personal requirements.	- Product diversification is part of LBFL's growth strategy and is pursued on a continuous basis to see how best customer needs can be fulfilled. Both lending and deposit businesses are highly geared and well receptive to changes in customer preferences and remains flexible to cater to growing needs of customers.
	Marketing visits/ Field visits	<ul style="list-style-type: none"> - Credit customers mostly once prior to transacting - Deposit customers on an ad hoc basis and selective 	<ul style="list-style-type: none"> - Identification of customer needs - Assessment of customers 	To derive optimum benefit/satisfaction from offered products and services.	<ul style="list-style-type: none"> - LBFL shall devise mechanism to manage customer expectations to yield high level of customer satisfaction to ensure superior customer service quality - Through continuous training and development, we gear our employees to deliver a quality service and to be better equipped to face complexities evolving in our sector.
	One to one Meetings	As necessary	<ul style="list-style-type: none"> - Standards of service and related improvements. - Customer convenience. 	Ensuring safety of one's investment.	There is persistent investment in technology, to enhance ICT capabilities to remain competitive in the market. This is done without compromising on data security. We audit our systems closely to ensure required ICT standards are met.
	Customer suggestions via suggestion boxes and follow up	Ad hoc	Stability of LBFL and its reputation as a trustworthy transparent partner.	Maintaining confidentiality of information placed.	
	Telephone discussions/Emails	On a regular basis	Confidentiality of customer information.		
	Media campaigns	As necessary			
	LBFL corporate Website	On a regular basis			Through the Risk and Compliance function, risk management and compliance is strengthened constantly.
Employees	Departmental review meetings	Monthly			Employee awareness of what is expected of them and changes in duties, targets and regulations etc. are informed to them primarily via circulars and through continuous training, mostly on-the-job.
	Inculcating an 'open door policy' for employees to freely interact one -on-one with MD, other senior officers.	On a regular basis	Professionalism and diligence level expected in executing duties.	Having clear understanding of individual performance goals, for its achievement.	LBFL upholds a strict performance based culture across all job functions. Employees are evaluated by their superiors based on a formal evaluation process, and high performers rewarded biannually.
	Management Meetings	As and when necessary			
	Performance appraisal and individual review meetings	Annual	Sustaining a creative and innovative culture.		
	Town hall Meeting	Biannual	Bi Annual performance of the company and to recognise the best performers for the period		Ability to express ideas, concerns and grievances freely.
	Internal Newsletter communiqués	Monthly	Sustaining a creative and innovative culture.		
	Corporate communiqués via circulars, memos and e-mails	Regular	Knowledge-based environment and career development.		



Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Lenders/ Suppliers	One-to- one meetings	As necessary	Building business relationships.	Maintaining a mutually beneficial business relationship that will see business prospects improve.	We maintain continuous dialogue with our main banking partners to identify possible sources of optimal funding and to grow prevailing relationships to new heights.
	Routine telephone discussions	On a regular basis	Analysing performance and contractual target status.	Ensuring compliance to contractual requirements including level of quality.	LBFL operates with its suppliers based on a registered supplier list, which ensures LBFL's expectation of quality versus price is maintained while dealing with reputed parties in a mutually benefiting manner.
	Periodic visits undertaken by either party	As necessary, usually once a year with key parties	Review of alternate solutions and choices to fulfil needs.		
	Review of performance and status as per agreements entered into	As necessary			
	Corporate Events	Once a year			
Regulators	On-site reviews by Bangladesh Bank	Annual	Elaboration on requirements pertaining to regulations issued by BB and other regulatory bodies.	Ensuring there is prudent governance of all activities of the Company and assessing extent of compliance to stated regulations.	LBFL is committed in ensuring there is prudent conduct of affairs of the Company. LBFL upholds a strong compliance culture within the organisation and maintains a close dialogue with regulators to ensure required regulations are followed to expectations.
	Off-site reviews by Bangladesh Bank and other regulatory bodies	On a regular basis	Concerns and recommendations related to reviews carried out and areas needing special attention.		
	Other discussions with the Board and Senior management	As necessary			
	Issue of regulations and requirements by regulators	As necessary	Approvals, clarifications, interpretations and assistance in relation to planned activity and associated regulations.		
	Submission of returns and status - reports	Based on periodic deadlines weekly to annual	Training needs on key regulations.		
	Training programs/ Workshops with regulatory bodies	As necessary			
	Submission of special reports	As necessary			
Society/ Environmental groups	Communicating with society via press releases and through reporting	As necessary other than annual reporting	Initiatives to resolve social and environment issues.	Ensuring safety of investments made in institutions	In terms of corporate social activity, LBFL's Sustainability Governance Committee was able to make significant headway in initiating socially responsible projects for the benefit of society and the environment, on an ongoing basis.
	Using the widening branch network to interact with local community	As necessary	Awareness building on LBFL's services among local communities.	Seeking assistance to support community needs on health, education, poverty alleviation and sanitation through CSR activities	LBFL remain well managed holding a sound reputation as a stable Finance Company among the players in the sector. We adopt sound policies to curb financial crime and employ effective risk management practices coupled with a strong governance framework to prudently manage business.
	Public events and sponsorships	As necessary			
	LBFL's corporate website	On a regular basis			

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Board	Board meeting	Quarterly	<ul style="list-style-type: none"> - Financial position - Financial performance - Cost effectiveness - Governance 	<ul style="list-style-type: none"> - Sound Financial position - Efficient Financial performance - Effective Corporate Governance 	LBFL's management present periodic financial analysis including rational for the actual results.
	Executive committee meeting	Monthly	Approval of Credit proposals		

ECONOMIC OUTLOOK

World Economic Outlook

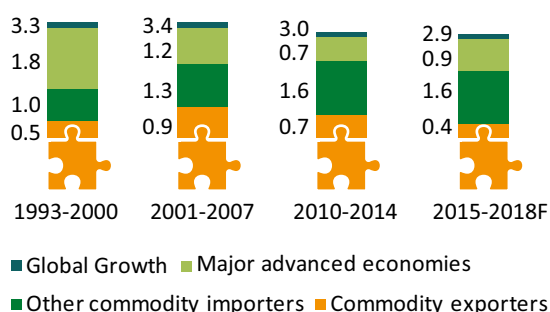
The global economy is expected to poise for macroeconomic growth, as the baseline projection for the growth trajectory in world output remains modest. Growth is projected to reach 3.2% in 2016 by the International Monetary Fund (IMF) in its World Economic Update 2016, broadly in line with the previous year. However, the growth projection is subject to considerable downside risks attributable to the possibility of a sharper-than-expected slowdown in major developing and emerging economies which could be driven in large part by protracted decline in commodity prices, flagging capital flows, subdued global trade and more unpredictable spell of the global financial market volatility. Growth in advanced economies in 2016 could remain modest, broadly in line with 2015's outcomes. A stronger recovery could be lingered by weak external demand, possibility of US exchange rate appreciation and tighter financial conditions.

Overview of the World Economic Outlook Projections	Percent Change				Rebased			
	2014	2015	2016F	2017F	2014	2015	2016F	2017F
World Output	3.4	3.1	3.2	3.5	100	91	94	103
Advanced Economies	1.8	1.9	1.9	2.0	100	106	106	111
Emerging & Developing Economies	4.6	4.0	4.1	4.6	100	87	89	100
Emerging & Developing Asia	6.8	6.6	6.4	6.3	100	97	94	93

Source: World Economic Outlook, IMF, April 2016

Changes in growth rates in the frontier markets were very low in the post-crisis period and well below the historical average. Going forward, the projected rates are also unappealing, particularly for the emerging Asian economies.

Global growth and contribution (percent)



The pattern of contribution to global growth has been changed over the years mainly driven by decreasing growth from commodity exporters on the back of declining commodity prices and increasing growth from major advanced economies. Most importantly, a combination of BRICS's weakening and rising financial risk premium could take a big toll on the global growth.

Bangladesh Economic Outlook

The economy of Bangladesh is estimated to exhibit somewhat better than previous year's performance in real output growth; and consequently it is expected to become one of the most consistent and resilient performer among the South Asian countries. According to Asian Development Outlook 2016 published by ADB, real GDP growth could inch up to ca. 6.7% in FY2016 underpinned by higher private sector consumption on the back of increased public sector wages, stronger garments export and higher investment in the public sector projects. However, the targeted growth at 7.0% could be confronted mainly as a consequence of slower private sector credit growth, declining consumer and capital goods import and slower tax revenue collection. Nevertheless, growth could pick up at a faster rate in the first half of FY2017 (July-December 2016) reaching close to 7.0% rate aided by higher remittance and export, particularly from the Eurozone.

Bangladesh Macro Indicators	Percent Change				Rebased			
	FY14	FY15	FY16F	FY17F	FY14	FY15	FY16F	FY17F
GDP Growth	6.1	6.6	6.7	6.9	100	108	111	114
Headline Inflation	7.4	6.4	6.2	6.5	100	87	84	88
Current Account Balance (% of GDP)	0.6	-0.6	-0.5	-1.0	100	-92	-83	-167
Private Credit Growth	12.3	13.2	14.8	15.0	100	107	121	122
Interest Rate (Avg. Lending)	13.1	11.7	10.8	10.5	100	89	82	80
Liquid Assets	24.2	10.8	9.3	9.0	100	45	38	37

Source: Bangladesh Bank, ADB and Budget FY2017

Consistent increase in real output growth could be driven in large part by the private sector credit growth and this could have positive spillover on LBFL in terms of accelerating corporate lending, although the rate-cut could help a bit to accelerate the corporate marketing. However, the decreased interest rates would mainly boost the retail business as increased public sector wages could have positive impact on the overall consumption of the economy. In addition, increased activity in the later part of this year could have positive impact on the SMEs in terms of their business growth and scope for more borrowing from the financial sector. On this note, we



project SME loans of LBFL could flourish more strongly tapping a fundamental generic growth in the portfolio.

Outlook for inflation in Bangladesh is a moderate increase from the current level, despite public sector wage increase in the earlier part of the current fiscal. ADB forecasts headline inflation to reach 6.2% in FY2016. As always, central bank's monetary policy could play the major role in driving the headline inflation. We are expecting a prudent monetary policy in the coming fiscal which could be supportive to the growth. Global fuel and commodity prices are expected to continue the declining trend. However, the slight increase in the general price level could be driven by the increase in food inflation.

Higher expected inflation in the coming years could be a breather for LBFL as it is facing a downward interest rate pressure. Increased lending along with reduced pressure on the declining lending rate could play the major role in consolidating higher core operating income. On the other hand, increase in public sector wages could have linear impact on the cost of living adjustments (COLA) for LBFL personnel.

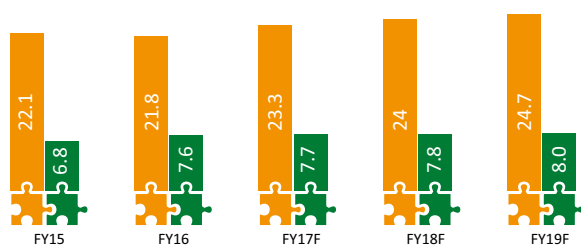
On the external side, current account deficit could remain broadly stable. ADB projects ca. 8.0% export growth and 9.0% import growth in FY2016. A much higher import growth could be offset by overall continuing food inflation, although non-food inflation could edge up driven in large partly by higher public sector wages and adjustments to administered prices of natural gases and electricity.

Increased activity in the external side could have positive spillover into local business growth of Corporates. Although LBFL cannot take part in the trade finance, it could enjoy the opportunity to extend higher line of credit through funded businesses.

Private sector credit growth, which is often believed to be the one of the most important leading indicators for macroeconomic growth, is projected to edge up marginally in FY2016 at 14.8% and gradually consolidate at ca. 15.0% in FY2017 as targeted in the national budget. The gradual acceleration in private sector credit growth is a good indication for the economy to head towards 7%+ growth and it is also a good symptom increased lending by the financial sector. Most of the banks and NBFIs in Bangladesh could experience an increase in the general level of loan disbursements. However, further growth in private investment could depend a large part on improved electricity and gas supply, smooth process in property acquisition and registration; and high quality logistics support.

Private and Public Sector Investment in Bangladesh (as % of GDP)

■ Private ■ Public



As discussed, a gradual increase in private sector credit growth in the coming fiscals could be one of the biggest boons

for increase in funded business for LBFL. All the business segments, i.e. Corporate, Retail and SME could witness gradual growth in loan portfolio.

Sectorial Outlook

The general outlook for overall credit growth in Corporate, Retail and SME sectors are broadly optimistic, particularly in the next couple of years. Corporate credit could show a moderate growth in FY2016 and FY2017. The prospect of the major driving industry of the corporate sector – RMG could be ‘neutralized’ due to increase in AIT from 0.6% to 1.5%, against reduced corporate tax rate from 35% to 20% in the preceding budget session. On the other hand, infrastructure companies, mainly cement and steel, could witness a higher growth due to a number of infrastructure projects in the pipeline: Dhaka-Chittagong expressway, 118 bridges in the eastern region, Sheikh Kamal, Sheikh Jamal and Sheikh Russel bridges in the southern region; and Dhaka-Sylhet 4-lane highway. Other major industries like pharmaceuticals, fuel and power; and engineering could observe moderate growth.

Average lending rate on corporate credit could remain low due to intense competition in form of price war by the aggressive movers. Offering term loans at ‘single digit’ by a few finance companies has changed loan pricing paradigm to a great extent. Although the overall cost of fund of the NBFIs industry has come down to single digit since January 2016 as per Bangladesh Bank data, but this is not sufficient to keep a reasonable margin/spread on top of the cost to keep the lending rate into single digit! Nevertheless, cost of bank deposits could continue to remain very low, even below the headline inflation rate.

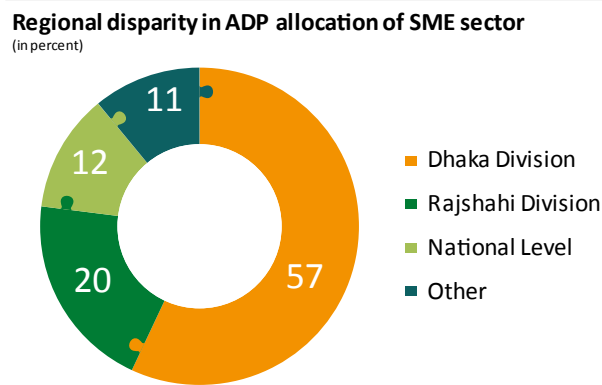
Corporate NPL of the financial sector could remain low driven by more secured lending structure compared to SME. A general reluctance by the banks to finance ship-breaking and real estate industries could have positive impact on the loan book charge. Overall debt-burden ratio for the corporate clients could improve in 2016 on the back of a higher aggregate earnings growth.

Increase in corporate credit at moderate pace in the financial sector could have positive impact on LBFL in terms sustaining its growth in this segment. The company is expected to maintain its well-diversified loan portfolio and reap the benefit of acceleration in corporate credit. Particularly, some industries could attain much more focus in 2016, like RMG-Textile, Food and steel; which are the top three industries contributing more than one-fifth of the total loan portfolio of LBFL. On the other hand, downward pressure on the corporate lending rate of LBFL could be neutralized by the gradual increase in the inflation in the upcoming fiscals. Besides, since overall asset quality of the corporate loans of the financial sector is expected to improve and LBFL deals with some of the finest clients in the sector; the company could be able to curb its corporate NPL ratio further.

The SME sector financing by NBFIs could be the key growth driver of the overall SME loan growth in 2016. The percentage changes of SME loans at the end of December 2015 over December 2014 was 9.29% for the whole financial sector, whereas that of the NBFIs was 24.49% during the same period. The dimension of growth by different segments is expected to persist through this year and continue in the next year as well, since the SME financing cycle by NBFIs is hovering around the early growth stage. On the demand side of SMEs, the regional



disparity of ADP expenditure for SME development is mainly driven by Dhaka-based allocation. Thus business growth in Dhaka-based SMEs could be higher than other regions.



Source: RADP, MoF Bangladesh

Increase in tax exempted turnover in the last national budget from BDT 30 lac (USD 3.8 million) to BDT 36 lac (USD 4.6 million) could be very helpful for the small enterprises. Although the tick size for small enterprise loans is very low, this particular segment could post splendid growth in 2016.

Both the general level of lending rates and the NPL ratio could continue to decline across the SME sector. The declining cost of fund for the NBFIs could be play a major role for financing SMEs at lower rates compared to the previous year. Improved macroeconomic conditions could help improve the repayment behavior of the SMEs and thus it could help improve the loan quality of the SMEs.

LBFL could be largely benefited from the declining SME NPL ratio on the back of a splendid growth in SME portfolio. Although the size of the LBFL SME portfolio is low compared to Corporate and Retail loan, reducing interest rate environment could help tap more SME clients in 2016.

Outlook for the retail loans across the financial sector is broadly very promising due to increasing focus in this segment to disburse both secured and unsecured loans, particularly by the NBFIs. The demand for personal loans could increase across the financial sector due to increase in the general level of consumption driven in large part by the increase in public sector wages.

The trend for retail lending rate is broadly downward and it could continue this pattern in the next couple of years. Declining interest rate in the retail segment could attract more consumers to get engaged in this type of loan category. However, the retail NPL outlook is mixed due to parallel increase in secured loans (mainly home loans and car loans at reduced rates) and unsecured loans (mainly personal loan and credit card).

The retail portfolio of LBFL is growing at a splendid pace in all the major type of retail loan-category, like car loan, home loan and personal loan. An accelerated growth within the financial sector could have positive impact on overall LBFL retail loan growth. Decreasing retail lending rate of LBFL could also help reduce the overall lending rate of the company. However, managing the asset quality of personal loan and credit card could be challenging in 2016.



BUSINESS ENVIRONMENT ANALYSIS

SWOT analysis for LBFL



Strengths

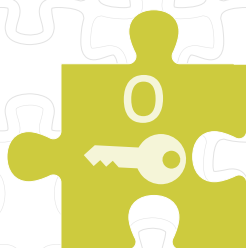
LBFL's Key strengths at present	Outlook on key strengths	Key actions taken to build on strengths
Having a broadest umbrella of products and service offerings	A broad category of product can attract and serve the people with different financial need. It will diversify the revenue stream and reduce the dependency on single products	LBFL has well diversified financial products to serve its diverse customers LBFL introduced 8 new products In the year 2015 with continuing its quest to introduce new financial products More focus on segmented approach with dedicated team to strengthen the product line LBFL is the only NBFi having the credit card business in Bangladesh.
Having a reputation as a stable Financial Institution for two decades	Public will continue to pursue institutions that remain reputed and act with utmost corporate responsibility.	Attracting customers from other investment options. Enhanced financial, governance and operational reporting to make public more aware of LBFL's financial stability. Introducing Integrated Reporting Keep improving on regulatory compliances Keep investing on building a reputed brand value Actively participating on the CSR activities through LankaBangla Foundation
Strong capital base with a sound capital adequacy ratio position	As LBFL's business is growing at a rate of 40% annually, we could expect capital adequacy ratios to be pressured down on account of anticipated growth in credit business.	Planning for healthy profitability growth More focus on Retail and SME business Focus on lending to Good rated Corporate houses Develop Capital planning for next five years anticipating business growth
Having a skilled human resource base with a lowest average age of employees	To hire and retain skilled human resource will be key to succeed in the coming years considering fierce competitive pressure.	Investing more on training key skills and soft skills introduced a performance oriented culture Organize different events for the employees like Annual Football, Annual Badminton, Family day, New year celebration, women's day, mother's day etc. to motivate the employees.

Establishing a diverse delivery channel across the country	Increased expansion would lead to greater decentralization of LBFL's work operations to reach more clients. This will also increase operational risk.	LBFL will look forward to expand its delivery channel to cater more new clients and new geographical locations.
Possessing an effective ICT environment supported by right IT hardware and software systems, IT support staff and an IT savvy workforce	IT will be a key factor to improve the service quality, imposing controls and reducing the cost in coming days.	Introducing ERP Investing more on IT hardware Improving the Call center Enhanced certain core system features Trained users on effective use of these IT tools across the branch network.
Having a knowledgeable and prudent Board of Directors	A visionary and knowledgeable Board will guide the company to a sustainable growth over the period	The Board will keep guiding the company with all their valuable knowledge



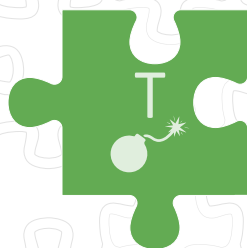
Weaknesses

LBFL's Key weaknesses at present	Outlook on key weaknesses	Key actions taken to counter weaknesses
Dependency on Corporate portfolio	Traditional lending on corporate product volumes could be hampered with rising intensity in competition.	Increased emphasis placed on Retail and SME business.
Strong Presence in the Capital Market		To reduce the dependency on the capital markets, more focus was given to the core products of the company.
Lowering Yields on traditional lending products.	In churning higher income, the need for more innovative products and wider customer choice will be pivotal in the years to come.	Focus on the higher margin products
Less flexibility on the money market	Banks affording very competitive Cost of Borrowing as well as interest rates for fixed deposits will continue to add pressure to the NBFIs sector.	Reduce the dependency on the bank borrowing More focus on the term deposit from the retail customers Introduced new deposit products for senior citizen and other niche market. Quick decision making to respond to the Market situation
Less than one year assets and liability mismatch (Any interest rates hike would impact core spreads as funding cost will tend to go up in such a situation)	The possibility of interest rates moving upward again is high in the medium and long-term and hence it is vital to pursue long-term funding for sustaining healthy margins.	In compliance with ALCO recommendations, the Liability Division was able to offer attractive rates to secure greater level of one year and longer deposits during the period. Managed to secure long-term borrowings between two to three years at fixed rates
High Cost to income ratio		



Opportunities

LBFL's Key opportunities at present	Outlook on key opportunities	Key actions taken to build on opportunities
Growing middle income group and increased purchase capability	More than 10% people are moving from the low income group to middle income group	More focused on the Retail and SME business. Increased distribution channel to reach more people. Required ICT environment is in place
Expected sound GDP growth levels and improved infrastructure would continue to give impetus to financial products.	With GDP growth set at 7%, we could expect financial service sector to sustain credit growth well above 15%.	Maintaining commendable core business growth, taking advantage of the positive business conditions and steady economic growth trajectory. In spite of being in a highly competitive market, our total lending and deposit growth YOY stood commendable.
People preferred for fixed income Term Deposit products as opposed to risky investments in Stock Market	The stock market remains volatile and property value is declining. These two trends should continue to boost fixed income securities.	Management continued to implement successfully planned deposit mobilization strategy which sustained envisaged growth levels. Our branch network played a more significant role in mobilizing deposits, taking advantage of the expanded reach taken place within the last three years.
More funding opportunity from the foreign market	We could expect greater number of international deals to be struck by the sector in terms of funding. Rating will play a significant part.	International funding sources remain a viable option and will pursue same when optimal pricing can be obtained.



Threats

LBFI's Key threats at present	Outlook on key threats	Key actions taken to counter threats
Wide range of product choice for the depositors to invest such as Government SanchayaPatra, the share market, realestate and other fixed income securities.	More fierce competition is expected from the competitors. Quality and timeliness of services offered would be key in attracting business and retaining existing portfolios.	Customer oriented services should be in place. Intensified customer awareness campaigns in key operating locations.
Growing competitive pressures	More fierce competition is expected from the competitors. Quality and timeliness of services offered would be key in attracting business and retaining existing portfolios.	Customer oriented services should be in place. Intensified customer awareness campaigns in key operating locations.
Shrinking margins due to heavy price competition	In gaining strategic advantage,the sector would continue to pursue low cost funding options and high yielding lending avenues to improve margins.	More focused on high yielding lending products.
Newly licensed NBFIs and Banks		

PEST Analysis



Political

Influencing Factor	Impact on LBFL	LBFL's Approach
Political Stability	Stable political situation has a positive impact on LBFL and unstable political situation has negative impact on LBFL	LBFL always try to negate the unstable political situation by taking prompt strategic action on interest rates, business volume, strategic shift on business focus etc to generate the business and achieve lending target.



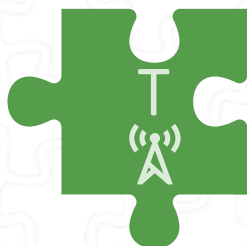
Economic

Influencing Factor	Impact on LBFL	LBFL's Approach
<ol style="list-style-type: none"> 1. Around 7% stable GDP growth 2. Growing economic development activities 3. Lowering interest rate regime 4. Inflation control 5. Increasing income level 	<ol style="list-style-type: none"> 1. Due to subdued inflationary level and increasing income level, retail business will enjoy above average business growth. 2. Corporate and deposit business remain very competitive as interest rates falling to one digit level. 3. Rise in overall NPL of the country as some of the regional clients find it difficult to repay. 	<p>LBFL pursues core business growth in Retail and SME capitalizing on emerging opportunities, supported by our increased presence across the country.</p> <p>Initiating prompt recovery action on overdue contracts through close supervision and effective recovery strategy.</p> <p>Expanding delivery channels</p> <p>As a highly customer receptive organization, we continue to identify ways of expanding our product offerings and services to cater to wider customer requests.</p> <p>Generating strong MIS system to gather and disseminate economic and business information.</p> <p>Making quick decisions on product pricing through ALCO responsive to the market needs.</p>



Social

Influencing Factor	Impact on LBFL	LBFL's Approach
<ol style="list-style-type: none"> 1. Increased Income level improved the standard of living. 2. Growing competition 3. Improved access to financial services 4. Financial Inclusion 5. Customer sophistication 	<ol style="list-style-type: none"> 1. Growing GDP and per capita income driven by the economic progress have paved the way for better social conditions and quality of life for society. 	<p>We emphasized the importance of creating customer awareness and building customer relationships.</p> <p>We revisited our internal core operational processes, for purpose of streamlining parts of our work process to cut down on lead times and to afford a more effective service to our customers.</p> <p>We provided greater autonomy to branches to handle business with full technological support and manpower to cater to wide ranging customer requests.</p> <p>Being a people-oriented Company, we remained receptive to people's needs as a socially responsible corporate and a caring employer.</p> <p>Numerous CSR initiatives were initiated for the betterment of society beyond commercial boundaries. Internally, we continued to adopt sound human resource practices to nurture our valued staff.</p>






Technological




Influencing Factor	Impact on LBFL	LBFL's Approach
<ol style="list-style-type: none"> 1. Rapid technological advancement. 2. Decisive factor to gain competitive advantage 	<p>Role that ICT plays in creating operational efficiency and generating Management Information Systems (MIS) for effective decision making has become vital for LBFL</p>	<p>Required updates were made to the core ICT system to make it more effective and meet user requirements and also to accommodate rapidly changing demands of the industry.</p> <p>Additional MIS reports were developed on a periodic basis to cater to information needs of key divisions, for decision-making.</p>



Industry Forces Analysis

Industry Force	Influencing Factor	Influence on LBFL	LBFL's Approach
 Customers	Customer perceptions of LBFL brand. Switching of customers. Brand loyalty. Customer relationship.	Effect on customer relationships thereby impacting long term revenue.	Strategic emphasis on serving particular customer segments (Retail and SME). Customer focused strategy Delivering uncompromised service to retain customers. Upholding and strengthening LBFL brand to avoid switching.
 Suppliers	Supply of funds (deposits and borrowings) Interest rates on borrowings and deposits Supply of materials	Impacts on interest rate Effect on revenue and margin. Operational efficiency	Appropriate sourcing of fund as per the company policy (reducing dependency on bank borrowing). Offering competitive interest on deposits and good relationship with banks for better negotiations of borrowing rates. Proper selection of vendors to ensure smooth supply of materials.
 Competitors	Number of players in the industry Strategic directions of competitors Generic strategies followed-Focus/Differentiation/Cost leadership	Impact on the market share Loss of revenue to competitors Customer switching	Engage in competitor analysis to understand the competitors' strategies and respond accordingly. Develop or revise short and long term strategies in relation to competitors' movement and impact on market share. Give emphasis on innovative value creation ideas to outplay the competitors



Industry Force	Influencing Factor	Influence on LBFL	LBFL's Approach
 Substitute	Availability of substitute products Aptness of substitute products. Relationship Management.	Threat of loss of market share with increasing substitutes in the industry. Impacts of service quality leading to customers switch brands. Loss of revenue to substitute products	Undertake competitors' product market analysis to understand their price structure, product features, and performance. Carry out product aptness analysis to understand the threat of substitutes at a continuous basis. Differentiating products to lock in customers and reduce substitute effects. Adopt appropriate relationship management techniques to retain the company's profitable customers.
 New Entrants	Emergence of new Banks and NBFIs in the industry licencing through Bangladesh Bank Patents and protection of intellectual property	Threat on market share and possible reduction in industry dominance. Employee poaching	New product development to take first mover advantage and deter possible competition from new entrants. Enhance the brand value of LBFL Maintain a sound and healthy employee friendly environment within the organization
 Government	Government regulations for the financial sector. Local and Foreign investment limits. Taxation policies. Government stability. Frequency of changing laws and regulations.	Regulations affecting operations- source of funds and channelling of funds. Taxation policies impacting profits. Laws and regulations limiting business operation and revenue streams.	Thorough compliance of laws and regulations as per Bangladesh Bank and other Government Bodies. Maintaining good and professional relationships with Government representatives for policy implementation which is beneficial to the company and the industry. Policy includes taxation rules, capital limits, FDI limits, government

MANAGING DIRECTOR'S REVIEW



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

2015 was another year of economic progress for Bangladesh achieving 6.51% real GDP growth surpassing other regional peers. Bangladesh has seen low inflationary environment, high surge in FOREX reserve, relatively stable exchange rate even in global currency market shake ups. Government was less dependent on the banking sector for credit while private sector credit started only slowly picking up. Money market was very vibrant and rate structure has been revised downward several times.

Macro-Economic Environment

Prices for Brent crude, the global standard, have fallen well below U.S. \$100 per barrel in the past two years. According to data from the Organization for Petroleum Exporting Countries (OPEC), the price for a barrel of Brent crude was selling for \$38 in December 2015 compared with \$111 per barrel in December 2013. There was no pass through of international prices and no price reform was evident in Bangladesh but lower oil price made subsidies disappear. This is not crude oil but industrial metals like aluminum, steel, copper, platinum, and palladium have collapsed horrendously in 2015. Bear story was also for agricultural commodities and for other major Bangladeshi imports. Falling commodity prices on global market has been pushing inflation downwards. Inflation (point to point) stood at 6.10% in Dec'15 which was 6.11% in Dec'14. Sliding prices offer a unique opportunity for Bangladesh to spend on much-needed infrastructure and growth projects without fueling inflation.

We hope, Bangladesh Bank (BB) will maintain accommodative monetary policy stance in 2016. The latest MPS for H2 FY16 was a very supportive growth. Policy rates have been reduced by 50 basis points after almost 3 years. Stable political environment coupled with the huge excess liquidity in the banking system is expected to further reduce banks' lending rates and boost lending and investments. During FY15, the total credit to the private sector recorded 13.2% growth Y-o-Y, while in the first 5 months of FY16, the growth was 13.8% Y-o-Y. Business confidence is improving and the stable exchange rate has led to higher import of machineries. We expect the businesses are ready to start take off in another phase of expansion and prosperity taking the advantage of the falling interest rates.

Our Value-Enhancing Strategy

Being a growth partner of the business operating in Bangladesh, LankaBangla Finance Limited has been able to increase capacity and establish platform for high frequency lending in Retail and SME business. Alongside, Corporate Financial Services is well positioned itself for financing in the large projects syndication, structuring and corporate lending.

In 2015, with relentless efforts, well laid-out retail platform and a large number of corporate relationships, we could grow far ahead than our industry peers. Our disbursement growth in 2015 is 81.92% higher than 2014. We have disbursed BDT 35,770 million in 2015, which was BDT 19,750 million in 2014. Investment portfolio reached BDT 42,600 million in 2015 compared to BDT 31,228 million in 2014. Thus, the interest revenue growth has also been impressive.

Public Deposit was our key sources of fund in 2015 During the year deposit portfolio increased by BDT 13,593.98 million and posted an 81.32% year-on-year growth. 70.94% of which is Public deposit. With appropriate borrowing mix and effective strategies we have reduced our cost of fund by 13.25% which came down to 9.23% at the end of 2015 from 10.64% in 2014. Treasury at LankaBangla is using its expertise successfully and made good spread by taking arbitrage opportunities thereby enabling the company to improve its revenue.

In 2015, LankaBangla earned a net profit of BDT 1030.01 million as against BDT 651.72 in 2014 registering an impressive growth of 58.05%. Total loans, advances and leases grew 48.43% and reached BDT 36,018.82 million at the end of 2015 which was BDT 24,265.99 million in 2014.

We have earned consolidated pretax profit BDT 533 million in 2015 against BDT 434 million in the previous year. The consolidated net profit after tax stood at BDT 421 million registering a growth of -7.28% than 2014. The consolidated earnings per share during the year under review was BDT 1.76 compared to previous year's BDT 1.84. Our consolidated investment portfolio grew by 28.25% and reached to BDT 37,119 million in 2015 as against BDT 47,605 million in 2014.

Risk Management unit of LankaBangla has been further strengthened this year and our capital adequacy ratio (CAR) reached to 13.41% which is well above the regulatory threshold.

In 2015, we focused heavily on personal financial services and SME financial services. Credit card has emerged as a unique strength of LankaBangla and our client base is growing sharply. With outstanding execution of the plan our personal financial services portfolio grew at an impressive rate of 64%. Credit card portfolio of LankaBangla reached to BDT 1,629.93 million in 2015 and registered a growth of 25.91%. Auto Loan business has grown at a staggering rate of 184.45% in 2015 and portfolio reached to BDT 3091.24 million from BDT 1675.90 million in 2014.

SME financial services is now well set up for high volume business. In 2015, SME portfolio grew by 241%. We would be focusing high on SME in 2016.



Progress on our strategic focus areas:

In fourth year of delivering our strategy we chalked out in 2012, we made significant progress in our momentum building strategy in 2015. We have been successfully diversifying our portfolio for value with increased focus on core product portfolio. Lending portfolio has increased manyfold. We are managing our balance more prudently and simplified our processes and reducing cost to income ratio. We are working on creating a sustainable brand and nurture our people through leadership and skill development.

Corporate financial services grew by 35% amid weak business case country wide. We have been mandated to work as an arranger for a large scale green financing project and participated in a few project syndications. We are also working as an arranger in zero coupon bonds and commercial papers.

In capital markets front, we are maintaining our leadership in both stock brokerage and investment banking. LankaBangla Securities Limited was top brokerage in 2015 and strengthening its research base and IT infrastructure. As a prominent investment bank, LankaBangla Investments Limited successfully completed several mandates. The company successfully managed IPO of a power generation

and distribution company under revised book building system.

We also have a deep and abiding commitment to the environment and the underprivileged. We have adopted green office guide for the best utilization of natural resources. Our CSR initiative has broadened its landscape.

In pursuit of a knowledge based working environment and sustainable stewardship in human resources, LankaBangla has taken various leadership fostering programs in 2015. The financial services industry we serve requires professionally skilled and equally ethical personnel. We are increasing knowledge sharing and training programs to enhance professional capabilities of the employees. We are striving to uphold professional ethics of our people while ensuring transparency in the operational policies, guidelines and procedures.

Outlook

In 2016, we would try to eliminate all non-value added costs to restrain our cost to income ratio at desired level. Branch network would be further widened to reach even the distant customers. In 2016, four new branches would be opened in four major townships of the country. Our investments in technology would be growing in coming days to give customers financial services at a finger touch.

Appreciation

My heartfelt gratitude to our shareholders for their continued confidence and trust they put in the company. Our customers have always been our inspiration and we are also committed to provide top notch service to our customers in coming days. Special thanks to all of my fellow colleagues for their teamwork with sincerity, diligence and utmost professionalism. I also express my gratitude to our lenders, depositors, regulators and other stakeholders for their continued support and cooperation. I believe all of our stakeholders would be growing together hand in hand with a sense of ownership in LankaBangla family.

Thank you!

Mohammed Nasir Uddin Chowdhury
Managing Director & CEO

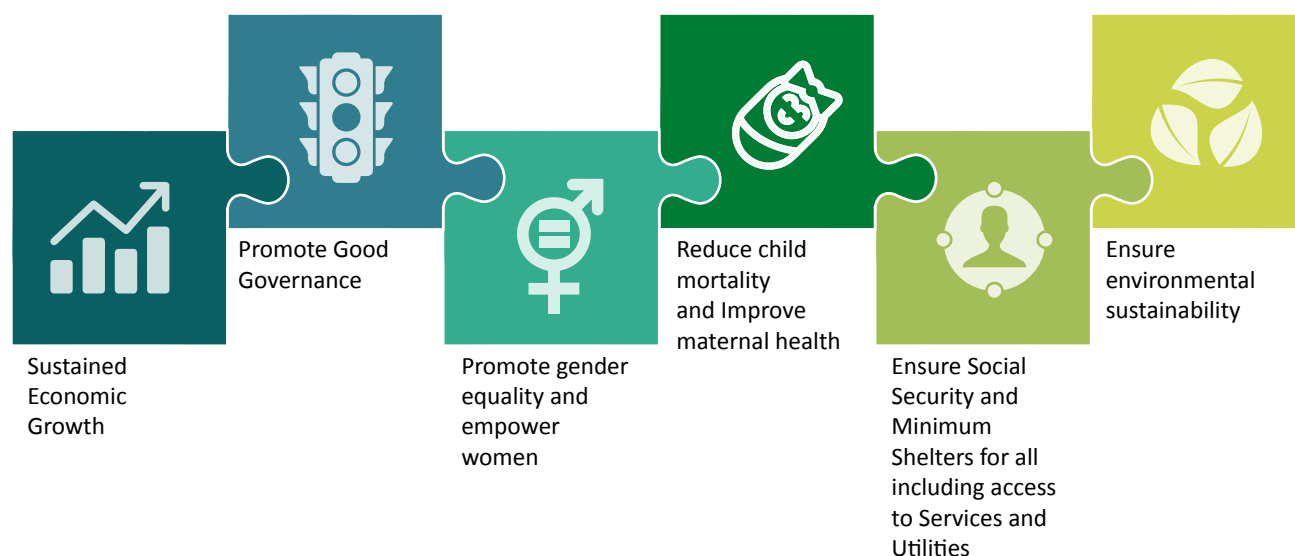


DRIVERS GUIDING OUR STRATEGY

LankaBangla believes in long term growth story of Bangladesh. However, at the same time we must acknowledge that connecting short term goals is vital to reach our long term dream to live as a developed nation eradicating many dimensions of poverty, promoting gender equality, promoting peace and security and sustainable human development.

Bangladesh has been experiencing 6%+ GDP growth over the last couple of years. Our rising per capita income, growing export basket, higher contribution in UN peace keeping force is a testament that we are rising as a nation, however, there remains a series of social, environmental and economic challenges to reach our long term goals. We recognize the interdependence between economic success, social well-being and environment health of the country and the long term sustainability of LankaBangla as a financier. We want to contribute in the long term goals we have developed for a prosperous future we want.

Long Term Goals



KEY INPUTS

Material Matters are derived from major macro trends, our unique strategic context, an analysis of our business risks and opportunities and most importantly, the needs of our key stakeholders- staff, clients, shareholders, regulators and the communities and environment in which we operate.

MAJOR MACRO TRENDS

LANKABANGLA'S UNIQUE STRATEGIC ORIENTATION

NEEDS OF OUR STAKEHOLDERS

MATERIAL MATTERS

SLOW ECONOMIC ACTIVITIES

SLOW CREDIT GROWTH IN BANKING INDUSTRY

INCREASED DEMAND ON GOVERNANCE AND RISK MANAGEMENT

GROWTH OPPORTUNITIES IN RETAIL AND SME SEGMENT

SCARCE SKILLS

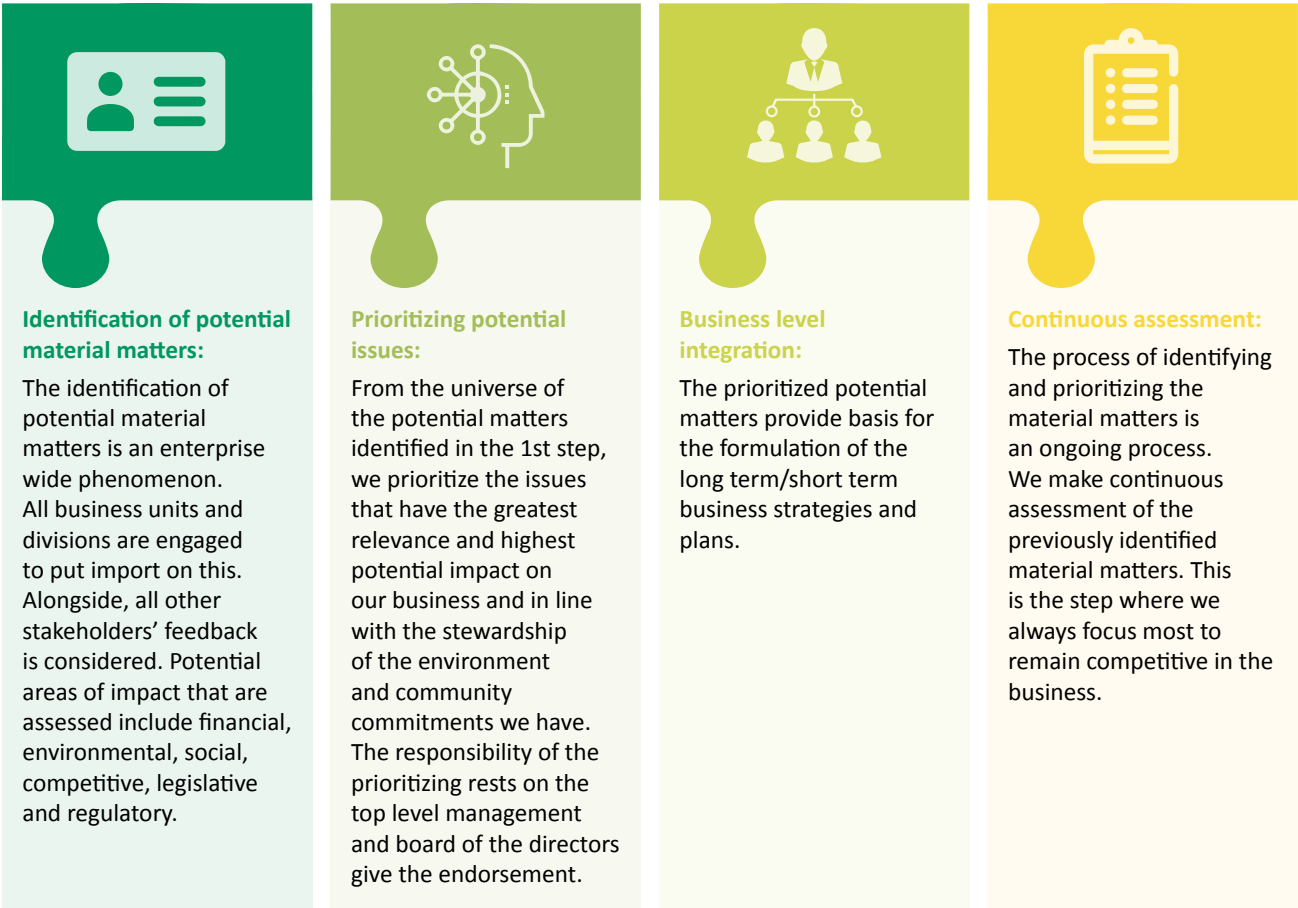
STRATEGIC FOCUSAREAS

- o Diversifying Portfolio with sustainable innovation
- o Creating Convenience for our Customer
- o People are the business
- o Create a Sustainable Brand
- o Prudent Balance Sheet Management

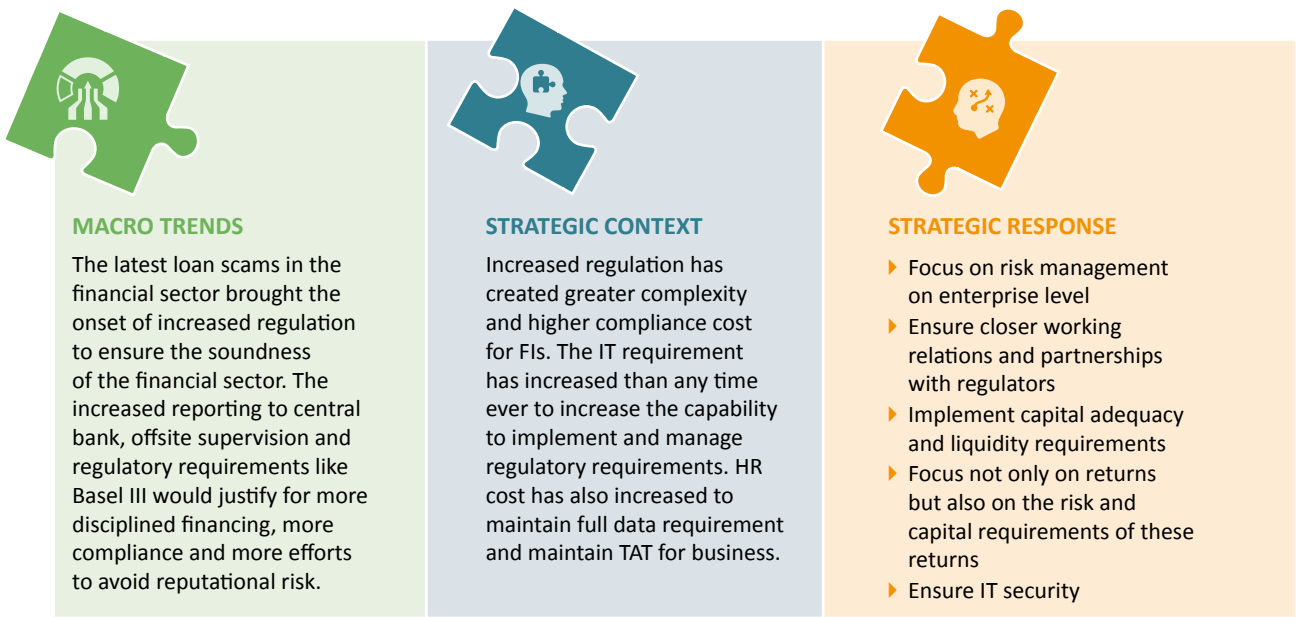


Material Matters

Our material matters are our primary risks and opportunities. These have been the key factors that have significant impact on our ability to deliver sustainable value to our stakeholders. Our approach in identifying and evaluating material matters is very comprehensive. Below is our approach of chalking out material matters that guides our strategic priorities and our future.



Slow Economic Activities



Credit Growth Reversal In Banking Industry



MACRO TRENDS

Private sector credit growth, which is often believed to be one of the most important leading indicators for macroeconomic growth, is projected to edge up marginally in FY16 at 14.8% and gradually consolidated at 15% in FY17 as targeted in the national budget. The gradual acceleration in private sector credit is a good indicator for the economy to head towards 7%+ growth.



STRATEGIC CONTEXT

The increment in the credit growth is a good symptom for the lending business by financial sector. Most of the Banks and NBFIs in Bangladesh could not experience an increase in the general level of loan disbursements. A gradual increase in private sector credit growth in the coming fiscals could be one of the biggest boons for increase funded business for LankaBangla.



STRATEGIC RESPONSE

- ▶ Private sector credit growth momentum in 2016 would be very beneficial for LankaBangla as we have already laid foundation for SME and Retail business in the preceding years.
- ▶ The declining interest rate environment would be helping in tapping good SME Clients.
- ▶ LankaBangla has the strength to go for retail financing business more aggressively.

Increased Demand on Governance and Risk Management



MACRO TRENDS

The latest loan scams in the financial sector brought the onset of increased regulation to ensure the soundness of the financial sector. The increased reporting to central bank, offsite supervision and regulatory requirements like Basel III would justify for more disciplined financing, more compliance and more efforts to avoid reputational risk.



STRATEGIC CONTEXT

Increased regulation has created greater complexity and higher compliance cost for FIs. The IT requirement has increased than any time ever to increase the capability to implement and manage regulatory requirements. HR cost has also increased to maintain full data requirement and maintain TAT for business.



STRATEGIC RESPONSE

- ▶ Focus on risk management on enterprise level.
- ▶ Ensure closer working relations and partnerships with regulators.
- ▶ Implement capital adequacy and liquidity requirements.
- ▶ Focus not only on returns but also on the risk and capital requirements of these returns.
- ▶ Ensure IT security

Scarce Skills



MACRO TRENDS

Bangladesh has skill shortage due to country's education system and it has a profound impact in the country's economic growth. In business area, we are also lagging behind practicing latest knowledge we study because of the reluctance and knowledge gap that exists. This circumstance challenges place a greater emphasis on skill retention and development in order to improve competitiveness of Bangladesh with rest of the world. Skill shortage is one of the reasons for unemployment.



STRATEGIC CONTEXT

Financial institutions are one of the largest employer and we require high skill sets to serve our clients. We are therefore investing in attracting, retaining and developing the skills we need to grow our businesses, because the right people in the right place is essential for the delivery of our strategy. In the context of increasing competition we need to put employee agenda in high list.



STRATEGIC RESPONSE

- ▶ We have created and continuously nurturing meritocracy in our organization.
- ▶ Offering competitive remuneration packages.
- ▶ In 2015, we have completed 17,014 man-hours training.
- ▶ Continuous improvement of human resources is one of our top priorities.



STRATEGIC FOCUS AREAS

LankaBangla Finance Limited – reinforces companies’ commitment to its most significant constituency

- ▶ Develop deep insight into customers’ needs
- ▶ Deliver pioneering products of outstanding quality and value
- ▶ Delight our customers at every touch point

Our Five strategic focus areas support the achievement of our delivery targets which are measured and re-evaluated on an ongoing basis. These delivery targets are reflected in the strategic focus areas referred to as below:

Diversifying Portfolio with sustainable innovation

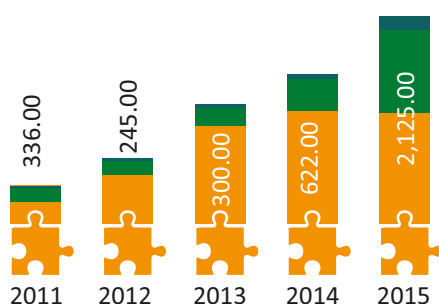
Developing a range of options for growth, including Retail & SME exploration, new opportunities for promoting Corporate growth, value-accretive Opportunities at capital market both in Primary market supply creation as well as secondary market vibration, and maximizing the relationship with large corporate house of the country within our portfolio is our focus strategic area from business arena.

a. Momentum in SME

SME, the heart of growth of economies worldwide, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance is also noteworthy. In 2015, SME loan disbursement of BDT 2,028 million has been made compared to BDT 511 million in 2014, thereby resulting in a 297% growth.

Business Portfolio

■ Corporate ■ Retail ■ SME



At the end of 2015, SME portfolio stood at BDT 2,125 million compared to BDT 622 million in 2014 resulting in 241% growth in portfolio. Management has taken a series of strategies to foster more disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

b. Extended focus in Corporate and Retail

LankaBangla’s focus on extending its Corporate Business portfolio has continued throughout 2015. A total of BDT 25,022 million of corporate lending has been disbursed in

the year compared to BDT 14,100 million in 2014. Of the total disbursement in 2015, BDT 7,750 million was Transitory Finance. Annual growth of total disbursement of Corporate stands at 77%. Moreover, while the budgeted disbursement target in 2015 was BDT 18,041 million, it has exceeded the target by 39%. Disbursement in 2015 was driven mostly by Transitory Finance, Term Loan and Factoring. During the year 2015, the Company has continued to concentrate more on this segment by expanding several branches and increasing manpower in retail financial activities. The Company achieved 70% yearly growth in this segment and exceeded the budgeted disbursement by 21%.

c. “Super shop” service in Capital Market

LankaBangla, through its Market leader subsidiary LankaBangla Securities Ltd, provides one stop Brokerage services, NITA and Internet Trading Services, Foreign Trading Services, CDBL Services. We are backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation an important functions is to carry out capital market research for ourselves and our valued customers. Our Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. A competent Publication Department publishes the monthly magazine Market Pulse on regular basis that provides a thorough overview of the current state of economy and stock market. Our another hand, LankaBangla Investment is the market leader in supply creation of primary market in capital market. It Completed Price Discovery of 1st issue under revised Book-building Method in 2013 and Launched Alpha Plus-Initial Received Consent for Public Subscription of UPGDCL under Revised Book Building Method

Creating Convenience for our Customer

LankaBangla Finance Limited has reached to the major cities and townships of the country by this time. We have 17 branches across the country to serve retail businesses/clients within close proximities. LankaBangla Securities has another 10 branches around the country.

Name of the City	No of Branch of LBFL	No of Branch of LBSL
Dhaka	5	4
Narayanganj	-	1
Chittagong	2	3
Sylhet	1	1
Narsingdi	1	-
Comilla	1	-
Jessore	1	-
Bogra	1	-



Name of the City	No of Branch of LBFL	No of Branch of LBSL
Barishal	1	-
Comilla	1	1
Khulna	1	-
Mymensingh	1	-
Rajshahi	1	-
Total Branch	17	10

a. Doing Business with Smart Phone

We have launched “FinSmart” for our customers successfully from 13 April 2016. LBFL Mobile App “FinSmart” is a smart solution to get Products and Services related information of LankaBangla Finance Limited. For Example: If you have LankaBangla Credit Card, you can see your credit limit, outstanding amount, minimum dues etc.

b. The Portal

The financial world around us is changing with an inevitable power of information. The one who has it right on time acquires an ability to change the world around him. The faster a person has the access to information, the better decisions he makes. To cater to this demand, we are the first to launch a full-fledged financial portal in Bangladesh. This is a platform that will not allow you to leave the page for even one second because you will not want to! Every possible information that you might be requiring, LankaBangla Financial Portal brings that at your desktop. From market news to DGEN graph and from Economic Indicators to various Analyst Tools, everything is available in this information hive. As the portal is updated on a real-time basis, it will never let you fall behind.

c. I Frame

LankaBangla Financial Portal proudly presents “Investor Relationship Pages” so that anyone can add value to his/her company website by strengthening the investor relationship section. We will provide the solution and maintain it for clients. Complex financial data and news, delivered correctly and consistently, equally to all stakeholders at the same time. How important are your existing shareholders and new potential investors to your Listed Company? Presenting a fast and cost effective way for you to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation.

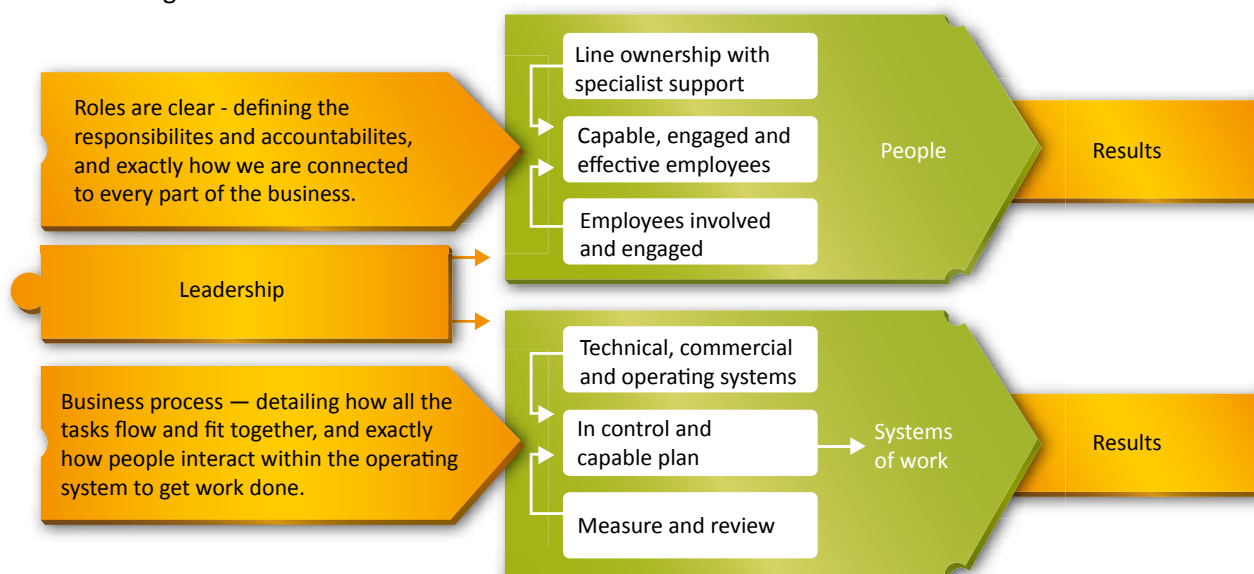
People are the business

Our executive leadership team, led by our CEO, champions diversity and inclusion at LankaBangla. To enable us to work together effectively across the Company, the leadership team ensures that diverse perspectives are integrated into business objectives and key human resources processes.

a. Nurture High skilled talent pool

At LankaBangla, we are powered by talent. We consider our human resources as the most important asset and mobilize people and teams by engaging them in cutting-edge financial industry practices. An attractive employer, we offer a broad spectrum of opportunities for both professional and personal development as well as encourage a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the skills and enthusiasm of our employees are a major force that helps us achieve sustainable results.

Our management framework



b. Work life Integration

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

c. Creating Satisfaction at resources end

	BDT million	
	2015	2014
Total Employee Benefit	871.53	713.58
Total Training Cost	11.74	9.92
Employee Benefit (Per Employee)	21.74	20.05
Training Cost (Per Employee)	0.028	0.027
Operating Cost (Per Employee)	40.21	36.10

LankaBangla has always been passionate about Human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results. LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identify and report investment made in human resources.

Create a Sustainable Brand

LankaBangla is one of the most trusted and respected non-banking financial institutions (NBFI) of Bangladesh. The Company is engaged in the country's economic progress through fostering entrepreneurship by disbursing loans to SME and arranging and disbursing loans to corporate customers. LankaBangla provides a better standard of living to the country's citizens by disbursing a wide range of retail loans. The Company ensures the financial security of a large population cross section by providing access to high-quality, interest-yielding deposits.

a. Investment in Brand

LankaBangla is continuously pursuing to uphold his Brand value to Existing/Prospective Customers, Business Partners, Investors and other stakeholders. We are arranging Corporate Night, Treasury Nights to celebrate our relationship with growth partners. Our customers are honoring throughout the year in different festivals to show their precious support to LankaBangla in every step of their success.

b. Assume Environment Stewardship

LankaBangla Finance has already established its "Green Banking Policy". A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the initiatives.

LankaBangla takes pride for being one of the financiers of a project having

- ▶ One of the largest biological Effluent Treatment Plant (ETP) of the world
- ▶ The first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions
- ▶ Country's first lub re- cycling plant and so forth

Moreover as part of our response to the environment we at office;

- ▶ Only allow rational use of energy and promote the spirit of environment friendly action plans
- ▶ Use ISO certified paints while furnishing our office premises
- ▶ Introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh
- ▶ Launch of e-mail based Customer Statement Delivery System to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation

c. Support to the underprivileged

Prudent Balance Sheet Management

a. Strengthening our Capital Base and Improve Our Funding positions

At LankaBangla Finance Ltd, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. At LBFL, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders.

b. Diversify our Funding Sources

As per our plan to become self-reliant and reduce the pie of bank intermediary financing, Liability division has been encouraged to increase the Term deposit portfolio in last couple of years. Public deposit to back up the aggressive business growth was our key strength in last few years. It helps us to reduce our cost of fund significantly and make our borrowing side less sensitive to interest rate change. Beside this sustainable source of fund we raised BDT 3,000 million in 2014 through an issuance of Zero Coupon Bond. It was the largest issuance of such kind of Bond till early 2016. LankaBangla is the most active money market player with different short term instruments in the country.



CFO'S REVIEW

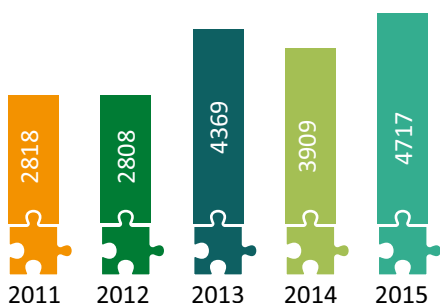
Review of 2015 Financial Results

LBFL produced a strong set of results in 2015, supported by good performance across the segments. This was evident in the increase in Net Interest Income (NII), growth in non-interest revenue (NIR) and improvement in Non-performing Loans (NPL) resulted in reduction in Loan loss provisions.

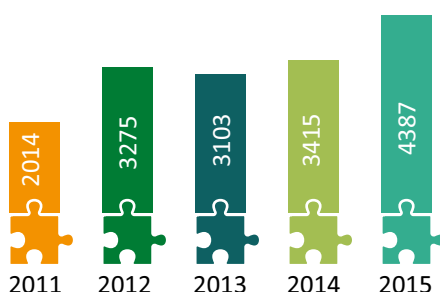
We continued to create value to our shareholders by delivering:

- ▶ Gross revenue growth of 22.29% to BDT 6,237 million
- ▶ Group's EBITDA growth of 28.25% to BDT 4,717 million
- ▶ Cost to Income ratio reduced to 78.81% in 2015 from 81.86% of 2014
- ▶ Return on average shareholders' equity (ROE) of 22.99% considering LBFL as a separate entity
- ▶ Net Asset Value (NAV) increase of 17.46% to BDT 22.68 per share; Group NPV increased to BDT 26.02 per share in 2015 which was BDT 25.33 per share in 2014
- ▶ 30% dividend (Cash 15% & Stock 15%) for the year 2015

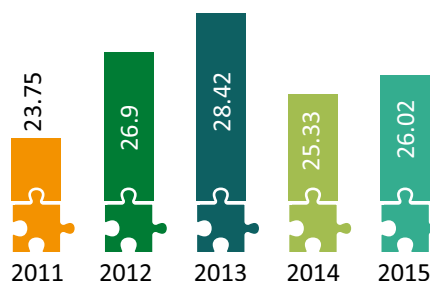
Group EBITDA



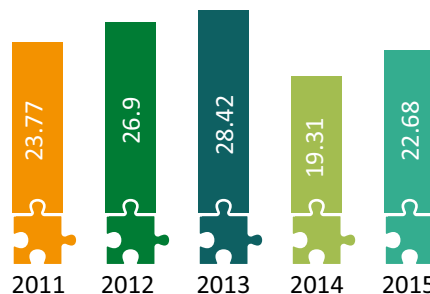
LBFL EBITDA



Group NAV

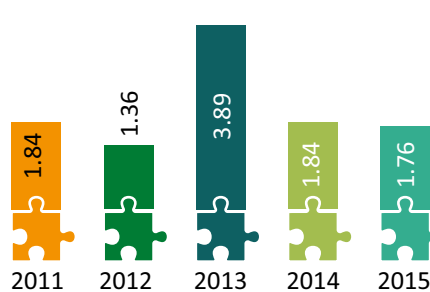


LBFL NAV

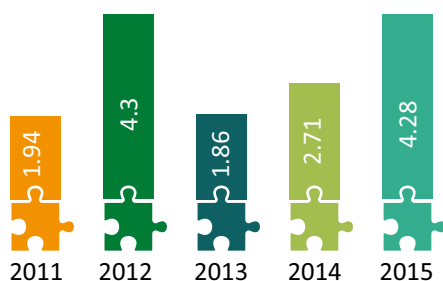


Earnings per Share of LBFL as a separate entity increased by 58.05% to BDT 4.28 per share in 2015. Due to adjustment impact of bearish market trend our subsidiaries LBIL and LBSL produced negative net profit and group's EPS reduced to BDT 1.76 per share.

Group EPS



LBFL EPS



The Group's balance sheet is well positioned with our Basel II Capital Adequacy Ratio (CAR) at 13.41%. CAR is well above regulatory requirement of 10% even after 28.21% growth of investment portfolio. Increase in Tier 1 eligible capital was possible because of profitability. Funding and liquidity level remain sound, with statutory liquid asset and cash reserve increasing resulting in positive liquidity coverage ratio which was well above the regulatory requirement.

Key Developments in 2015

Our 2015 financial results reflect both the benefits of strategic actions taken over the past few years and the impact of strategic actions and restructuring continued this year, as we build for the future.

Corporate Loans and Advances were our strength for a number of years. Considering current business trends, risks and profitability, we tend to focus more on Retail and SME sector. 2015 is evident in cashed the benefit of our strategic tilt as Retail and SME disbursement grew by 67.26% and 296.79% respectively and respective portfolio grew by 64% and 241% correspondingly. In terms of no. of clients Retail division's total no. of clients increased by 9,083 clients to 34,853 by the end of 2015. No. of SME clients doubled in one year and reached to 695 clients in 2015 from only 335 clients in 2014.

Total Loan portfolio increased by 38% in the year 2015 supported by a massive 80% growth in Lease & Loan disbursement. Total number of lease loan clients reached to 35,955 by the end of 2015 which was 26,400 in 2014.

Term deposit increased by 80% and Bank borrowing decreased by 23% resulted in overall increase in Deposit and borrowing to 37.38% in the year 2015. The trend is aligned with our strategic stand of reduced dependency of Bank Deposit and resulted in decrease in cost of fund.

LankaBangla is growing with its subsidiaries and branches. In 2015, 3 new branches has been opened and another 5 new branches will start operation from 2016.

We focused meticulously on human resource as one of our major strategies. Recruitment of quality resources continued in 2015 and we invest a lot to improve the quality of the existing employees in form of both local and foreign training. Employee motivation is prominent in LankaBangla by means of Smart compensation package, increment and performance bonus, family involvement events and so on.

Succession planning has been introduced in LBFL. We planned a two to three level backup and career succession plan. In LankaBangla we encourage leadership and provide ample opportunity to the successor to come forward. Two week annual leave is a must for each and every employee and during the leave the work has to go on.

Analysis of our Financial Performance

Profitability position:

For the financial year ended 2015, the profitability indicators showed significant improvements posting a net profit before tax of BDT 1,046 million compared to BDT 465 million achieved in the previous year reflecting a y-o-y growth of massive 125%. LBFL's net profit after tax for the year 2015 was BDT 1,030 million which was 58% higher than BDT 652 million of 2014. Group's net profit before and after tax was BDT 523 million and BDT 421 million respectively. Group's reduced profitability affected long term bearish capital market trend resulted in reduced revenue and increased provisions for LBSL and LBIL.

We were focusing more on our primary line of business and 2015's financial result is the evident of the outcome. We kept focusing on keeping overall average cost of funding at optimal levels and tackled overhead cost escalation through concise means of cost management to finally reach current level of profitability.

BDT million

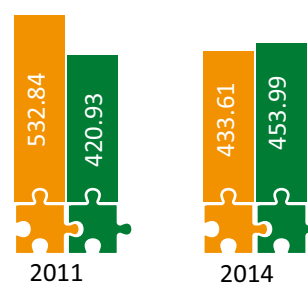
LBFL	2015	2014	Y-O-Y Growth	
			Amount	%
Net profit before tax	1,045.91	465.04	580.87	125%
Net profit after tax	1,030.01	651.72	378.30	58%

BDT million

LBFL Group	2015	2014	Y-O-Y Growth	
			Amount	%
Net profit before tax	532.84	433.61	99.23	23%
Net profit after tax	420.93	453.99	(33.06)	-7%

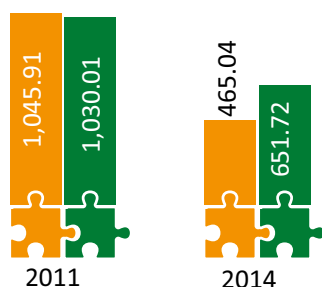
Group's Profitability

■ Net profit before tax
■ Net profit before tax



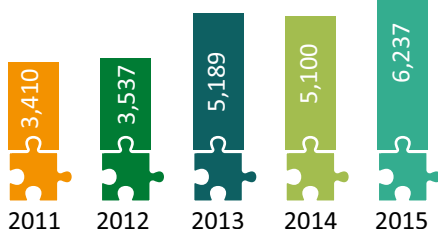
LBFL's Profitability

■ Net profit before tax
■ Net profit before tax



Revenue Growth

Gross Revenue



Where the industry is facing numerous challenges in growing up revenue lines we have succeeded in reaching BDT 6,237 million of group revenue achieving 22.29% growth over last year's BDT 5,100 million. Keeping pace with our strategic plan, management was able to maintain a strong momentum in revenue growth.

Gross Revenue in Segments

BDT million

Segments	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Corporate	2,553.28	2,019.49	533.79	26%	41%	40%
Retail	1,625.09	1,151.89	473.21	41%	26%	23%
SME	204.23	66.73	137.50	206%	3%	1%
Treasury	242.83	80.88	161.95	200%	4%	2%
LankaBangla Securities	1,320.55	1,455.66	(135.10)	-9%	21%	29%
LankaBangla Investments	237.21	317.44	(80.24)	-25%	4%	6%
LankaBangla Asset management	53.37	7.93	45.44	573%	1%	0%
Total Group Revenue	6,236.56	5,100.02	1,136.54	22%	100%	100%

Corporate segment is the highest contributor to the LBFL Group's revenue. In 2015, 41% of the Gross revenue came from this segment. In this segment LBFL is the market leader in the industry. Even in the excess liquidity regime corporate segment nearly earn BDT 2.6 billion of revenue in the year 2015 which is 26% higher than that of previous year.

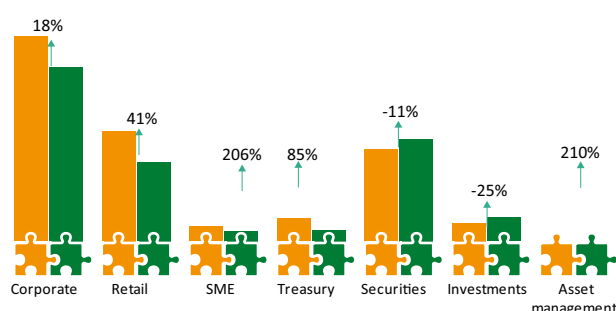
Retail is the rapidly growing segment and we are focusing more on this segment. Revenue growth of 41% in 2015 compared to 2014 signifies the strategic focus of LBFL and rapid growth in this segment.

SME is comparatively a new segment of LBFL and we are structuring our self to make it one of the important core segments of LBFL. In 2015 SME revenue grows by 206% compared to last year we are forecasting rapid growth in coming years also.

Treasury is a very important business segment of LBFL. Our treasury not only manage fund for internal uses but also actively participate in the revenue through dealing in the money market and managing diversified Investment portfolio. 200% Y-o-Y growth in 2015 signifies the efficiency of money market dealing and conscious invest decisions even in a very challenging business condition.

Gross Revenue

■ 2015 ■ 2014 ■ Growth



Our subsidiaries' (LBSL and LBIL) revenue reduces by 9% and 25% due to the adverse impact of the Share Market in Bangladesh. Investors' confidence in DSE and CSE reduces and resulted in reduced transaction volume which directly affected the Brokerage service and LBSL impacted the most as it is the market leader in both DSE & CSE.

LBAMCL is expanding its business with new products and services and 210% growth of Gross revenue in 2015 compared to last year justifies the cannon of the growth of this segment. In coming years we are expecting more volume growth as the market is very responsive towards the new products and services of LBAMCL.

Gross Revenue in Elements

BDT million

Elements	2015	2014	Y-O-Y Growth		Contribution	
			Amount	%	%	%
Interest income	4,787.25	3,965.49	821.76	21%	77%	78%
Income from investment	436.31	198.76	237.54	120%	7%	4%
Commission and brokerage income	562.07	677.06	(115.00)	-17%	9%	13%
Other operational income	450.94	258.70	192.24	74%	7%	5%
Total Revenue	6,236.56	5,100.02	1,136.54	22%	100%	100%

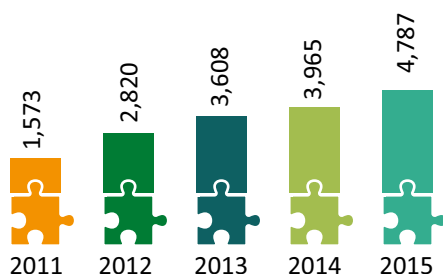
In boosting revenue core contributor was interest income. Interest income contributed 77% in the total revenue where investment income, commission & brokerage income and other income contributed 7%, 9% and 7% respectively. Other than Commission and brokerage income all the segments of revenue experienced a healthy growth in the year 2015.



Interest Income

Interest income is the core component of revenue for LBFL group. With loan portfolio sustaining a resilient 38% growth interest income grew by 21% to BDT 4,787 million in 2015 which was BDT 3,965 million for the year 2014. Acquisition of new clients, increase in volume of business with existing clients and expansion of products and services helped to boost interest revenue in the year 2015.

Interest Income



In 2015 LBFL experienced a rare reduction in interest suspense account i.e. we didn't need to keep provision for interest suspense rather in this year we recover from previous years' interest suspense accounts. World class client service with rigorous monitoring of asset clients make this possible. We are looking forward to keep the same trend for the upcoming years.

BDT million

Interest income	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Corporate	2,460.06	1,911.36	548.70	29%	51%	48%
Retail	1,422.85	1,018.12	404.73	40%	30%	26%
SME	186.98	61.40	125.58	205%	4%	2%
Treasury	102.79	142.97	(40.18)	-28%	2%	4%
Securities	505.08	666.59	(161.51)	-24%	11%	17%
Investment	109.48	165.05	(55.57)	-34%	2%	4%
Total Interest Income	4,787.25	3,965.49	821.76	21%	100%	100%

51% of the total interest income came from Corporate finance segment which held 45% of the consolidated earning assets. Interest income from corporate segment reached BDT 2.46 billion in 2015 which is 39.45% of the total consolidated revenue earned by LBFL group for that year.

Giving more emphasis on Retail/Personal finance division was one of the major strategies for the year 2015. Our planned strategy resulted in 40% growth in interest income from Retail segment to BDT 1,422.85 million in 2015 which was 1,018.12 million in 2014. Retail finance division produced 30% of the total interest income holding 27% of the total earning assets.

SME finance division of LBFL has started to stretch its wings as part of long term strategic goal of the group. Interest income from SME division achieved a growth of 205% to BDT 187 million in 2015 from BDT 61 million of 2014.

Interest Expenses

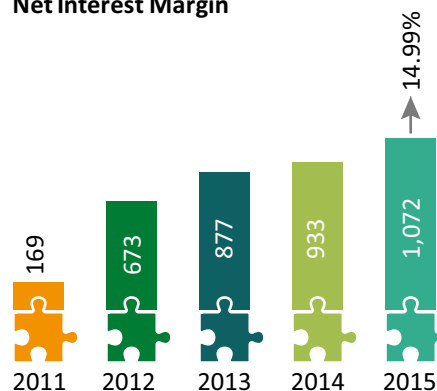
In the year 2015 total interest expenses increased by 22% to BDT 3,715 million from BDT 3,033 million of 2014. During this time total deposit and borrowings experienced a growth of 37.35%. Liquid market scenario and efficient liability and treasury management control the growth of interest expense by means of reduced average fund cost.

BDT million

Interest Expenses	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Term deposits	2,332.15	1,720.60	611.56	36%	63%	57%
Term loan-commercial bank	651.82	883.91	(232.08)	-26%	18%	29%
Zero Coupon Bond	278.58	14.41	264.17	1833%	7%	0%
Short term loan	187.03	85.57	101.46	119%	5%	3%
Bank overdraft	64.06	45.12	18.94	42%	2%	1%
Call loan	108.44	167.85	(59.41)	-35%	3%	6%
Term loan-Bangladesh Bank	47.87	40.12	7.74	19%	1%	1%
Bangladesh Bank REPO	44.93	75.32	(30.39)	-40%	1%	2%
Total Interest Expenses	3,714.88	3,032.89	681.99	22%	100%	100%

Net Interest Income (NII)

Net Interest Margin



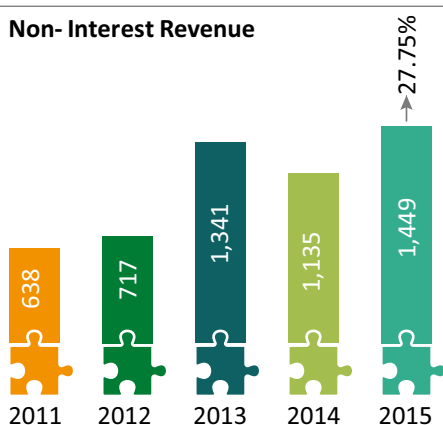
LBFL was able to maintain about 15% growth in NII in 2015 compared to 2014. Even in present excess liquidity regime where the industry is experiencing reduced trend of spread it is the growth of the volume and diversified asset portfolio which help us to maintain a sustainable growth of NII over the years. LBFL remained vigilant to mitigate any significant margin erosion that may occur by ensuring pricing is based on a proper trade-off between risks and returns on asset side, and looking for longer term funding to mitigate the negative assets and liabilities maturity mismatch.

Non-Interest Revenue (NIR)

NIR grew at an average compound rate of 55.92% from 2011 to 2015 supported by continuous progress in number of asset clients, credit card operation and impact of conscious investment decisions. In 2015, as a result of a number of strategic actions, NIR increased by 27.75% to BDT 1,449 million.



Non- Interest Revenue

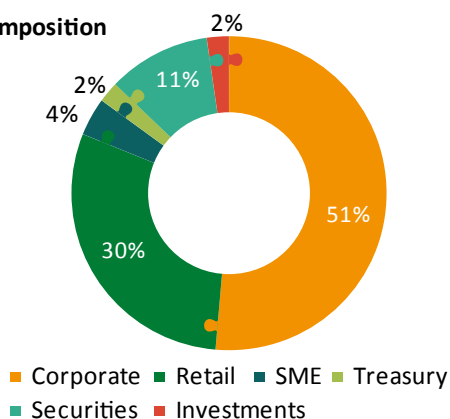


The underlying drivers of NIR growth included:

- Investment income increased by 120% from BDT 199 million in 2014 to BDT 436 million in 2015. It includes BDT 180 million from investment in shares, BDT 157 million of income from PD operation, BDT 95 million dividends earned from strategic investment portfolio and BDT 3.45 million income from commercial paper.
- Fees and documentation income increased by 45% in 2015 to BDT 173 million from BDT 119 million in 2014. A massive 76% of this revenue come from the retail segment and the major contributors were Credit card, Auto loan and personal loan.
- Membership fee and other income from Credit cards increased by nearly 43% to BDT 70.77 million in 2015 from BDT 49.6 million in 2014.

Our NIR-to-Operating expenses ratio was 90% in 2015 which was 88% in 2014. It indicates efficiency gains and we are committed to perform better in coming years.

NII Composition



Investment Income

7% of the total revenue for the year 2015 has come from investment income. Strategic investment decision has paid off in terms of 200% increase in Income from investment in shares, realizing more than BDT 27 million of Provision for diminution in value of investments and resulted in capital gain even in the reign of bearish capital market. We have off load all the Government securities held under PD operation resulted in income in form of capital gain of BDT 157.47 million.

BDT million

	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Income from investment in share	180.22	60.11	120.11	200%	41%	30%
Dividend income	95.16	44.50	50.66	114%	22%	22%
Commercial paper	3.45	-	3.45	100%	1%	0%
PD operation	157.47	94.15	63.33	67%	36%	47%
Total Investment Income	436.31	198.76	237.54	120%	100%	100%

Operating Expenses

Operating expenses growth of 25.46% to BDT 161 million in 2015 compared to BDT 129 million of 2014 is reflective of continuous investment in human resource to enrich human capital, expansion of branch distribution network to cover more areas of the country and to help the Company to mobilize more public funds and to reach to more Retail and SME clients and investment in marketing and promotional expenses.

BDT million

	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Salary and allowances	838.35	687.07	151.29	22%	52%	53%
Rent, taxes, insurance, electricity etc.	159.81	114.99	44.82	39%	10%	9%
Legal and professional fees	19.74	25.41	(5.66)	-22%	1%	2%
Postage, stamp, telecommunication etc.	17.01	17.45	(0.44)	-3%	1%	1%
Stationery, printing, advertisement	40.17	34.58	5.59	16%	2%	3%
Repairs, maintenance and depreciation	109.54	93.64	15.91	17%	7%	7%
Other expenses	427.34	311.72	115.62	37%	27%	24%
Total Operating Expenses	1,611.97	1,284.84	327.12	25%	100%	100%

The main expense growth contributors were:

- Staff related cost increased by 22%, comprising-
 - Growth in number of employees to 1491 by the end of 2015 from 1381 at the same time in 2014
 - Growth in remuneration and other staff costs of 22%
 - A 16% increase in incentives provided to employees in line with strong financial performance for the year 2015
- Rent, insurance and electricity expenses increased by 39% due to expansion of branch distribution network and restructuring and extension head office premises.
- Other expenses increased by 37% in the year 2015 compared to 2014. Major contributors were Training



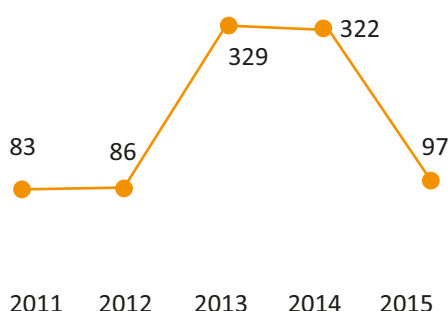
expenses, traveling expenses, vehicle maintenance, office maintenance, business promotion and marketing expenses.

Provision charges on Loans and Investments

At LankaBangla Group we focus on quality of asset with great consciousness. As a result of our rigorous before and after sales monitoring NPL reduces to 3.20% at the end of 2015 which was 4.05% in 2014 and 6.51% in 2011. Except provision for Margin Loan provision charge for both Lease and loans and Investment reduced in 2015 compared to that of 2014. Provision charges for Lease and Loans for the year 2015 was BDT 133 million which was BDT 167 million in 2014. Provision charge for diminishing value of investments was negative BDT 27 million in 2015 i.e. there was a recovery of provision charged in previous years, whereas in 2014 provision charge was BDT 153 million.

Due to bearish Capital market condition quality of Margin Loans become inferior and provision charged requirement for Margin Loan increased to BDT 280 million in 2015 which was only BDT 27 million in 2014.

Provision charges for Loans & Investment other than Margin Loan

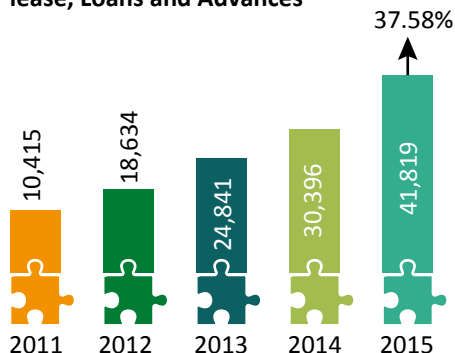


Balance Sheet- Strong Metrics and well positioned for Economic Headwinds:

Loans and Advances:

The positive growth trend in loans and advances continued into 2015, resulting in four-year CAGR of 41.46%. In the year 2015 advances grew 37.58% to BDT 41,819 million excluding inter company loans and advances supported by gross new disbursement of BDT 35,770 million.

Lease, Loans and Advances



Corporate portfolio has increased by 46% to BDT 19,239 million in 2015 compared to BDT 13,141 million of 2014. LBFL is the market leader within the industry in this segment. Beside Term loans LBFL offers factoring, syndicated financing arrangements and short term financing also to accomplish the motive of providing corporate bodies need based services. Corporate disbursements in the year 2015 were BDT 25,022 million which was 77% higher than BDT 14,100 million of 2014.

Retail loans and advances portfolio grew by massive 64% to BDT 11,301 million in 2015 which was BDT 6,891 million in 2014. Retail loans comprises of Auto loans, Home loans, Personal loans and Credit Cards.

Auto loan portfolio experienced a y-o-y growth of 86% to reach BDT 3,124 million in 2015. Auto loan of BDT 2,008 million has been disbursed in the year 2015 which was 81.4% superior to last year's BDT 1,107 million.

Home loan portfolio grew by 47% to BDT 4,299 million in 2015 compared to BDT 2,927 million of 2014. Fresh home loan disbursed during 2015 was BDT 1,800 million which was 57.3% higher than 2014's disbursements of BDT 1,144 million.

Both the portfolio and disbursement doubled in the year 2015 compared to the year 2014. At the end of the year 2015 Home loan portfolio reached to BDT 2,248 million experiencing a 128% over BDT 988 million of 2014. BDT 1,874 million personal loans have been disbursed in the year 2015 which was 139% higher than that of 2014.

Credit Card is a distinctive feature for Lanka Bangla Finance Limited as we are the only NBFI in the industry to deal with Credit Card Business. Credit card portfolio increased by 26% to BDT 1,630 million in 2015 from BDT 1,295 million of 2014. Credit Card usage boosted up by 39.5% in 2015, during the year Lanka Bangla Master and Visa Card uses reached the milestone of BDT 3,039 million which was BDT 2,178 million during 2014.

BDT million

Loans and Advances (Portfolio)	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Corporate Financial Services	19,239.03	13,141.04	6,097.99	46%	46%	43%
Retail Financial Services	11,300.58	6,890.92	4,409.66	64%	27%	23%
Auto Loan	3,123.62	1,681.93	1,441.68	86%	7%	6%
Home Loan	4,299.03	2,926.77	1,372.26	47%	10%	10%
Personal Loan	2,248.00	987.67	1,260.34	128%	5%	3%
Credit Card	1,629.93	1,294.56	335.37	26%	4%	4%
SME Financial Services	2,125.45	622.42	1,503.03	241%	5%	2%
LBIL- Margin loan to share trading clients	3,559.65	4,262.87	(703.22)	-16%	9%	14%
LBSL- Debit balance of share trading clients	5,594.31	5,479.14	115.17	2%	13%	18%
	41,819.02	30,396.39	11,422.63	38%	100%	100%

SME portfolio grew more than triple by the end of 2015 compared to the year 2014. SME portfolio reached to BDT 2,125 million grew at a rate of 241% from BDT 622 million of the year 2014. We are focusing more on SME business and it was evident from disbursement of BDT 2,028 million to SME clients during the year 2015.

Margin loan is a product of Lanka Bangla Investment Limited. In the year 2014 the exposure of Margin Loan was BDT 4,263 million and due to the long term bearish trend of capital



market a sizable portion of this loan became unproductive. We thus took initiative to recover the amount and reduce the exposure and in 2015 margin loan portfolio reduced by 16% to BDT 3,560 million.

Balance of share trading clients refers to the facility provided to the clients by LankaBangla Securities Limited (LBSL) against the purchase of shares in the secondary market. Debit balance to clients grew to BDT 5,594 million which was 2% higher than that of 2014.

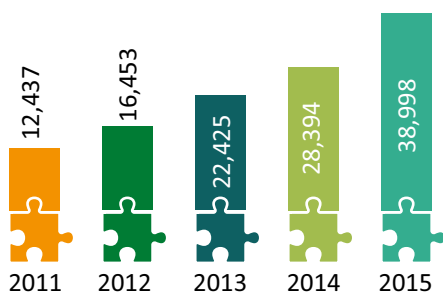
BDT million

Loans and Advances (Disbursement)	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Corporate Financial Services	25,022	14,100	10,922	77%	70%	71%
Corporate & IS	20,165	11,623	8,542	73%	56%	59%
Emerging & Commercial	4,619	2,120	2,498	118%	13%	11%
Project & Structured Finance	238	357	(119)	-33%	1%	2%
Retail Financial Services	8,720	5,214	3,507	67%	24%	26%
Auto Loan	2,008	1,107	901	81%	6%	6%
Home Loan	1,800	1,144	656	57%	5%	6%
Personal Loan	1,874	784	1,090	139%	5%	4%
Credit Card	3,039	2,178	860	39%	8%	11%
SME Financial Services	2,028	511	1,517	297%	6%	3%
Total Disbursement of Lease & Loans by LBFL	35,770	19,825	15,946	80%	100%	100%

Funding and liquidity

LBFL's consolidated balance sheet remain well funded with deposits and borrowings increasing 37.35% to BDT 38,998 million in 2015 from BDT 28,394 million of 2014. Loan to deposit ratio remained 94% in 2015 which was same in 2014 also.

Total Deposit & Borrowing



Deposit growth was supported by 80% growth in Term Deposit. Compared to 2014 Corporate TDR increased by 86% in 2015, Retail and Bank deposit grew by 30% and 139% consecutively.

Although Bank overdraft and Short term institutional borrowings increased overall Bank Borrowing decreased by 23% in 2015 compared to that of 2014.

The reduction in expensive Bank borrowing was executed as per our strategic planning to reduce the overall cost of fund.

BDT million

Deposit and Borrowings	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Term Deposit	30,107	16,761	13,346	80%	79%	84%
Corporate TDR	15,572	8,356	7,216	86%	41%	42%
Retail TDR	6,635	5,102	1,533	30%	17%	25%
Bank & FI	7,900	3,302	4,598	139%	21%	16%
Bank Borrowing	9,007	11,711	(2,705)	-23%	24%	58%

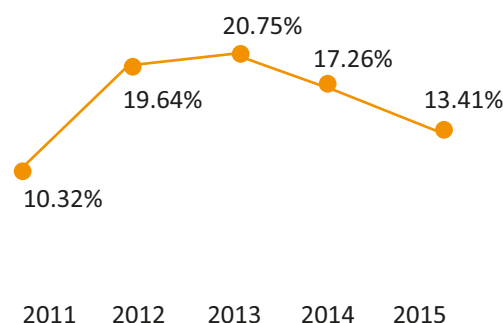
Deposit and Borrowings	2015	2014	Y-O-Y Growth		Contribution %	
			Amount	%	2015	2014
Bank overdraft	936	593	343	58%	2%	3%
Long term loan	2,666	4,492	(1,826)	-41%	7%	22%
REPO against Govt. treasury bills and bonds	-	735	(735)	-100%	0%	4%
Call loans	490	1,400	(910)	-65%	1%	7%
Short term borrowings	3,183	2,038	1,145	56%	8%	10%
Zero Coupon Bond	1,732	2,453	(721)	-29%	5%	12%
Total Deposit and Borrowings	38,006	20,063	17,944	89%	100%	100%

LBFL maintained a sound liquidity position, with contingent liquidity well in excess of prudential liquidity requirements. The statutory liquid assets and cash reserves, combined with the surplus liquid asset portfolio increased by 59.58% to BDT 1,090 million in 2015 compared to BDT 683 million of 2014.

Capital

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

CAR



Tier I Core Capital of LBFL Group and LBFL as at 2015 were BDT 6,115 million and BDT 5,459 million respectively. LBFL's core capital increased by 17.45% in 2015 compared to that of 2014 boosted by solid financial performance by means of Net Profit after tax of BDT 1,030 million. Group's equity decreased due to prior year's adjustments and resulted in a 1.74% decrease in Group's core capital in 2015 compared to 2014.

Tier II Supplementary capital of the Group and LBFL comprises of General provision for Lease and loans. As both the disbursement and portfolio of Lease and Loans increased so did the requirement for general provisions. Supplementary capital increased by 32.71% to BDT 357 million in 2015 from BDT 269 million of 2014.

Total eligible capital of the group BDT 6,472 million in 2015 remained nearly the same as 2014. LBFL's total eligible capital increased by 18.28% to BDT 5,816 million in 2015 compared to BDT 4,917 million of 2014.

Compared to 2014 risk weighted asset grew by 13% in 2015 and so did our capital requirement. We not only maintained the required level of capital, we had a good surplus. The surplus eligible capital of the company and the group at the close of business on 31 December 2015 were BDT 1,712 million and BDT 1,647 million respectively.



OUR SUMMARISED THREE-YEAR TRACK RECORD

LBFL's Statement of Comprehensive Income

	BDT Million		
	2015	2014	2013
Net interest income	1,386.20	1,026.55	745.64
Interest income	4,605.01	3,657.31	3,154.99
Less : Interest expenses on deposits & borrowings	3,218.81	2,630.77	2,409.35
Income from investment	425.65	262.86	220.10
Commission, exchange and brokerage income	-	-	0.20
Other operational income	267.53	170.29	114.31
Total operating income	2,079.38	1,459.69	1,080.26
Total operating expenses	956.65	717.84	407.35
Net Operating Income	1,122.73	741.85	672.91
Provisions for loans, investments and other assets	76.82	276.82	328.70
Profit before tax and reserve	1,045.91	465.04	344.21
Provision for tax	15.90	(186.68)	(103.84)
Net profit after tax	1,030.01	651.72	448.06
Earnings Per Share (2014 & 2013 restated) BDT	4.28	2.71	1.86

LBFL's Statement of Financial Position

	BDT Million		
	2015	2014	2013
Cash	516.14	337.42	194.30
Balance with other banks and financial institutions	725.47	985.27	745.36
Investment	1,836.28	2,181.17	2,138.84
Leases, loans and advances	36,018.82	24,265.99	19,258.88
Fixed assets including land, building, furniture and fixtures	877.65	128.73	73.42
Other assets	4,640.18	4,454.14	4,218.77
TOTAL PROPERTY AND ASSETS	44,614.54	32,352.72	26,629.58
Borrowings from Bangladesh Bank, other banks and financial institutions	6,235.92	8,886.33	9,598.07
Deposits and other accounts	30,196.00	16,794.75	10,875.95
Term deposits	30,080.86	16,717.17	10,875.95
Other deposits	115.14	77.58	-
Other liabilities	2,723.89	2,024.15	1,840.75
TOTAL LIABILITIES	39,155.81	27,705.24	22,314.77
Shareholders' Equity	5,458.73	4,647.48	4,314.81
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,614.54	32,352.72	26,629.58
NAV per share (2014 & 2013 restated) BDT	22.68	19.31	17.93



Financial KPI (LBFL)

	2015	2014	2013
Business Disbursement	11,070	19,750	35,763
EBITDA	3,103	3,415	4,387
NII	653.93	1,026.55	1,386.20
Earning Assets	25,732	31,228	42,600
NII to earning assets	2.54%	3.29%	3.25%
NIR	426.33	433.15	693.18
Total operating expenses	407.00	718.00	957.00
NIR to Total operating expenses	104.75%	60.33%	72.43%
Cost to Income Ratio	80.7%	81.9%	78.8%
NPL ratio	4.84%	5.08%	3.72%
EPS	1.86	2.71	4.28
DPS	2.00	2.00	3.00
ROE	10.95%	14.54%	22.99%
ROA	1.94%	2.21%	2.68%
ROCE	2.71%	2.45%	3.71%
CAR	16.76%	15.07%	14.17%
Credit Ratings :	Long Term	A2	A1
	Short Term	ST-3	ST-3

Non-financial KPI (LBFL)

	2015	2014	2013
No. of Asset Accounts	1,686	2,843	5,350
No. of Deposit Accounts	4,326	6,804	9,406
No. of Active Credit Cards	21,967	27,363	39,108
No. of Branches	11	12	14
Total FTE	257	374	415
Staff attrition	28	46	89
Women as percentage of total staff	11%	14.80%	16.80%
Training Investments (BDT Million)	3.39	5.77	6.98
Total IT Investment (BDT Million)	11.59	25.76	14.16



Consolidated Statement of Comprehensive Income

	BDT Million		
	2015	2014	2013
Net interest income	1,072.36	932.60	876.82
Interest income	4,787.25	3,965.49	3,607.74
Less : Interest expenses on deposits & borrowings	3,714.88	3,032.89	2,730.92
Income from investment	436.31	198.76	656.24
Commission, exchange and brokerage income	562.07	677.06	477.64
Other operational income	450.94	258.70	207.21
Total operating income	2,521.68	2,067.13	2,217.91
Total operating expenses	1,611.97	1,284.84	892.08
Net Operating Income	909.71	782.28	1,325.83
Provisions for loans, investments and other assets	376.86	348.67	328.70
Profit before tax and reserve	532.84	433.61	997.14
Provision for tax	111.91	(20.38)	42.58
Net profit after tax	420.93	453.99	954.55
Earnings per share (2014 & 2013 restated) BDT	1.76	1.84	3.89

Consolidated Statement of Financial Position

	BDT Million		
	2015	2014	2013
Cash	516.27	337.55	194.40
Balance with other banks and financial institutions	1,427.39	1,903.88	2,350.85
Investment	4,372.85	4,840.29	3,417.48
Leases, loans and advances	41,819.02	30,396.39	25,424.48
Fixed assets including land, building, furniture and fixtures	1,291.85	310.99	291.41
Other assets	1,020.50	1,241.27	871.19
TOTAL PROPERTY AND ASSETS	50,447.88	39,030.37	32,549.81
Borrowings from Bangladesh Bank, other banks and financial institutions	9,006.82	11,711.47	11,597.38
Deposits and other accounts	30,106.71	16,760.55	10,953.26
Term deposits	29,991.56	16,682.97	10,827.26
Other deposits	115.14	77.58	126.00
Other liabilities	4,985.11	4,335.46	3,878.25
TOTAL LIABILITIES	44,098.63	32,807.49	26,428.90
Shareholders' Equity	6,261.79	6,096.32	5,989.50
Non controlling interest	87.46	126.56	131.41
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	50,447.88	39,030.37	32,549.81
NAV per share (2014 & 2013 restated) BDT	26.02	25.33	24.89



Financial KPI (Group)

	2015	2014	2013
Business Disbursement	11,070	19,750	35,763
Turnover in DSE	117,730	165,071	134,898
Turnover in CSE	18,064	16,603	13,747
Total Turnover in DSE & CSE	135,794	181,674	148,645
EBITDA	4,369	3,909	4,717
NII	785.11	932.60	1,072.36
Earning Assets	31,265	37,119	47,605
NII to earning assets	2.51%	2.51%	2.25%
NIR	1,432.80	1,134.53	1,449.31
Total operating expenses	892.00	1,285.00	1,612.00
NIR to Total operating expenses	160.63%	88.29%	89.91%
Cost to Income Ratio	69.8%	84.7%	85.4%
NPL ratio	4.84%	4.05%	3.20%
EPS	3.89	1.84	1.76
DPS	2.00	2.00	3.00
ROE	14.34%	7.02%	6.81%
ROA	3.29%	1.27%	0.94%
ROCE	5.35%	2.27%	2.01%
CAR	20.75%	17.26%	13.41%
Credit Ratings :	Long Term	A2	A2
	Short Term	ST-3	ST-3

Non-financial KPI (Group)

	2015	2014	2013
No. of Loan Accounts	1,686	2,843	5,350
No. of Deposit Accounts	4,326	6,804	9,406
No. of B.O Accounts	32,979	44,194	57,396
LBSL's market share in DSE	6.08%	6.94%	6.54%
LBSL's market share in CSE	8.50%	8.52%	7.77%
No. of Active Credit Cards	21,967	27,363	39,108
No. of Branches (LBFL & LBSL)	20	21	23
Total FTE	495	612	649
Staff attrition	28	46	89
Women as percentage of total staff	9.15%	12.30%	14.20%



Delivering Value Through Our Business



Operation Overview

	Group	LBFL	LBSL	LBIL	LBAMCL
	<p>Uncompromised and diversified array of financial services</p> <p>Brokerage Services</p> <p>Asset Management</p> <p>Research based advisory services</p>	<p>country's leading provider of integrated financial services. LankaBangla is the lone Financial Institute that offers cards and provides third party card processing services through its state-of-the-art card software. It has wide spectrum of product range that can cater to any demand of a client whether a client is person having personal requirement or a corporate house with business expansion plan. Its Liability Management division offers a wide range of deposit products which can be both beneficial and profitable as per the client's needs. The unit provides high quality services coupled with maximum security.</p>	<p>Number one brokerage house in the country. LBSL is crowned as the largest in terms of transaction value for the 9th consecutive time in DSE and 10th in CSE in 2014. It has a fully phased research unit which is engaged in both macroeconomic and microeconomic research. LBSL published a monthly research paper namely "Market Pulse" which is considered the only research based capital market journal of the county. LBSL is the first brokerage house of the county offering Bloomberg services to its client.</p> <p>LBSL has two subsidiaries:</p> <p>* LBiS</p> <p>* BizBangla Limited</p>	<p>premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance Limited. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services, Investment Banking Services and Portfolio Management Services.</p>	<p>Official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. LBAMCL is focused to meet the professional investment management demand of a wide range of Investors.</p>



Staff

1491	1211	232	42	6
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Total Assets

100.00%	74.76%	16.11%	7.61%	1.52%
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Revenue

100.00%	76.62%	19.10%	3.43%	0.85%
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Strategic Focus Area

	Group	LBFL	LBSL	LBIL	LBAMCL
	<ol style="list-style-type: none">1. Diversifying Portfolio with sustainable product innovation2. Creating Convenience for our Customer3. Triple bottom line4. Create a Sustainable Brand5. Prudent Balance Sheet Management	<ul style="list-style-type: none">• Distinctive client centered product experience.• A rigorous approach to capturing circle and interdependencies between client segments.• Robust risk management supporting strong product niches.• A sustainable strength in liability management.• Collaborative and people centred culture.	<ul style="list-style-type: none">• Providing efficient trade management service to all client with least cost.• Enabling client with best convenience to market through Internet trading system.• Updating client with best information and research possible to take the best investment decision.• Offering multi-channel e-trading to its customers (web, mobile, and client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc.) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management.	<ul style="list-style-type: none">• Providing Value added service to client e.g. Compliance guideline, IPO Readiness, Customized Equity Financing strategy.• Offering wide range of investment banking service to institutional client seeking to raise finances for business development, to merge with or acquire another business, to re-structure for better performance, or to grow business by exploring new territories.• Sharing the best experience with institutional client seeking to raise funds through Issue Management, Capital raising & Private Placement business.• Providing retail client with best capital market exposure through its two unique product "AlphaPlus" and "LankaBangla Nishchinto".	<ul style="list-style-type: none">• Extensive research and strong fundamental analysis to achieve the best result in close end fund.• Meeting the heavily growing demand of Islamic Shariah (IS) based products with carefully designed product line.• Minimizing the clients' funding volatility while systematically improving the funding positions of their portfolios, and providing research tailored to the specific needs of the organizations while managing Provident fund, Pension fund and Gratuity fund.• Providing advice on appropriate strategic asset allocation strategies on the basis of risk return profile and different constraints of the investors



ROA

0.94% 2.68% 0.58% -11.33% 4.87%



ROE

6.81% 22.99% 1.34% -46.07% 4.97%

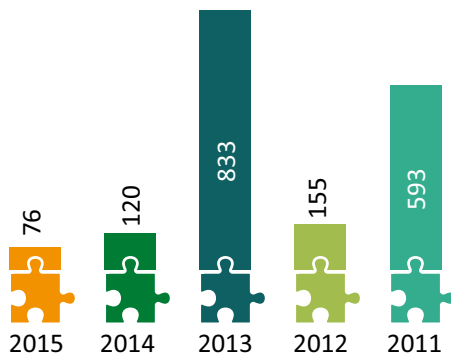


NAV

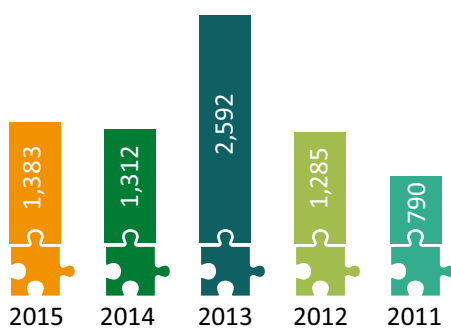
26.02 22.68 17.71 5.21 89.82

ECONOMIC VALUE DISTRIBUTED

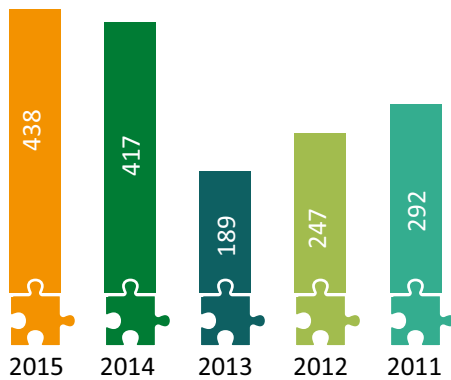
Retention for Growth



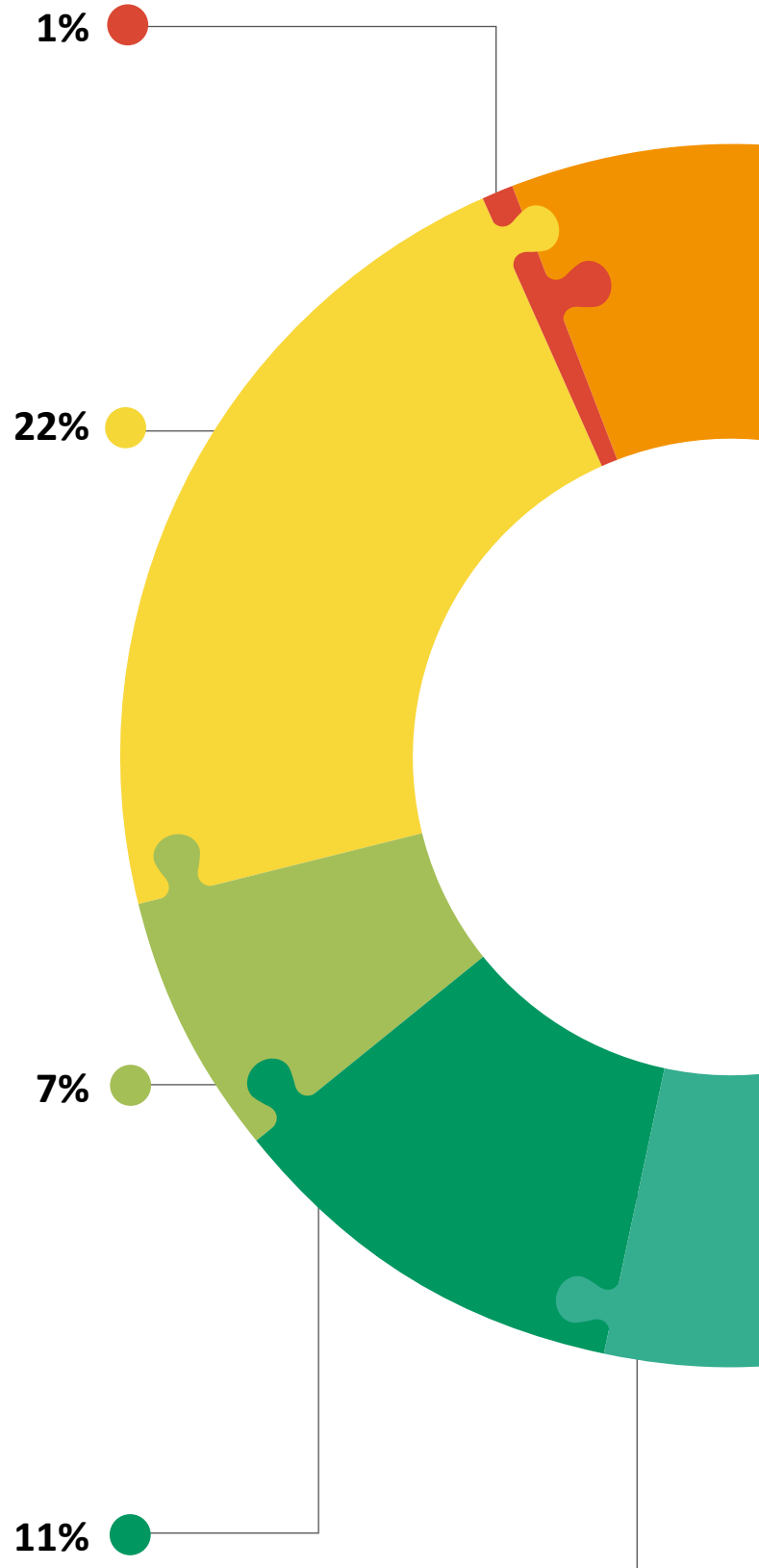
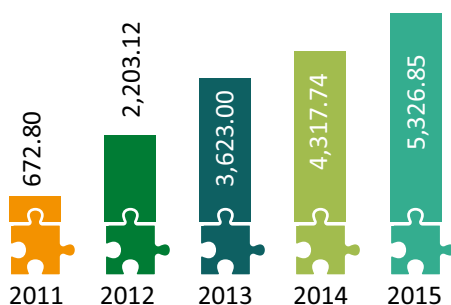
To providers of Loans



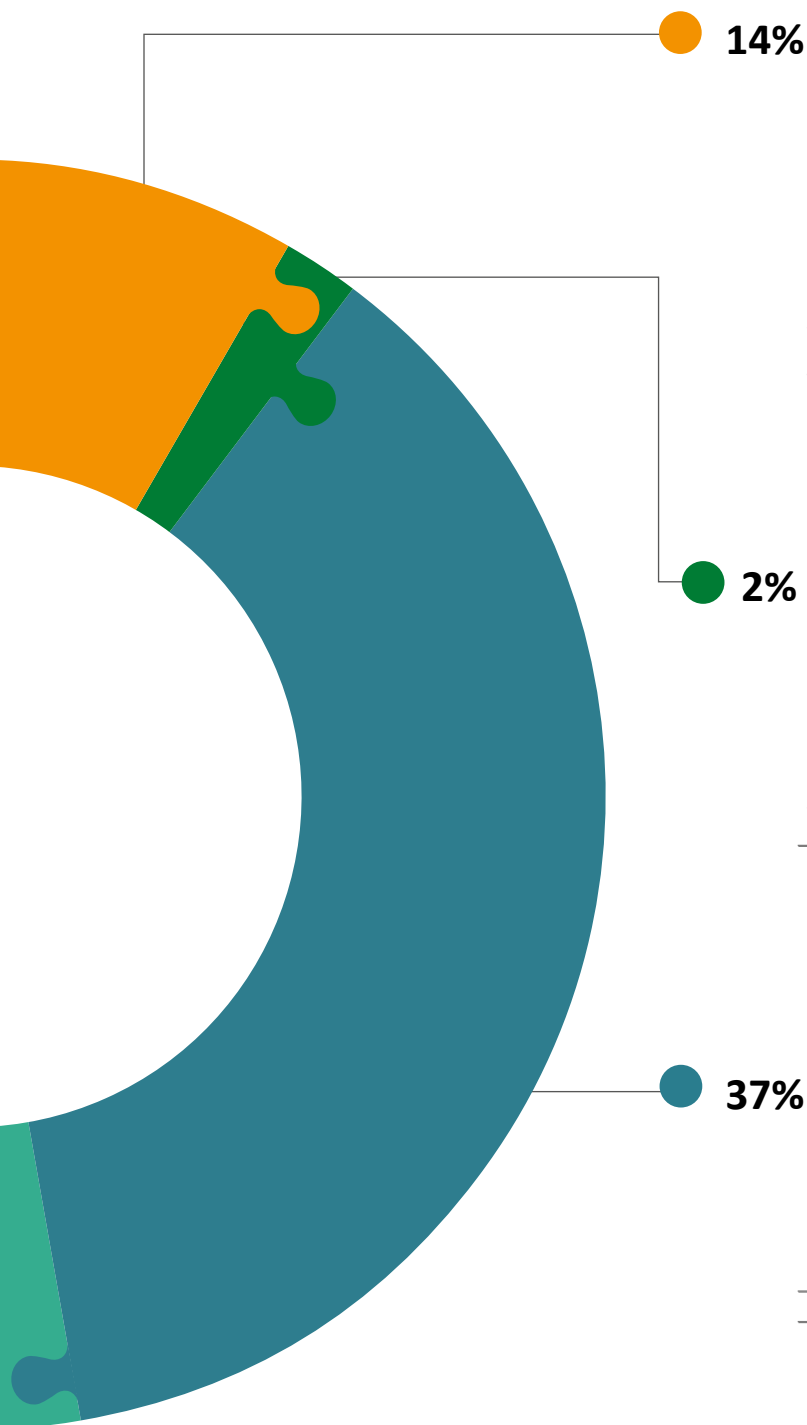
Dividend paid to shareholders



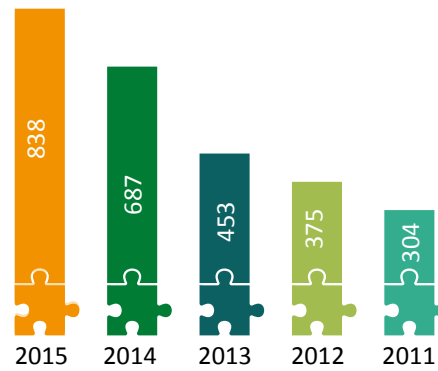
Other Expenses



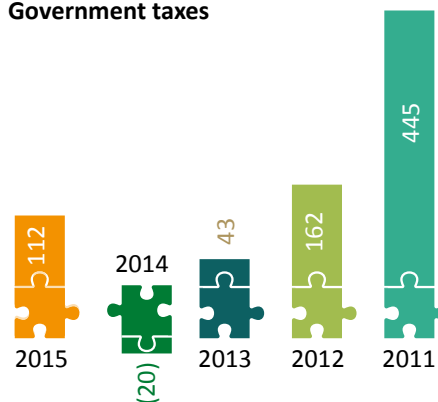
ECONOMIC VALUE DISTRIBUTED BDT 6236.57 MILLION IN 2015



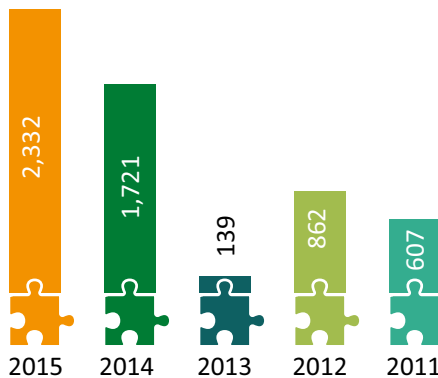
Staff expenses



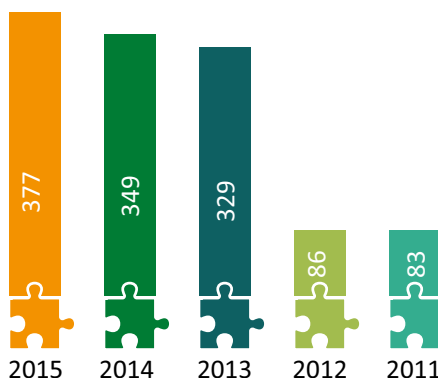
Government taxes



To Depositors as Interest



Provisions for loans, investments and other assets



VALUE ADDED STATEMENT

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

	2015	2014	2013	2012	2011
Direct Economic value generated					
Interest income	4,787.25	3,965.49	3,607.74	2,820.25	2,358.59
Income from investment	436.31	198.76	656.24	32.68	152.15
Commission, exchange and brokerage income	562.07	677.06	477.64	479.76	763.98
Other operational income	450.94	258.70	207.21	204.75	135.62
	6,236.56	5,100.02	4,948.84	3,537.43	3,410.33
Economic value distributed					
To employees as remuneration	838.35	687.07	453.13	374.75	303.63
To Government as taxes	111.91	(20.38)	42.58	162.29	444.98
Operating costs:					
To Depositors as Interest	2,332.15	1,720.60	139.17	862.23	606.60
Provisions for loans, investments and other assets	376.86	348.67	328.70	85.95	82.88
Cost of external services	681.07	515.38	371.48	364.74	297.38
To community					
Payment to providers of capital					
To shareholders as dividend	437.53	416.70	189.41	247.05	292.22
To providers of Loans	1,382.73	1,312.29	2,591.75	1,285.28	789.97
Economic value retained within the business					
As depreciation	92.55	82.40	67.47	54.16	25.83
As reserve	(16.60)	37.29	765.14	100.96	566.84
	6,236.56	5,100.02	4,948.84	3,537.43	3,410.33



ECONOMIC VALUE ADDED (EVA)

STATEMENT

Economic value added is a value-based financial performance measure which reflects the absolute amount of shareholders' value created or destroyed during each year. It provides a measurement of a company's economic success or failure over a period of time. Such a yardstick is useful to investors who wish to place confidence with the Company to retain their fund for better earnings as compared to other similar companies or similar industry. Economic value added is calculated by taking a company's net operating profit after tax, subtracting from it, the cost of average equity. EVA is calculated by applying following formula:

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

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

Economic value added is a value-based financial performance measure which reflects the absolute amount of shareholders' value created or destroyed during each year. It provides a measurement of a company's economic success or failure over a period of time. Such a yardstick is useful to investors who wish to place confidence with the Company to retain their fund for better earnings as compared to other similar companies or similar industry. Economic value added is calculated by taking a company's net operating profit after tax, subtracting from it, the cost of average equity. EVA is calculated by applying following formula:

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

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

	2015	2014	2013
Operating income	6,237	5,100	5,189
Operating expenses	(5,327)	(4,318)	(3,623)
Operating profit	910	782	1,566
Income tax	(112)	20	(43)
NOPAT	798	803	1,523

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

	2015	2014	2013
Shareholders' equity at year end	6,262	6,096	6,840
Accumulated provision for doubtful losses	2,600	2,459	1,467
Equity	8,862	8,555	8,307
Average Equity	8,708	8,431	7,516

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

	2015	2014	2013
Interest rate on 5 Years Government Treasury Bond as on 31 December	6.00%	9.48%	11.45%
Standard Risk premium	2%	2%	2%
Cost of equity	8.00%	11.48%	13.5%
Average Equity	8,708	8,431	7,516
NOPAT	798	803	1,523
Cost of average equity	697	968	1,011
Average Shareholders' equity	8,708	8,431	7,516
Cost of capital	8.00%	11.48%	13.5%
EVA	101	(165)	512
Number of shares (Mn)	241	241	241
Economic Value Added Per Share	0.42	(0.69)	2.13



STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2015

Government is considered as one of the most important stakeholders which play a critical role in the economic development of the country. Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2015, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 467.04 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 381.46 million in 2014, reflecting its fair and consistent commitment towards national contribution.

Forms of Contribution	2015	2014
<i>Income Tax</i>	385,806,948	333,682,752
Salary	26,155,857	19,117,787
Interest on savings deposit	181,348,147	141,537,921
Payment of Supplier	10,622,909	4,108,778
House Rent	5,276,588	4,101,993
Payment on transaction of securities	75,948,422	90,836,800
Payment of Commission	5,306,816	1,656,827
Advance Corporate Tax	6,128,950	6,299,109
Return Submission	63,750,382	30,000,000
Dividend Payment	11,149,730	35,928,186
Payment for Professional & Technical Services	113,147	88,352
Others	6,000	7,000
<i>VAT</i>	60,155,658	44,599,173
House Rent	9,149,496	6,779,528
Processing, Documentation Fee etc.	12,164,367	7,266,734
Procurement of goods and services	13,890,637	6,824,557
Legal, Professional & Technical Fees	2,087,884	2,434,105
Director Fees	78,000	51,000
Others	22,785,274	21,243,248
<i>Excise Duty</i>	21,076,338	3,174,104
Collection of excise duty from clients	20,404,168	2,733,925
Excise duty deducted by bank	672,170	440,179
Total Paid to Government Exchequer	467,038,944	381,456,030



SUCCESS STORIES

Weaving Success



Mrs. Anjuman Ara lives in Kotowali, the business hub of the Chittagong district. Ever since her marriage in the mid 90's, Mrs. Anjuman has been working alongside her husband to help him with his garments accessories business named 'Star Image'. Inspired by the growth of the business, the couple set up a CTP Plate, Film &

Printing business in 2008 and eventually rented two floors in a building at Kadam Mobarak Road of the city, where the two businesses started their operation side by side.

Despite of a host of challenges being associated with being a woman entrepreneur, Mrs. Anjuman's business flourished and secured the second position in the respective industry. Coming from a respectable Muslim family of Feni district, Mrs. Anjuman developed strong foothold for her business through commendable personality, strong relationship with local traders and her unscathed reputation as a business leader.

With the growing demand for diversified printing services in the market, Mrs. Anjuman felt the urge to expand her business. In connection, she approach LankaBangla for financial help, and was promptly entertained with a loan amount of 50 lacs payable over a tenure of 4 years under 'Anonnya' product category, designed exclusively to help women entrepreneurs establish their businesses. LankaBangla also facilitated her with business consultancy, enabling her to grasp the ongoing trends in printing business.

Empowered by the financial freedom, Mrs. Anjuman installed two more machines at her printing factory premises, enabling her to take up more orders and enhance productivity through a total of 4 machines, suited for delivering diversified printing solutions.

Mrs. Anjuman has always been resolute in her approach of doing business

combined with the intention of contributing to the society. To date, she has employed 30 skilled and unskilled workers in her business and helped reduce the unemployment problem in the locality. In relation, she has also expressed her indebtedness towards LankaBangla, as she maintained: "I always had a dream of contributing to the national economy. After receiving the financial support and prospective business consultancy from LBFL, I feel that I have already taken a major step towards fulfilling my dream".

Mrs. Anjuman recognizes that the garments workers; specially the female segment are somewhat underprivileged in our society, although their work is labor intensive and a major contributor to the country's economy. Therefore, she believes that she has the responsibility to empower these workers as an entrepreneur, which in turn could fetch positive changes to the society.

Looking ahead, Mrs. Anjuman is able to foresee a brighter future for her business and a stronger relationship with LankaBangla. With further financial aid from the organization, she aims to adjoin more state of the art machineries to develop automated production facility. Mother of two little girls, Mrs. Anjuman cherishes a lasting relationship with LankaBangla, saying: "I had no issues whatsoever in obtaining the loan from LankaBangla, and there is a definite likelihood that I shall turn to them again whenever I feel it necessary to expand my business further.

"I always had a dream of contributing to the national economy. After receiving the financial support and prospective business consultancy from LBFL, I feel that I have already taken a major step towards fulfilling my dream"

-Mrs. Anjuman Ara

Triumph over Barriers



Residing at Dania, Jatrabari on the outskirts of Dhaka city, Mr. S.M Shah Alam nurtured the dream of becoming a successful entrepreneur from his childhood through his family dairy business that his mother Zobeda Begum initiated in the 90's.

With the objective of attaching financial stability and sustainability to his business, Mr. Alam moved to South Korea in 1999, where he worked in a farm to gain crucial knowledge and working capital for his business. After coming back home in 2007, he re-engaged himself with the business with four cows and a small shed in his homestead area. However, the business demanded immediate expansion; which Mr. Alam could not afford due to financial constraints. His farm was also plagued with foot and mouth diseases (FMD), plunging his business into further jeopardy.

Resolute against what has transpired, he eventually turned to Motijheel Branch of LankaBangla Finance Limited for a term loan of BDT 3.00 million for a span of 3 years. Following positive response from the organization, Mr. Alam concentrated on utilizing the amount for expansion of the business. He rented 8 Katha of land adjacent to his existing farm situated on 5 Katha of land. Besides he repaired the existing cow sheds that were devastated by the recent flood. He employed 3 workers in his farm and increased the number of cows to 50 which are able to provide more than 500 litres of milk every day. He said: "Apart from helping my

business growth, LankaBangla is also contributing to the society, as a number of people are engaged with the trading of my milk produce and maintenance of my cow sheds".

Mr. Alam established himself as a righteous and dignified businessman in his local sphere, which enabled him to develop goodwill and strong relationship with local traders. As a result, he was able to trade his production of milk in the wholesale market through local vendors. His dedication and determination to thwart the incessant political turmoil and fierce competitors enabled him to win over the local customer base as well.

As the looming perils of dairy business cleared from the horizon, Mr. Alam expressed his heartfelt gratitude towards LankaBangla Finance Limited, saying: "LankaBangla has been the only solution to my business needs over the years that acted as a true friend and with great loyalty". As the business emerged on a larger scale, his relation with LankaBangla received new impetus. Mr. Alam then applied for another loan under "Swarnali" scheme, to which LankaBangla responded with a further cash roll-out of BDT 2.5 million in January 2016.

Sensing a brighter future for his business, Mr. Shah Alam is more confident about expanding his business with crucial financial assistance from LankaBangla. With LankaBangla on board, Mr. Alam has planned to buy 11 more cows for his farm and to rent more land for the expansion of his shed. Father of a little girl and a boy, Mr. Alam refuses to look back and aims to triumph over every barrier.

"LankaBangla has been the only solution to my business needs over the years, which acted as a true friend and with great loyalty".

- S.M Shah Alam

Breaking New Grounds



It was the year of 1999. In a quiet village of Madhabdi Sadar, Narshingdi, a pioneering entrepreneur named Md. Shamsul Huda set up a clothing accessories manufacturing facility named Tanvir Textile. With an initial capital of 2 lac taka, he purchased 4 sewing machines to make trouser pockets and mosquito nets. Despite of numerous challenges along with fiercely competitive market and limitations with new market acquisition, Mr. Tanvir steadily took his business forward.

However, Mr. Huda's clients were persistently looking for better quality and bulk production from his end, which he was unable to deliver due to

financial constraints and technological limitations of his old machines. Besides, the infiltration of cloth brokers in the local market escalated as a monumental challenge before Mr. Huda, leaving his access into the mainstream marketplace a tough ask.

Undeterred by the obstacle, Mr. Huda pledged to defy the norms of the market and decided to reinvest his profit amount into the business. With his integrity and meticulous growth process, Mr. Huda managed to procure a total of 18 machines by 2015. However, it was difficult to attain business growth with the shoestring budget available at his disposal. To break the shackles of financial deficiency, Mr. Huda approached LankaBangla for a term loan of 15 lac taka. Considering the growth potential and range of his business, Mr. Huda was granted a loan of 6 lac taka payable by 24 straight instalments within 2 years.

Rejuvenated by the help extended by LankaBangla, Mr. Huda applied the best of his efforts into the business. He made room at his own house where production started in full swing. Gradually, he included a new array of technologically advanced machines to produce finer clothing accessories.

The new injection of capital helped Mr. Huda to purchase 6 more machines. He also conjoined an extra 2 decimals of land to extend 8 the decimals of existing floor area of his mill. The new monetary disbursement helped him diversify his product range and take pre orders from the wholesale dealers. Ultimately, with

a fresh new impetus to his business, Mr. Huda developed a harmonious business relationship with LankaBangla. Commenting on how LankaBangla's support helped transform his business, Mr. Huda said: "When I needed the financial support for my business the most, LankaBangla stood beside me. I hope that they will continue to be a part of my success story."

Currently, Mr. Huda employs 12 experienced people in his clothing factory who can produce a minimum of 15,000 meters of clothing accessories every week. Through his business acumen and widespread reputation, Mr. Huda has managed to attract a number of wholesalers across the country who travel to Madhabdi Bazar every week with a view to collecting clothing goods from him.

Apart from investing the loan amount into his business, Mr. Huda used it to construct a two-storeyed building as well; where he lives with his wife and 3 children. All of them attend school and the eldest son helps Mr. Huda with his business as well.

"I dream of a better tomorrow, where I can see my business flourishing to its full potential. I wish to approach LankaBangla again for the financial support that can fulfil my dream in near future", Mr. Huda says. The dreams of Mr. Shamsul Huda, with help from LankaBangla, could bring forward ground-breaking changes in the lives of many more of his peers.

"When I needed the financial support for my business the most, LankaBangla stood beside me. I hope that they will continue to be a part of my success story."

-Md. Shamsul Huda

THE DIRECTORS OF THE BOARD



Mr. Mohammad A. Moyeen
Chairman



Mr. Mahbubul Anam
Director



Mr. I.W. Senanayake
Director



Mr. M. Y. Aravinda Perera
Director



Mr. Mirza Ejaz Ahmed
Director



Mr. M. Fakhurul Alam
Director



Mr. Tahsinul Huque
Director



Mrs. Aneesha Mahial Kundanmal
Director



Mr. Al-Mamoon Md. Sanaul Huq
Independent Director



Mr. Kazi Abu Muhammad Majedur Rahman
Independent Director



Mr. Mohammed Nasir Uddin Chowdhury
Managing Director

BOARD COMMITTEES

Executive Committee

Mohammad A. Moyeen Chairman	Aneesha Mahial Kundanmal Member
Mahbubul Anam Member	M. Fakhurul Alam Member
Al-Mamoon Md. Sanaul Huq Member	Kazi Abu Muhammad Majedur Rahman Member

Audit Committee

Al-Mamoon Md. Sanaul Huq Chairman	Mirza Ejaz Ahmed Member
Mohammad A. Moyeen Member	M. Fakhurul Alam Member
Mahbubul Anam Member	

MANAGEMENT COMMITTEE (MANCOM)

Mohammed Nasir Uddin Chowdhury
Managing Director
Position in the Committee (Chairman)

Khwaja Shahriar
Deputy Managing Director
Position in the Committee (Member)

A. K. M. Kamruzzaman
EVP & Head of Operations
Position in the Committee (Member)

Quamrul Islam
EVP & Head of Treasury & FIs
Position in the Committee (Member)

Khurshed Alam
EVP & Head of Personal Financial Services
Position in the Committee (Member)

Mohammed Kamrul Hasan
SVP & Chief Risk Officer
Position in the Committee (Member)

Mostafa Kamal
SVP & Group Company Secretary
Position in the Committee (Member Secretary)

Kazi Masum Rashed
SVP & Chief Credit Officer
Position in the Committee (Member)

Mohammad Shoaib
SVP & Head of Corporate Financial Services
Position in the Committee (Member)

Shamim Al Mamun
VP & Chief Financial Officer
Position in the Committee (Member)

Kamruzzaman Khan
VP & Head of SME
Position in the Committee (Member)

Mohammad Faruk Ahmed Bhuiya
VP & Head of Asset Operation
Position in the Committee (Member)

S. M. Abu Washib
VP & Head of Liability Management
Position in the Committee (Member)

Sheik Mohammad Fuad
SAVP & Head of IT
Position in the Committee (Member)

Md. Shariful Islam Mridha
SAVP & Head of Human Resources
Position in the Committee (Member)

Mohammad Anisur Rahman
AVP & Head of GIS
Position in the Committee (Member)



MANCOM MEMBERS



Sitting from the left

Khurshed Alam
EVP & Head of Personal Financial Services

A. K. M. Kamruzzaman, FCMA
EVP & Head of Operation

Mohammed Nasir Uddin Chowdhury
Managing Director

Khwaja Shahriar
Deputy Managing Director

Quamrul Islam
EVP and Head of Treasury and FI's

Standing from the left

Sheik Mohammad Fuad
SAVP & Head of Information Technology

Mohammad Anisur Rahman
AVP - Head of General & Infrastructure Services

S. M. Abu Washib
VP & Head of Liability

Mohammad Faruk Ahmed Bhuiya
VP & Head of Asset Operation

Md. Shariful Islam Mridha
SAVP & Head of Human Resources

Shamim Al Mamun, FCA

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



VP & Head of Finance and Accounts

Kamruzzaman Khan

VP & Head of SME Financial Services

Mohammed Kamrul Hasan, FCA

SVP & Chief Risk Officer

Kazi Masum Rashed

SVP & Chief Credit Officer

Mohammad Shoaib

SVP & Head of Corporate Financial Services

Mostafa Kamal, FCA

SVP & Group Company Secretary

MANAGEMENT COMMITTEES

Management Team (MANCOM Members)

Sl. No.	Designation	Name	Position in the Committee
1	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Operations	A. K. M. Kamruzzaman	Member
4	Head of Treasury & FIs	Quamrul Islam	Member
5	Head of Personal Financial Service	Khurshed Alam	Member
6	Chief Risk Officer	Mohammed Kamrul Hasan	Member
7	Group Company Secretary	Mostafa Kamal	Member Secretary
8	Chief Credit Officer	Kazi Masum Rashed	Member
9	Head of Corporate Financial Service	Mohammad Shoaib	Member
10	Chief Financial Officer	Shamim Al Mamun	Member
11	Head of IT	Sheikh Mohammad Fuad	Member
12	Head of SME Financial Service	Md. Kamruzzaman Khan	Member
13	Head of Liability	S. M. Abu Washib	Member
14	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
15	Head of GIS	Mohammad Anisur Rahman	Member
16	Head of Human Resources	Md. Shariful Islam Mridha	Member

Risk Management Forum

Sl. No.	Designation	Name	Position in the Committee
1	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Operations	A. K. M. Kamruzzaman	Member
4	Head of Treasury & FIs	Quamrul Islam	Member
5	Head of Personal Financial Service	Khurshed Alam	Member
6	Chief Risk Officer	Mohammed Kamrul Hasan	Member Secretary
7	Chief Credit Officer	Kazi Masum Rashed	Member
8	Head of Corporate Financial Service	Mohammad Shoaib	Member
9	Chief Financial Officer	Shamim Al Mamun	Member
10	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
11	Head of IT	Sheikh Mohammad Fuad	Member
12	Head of Liability	S. M. Abu Washib	Member
13	Head of SME Financial Services	Md. Kamruzzaman Khan	Member
14	Head of Human Resources	Md. Shariful Islam Mridha	Member
15	Head of ICC	Mohd. Shafiqul Islam	Member

Management Credit Committee

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

Asset Liability Management Committee

Sl. No.	Designation	Name	Position in the Committee
1	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Treasury & FIs	Quamrul Islam	Member Secretary
4	Head of Personal Financial Service	Khurshed Alam	Member
5	Chief Risk Officer	Mohammed Kamrul Hasan	Member
6	Chief Credit Officer	Kazi Masum Rashed	Member
7	Head of Corporate Financial Service	Mohammad Shoaib	Member
8	Chief Financial Officer	Shamim Al Mamun	Member
9	Head of Liability	S. M. Abu Washib	Member
10	Head of SME Financial Services	Md. Kamruzzaman Khan	Member
11	AVP - Treasury, FI & Central Bank Dealing	Nazimuddin Ahmed	Member



Central Compliance Unit (Anti Money Laundering Committee)

Sl. No.	Designation	Name	Position in the Committee
1	Chief Risk Officer & CAMLCO	Mohammed Kamrul Hasan	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Operations	A. K. M. Kamruzzaman	Member
4	Head of Treasury & FIs	Quamrul Islam	Member
5	Head of Personal Financial Service	Khurshed Alam	Member
6	Head of Corporate Financial Service	Mohammad Shoaib	Member
7	Chief Financial Officer	Shamim Al Mamun	Member Secretary
8	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
9	Head of Liability	S. M. Abu Washib	Member
10	Head of SME Financial Services	Md. Kamruzzaman Khan	Member

IT Development Committee

Sl. No.	Designation	Name	Position in the Committee
1	Deputy Managing Director	Khwaja Shahriar	Chairman
2	Head of Operations	A. K. M. Kamruzzaman	Member
3	Head of Treasury & FIs	Quamrul Islam	Member
4	Head of Personal Financial Service	Khurshed Alam	Member
5	Chief Credit Officer	Kazi Masum Rashed	Member
6	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
7	Head of IT	Sheik Mohammad Fuad	Member Secretary
8	Head of Human Resources	Md. Shariful Islam Mridha	Member

Human Resources Committee

Sl. No.	Designation	Name	Position in the Committee
1	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Operations	A. K. M. Kamruzzaman	Member
4	Head of Treasury & FIs	Quamrul Islam	Member
5	Chief Credit Officer	Kazi Masum Rashed	Member
6	Chief Financial Officer	Shamim Al Mamun	Member
7	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
8	Head of Human Resources	Md. Shariful Islam Mridha	Member Secretary

BASEL II Implementation Committee

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

Purchase Committee

Sl. No.	Designation	Name	Position in the Committee
1	Head of Operations	A. K. M. Kamruzzaman	Chairman
2	Head of Treasury & FIs	Quamrul Islam	Member
3	Group Company Secretary	Mostafa Kamal	Member
4	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
5	Head of IT	Sheikh Mohammad Fuad	Member
6	Head of GIS	Mohammad Anisur Rahman	Member Secretary



Internal Control and Compliance Committee

Sl. No.	Designation	Name	Position in the Committee
1	Managing Director	Mohammed Nasir Uddin Chowdhury	Chairman
2	Deputy Managing Director	Khwaja Shahriar	Member
3	Head of Operations	A. K. M. Kamruzzaman	Member
4	Head of Treasury & Fls	Quamrul Islam	Member
5	Head of Personal Financial Service	Khurshed Alam	Member
6	Chief Risk Officer	Mohammed Kamrul Hasan	Member Secretary
7	Group Company Secretary	Mostafa Kamal	Member
8	Chief Credit Officer	Kazi Masum Rashed	Member
9	Head of Corporate Financial Service	Mohammad Shoaib	Member
10	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
11	Head of IT	Sheikh Mohammad Fuad	Member
12	Head of SME Financial Services	Md. Kamruzzaman Khan	Member
13	Head of Human Resources	Md. Shariful Islam Mridha	Member

Capital Market Operations Committee

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

Green Banking Unit Members

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

Integrity Committee

Sl. No.	Designation	Name	Position in the Committee
1	Deputy Managing Director	Mr. Khwaja Shahriar	Chairman
2	Head of Operations	Mr. AKM Kamruzzaman	Member
3	Head of Personal Financial Service	Mr. Khurshed Alam	Member
4	Chief Risk Officer	Mr. Mohammed Kamrul Hasan	Member
5	Head of Corporate Financial Service	Mr. Mohammad Shoaib	Member
6	Chief Financial Officer	Mr. Shamim Al Mamun	Member
7	Head of Asset Operation	Mohammad Faruk Ahmed Bhuiya	Member
8	Head of IT	Mr. Sheikh Muhammad Fuad	Member
9	Head of SME Financial Service	Mr. Md. Kamuzzaman Khan	Member
10	Head of Liability	Mr. SM Abu Washib	Member
11	Head of GIS	Mr. Mohammad Anisur Rahman	Member
12	Head of HR	Mr. Shariful Islam Mridha	Member
13	FAVP-Audit & Inspection	Mr. Mohd. Shafiqul Islam	Focal Point



STATEMENT ON CORPORATE GOVERNANCE

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 Director, 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.

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
01	The Companies Act, 1994
02	The Financial Institutions Act, 1993
03	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.
04	Bangladesh Bank circular DFIM Circular No. 07, dated; 25 September, 2007.

Key activities of the board in 2015

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:

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.
Operational and financial performance	<ul style="list-style-type: none"> Considered strategic and operational updates from the Managing Director, as well as matters highlighted for the board's attention at board meetings. Reviewed quarterly financial Statements against the group's budget. Approval of the group's annual report and financial results, and agreed dividend payments. Appointment of Two Non-Executive Independent Director in compliance with the SEC Notification No. SEC/CMRRCD/2006-158/129/Admin/44 dated 07 August 2012. Re-Constitutions of the Board Audit Committee and Board Executive Committee. Strengthening the process of business operation through rearrangement of Corporate Organogram. Revision of the Finance and Accounting Manual of the Company and review by the Board Audit Committee and Approved by the Board of Directors. Revision of the Human Resource Manual & Policy by the Board Audit Committee and Board of Directors. 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 03 new Branches countrywide.
Governance and risk	<ul style="list-style-type: none"> Re-Constitutions of the Board Audit Committee and Board Executive Committee. Formation of Risk Management Forum and Risk Analysis Unit. Approval 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.



Functioning of the board and its governance processes

Board Composition and Frequency

The present Board comprises of 11 non-executive directors of whom 04 are nominee directors and 02 are independent director. This number is appropriate for the current scope of the company's operations. The Board meets not less than four times in any given calendar year, with at least one meeting per quarter. In the last meeting of the year the Annual Budget for the Company for the coming year is placed to discuss and approve.

The Board sets its agenda for Board meetings well in advance with items proposed by the Managing Director and senior management, so that each member has time to be conversant with the issues by timely dissemination of meeting papers, presentations and reports. The Company Secretary and Chief Financial Officer attend all Board meetings and 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. Selection and Term of Appointment of New Director the Board of Directors has the following duties and responsibilities in connection with the selection and appointment of new directors;

- ▶ Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- ▶ Identify any competencies not adequately represented and agree the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;

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

Skills, experience and diversity

The board members' collective experience provides for a balanced mix of attributes to fulfill 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, with several directors having chief executive experience.

Independence of Directors

Pursuant to the Notification No. SEC/CMRRCD/2006-158/129/Admin/44, dated;- 07 August 2012, In LankaBangla, the Board comprises eleven non-executive members, of which two are

totally independent, being 1/5th 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 director 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.

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.

Board Role and Responsibilities

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

Broadly, the responsibilities of the Board include the following:

- ▶ Reviewing and approving overall business strategy, as well as organization structure, developed and recommended by management;
- ▶ Ensuring that decisions and investments are consistent with long-term strategic goals;
- ▶ Ensuring that the LBFL is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- ▶ Overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems
- ▶ Providing oversight in ensuring that the LBFL's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- ▶ Overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;



- ▶ Reviewing any transaction for the acquisition or disposal of material assets.
- ▶ Ensuring that the necessary human resources are in place to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- ▶ Reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- ▶ Establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- ▶ Providing a balanced and understandable assessment of LBFL's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ▶ Ensuring that obligations to shareholders and others are understood and met; and
- ▶ Maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken

Chairman of the Board of Director

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

Role of the Chairman

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

Separation of the role of Chairman and the 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.

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 agenda, in consultation with the Managing Director and 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

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

It Governance

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

Ethical Standard - Dealings in Securities

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

Dissemination of Information

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

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



Board and board committees

Board:

Members and 2015 Meeting Attendances/6

Name	
Mr. Mohammad A. Moyeen	3/6
Mr. I. W. Senanayake	4/6
Mr. M. Y. Aravinda Perera	3/6
Mr. B. W. Kundanmal (Alternate Director of Mrs. Aneesha Mahial Kundanmal)	2/6
Mr. M. Fakhru Alam	6/6
Mr. Mirza Ejaz Ahmed	5/6
Mr. Mahbubul Anam	5/6
Dr. M. Mahbubul Huque (Alternate Director of Mr. Tahsinul Huque)	4/6
Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	6/6
Mr. Kazi Abu Muhammad Majedur Rahman (Independent Director)	2/6

Notes:

- ▶ Director who could not attend meetings were granted leave of absence by the Board.
- ▶ Mr. Kazi Abu Muhammad Majedur Rahman has been appointed as Independent Director of LankaBangla Finance Limited w.e.f. July 27, 2015

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.

Group Audit Committee:

Members and 2015 Meeting Attendances/5

Name	
Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	5/5
Mr. Mohammad A. Moyeen	2/5
Mr. Mahbubul Anam	5/5
Mr. M. Fakhru Alam	4/5
Mr. Mirza Ejaz Ahmed	2/5

Summary of key terms of reference:

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.

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.

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.

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.

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.

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.

Summary of key focus areas in 2015:

- ▶ 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

Executive Committee:

Members and 2015 Meeting Attendances/12

Name	
Mr. Mohammad A. Moyeen	8/12
Mr. MahbubulAnam	6/12
Mr. M. FakhrulAlam	12/12
Mrs. AneeshaMahialKundanmal	0/12
Mr. Al-Mamoon Md. SanaulHuq (Independent Director)	12/12
Mr. Kazi Abu Mwhammad Majedur Rahman (Independent Director)	3/12

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.

Summary of key focus areas in 2015:

Approval of Loans and advances amounted up to BDT 100 million.





07 March 2016

Our Ref: 01/03/2016

LankaBangla Finance Limited

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

Subject: Opinion on Status of Compliance of Corporate Governance Guidelines for the year ended 31 December 2015

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 2015.

In our opinion, LankaBangla Finance Limited has complied with the conditions of Corporate Governance Guidelines of BSEC for the year ended 31 December 2015. Actual status of Compliance against each requirement of the Corporate Governance Guidelines is shown in **Annexure-i**.

Thanking You.

Yours Faithfully,

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 annul report of the Company			N/A
4	External/Statutory Auditors shall not be engaged to perform the following services of the company:			
4 (i)	Appraisal or valuation services or fairness opinion	✓		
4 (ii)	Financial Information System Design and implementation	✓		
4 (iii)	Book Keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Broker-Dealer services	✓		
4 (v)	Actuarial services	✓		
4 (vi)	Internal Audit services	✓		
4 (vii)	Any other services that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company	✓		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7	✓		
5	Subsidiary Company			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	✓		

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:	

SL No.	Particulars	Compliance Status
	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

Annexure -III

Compliance of Section 1.5 (xx)

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

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

Notes:

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

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

Sl. No.	Composition of the Board	Meeting held	Attended
1	Mr. Mohammad A. Moyeen	12	8
2	Mr. Mahbubul Anam	12	6
3	Mr. M. Fakhurul Alam	12	12
4	Mrs. Aneesha Mahial Kundanmal	12	0
5	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	12	12
6	Mr. Kazi Abu Muhammad Majedur Rahman (Independent Director)	12	3

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 Board	Meeting held	Attended
1	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	5	5
2	Mr. Mohammad A. Moyeen	5	2
3	Mr. Mahbubul Anam	5	5
4	Mr. M. Fakhurul Alam	5	4
5	Mr. Mirza Ejaz Ahmed	5	2

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	22,792,770

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	10,201,405
Mr. I.W. Senanayake	Representative of Sampath Bank Limited	22,792,770
Mr. M. Y. Aravinda Perera	Representative of Sampath Bank Limited	
Mr. M Fakhru Alam	Representative of ONE Bank Limited	11,688,600
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	3,465
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



STATEMENT ON RISK MANAGEMENT

Strong risk management capabilities is vital to the success of a well-managed financial institution. The Risk Management function is the central resource for driving such capabilities in LankaBangla, and complements the risk and control activities of other functions including Internal Audit and Legal & Compliance.

The key components of LBFL's risk management approach are: strong risk governance; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of capital adequacy relative to risks; and a rigorous system of internal control reviews involving internal and external auditors.

Risk Management in LankaBangla

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

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

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

the Company's capital adequacy assessment.

Risk Governance and Organisation

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

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

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

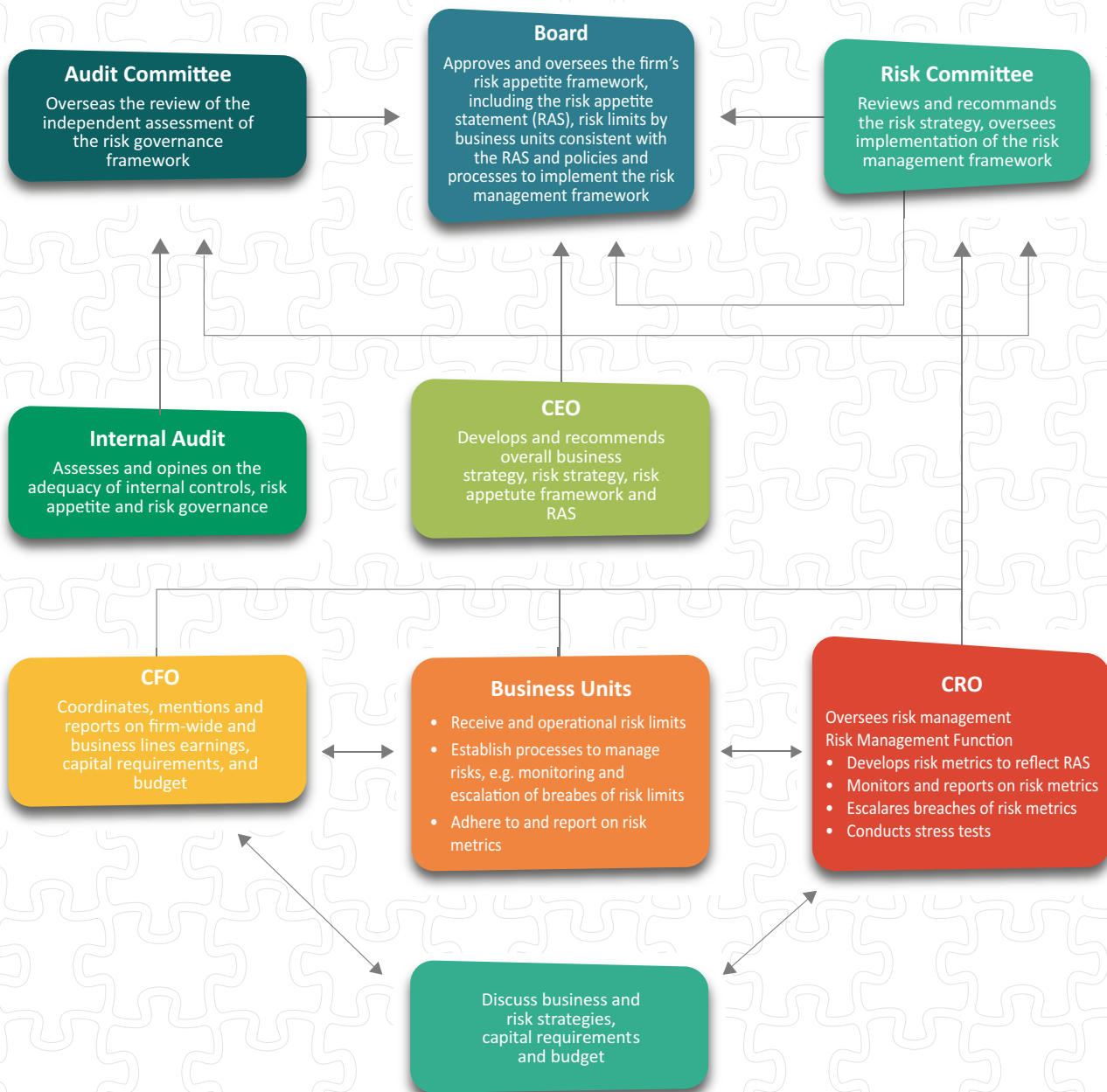
Risk Management Forum at LankaBangla

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

- ▶ The Risk Management Forum members will parametrize the Internal Environment of the Company including risk appetite, integrity and ethical values and the environment in which is operated



An example of a risk governance framework



- ▶ The MANCOM must form the Objectives so that they can identify potential events affecting the achievement unenthusiastically and consistent with its risk appetite
- ▶ The management will identify the internal and external events affecting company's achievement and distinguish between risks and opportunities
- ▶ It is the management responsibility to assess and measure the potential risks
- ▶ The management selects risk responses-avoiding, accepting, reducing or sharing risk-- developing a set of actions to align risks with the company's risk tolerances and risk appetite
- ▶ The management will take policies and procedures and implement it to help ensure the risk responses are effectively carried out
- ▶ The managerial authority will identify generate and communicate the relevant information in a form and

time-frame that enable people to carry out their responsibilities

- ▶ The entirety of enterprise risk management will be monitored and it will be accomplished through ongoing management activities
- ▶ Ensure roles and responsibilities are agreed and clearly understood by all management levels
- ▶ Ensure all staff, in business and support functions, is aware of their responsibilities for company's overall Risk management
- ▶ Ensure there are structured processes at each department level to report control failures to designated individuals and escalate material issues to RMF
- ▶ Establish workable Business Continuity Plans (including Disaster Recovery and Crisis Management procedures) to minimize the impact of unplanned events on business operations and customer service

Risk Analysis Unit (RAU) at LankaBangla

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

Risk Analysis unit will be responsible only for the followings:

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

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

BASEL II

LankaBangla has implemented Bangladesh Bank's Guidelines (Basel Accord for Financial Institutions) on Risk Based Capital Adequacy Requirements for FIs incorporated in Bangladesh with effect from 1 January 2011. Bangladesh Bank adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of Capital Measurement and Capital Standards," commonly referred to as BASEL II. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by FI's to

enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. As part of enhanced public disclosures on risk profile and capital adequacy required under the mentioned guidelines.

Stress Testing

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

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

Credit Risk Management

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

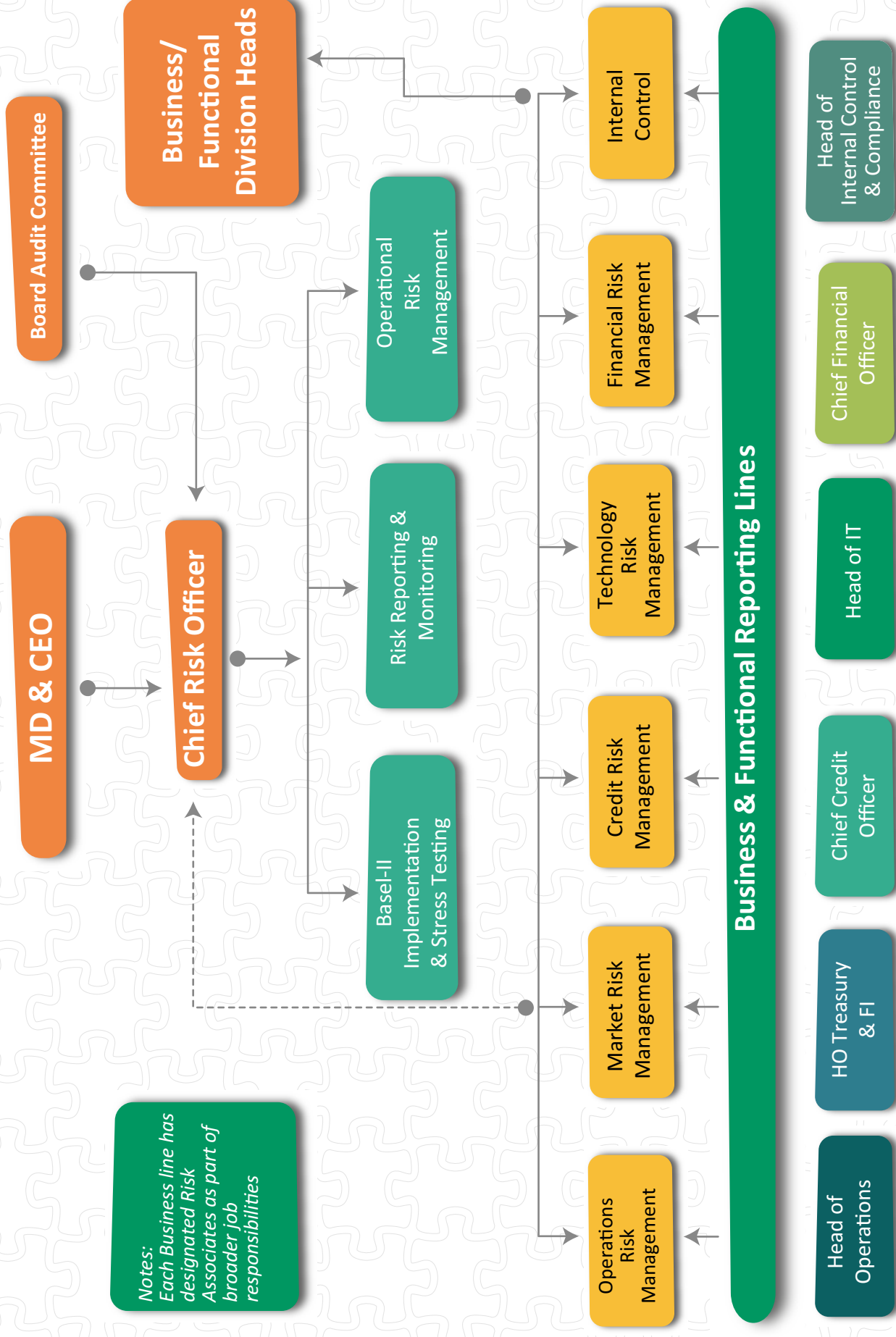
The Company seeks to take only credit risks that meet our underwriting standards. We seek to ensure that risks are commensurate with potential returns that enhance shareholder value.

Credit Risk Management Oversight and Organization

The Management Credit Committee is the senior management committee that supports the CEO and the Board Audit



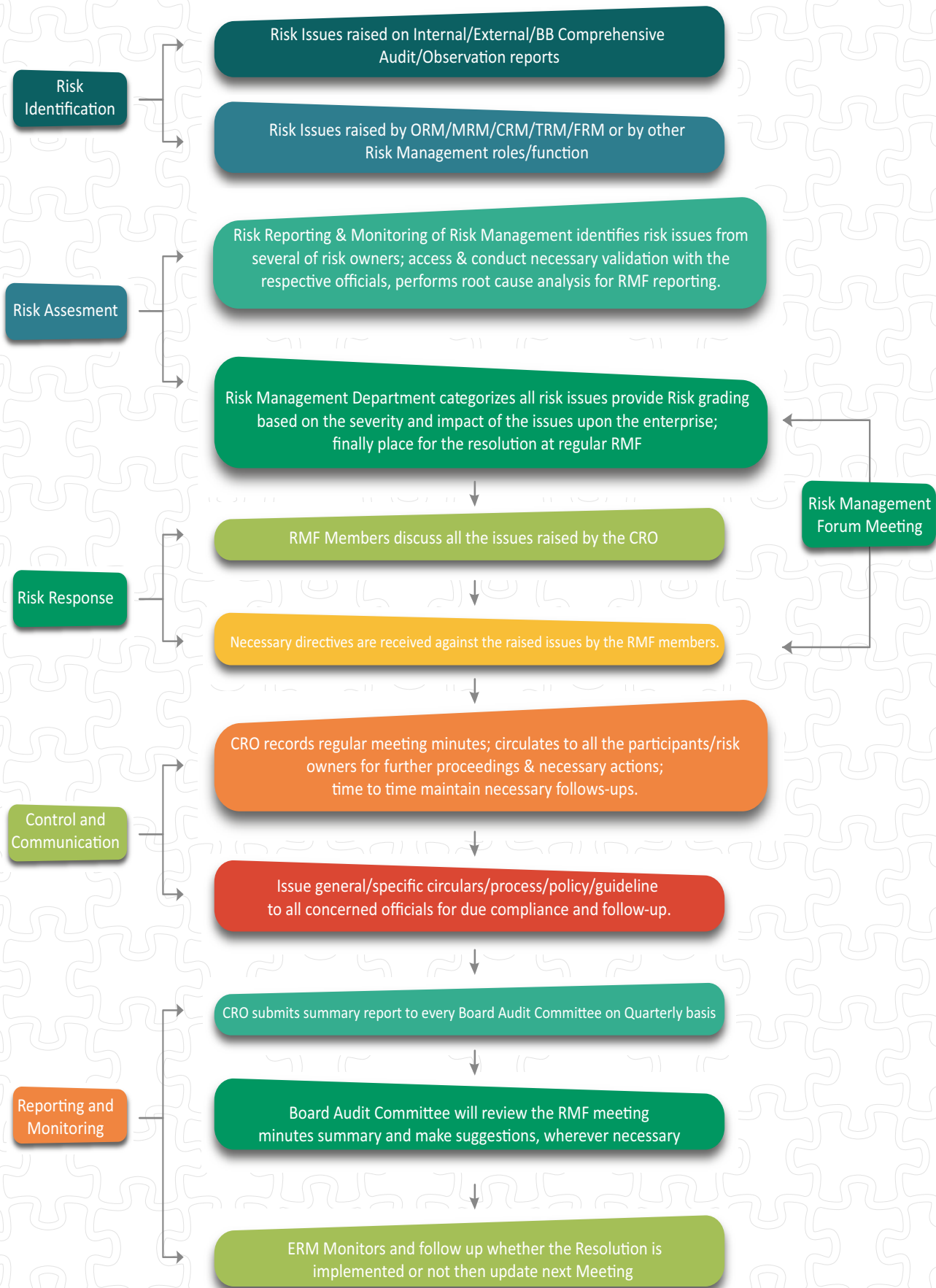
Risk Management Structure



Risk Management Techniques:

SL	Type	Purpose	Procedure
1	Direct Assessment through Risk Audit	To facilitate risk assessment and risk reporting / escalation.	<ul style="list-style-type: none"> Risk Reporting & Monitoring team under Risk Management Department will do overall risk assessment on a regular basis throughout the company. (To Business & Functional units) Risk Audit Plan to be initiated & conduct accordingly on a periodical basis. Risk Audit reports should be sent separately to Board Audit Committee
2	Leading Key Risk Indicator (LKRI) / Key Risk Indicators (KRIs)	Determine key risk indicators for the high and medium risk areas identified for the business /Risk Management Function unit. KRIs should be reviewed quarterly and trends assessed to identify potential risks for the unit.	<ul style="list-style-type: none"> Management Department and designated Risk Management wings (CRM, MRM, and TRM & ORM) shall jointly develop the KRIs & LKRIs However, all KRIs & LKRIs shall be managed by Risk Management Department
3	Potential Loss / Risk Reports	Collect/Identify & Analyze potential risk issues and submits periodical reports to Risk Management Forum.	<ul style="list-style-type: none"> CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF
4	Incident Reports	Report to ensure that critical incidents are reported to senior management and ensure appropriate action is taken quickly on issues which can affect company as a whole.	<ul style="list-style-type: none"> CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF
5	Issue Raised by Mail	General staffs / designated employees who shall hold the Risk Management position should raise significant risk issues of their area. Risk Management Department shall monitor all risk issues and ensure that adequate remedial action is taken where necessary.	<ul style="list-style-type: none"> CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF
6	Internal Audit Reports / Adverse Comments	All Internal & External Audit Reports to be reviewed for identifying repetitive /adverse audit comments. RMF Should be aware of repeated audit comments & root causes of poor control measures in different areas of the company.	<ul style="list-style-type: none"> Risk Reporting & Monitoring wing of Risk Management Department to perform root cause analysis on a monthly basis & develop risk management papers by coordinating with CRM, MRM, TRM & ORM
7	External Audit Reports / BB Audit Reports	External Audit Reports / BB Audit Reports shall be summarized & all vital findings to be presented with recommendations for RMF	<ul style="list-style-type: none"> Enterprise Risk Management & Reporting wing of Risk Management Department to perform root cause analysis on a monthly basis & develop risk management papers by coordinating with CRM, MRM, TRM & ORM
8	Risk Management Papers / Research Papers	Risk Management Department to publish Research Paper according to the Bangladesh Bank guidelines	Risk Management Department to ensure effective & efficient risk disclosure for the company. Initiate Risk Management Research Paper / Concept Paper in cooperation with the other risk management partners

Risk Management Process Flow



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

The Credit Risk Management ("CRM") division has functional responsibility for credit risk management, including formulating and ensuring compliance with Group-wide risk policies, guidelines, and procedures. Other Group Risk departments are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting, risk control systems, and remedial loan management. Company Risk units also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

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

Credit Risk Management Approach

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

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

Lending to Consumers and SME Businesses

Credit risks for the consumer and SME business sectors are managed on a portfolio basis. Such products include mortgage loans, credit cards, auto loans, commercial property loans, Factoring and business term loans. Loans are underwritten under product programs that clearly define the target market, underwriting criteria, terms of lending, maximum exposure, credit origination guidelines, and verification processes to prevent fraud. The portfolios

are closely monitored using MIS analytics. Scoring models are used in the credit decision process for some products to enable objective risk evaluations and consistent decisions, cost efficient processing, and behavioral score monitoring of expected portfolio performance.

Lending to Corporate and Institutional Customers

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

Approval Process

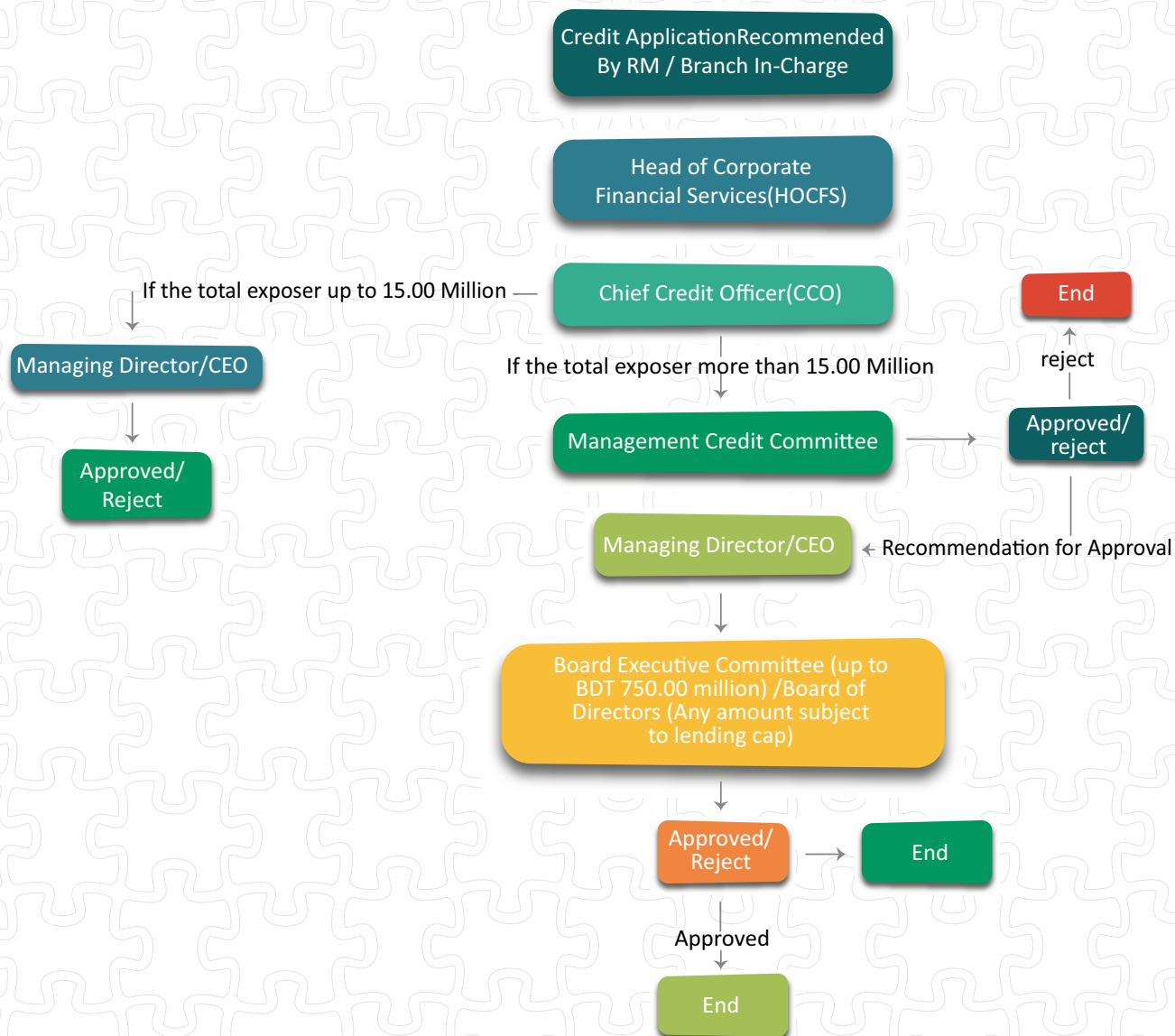
The approval process must reinforce the segregation of Relationship Management/Marketing from the approving authority. The responsibility for preparing the Credit Application should rest with the RM within the corporate financial services division. Credit Applications should be recommended for approval by RM and Head of Corporate Financial Services/Head of business unit, which will be forwarded to the Credit Risk Management Division for approval. FI may wish to establish various thresholds, above which, the recommendation of the Head of Corporate Financial Services is required prior to onward recommendation to Chief Credit Officer for approval. In addition, FI may wish to establish regional credit centers within the approval team to handle routine approvals.

- ▶ Relationship Manager (RM) prepares the loan proposals and supports & forwards to Head of Corporate Financial Services (HOCFS) for onward recommendation
- ▶ HOCFS places it to Credit Risk Management Division for their approval/ recommendation through MCC
- ▶ Managing Director & CEO approves/recommends as per delegated authority by the board/EC
- ▶ Managing Director & CEO presents the proposal to Board/EC
- ▶ Board/EC advises the decision in exceptional circumstances when approval of an extension of Credit is required at short notice, the Managing Director may get approval of the proposal by circulation with recommendation of Credit Risk Management. Concern approver can approve waiver on any documentation deficiency at the time of disbursement, if required/ justified. However, Board may review the above delegated approval authority time to time based on business volume, product nature and Bangladesh Bank guidelines

Annual Review and Renewal Standards

All credit files must be updated and the credit relationship analyzed as warranted by changes in facts and circumstances. Renewal periods to be properly aligned with the year-end





financials. It is the responsibility of the business unit, for each relationship, that at least once every 12 months the following occurs:

- ▶ Facilities are reviewed
- ▶ Credit files are updated and reviewed
- ▶ Material changes are identified and analyzed, if necessary
- ▶ Renewal of facilities is approved

Annual review and renewal of revolving facilities to be commenced at least two months prior to expiry of facility. If for any reason, the facility cannot be reviewed within two month period, the rationale must be documented and approved by the Managing Director. Material Changes in the Facilities: When an existing credit facility (ies) undergo (es) any other changes, the materiality must be determined by the approver/ Chief Credit Officer for the affected facility (ies). Material changes may include changes in the tenor, amortization, guarantee or support. If the change is determined to be "material", Total Facilities must be re-approved by the respective approver. In case of changes

of purpose, tenor and mode of disbursement of approved facility, Chairman of the Board or the Chairman of the Board Audit Committee can approve through mail. The Business may be allowed to continue with the previously approved facilities for up to 90 days following the expiration date of the facilities, unless otherwise stated in the approval package.

Approval Expiration

The approval of a credit facility for a specific transaction is valid for 90 days unless specifically approved otherwise.

Appeal Process

Any declined credit may be re-presented to the next higher authority for reassessment/approval. However, there should be no appeal process beyond the Managing Director

Credit Risk Grading (Crg)

Credit risk grading is an important tool for credit risk management as it helps the Financial Institutions to understand various



dimensions of risk involved in different credit transactions. The process allows to compare different borrowers under a standardized scale and the aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio.

Frequency of Preparing CRG

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

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

Functions of Credit Risk Grading

Well-managed credit risk grading systems promote financial institution safety and soundness by facilitating informed decision-making. In line with Bangladesh Bank core risk manual and following the industry best practices, for each and every loan cases CRG score is calculated using the pre-determined CRG format suitable for respective loan products. This allows FI management and examiners to monitor changes and trends in risk levels. The process also allows FI management to manage risk to optimize returns.

Use of Credit Risk Grading:

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

Credit Risk Grading Process:

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

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

Step II: Allocate weightings to Principal Risk Components

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

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

Credit Risk Control

Credit Risk mitigation

Transactions are entered into primarily on the strength of a borrower's creditworthiness, ability to repay, and repayment sources. To mitigate credit risk, the Company accepts collateral as security, subject to credit policies on collateral eligibility. Types of collateral include cash and marketable

securities; residential and commercial real estate; commercial & private vehicles; and other tangible business assets, such as inventory and equipment.

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

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

Non-performing Loan Scenario of LBFL

Particulars	2014		2015	
	Amount of Out-standing	% of Portfolio	Amount of Out-standing	% of Portfolio
Unclassified	21974.2	90.56%	33985.88	94.36%
SMA	1132.84	4.67%	693.74	1.93%
SS	128	0.53%	271.12	0.75%
DF	387.81	1.60%	312.39	0.87%
BL	640.96	2.64%	755.66	2.10%
Total CL [SS+DF+BL]	1156.78	4.77%	1339.18	3.72%

Managing Credit Risk Concentrations

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

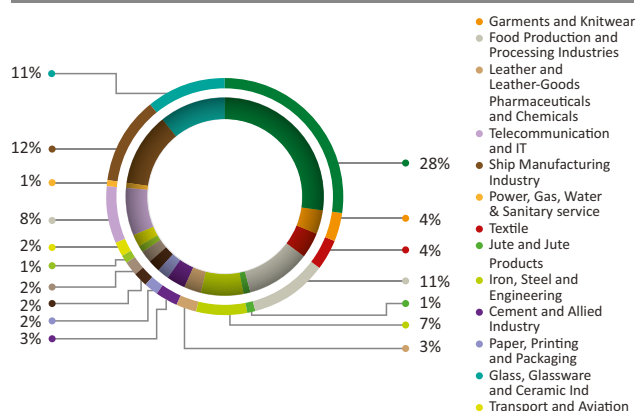
The Company is in compliance with Section 14 of the Financial Institutions Act, 1993 which limits its exposure to any single client in Bangladesh to not more than 30% of our Equity.

Credit Concentration Risk (Sector wise)

Name of Sector (Figure Million)	As on 31/12/14	As on 31/12/15
Garments and Knitwear	1286.59	1420.35
Textile	742.62	1523.75



Sector Exposure as on December 2015



Name of Sector (Figure Million)	As on 31/12/14	As on 31/12/15
Food Production and Processing Industries	1264.14	3866.04
Jute and Jute products	450.32	255.78
Leather and Leather-Goods	51.49	40.60
Iron, Steel and Engineering	1708.68	2466.93
Pharmaceuticals and Chemicals	90.58	966.84
Cement and Allied Industry	740.05	971.41
Telecommunication and IT	493.48	659.16
Paper, Printing and Packaging	631.09	572.28
Ship Manufacturing Industry	0.00	0.00
Glass, Glassware and Ceramic Industry	577.15	820.02
Power, Gas, Water & Sanitary Service	475.68	366.80
Transport and Aviation	489.69	599.99
Trade and Commerce	1277.69	3024.08
Agriculture	338.00	315.36
Housing	3553.12	4299.03
Brokerage & Securities	4153.14	3806.27
Others Loan	5940.32	10044.11
Total	24263.83	36018.81

Remedial Management

The Company has been able to anticipate areas of potential weakness at an early stage through the regular monitoring of the credit quality of our exposures, with an emphasis on

a proactive and forward-looking approach to early problem recognition. We value long-term relationships with our customers by working closely with them at the onset of their difficulties. Applying specialist remedial management techniques even before the loan becomes non-performing allows us to maintain sound asset quality and promote customer loyalty and retention. Loans are categorized as “Special Mention”, while non-performing loans (“NPLs”) are categorized as “Substandard”, “Doubtful”, or “Bad & Loss” in accordance with FID Circular No. 08 & 11 of Bangladesh Bank. These indicators allow us to have a consistent approach to early problem recognition and effective remedial management.

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

Provision for Lease/Loans

The Company maintains allowances for loans that are sufficient to absorb credit losses inherent in its loan portfolio. Total loan loss reserves comprise specific allowances against each NPL and a portfolio allowance for all loans on books to cover any losses that are not yet evident. The Company’s policy for loan provisions is guided by Bangladesh Bank’s FID Circular No. 08 & 11. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homogeneous loans (such as housing loans, consumer loans, and credit card receivables) below a certain materiality threshold, where such loans may be pooled together according to their risk characteristics and collectively assessed according to the degree of impairment, taking into account the historical loss experience on such loans. Portfolio allowances are set aside based on management’s credit experiences and judgment for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 2%/5% for House Loan and 1% Provision for Other Lease/Loan portfolio is being made as the mentioned FID Circulars.

Write-Offs

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

Ceasing of Interest Accrual on Loans

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

Collateral Held Against NPLs

Land, Real estate, Shares, FDRs in Bangladesh forms the main



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

Market Risk Management

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

IRR under simple Sensitivity analysis

Particulars	Upto 3 months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 Year
Rate Sensitive Asset (RSA)	86310.44	52596.96	49214.02	218723.94
Rate Sensitive Liabilities (RSL)	95776.89	60523.51	40349.01	196429.40
Net Gap [RSA-RSL]	-9466.44	-7926.55	8865.01	22294.54
Cumulative gap	-9466.44	-17392.99	-8527.98	13766.56
BL	640.96	2.64%	752.62	2.09%
Impact of Net interest Income				
1% interest rate increase	-23.34	-42.89	-42.06	0.00
1% interest rate decrease	23.34	42.89	42.06	0.00
2% interest rate increase	-0.06	-0.11	-0.21	0.00
2% interest rate decrease	0.06	0.11	0.21	0.00

Market Risk Management Oversight and Organisation

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

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

Market Risk Management Approach

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

ensure they are commensurate with the Company's market risk taking activities.

Market Risk Identification

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

Stress Testing And Scenario Analysis

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

Asset Liability Management

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

Asset Liability Management Oversight and Organization

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

Asset Liability Management Approach

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

Liquidity Risk

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

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioral basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide



effective diversification and stability in funding sources across tenors, product and geography. In addition, we maintain a level of liquid assets exceeding the regulatory requirement for use in the event of a liquidity crisis. These assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

Operational Risk Management

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

Operational Risk Management Oversight and Organisation

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

Structural Liquidity Profile

	1 to 30 days	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
OUTFLOWS								
1. Capital	0.00	0.00	0.00	0.00	0.00	0.00	24064.34	24064.34
2. Reserves and surplus	0.00	0.00	0.00	0.00	0.00	0.00	30522.95	30522.95
3. Notes, bonds & debentures	0.00	0.00	5000.00	0.00	12320.49	0.00	0.00	17320.49
4. Deposits	21064.04	61346.78	33207.24	27580.31	36033.23	59480.58	63247.86	301960.05
5. Bank Borrowings	333.00	720.77	97.16	11603.18	4502.93	3330.69	3192.43	23780.15
6. Current liabilities and provisions	1721.48	7852.02	10988.80	8329.94	9684.60			38576.85
7. Contingent Liabilities								0.00
8. Others	442.43	2399.61	1091.77	1051.99	1036.07	611.69	3287.05	9920.61
A. Total Outflows (A)	23560.95	72319.19	50384.97	48565.43	63577.31	63422.96	124314.63	446145.43
INFLOWS								
1. Cash	2.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00
2. Remittance in transit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Balance with banks	6194.56	2915.48	3304.09	0.00	0.00	0.00	0.00	12414.12
4. Investments (Net of provisions)	1444.93	1311.86	4072.23	0.00	0.00	2170.89	8412.45	17412.36
5. Lease Finance & Loans (Performing)	13885.34	59657.23	43573.66	49580.55	50776.85	61264.81	67836.80	346575.25
6. Non-performing loans	0.00	0.00	0.00	0.00	13340.22	0.00	0.00	13340.22
7. Fixed assets (Excluding assets on Lease)	0.00	0.00	0.00	0.00	0.00	0.00	8797.01	8797.01
8. Other asset	604.04	3632.10	302.02	399.57	352.63	604.04	146.01	6040.42
9. Others	372.86	1297.19	0.00	0.00	0.00	0.00	39894.00	41564.05
B. Total Inflows (B)	22503.73	68813.86	51252.00	49980.13	64469.70	64039.75	125086.28	446145.43
C. Mismatch (B-A)	-1057.22	-3505.33	867.02	1414.70	892.38	616.80	771.65	0.00
D. Cumulative Mismatch	-1057.22	-4562.55	-3695.53	-2280.83	-1388.44	-771.65	0.00	0.00
E. C as percentage of A [as Ref. month]	-4.49%	-4.85%	1.72%	2.91%	1.40%	0.97%	0.62%	
C as percentage of A [1 month earlier]								
C as percentage of A [2 month earlier]								



Operational Risk Management Approach

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

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

For information security, the Company protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets. New and appropriate security technologies are regularly identified and implemented as part of the Company's technology risk management strategy to mitigate any possible threats to the Company's information technology environment. To mitigate the impact of unforeseen operational risk events, Company management has implemented business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities.

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

Basel-II Classified Operational Risk Areas

Operational risks were addressed by incorporating the six (6) core operational risks listed in BASEL II Guidelines, and the corresponding risk activities.

i. Internal Fraud

Loss due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity / discrimination events, which involves at least one internal party

ii. External Fraud

Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party

iii. Employment Practices and Workplace Safety

Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events

iv. Clients, Products & Business Practice

Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product

v. Damage to Physical Assets

Losses arising from loss or damage to physical assets from natural disaster or other events

vi. Business Disruption & Systems Failures

Losses arising from disruption of business or system failures

vii. Execution, Delivery & Process Management

Losses arising from Transaction Capture, Execution and Maintenance

Reputation Risk management

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

Regulatory, Compliance and Legal Risks

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



SUSTAINABILITY REPORT



“Our long term objective is to stimulate growth and provide lending and capital into the economy, but responsible lending is the primary target, to build long-term trust.”

Mohammed Nasir Uddin Chowdhury
Managing Director and CEO

Our corporate vision “To be the most preferred financial service provider in establishing, nurturing and maximizing value to the stakeholders, thereby, GROWING TOGETHER” is the foundation of our sustainability vision. Sustainability is therefore an integral component of the business model we pursue.

Our sustainability thinking encompasses socially, economically and environmentally beneficial approach to growth, the triple bottom line of sustainability. Sustainable development is an area of continuous concern in strategic discussions which is highlighted and prioritized when objectives and goals are set, at LankaBangla. This is incorporated with governance and accountability arrangements and risk management.

Sustainability is now the primary moral and economic imperative and it is one of the most important sources of both opportunities and risks for businesses. Nature, society and business are interconnected in complex ways that need to be understood by decision makers. Incremental changes towards sustainability are not sufficient, we need a fundamental shift in the way companies and directors act and organize themselves. Some companies have figured out how to benefit from the trend and some companies have not. Sustainability scholars argue that sustainability issues will force a fundamental change for business as did globalization and information technology. Those companies that are not able to adapt, will not survive. The year started with promises and ended with even more but the system is still in recovery. We know that LankaBangla exists in a sector that faces challenges, but we are committed to playing a leadership role. We are encouraged that we have always structured our business practices to make dealings fairer for our customers and our communities. Our strategy is simple, the company's success is dependent on the success and fortune of our customers and the communities we live and work in. We only succeed when they do.

We always agree in building prosperity by supporting a broad range of causes through donation, sponsorship and supporting helpless peoples. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds, flood affected people, to hospitals and to the people who were affected by the natural calamities. We believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard.

At the outset it can be demonstrated that as corporate participant, we recognize that, we have responsibilities

to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our clients, shareholders, employees and the community where we work, where we live. At LankaBangla, we define sustainability in the broadest possible terms. It is about conducting our day-to-day business the right way and continuing to play a part in addressing some of the biggest challenges faced by society. First and foremost however, we need to get the basics right for our customers.

Like previous years, during 2015, we have continued to build a sustainable business in which our clients have confidence, our employees can take pride and our neighbouring community get better livelihood. We remain committed to provide our customers superior and unparalleled experience in the financial industry in Bangladesh. LankaBangla is developing and offering financial products and services that directly or indirectly lead to long-term environmental benefit and social development. We are committed to provide financial services to a wider section of population. Within a short span of time our operational branch network have reached 15 and we are moving ahead with further expansion plan. In 2016, another 4 new branches would be opened in four important townships for better customer reach.

Striking the right balance between the financial well-being of our different stakeholder groups is at times, quite challenging. That is why we are committed to maintaining an honest and transparent dialogue with all of our stakeholders, to continually revisit our policies and practices in light of the company's environment, social and economic impacts. We host regular themed sessions with external stakeholders, where participants have the opportunity to speak directly to the Board on wide-ranging issues. With an increasing focus on ethics and sustainability, the priority of the Board of Directors is to assess and encourage the work of the executive team in building an institution that puts customers' interests first and embeds sustainable banking into everything that we are acting with integrity is imperative to everything we do. It underpins our work, our relationships and the products and services we provide. Everyone in the company is expected to behave with integrity and we have comprehensive policies/frameworks and compliance measures as well. In addition to that, we have education programs to support our people in maintaining the highest professional standards. The institution is committed to a stance of zero tolerance to bribery and corruption, including facilitation payments across all areas of the business, regardless of jurisdiction.

We are always keen to build deposits to reduce Bank dependencies. Our progress in this are in the outgoing year



is commendable. Our deposit base grew 79.77% in 2015 and most of the deposits are core in nature. Sustainable banking depends on some key parameters. Deposits are first and predominant one. This improvement made change in borrowing mix, which from one side helping in reducing cost of fund and from another side is a sign of people's confidence in LankaBangla brand in a relatively weak market scenario.

The 1211 employees of LankaBangla nationwide are our greatest asset, we say it often and with good reason. It is only with their determination and dedication that we can serve our clients, generate long-term value for our shareholders and make lasting contributions to our communities. At the core of our efforts is a focus on nurturing and sustaining a diverse workplace, because we have experienced the power of bringing different perspectives a to address the complex and diverse situations our clients face. We recognize the significance of employee engagement and have continued to work towards creating a culture of trust and team spirit. The company's commitment to diversity, inclusion and excellence is pivotal to success and contributes to our culture of innovation. We encourage our people to participate in development programs to ensure that they are equipped with the tools they need to succeed. At LankaBangla, we pursue to instill the values in our people that will encourage them to respect and abide by the social, economic and environmental commitment of the institution. A total of 129 training programs involving 17,014 man-hours of training were executed during the year. These programs were categorized as in-house, external and overseas training. Given the company's strong commitment towards developing a learning culture.

Innovation is an integral part of how we deliver on our vision to excel at securing and enhancing the financial well-being of people, businesses and communities. For LankaBangla, innovation is about seeing things from the customer's point of view and giving customers the technologies and services that fundamentally change the way they access and manage their finances, for the better. Continuing from the year before we established full-fledged contact center at LankaBangla to connect with our customers in real time for providing financial services, 24/7. With modern IVR (Interactive Voice Response) technology our contact center is the first one in Non-Bank Financial Institutions industry. The contact center

is handling customer complaints, raising product awareness by providing product specific information, generating sales references and contributing effectively in preventing fraud of credit card transactions.

At LankaBangla, we have long acknowledged that a healthy environment is the foundation for economic progress and the well-being of society. As a leading financial institution, we are committed to finding market solutions that benefit the environment. As per our long term commitment to our community we continued to invest both in nurturing underprivileged people of our society and in the environment we breathe. We provide loans to customers carrying out environmental and social due diligence. In all credit delivery points, we have instructed to go for financing in eco-friendly and environmentally sustainable business activities and energy efficient industries. Environmental infrastructures projects i.e. clean water supply, waste water treatment plants, solid and hazardous waste disposal plants, Effluent Treatment Plants, Bio-gas plants, Bio-fertilizer plants and energy efficient/low carbon emission projects like Auto Bricks using Hybrid Hoffman Kiln, Vertical Kiln, Zig-Zag Kiln etc. are encouraged in our credit policy and we will finance in these projects with top priority.

We at LankaBangla recognize our capacity to achieve the ultimate goal of creating both social and business value by incorporating social and environmental responsibility into our fundamental business operations and stakeholder management. Like the outgoing years, we are strongly motivated to deliver to all sub-divisions of society and through careful customer segmentation provide financial access and services across the continuum of socio demographic groups.



Mohammed Nasir Uddin Chowdhury
Managing Director & CEO



STATEMENT ON GREEN BANKING INITIATIVES

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

Policy formulation and Governance

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

planning and administering the green banking initiatives of the FI.

Green Banking Unit

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

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

Green Banking Unit Members		
Chief Risk Officer & Head of Green Banking Unit	Mohammed Kamrul Hasan	Chair
Head of Corporate Financial Services	Mohammed Shoaib	Member
Head of SME Financial Services	Md. Kamruzzaman Khan	Member
Head of Asset Operations	Mohammad Faruk Ahmed Bhuya	Member
Head of Corporate Credit	Mohammad Nazmul Hasan Tipu	Member
Head of Human Resources	Md. Shariful Islam Mridha	Member
Head of General & Infrastructure Services	Md. Anisur Rahman	Member
Head of Home and Mortgage loan	Md. Shariar Parves	Member
Deputy Head of IT	Kazi Mohtasim Bellah Alom	Member
Senior Manager, Corporate Affairs	Md. Raziuddin	Member
Manager, Green Banking Unit & RMD	Ujjal Kumar	Coordinator

Incorporation of Environmental Risk in CRM (Core Risk Management)

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

Introducing Green Finance

Financing in eco-friendly and environmentally sustainable business activities and energy efficient industries shall be extended through preference by all the credit delivery points. Environmental infrastructures such as renewable energy project(s), Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Safety and Security of Factory, etc. are encouraged and those will be financed by the company with priority.

Viability of environmental infrastructures for financing shall be assessed in line with the environmental issues i.e. how the purpose of the project(s)/business (es) & to what extent this/these is/are rewarding to the environment. Most viable project(s)/business (es)/ sector(s) shall be prioritized for financing to position the financial institution gradually as a “Carbon Neutral Financial Institution” first & then as a “Climate Positive Financial Institution”.

Creation of Climate Risk Fund

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



The fund to be allocated/created for “Green Banking” may be used as a part of CSR activities at the time of emergency.

Introducing Green Marketing

Green Marketing incorporates a broad range of activities, including products/services design, engineering, modification, new product innovation, changes to the production process & packaging encouraging the potential clients for designing Green Project as well as modifying advertising. Besides, company effectively uses green marketing channels more for widening target markets of usual products. Financial Institution takes steps that will help building awareness among common people for promoting products/services which cause least harm to the environment. Corporate Affairs Division shall plan for developing & marketing Green Banking products for offer.

Supporting employee training, Consumer Awareness and Green Event

Exclusive training programs or specialized/befitting classes in foundation or other credit related courses for incorporating Green Banking Policy Guidelines as a part of awareness building among the employees of the Company are arranged in consultation with GBPIU by the Human Resources Department. Training programs on environmental and social risk and employee awareness development should have to be implemented by the HR Department as a continuous process.

Environment Related Initiatives

LankaBangla takes environmental stewardship ahead of each year realizing the present generation’s responsibility to the future. By adopting Environmental Risk Management (ERM)

Guidelines for Banks and Financial Institutions in Bangladesh, LankaBangla closely monitors the environmental impact of every steps and effectively mitigates any risks arise thereon. With more emphasis on environmental risk management programs, at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride for being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country’s first lub-recycling plant and so forth. Green financing has been growing steadily in our portfolio.

We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy savings bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients’ needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.



CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. LankaBangla in its core management concept and corporate responsibility integrated CSR with focus on social and environmental concerns in all business operations and interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

With these CSR policies & principles, our organization believes in achieving a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach") besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute for our sustainable society. LankaBangla through its Foundation extends its support for underprivileged people of the community in particular to ensure their education, health and living.

CSR activities of 2015 of LankaBangla Foundation:

Supporting education of underprivileged brilliant students:

LankaBangla Foundation always stands beside the underprivileged brilliant students to pursue their higher education. Scholarship program of the Foundation for these students is a platform to ease the challenges to reach their aim in life. We extend this continuous financial support to make their dreams come true. Supporting education sector for building an enlightened society is not new for LankaBangla. Journey started from 2010 and continues till to date with an immense priority on education for building knowledge based society.

We provide financial support to SSC completed poor brilliant students to continue their HSC and graduation with an objective to help them to become self-sufficient in life. Scholarship program is one of the sustainable programs of



LankaBangla Foundation Scholarship was like a new sun shining amidst darkness for me. For a financially challenged student like me, continuing higher study was difficult because I had earn myself with a view to supporting my education. LankaBangla has very generously accepted the burden of my educational expenses and gave me the chance to concentrate on my studies. Without their help, I might not have been able to continue my studies any further. Throughout the course my under graduation, LankaBangla Foundation has acted as my savior, trusted partner and exemplary associate. I was granted with

LankaBangla scholarship facility from mid 2010 till the last month of graduation. Presently, I am working as a Fellow in Teach For Bangladesh. I am looking forward for further improvement of my career and I am deeply indebted to LankaBangla for extending their help throughout the course of my higher studies.

Mashfiq Tamim

Fellow

Teach for Bangladesh





- showing all my excellences. I am indebted to LankaBangla Foundation. I would like to thanks LankaBangla for the scholarship from the core of my heart.

Tawfiq Protim

Sr. Executive, Runner Group

LankaBangla Foundation has been the stepping stone that paved my way to success in future. I was offered with their scholar while I was pursuing my studies in engineering. Since my family did not have enough financial strength to support my education, the support extended by LankaBangla posed as a ray of hope and gave me new hope higher studies.

Soon after I got the scholarship I did not require to look back-I just concentrated on my study. I have no hesitation in confessing that if the scholarship was not there, I might not have been able to reach the position where I am now

CSR of LankaBangla Foundation. Voices from some of the scholarship holders who achieved their aim-in-life with the support from Foundation indicate that CSR initiatives from LankaBangla significantly contributed to build a sustainable society.

In 2015, a total number of 64 students received financial assistance of BDT 2.1 million to pursue their higher education. At the end of 2015 total 5 nos. of students completed their graduation. Three of them are already in their professional life and other 2 students are still pursuing further higher education. Moreover, 5 students are pursuing their education in different Medical Colleges.

Financial Assistance for education for Children of deceased Ex-Officios

LankaBangla Foundation continued its support for education as part of its CSR activities. This support is extended to two female students who are daughters of two deceased officials of sister concerns of LankaBangla Finance Limited.

- (i) Foundation contributed an amount of BDT 164,000.00 (in two installments - for one year support) to Ms. Nora Sumlina (daughter of Late M. Shakil Islam Bhuiyan, Ex-CEO, LankaBangla Investments Limited) to continue her studies.
- (ii) Foundation also contributed an amount of BDT 363,655.00 (in two installments) to Ms. Auritree Ahmed (daughter of Late Mr. Golam Faruk, Ex-Managing Editor of the Daily BonikBarta) to continue her studies.

Protecting Environmental & Ecological Degradation through Tree Plantation

Another core area of CSR of LankaBangla Foundation is

to extend support to protect environmental & ecological degradation through tree plantation every year. In 2015, the Foundation undertook tree plantation program on 25 August 2015 at Daudkandi Upazila. In total 1,500 saplings of fruit-bearing, wood-trees & medicine-trees were planted at the premises of different institutions and distributed among students of different institutions of the Upazila. The plantation & distribution was supported by the local government of Daudkandi Upazila.

Support for local community to protect from Cold Wave

In Bangladesh, during winter ultra-poor people fight against cold every year and LankaBangla Foundation distributes blankets every year to facilitate better comfort to the ultra-poor people. This year the Foundation distributed more than 4,000 blankets among the cold victims poor people of different districts.

Beside the tradition, we have distributed small number of blankets to different orphanages of Gazipur, Sirajganj, Dhaka Cantonment and among hindu community of Loknath Shrine of Narayanganj.

Support for Renovation and Modernization of Library

LankaBangla Foundation donated additional financial support of BDT 210,980 to renovate & modernize Library of different Colleges. Last year for the same purpose Foundation donated an amount of BDT 2,115,956.

Creativity and Cultural Development of children is an integral part of CSR of LankaBangla Foundation



Creativity and cultural development of children is an integral part of CSR of LankaBangla Foundation. The Foundation organizes art competition for the school children every year with focus on psychological and cultural development. Our endeavor is to help the children to become familiar with our rich cultural heritage and also to explore their hidden creativity.

In 2015, LankaBangla Foundation arranged 3rd Art Competition for children in Chittagong. “Six-seasons of Bangladesh” was the theme of art competition. LankaBangla Finance Limited selected top 12 arts works and printed in the calendar of 2016 of LankaBangla with caption of the respective names of the children and his/her schools. This unique facilitation definitely boosts up the children who won the competition and also keep alive the intention of others to compete in future.



I'm Md Tuhinur Rahman, a BSc (Hons), MSc (Ongoing) from The Department of Physics, University of Dhaka. I have been a stipend holder from LankaBangla Foundation (LBF) since June 2010. Without the financial help from LBF it would have been difficult for me to continue my study, as I come from a family of modest background. To me, LBF is the silent guardian and blessing, as they have very leniently endeavored to bear all my educational expense. I strongly believe that other students who have received the financial help from LankaBangla Foundation will express the same

feelings towards the organization. I feel that I am honored and privileged to have LankaBangla on my side. The way LBF helps poor and talented students it is actually “Unique” and “Exemplary”. I also feel that LankaBangla has the strength and goodwill to “set the bar very high” in helping poor students and the Foundation has the potential to reach monumental proportions. I have high hopes that LBF will continue helping and encouraging the poor and talented students who face financial barrier in completing their higher studies.

Md. Tuhinur Rahman

BSc. (Hons.), MSc. (ongoing)
Dept. of Physics, University of Dhaka



STATEMENT ON ETHICS AND COMPLIANCE

Our approach

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

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

Code of Ethics & Principles of Conduct

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

Effectiveness of Code, Efforts of the Company

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

Additionally,

- ▶ Establishing the relevant facts and identifying the ethical

issue

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

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

Monitoring compliance

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

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

Additionally, employees are required to undertake issue-specific training for topics such as anti-money laundering and combating terrorist financing, fraud, corruption and privacy.

Our 'HR Manual' and 'Employee Handbook' covers our Code of Conduct and Ethics, standards and behaviors, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy. All Management Cadres must complete an annual attestation that they



have read and understood these ground rules and failure to complete this may result in a 'flag' being raised in an individual's performance review.

Reporting compliance

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

form part of regular risk reporting to the Management Credit Committee.

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



DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

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

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

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

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

Significant Internal Control processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- ▶ The Board Sub Committees are established to assist the Board in ensuring:
- ▶ the effectiveness of the LBFL's daily operations.
- ▶ that the LBFL's operations are in accordance with the corporate objectives and strategies.
- ▶ that the operations of the Company are in line with the annual budget as well as the policies and business directions that have been approved by the Board.
- ▶ The Internal Audit Division of the Company checks for compliance with policies and procedures and the

effectiveness of the internal control systems, highlights and significant findings in respect of any non-compliance. Audits are carried out on majority of units and branches, the frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.

- ▶ The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of the same. The minutes of the Audit Committee meetings are tabled for information of the Board. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 158 to 160.
- ▶ The Risk Management Forum (RMF) is established to assist the Board to oversee the overall management of principal areas of risk of the Company. The Risk Management Forum which includes representation from all key business and operating units of the Company, assists the Board for implementation of policies advocated at the Board Audit Committee.
- ▶ Board Executive Committee has also been established with appropriate empowerment to ensure effective management and supervision of the LBFL's core areas of business operations and investments.

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

The Company complied Bangladesh Accounting Standards (BASs) & Bangladesh Financial Reporting Standards (BFRSs). Since adoption of such Bangladesh Accounting Standards, progressive improvements on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made whilst, further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures. They also recognized the need to introduce an automated financial reporting process to more effectively comply with the requirements of recognition, measurement, classification and disclosures of financial instruments. The recommendations made by the external auditors in connection with the internal



control system in previous years were reviewed during the year and appropriate steps have been taken to implement/rectify those.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes complying with BASs and

BFRSs and regulatory requirements of the Bangladesh Bank and Bangladesh Securities and Exchange Commission.



Mohammad A Moyeen
Chairman

Dhaka, 22 February, 2016



STATEMENT ON DIRECTORS' RESPONSIBILITY

The statement sets out the responsibility of the Directors, in relation to the Financial Statements of LankaBangla Finance Limited ("The Company") and its subsidiaries. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Auditors' Report" given on page 169.

In terms of sections 181, 183, 185, 186, 187 and 189 of the Companies Act, 1994 (Act XVIII of 1994), the Directors of the Company are responsible for ensuring that the Group and the Company keep proper books of accounts of all the transactions and prepare Financial Statements that give a true and fair view of the financial positions of the Company and the Group for each financial year. The Financial Statements comprise of the Statements of Financial Positions as on 31 December, 2015, The Statements of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and notes thereto.

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

- (a) The financial position of the Company and the Group as on 31 December, 2015; and
- (b) The financial performance of the Company and the Group for the year then ended.

Compliance Report

The Board of Directors also wishes to confirm that:

- (a) Appropriate accounting policies have been selected and applied in preparing the Financial Statements based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substances of transactions are properly reflected and material departures, if any, have been disclosed and clarified;
- (b) The Financial Statements for the year 2015, prepared and presented in this annual report have been prepared based on the Bangladesh Accounting Standards (BASs) are in agreement with the underlying books of account and are in conformity with the requirements of the Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws & regulations;
- (c) These Financial Statements comply with the prescribed format issued by the Bangladesh Bank vide DFIM Circular No. 11, dated; 23/11/2009 for the preparation of annual Financial Statements of financial institutions;
- (d) Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by the section 181 of the Companies Act, 1994 to determine at any point of time the Company's financial position, in accordance to the Act to facilitate proper audit of the Financial Statements;
- (e) The Directors have taken appropriate steps to ensure

that the Company and the Group maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the report of the Audit Committee is given in pages 158 to 160 The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommended by the Board Audit Committee;

- (f) The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;
- (g) The Directors also have taken reasonable measures to safeguard the assets of the Company and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of financial institution in an orderly manner and safeguard its assets and ensure as far as practicable, the accuracy and reliability of the records. The Directors' Statement on Internal Control is given in pages 163 to 164 of this Annual Report;
- (h) To the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the reporting date have been paid or, where relevant, provided for;
- (i) As required by Sections 183(2) of the Companies Act, 1994, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholders of the Company.
- (j) That all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- (k) That after considering the financial positions, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Corporate Governance" issued separately by Bangladesh Securities and Exchange Commission and Bangladesh Bank for the financial institutions, the Directors have a reasonable expectation that the Company and its subsidiaries possess adequate resources to continue in operation for the foreseeable future.
- (l) The Financial Statements of the Company and the Group have been signed by three Directors and the Company Secretary of the Company on 22 February, 2016 as required by the Section 189(1) of the Companies Act, 1994 and other regulatory requirements
- (m) The Company's External Auditors, ACNABIN & Co. who were appointed in terms of the Section 210 of the Companies Act, 1994 and in accordance with resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the audit they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for



expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on page 169.

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

By Order of the Board



Mostafa Kamal FCA

Group Company Secretary

Dhaka, 22 February, 2016



RESPONSIBILITY STATEMENT OF CEO & CFO

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have a strategic viewpoint of the company, and both work towards achieving the Company's mission (the fundamental objective). CEO and CFO broadly represent the Management of the Company and have common perspectives on the overall objective, functions, and reporting.

Responsibilities of the CEO

CEO is the leader of an organization who by his knowledge and wisdom, innovative ideas and charismatic leadership can able to take a Company from the scratch to the market leader. CEO is a visionary leader who can see what is going to happen in near future and can formulate and implement strategies accordingly to reap out the maximum from opportunities. CEO plays the stewardship responsibility by managing the shareholders' funds and is accountable to the board of directors and to the shareholders for effective and efficient uses of their funds.

More specifically, the responsibilities of the CEO are as follows:

1. To lead, in conjunction with the Board, the development, implementation, and monitoring of the Company's vision, plans and strategies.
2. Be responsible for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting, and compliance with regulations and policies are ensured.
3. Periodically review the Internal Control system to ensure minimum risk exposures and maximum resource security (both tangible and intangible).
4. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs
5. Ensure implementation of proper Corporate Governance practices to balance the interests of the stakeholders.
6. Justify on the Company's participation in Corporate Social Responsibilities (CSR).

Responsibilities of the CFO

With the ever changing accounting policies and standards to cope up with the versatile business environment, a CFO plays a key role in facilitating the delivery of sustainable value creation and preservation. At LankaBangla Finance, the CFO is an effective organizational leader and a key member of Senior Management who provides shared leadership and vision to the organization, its employees, and other key stakeholders. A primary responsibility of the CFO is to work as a strategist rather than a tactician to ensure sustainable financial conditions for the company. This is enhanced by facilitation of financial reports.

More specifically, the responsibilities of the CFO are as follows:

1. Preparation of financial statements (separate and consolidate), taking into considerations compliance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), requirements of Companies Act 1994, and compliance with the rules and regulations of Securities and Exchange Commission (SEC), Bangladesh Bank, and other regulatory authorities.
2. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
3. Execute discussions with the External Auditors with matters related to audit and other financial reporting issues.
4. Assess the effectiveness of Internal Control over financial reporting and systems at business process level to ensure effective and efficient utilization of appropriated resources.
5. To assist the Management in the development, implementation, and continuous monitoring of the Company's plans & strategies.
6. To assist the Management for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting and compliance with regulations and policies are ensured.

The CEO and CFO of the Company have discharged their responsibilities with due care by taking into account the EEE (Economy, Effectiveness and Efficiency).



Mohammed Nasir Uddin Chowdhury
Managing Director



Shamim Al Mamun, FCA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the shareholders' of
 LankaBangla Finance Limited

We have audited the accompanying consolidated financial statements of LankaBangla Finance Limited and its Subsidiaries (the "Group") as well as the separate financial statements of LankaBangla Finance Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2015, profit and loss account, statement of changes in equity, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the consolidated financial statements of the Group and also the separate financial statements of the Company that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange rules 1987, the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2015, and of the consolidated and the separate financial performance and cash flows of the Group and the Company for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

We also report that:

- i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;
- ii. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. the consolidated balance sheet and consolidated profit and loss of the Group and the separate balance sheet and profit and loss statement of the Company together with annexed notes from 1 to 40 dealt with by the report are in agreement with the books of account;
- iv. the expenditure incurred was for the purpose of the Group and the Company's business;
- v. the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;
- vi. the record submitted by the parent company and the subsidiary companies have been audited and consolidated properly in the financial statements;
- vii. the records and accounts of the branches have been properly maintained and consolidated in the financial statements;
- viii. adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

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- ix. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- x. taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;
- xi. nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- xii. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank and other regulatory authorities have been complied properly;
- xiii. the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- xiv. the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/ leases found satisfactory;
- xv. the consolidated financial statements of the Group and the separate financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- xvi. we have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,500 person hours for the audit of books and accounts of the Group and the Company; and
- xvii. all other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report;

Dhaka
 22 February 2016



ACNABIN

Chartered Accountants



Consolidated Balance Sheet

As at 31 December 2015

	Notes	31.12.2015 Taka	31.12.2014 Taka Restated	01.01.2014 Taka Restated
PROPERTY AND ASSETS				
Cash		516,273,295	337,547,216	194,402,709
Cash in hand	3	334,081	160,970	183,868
Balance with Bangladesh Bank	4	515,939,214	337,386,246	194,218,842
Balance with other banks and financial institutions	5	1,427,389,298	1,903,881,535	2,350,845,060
Inside Bangladesh		1,427,389,298	1,903,881,535	2,350,845,060
Outside Bangladesh		-	-	-
Money at call and short notice		-	-	-
Investment	6	4,372,854,794	4,840,291,911	3,417,475,937
Government securities		-	1,009,100,000	1,009,100,000
Other investments		4,372,854,794	3,831,191,911	2,408,375,937
Leases, loans and advances	7	41,819,015,931	30,396,386,719	25,424,477,507
Loans , cash credit and overdraft etc.		41,819,015,931	30,396,386,719	25,424,477,507
Bills discounted and purchased		-	-	-
Fixed assets including land, building, furniture and fixtures	8	1,291,853,287	310,992,989	291,414,287
Other assets	9	1,020,498,293	1,241,267,775	871,192,887
Non-Banking assets		-	-	-
TOTAL PROPERTY AND ASSETS		50,447,884,897	39,030,368,144	32,549,808,388
LIABILITY AND SHAREHOLDERS' EQUITY				
Liabilities				
Borrowings from Bangladesh Bank, other banks and financial institutions	10	9,006,817,980	11,711,474,316	11,597,381,469
Deposits and other accounts	11	30,106,707,729	16,760,552,643	10,953,261,971
Current deposits and other accounts etc.		-	-	-
Bills payable		-	-	-
Saving bank deposit		-	-	-
Term deposits	11.1	29,991,564,599	16,682,970,535	10,827,261,549
Bearer certificate of deposits		-	-	-
Other deposits	11.2	115,143,130	77,582,108	126,000,422
Other liabilities	12	4,985,106,251	4,335,464,182	3,878,252,885
TOTAL LIABILITIES		44,098,631,960	32,807,491,141	26,428,896,325
Shareholders' Equity		6,261,793,994	6,096,318,737	5,989,500,365
Paid up capital	13	2,406,434,340	2,187,667,590	2,083,492,950
Share premium		1,090,888,800	1,090,888,800	1,090,888,800
Statutory reserve	14	987,633,085	781,630,380	651,287,206
General reserve		53,849,069	52,741,881	45,823,827
Retained earnings	15	1,722,988,700	1,983,390,086	2,118,007,582
Non controlling interest	16	87,458,943	126,558,266	131,411,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		50,447,884,897	39,030,368,144	32,549,808,388



Notes	31.12.2015	31.12.2014	01.01.2014
	Taka	Taka	Taka
		Restated	Restated
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIABILITIES			
Acceptances and endorsements	-	-	-
Letter of guarantee	-	-	-
Irrevocable letters of credit	-	-	-
Bill for collection	-	-	-
Other contingent liabilities	-	-	-
TOTAL CONTINGENT LIABILITIES	-	-	-
OTHER COMMITMENTS			
Documentary credits and short term trade-related transactions	-	153,054,190	4,509,500
Forward assets purchased and forward deposits placed	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-
Undrawn formal standby facilities, credit lines and other commitments	6,607,801,622	6,951,826,772	4,205,131,466
TOTAL OTHER COMMITMENTS	6,607,801,622	7,104,880,962	4,209,640,966
TOTAL OFF BALANCE SHEET ITEMS	6,607,801,622	7,104,880,962	4,209,640,966

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


Director


Director


Managing Director


Company Secretary

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Dhaka, 22 February 2016


ACNABIN
Chartered Accountants

Consolidated Profit and Loss Account

For the year ended 31 December 2015

	Notes	2015 Taka	2014 Taka
Operating Income			
Interest income	17	4,787,247,300	3,965,489,195
Less : Interest expenses on deposits & borrowings	18	3,714,884,740	3,032,890,469
Net interest income		1,072,362,560	932,598,725
Income from investment	19	436,307,012	198,763,111
Commission, exchange and brokerage income	20	562,067,448	677,064,510
Other operational income	21	450,938,098	258,701,186
Total operating income		2,521,675,118	2,067,127,532
Operating Expenses			
Salary and allowances	22	821,578,089	672,951,415
Rent, taxes, insurance, electricity etc.	23	159,808,261	114,990,494
Legal and professional fees	24	19,744,690	25,407,350
Postage, stamp, telecommunication etc.	25	17,006,908	17,445,187
Stationery, printing, advertisement	26	40,167,644	34,575,477
Managing director's salary and allowance	27	16,775,264	14,114,434
Director fees and expenses	28	1,822,127	1,555,710
Audit fees	29	667,584	1,364,000
Charges on loan losses		-	-
Repairs, maintenance and depreciation	30	109,543,227	93,637,627
Other expenses	31	424,855,180	308,802,926
Total operating expenses		1,611,968,975	1,284,844,619
Net Operating Income		909,706,143	782,282,912
Provisions for loans, investments and other assets		376,862,732	348,673,536
Provisions for leases and loans	32	132,649,299	166,529,589
Provision for margin loan		280,292,635	26,511,282
Provision for diminution in value of investments		(27,138,202)	152,909,664
General provision for other assets		(8,941,000)	2,723,000
Profit before tax and reserve		532,843,411	433,609,377
		111,914,896	(20,377,493)
Provision for tax made during the year	33	111,998,262	(15,281,752)
Deferred tax expense or (income)		(83,366)	(5,095,741)
Net profit after tax		420,928,514	453,986,869
Attributed to			
Shareholders of the Company		424,536,041	442,102,416
Non controlling interest		(3,607,526)	11,884,453
		420,928,514	453,986,869
Appropriations		207,109,893	137,261,228
Statutory reserve		206,002,705	130,343,174
General reserve		1,107,188	6,918,054
Retained surplus		217,426,148	304,841,188
Earnings per share (2014 restated)	34	1.76	1.84

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



Director



Director



Managing Director



Company Secretary

This is the Consolidated Profit and Loss Account referred to in our separate report of even date.



ACNABIN

Chartered Accountants

Dhaka, 22 February 2016



Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	Taka	Taka
A) Cash flows from operating activities		
Interest received	4,799,308,668	3,904,517,059
Interest paid	(3,467,162,403)	(2,895,424,173)
Dividend received	95,159,729	44,503,960
Fees and commission received	824,411,542	878,329,810
Income from investment	360,880,032	154,126,974
Cash paid to employees (including directors)	(911,853,695)	(691,888,714)
Cash paid to suppliers	(45,047,728)	(36,467,829)
Income taxes paid	(175,648,515)	(154,271,024)
Received from other operating activities	192,876,080	44,609,966
Paid for other operating activities	(648,868,906)	(476,217,398)
Cash generated from operating activities before changes in operating assets and liabilities	1,024,054,804	771,818,632
Increase/ (decrease) in operating assets & liabilities		
Loans and advances to customers	(11,422,563,595)	(5,183,090,034)
Other assets	232,254,283	(390,514,057)
Deposits from customers	13,346,155,086	5,855,708,986
Other liabilities	(213,963,774)	356,544,632
Total increase/ (decrease) in operating assets & liabilities	1,941,881,999	638,649,527
Net cash flow from operating activities	2,965,936,804	1,410,468,159
B) Cash flows from investing activities		
Investment in securities	38,337,117	(1,422,815,973)
Net proceeds from Treasury bills	1,009,100,000	-
Purchase of property, plant and equipment	(862,872,237)	(103,713,491)
Investment in commercial paper	(580,000,000)	-
Sales proceeds of fixed assets	28,799,486	648,109
Net cash used in investing activities	(366,635,634)	(1,525,881,356)
C) Cash flows from financing activities		
Drawdown of term loan, overdraft and REPO	(2,704,656,335)	114,092,846
Dividend paid	(192,410,992)	(302,498,668)
Net cash used in financing activities	(2,897,067,328)	(188,405,822)
D) Net decrease in cash & cash equivalents	(297,766,158)	(303,819,019)
E) Cash and cash equivalents at the beginning of the year	2,241,428,751	2,545,247,770
F) Cash and cash equivalents at the end of the year	1,943,662,593	2,241,428,751
* Closing cash and cash-equivalents		
Cash in hand (including foreign currencies)	334,081	160,970
Balance with Bangladesh Bank and its agent bank (s)	515,939,214	337,386,246
Balance with other banks and financial institutions	1,427,389,298	1,903,881,535
	1,943,662,593	2,241,428,751

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



Director



Director



Managing Director



Company Secretary

Dhaka, 22 February 2016

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Particulars	Share Capital	Share Premium	Statutory Reserve	General Reserve	Fair Value Measurement Reserve	Retained Earnings	Total	Non Controlling Interest	Amount in Taka	
									Total Equity	
Balance as at 01 January 2015	2,187,667,590	1,090,888,800	781,630,380	52,741,881	-	1,983,390,086	6,096,318,737	126,558,266	6,222,877,003	
Prior year adjustments	-	-	-	-	-	-	-	-	-	
Restated Balance	2,187,667,590	1,090,888,800	781,630,380	52,741,881	-	1,983,390,086	6,096,318,737	126,558,266	6,222,877,003	
Items Involved in Changes in Equity										
Adjustments of non controlling interest	-	-	-	-	-	(17,561,042)	(17,561,042)	(25,974,779)	(43,535,821)	
Changes of non controlling interest	-	-	-	-	-	(22,732,982)	(22,732,982)	(9,517,018)	(32,250,000)	
Net profit for the year	-	-	-	-	-	424,536,041	424,536,041	(3,607,526)	420,928,514	
Appropriation to statutory reserve	-	-	206,002,705	-	-	(206,002,705)	-	-	-	
Appropriation to general reserve	-	-	-	1,107,188	-	(1,107,188)	-	-	-	
Dividend	-	-	-	-	-	-	-	-	-	
Stock dividend (10%)	218,766,750	-	-	-	-	(218,766,750)	-	-	-	
Cash dividend (10%)	-	-	-	-	-	(218,766,759)	(218,766,759)	-	(218,766,759)	
Balance as at 31 December 2015	2,406,434,340	1,090,888,800	987,633,085	53,849,069	-	1,722,988,700	6,261,793,994	87,458,943	6,349,252,937	
Balance as at 01 January 2014	2,083,492,950	1,090,888,800	651,287,206	45,823,827	69,285,191	2,899,133,850	6,839,911,824	189,582,646	7,029,494,470	
Prior year adjustments	-	-	-	-	-	(7,574,381)	(7,574,381)	-	(7,574,381)	
Restated Balance	2,083,492,950	1,090,888,800	651,287,206	45,823,827	69,285,191	2,891,559,469	6,832,337,443	189,582,646	7,021,920,089	
Items Involved in Changes in Equity										
Adjustments of non controlling interest	-	-	-	-	-	-	-	-	-	
Changes of non controlling interest	-	-	-	-	-	(5,556,364)	(5,556,364)	(12,941,636)	(18,498,000)	
Net profit for the year	-	-	-	-	-	442,102,416	442,102,416	11,884,453	453,986,869	
Appropriation to statutory reserve	-	-	130,343,174	-	-	(130,343,174)	-	-	-	
Appropriation to general reserve	-	-	-	6,918,054	-	(6,918,054)	-	-	-	
Transfer to interest suspense	-	-	-	-	-	(781,126,267)	(781,126,267)	(29,037,779)	(810,164,046)	
Adjustments with other investments	-	-	-	-	(69,285,191)	-	(69,285,191)	(29,133,169)	(98,418,360)	
Appropriation to LB foundation	-	-	-	-	-	(9,629,357)	(9,629,357)	-	(9,629,357)	
Dividend	-	-	-	-	-	-	-	-	-	
Stock dividend (5%)	104,174,640	-	-	-	-	(104,174,640)	-	-	-	
Cash dividend (15%)	-	-	-	-	-	(312,523,943)	(312,523,943)	(3,796,250)	(316,320,193)	
Balance as at 31 December 2014	2,187,667,590	1,090,888,800	781,630,380	52,741,881	-	1,983,390,086	6,096,318,737	126,558,266	6,222,877,003	

The annexed notes form an integral part of these consolidated Financial Statements.



Director

Dhaka, 22 February 2016



Director



Managing Director



Company Secretary



Integrated Report 2015

	Notes	31.12.2015 Taka	31.12.2014 Taka
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIABILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIABILITIES		-	-
OTHER COMMITMENTS			
Documentary credits and short term trade-related transactions		-	153,054,190
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		6,607,801,622	6,951,826,772
TOTAL OTHER COMMITMENTS		6,607,801,622	7,104,880,962
TOTAL OFF BALANCE SHEET ITEMS		6,607,801,622	7,104,880,962

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



Director



Director



Managing Director



Company Secretary

This is the balance sheet referred to in our separate report of even date.



ACNABIN

Chartered Accountants

Dhaka, 22 February 2016



Profit and Loss Account

For the year ended 31 December 2015

	Notes	2015 Taka	2014 Taka
Operating Income			
Interest income	17	4,605,008,851	3,657,310,900
Less : Interest expenses on deposits & borrowings	18	3,218,810,010	2,630,765,712
Net interest income		1,386,198,841	1,026,545,188
Income from investment	19	425,653,183	262,860,663
Commission, exchange and brokerage income	20	-	-
Other operational income	21	267,527,826	170,287,244
Total operating income		2,079,379,850	1,459,693,095
Operating Expenses			
Salary and allowances	22	499,344,992	408,598,973
Rent, taxes, insurance, electricity etc.	23	96,912,936	58,295,968
Legal and professional fees	24	15,941,909	18,547,161
Postage, stamp, telecommunication etc.	25	11,844,026	12,919,223
Stationery, printing, advertisement	26	29,219,123	23,001,790
Managing director's salary and allowance	27	16,775,264	14,114,434
Director fees and expenses	28	691,500	485,000
Audit fees	29	318,750	925,250
Charges on loan losses		-	-
Repairs, maintenance and depreciation	30	58,939,008	42,468,384
Other expenses	31	226,664,527	138,483,461
Total operating expenses		956,652,034	717,839,644
Net Operating Income		1,122,727,816	741,853,451
Provisions for loans, investments and other assets		76,816,626	276,816,681
Provisions for leases and loans	32	132,649,299	166,529,589
Provision for diminution in value of investments		(46,891,672)	107,564,091
General provision for other assets		(8,941,000)	2,723,000
Profit before tax and reserve		1,045,911,190	465,036,770
Provision for tax made during the year		15,897,665	(186,679,101)
Deferred tax expense or (Income)	33	15,897,665	(186,679,101)
		-	-
Net profit after tax		1,030,013,524	651,715,871
Appropriations		206,002,705	130,343,174
Statutory reserve		206,002,705	130,343,174
General reserve		-	-
Retained surplus		824,010,819	521,372,697
Earnings Per Share (2014 restated)	34	4.28	2.71

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



Director



Director



Managing Director



Company Secretary

This is the profit and loss account referred to in our separate report of even date.



ACNABIN

Chartered Accountants

Dhaka, 22 February 2016

Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	Taka	Taka
A) Cash flows from operating activities		
Interest received	4,620,811,511	3,197,952,124
Interest paid	(2,952,441,140)	(2,540,881,538)
Dividend received	23,195,772	82,196,153
Fees and commission received	209,960,146	131,538,085
Income from investment	180,657,170	94,015,542
Cash paid to employees (including directors)	(503,666,468)	(408,999,208)
Cash paid to suppliers	(59,648,365)	(38,858,200)
Income taxes paid	(11,606,145)	(12,481,697)
Received from other operating activities	57,567,679	38,749,159
Paid for other operating activities	(227,274,589)	(165,226,023)
Cash generated from operating activities before changes in operating assets and liabilities	1,337,555,571	378,004,396
Increase/ (decrease) in operating assets & liabilities		
Loans and advances to customers	(11,752,822,777)	(5,007,118,286)
Other assets	12,304,135	16,685,070
Deposits from customers	13,401,252,024	5,841,220,986
Other liabilities	301,991,440	214,082,151
Total increase/ (decrease) in operating assets & liabilities	1,962,724,822	1,064,869,919
Net cash flow from operating activities	3,300,280,392	1,442,874,316
B) Cash flows from investing activities		
Investment in securities	(141,995,917)	(23,842,012)
Net proceeds from Treasury bills	1,009,100,000	-
Purchase of property, plant and equipment	(794,860,655)	88,974,187
Sales proceeds of fixed assets	868,000	312,850
Investment in commercial paper	(580,000,000)	-
Investment in subsidiaries	(32,250,000)	(115,000,000)
Net cash used by investing activities	(539,138,573)	(49,554,974)
C) Cash flows from financing activities		
Drawdown of term loan, overdraft and REPO	(2,650,415,779)	(711,735,611)
Dividend paid	(191,800,430)	(298,564,856)
Net cash generated by financing activities	(2,842,216,209)	(1,010,300,467)
D) Net (decrease)/increase in cash & cash equivalents	(81,074,389)	383,018,875
E) Cash and cash equivalents at the beginning of the year	1,322,686,454	939,667,579
F) Cash and cash equivalents at the end of the year*	1,241,612,064	1,322,686,454
* Closing cash and cash-equivalents		
Cash in hand (including foreign currencies)	199,834	33,417
Balance with Bangladesh Bank and its agent bank (s)	515,939,214	337,386,246
Balance with other banks and financial institutions	725,473,016	985,266,791
Total:	1,241,612,064	1,322,686,454



Director



Director



Managing Director



Company Secretary

Dhaka, 22 February 2016



Statement of Changes in Equity

For the year ended 31 December 2015

Amount in Taka

Particulars	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Total
Balance as at 01 January 2015	2,187,667,590	781,630,380		- 1,678,184,396	4,647,482,366
Items involved in changes in equity					
Net profit for the year	-	-	-	-	-
Appropriation to statutory reserve	-	206,002,705	-	(206,002,705)	-
Stock dividend (10%)	218,766,750	-	-	(218,766,750)	-
Cash (10%)	-	-	-	(218,766,759)	(218,766,759)
Balance as at 31 December 2015	2,406,434,340	987,633,085		- 2,064,661,706	5,458,729,131
Balance as at 01 January 2014	2,083,492,950	651,287,206		- 1,580,027,440	4,314,807,597
Items involved in changes in equity					
Net profit for the year	-	-	-	651,715,871	651,715,871
Appropriation to statutory reserve	-	130,343,174	-	(130,343,174)	-
Appropriation to LB foundation	-	-	-	(6,517,159)	(6,517,159)
Stock dividend (5%)	104,174,640	-	-	(104,174,640)	-
Cash dividend(15%)	-	-	-	(312,523,943)	(312,523,943)
Balance as at 31 December 2014	2,187,667,590	781,630,380		- 1,678,184,396	4,647,482,366

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



Director



Director



Managing Director



Company Secretary

Dhaka, 22 February 2016

Consolidated Statement of Liquidity

As at 31 December 2015

Amount in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	516,273,295	-	-	-	-	516,273,295
Balance with banks and financial institutions	14,353,725	731,589,978	681,445,595	-	-	1,427,389,298
Money at call and short notice	-	-	-	-	-	-
Investments	102,685,414	278,437,742	679,754,475	1,102,265,344	2,209,711,820	4,372,854,794
Lease, loans and advances	918,832,840	2,664,556,868	12,375,650,736	18,403,892,279	7,456,083,207	41,819,015,931
Fixed assets including land, building, furniture and fixtures	-	-	23,802,067	581,129,989	686,921,231	1,291,853,287
Other assets	4,264,613	5,671,241	149,103,820	280,192,241	581,266,378	1,020,498,293
Non-banking assets	-	-	-	-	-	-
Total Assets	1,556,409,888	3,680,255,830	13,909,756,693	20,367,479,852	10,933,982,635	50,447,884,897
Liabilities						
Borrowing from other banks, financial institutions and agents	494,200,000	75,000,000	4,771,347,056	1,870,833,911	1,795,437,013	9,006,817,980
Deposits and other accounts	587,286,382	2,958,149,871	7,940,456,313	14,011,889,212	4,608,925,950	30,106,707,729
Other liabilities	81,899,185	31,092,801	362,364,017	1,316,586,252	3,193,163,996	4,985,106,251
Total Liabilities	1,163,385,567	3,064,242,673	13,074,167,385	17,199,309,375	9,597,526,959	44,098,631,960
Net Liquidity Surplus or (Gap)	393,024,321	616,013,157	835,589,308	3,168,170,477	1,336,455,676	6,349,252,937



Statement of Liquidity

As at 31 December 2015

Amount in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	516,139,048	-	-	-	-	516,139,048
Balance with banks and financial institutions	14,476,490	93,190,599	617,805,926	-	-	725,473,016
Money at call and short notice	-	-	-	-	-	-
Investments	16,862,725	71,571,044	687,818,290	301,035,704	758,996,485	1,836,284,248
Leases, loans and advances	810,467,351	2,632,988,416	8,316,000,118	18,403,892,279	5,855,468,685	36,018,816,850
Fixed assets including land, building, furniture and fixtures	-	-	12,773,459	177,954,680	686,921,231	877,649,370
Other assets	3,280,472	3,242,481	137,093,720	280,192,241	4,216,371,963	4,640,180,877
Non-banking assets	-	-	-	-	-	-
Total Assets	1,361,226,087	2,800,992,541	9,771,491,513	19,163,074,903	11,517,758,364	44,614,543,408
Liabilities						
Borrowing from other banks, financial institutions and agents	494,200,000	75,000,000	2,606,705,734	1,264,575,875	1,795,437,013	6,235,918,622
Deposits and other accounts	587,286,382	2,958,149,871	8,144,896,382	14,011,889,212	4,493,782,819	30,196,004,667
Other liabilities	81,899,185	31,092,801	362,364,017	208,609,097	2,039,925,887	2,723,890,987
Total Liabilities	1,163,385,567	3,064,242,673	11,113,966,133	15,485,074,184	8,329,145,719	39,155,814,276
Net Liquidity Surplus or (Gap)	197,840,520	(263,250,132)	(1,342,474,620)	3,678,000,718	3,188,612,645	5,458,729,132

Notes to the Consolidated and Separate Financial Statements

As at and for the year ended 31 December 2015

1 Legal status and nature of the company

1.1 Domicile, legal form and country of operation

LankaBangla Finance Limited (hereinafter referred to as “LankaBangla” or “the Company”), a joint venture **non-banking financial institution**, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-31702(823)/96 dated 05 November 1996 as a Public Limited Company under the Companies Act, 1994 in the name of “Vanik Bangladesh Limited”. It started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LankaBangla also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as Merchant Banker. Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

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

Sl. No.	Name of License	Registration of License	Date of License	Renewed up to
1.	Trade License	0923826	24.09.2008	2015-2016
2.	Bangladesh Bank License	DFIM(L)/15	30.10.1997	N/A
3.	Tax Identification Number (TIN)	210-200-6736	N/A	N/A
4.	VAT Identification Number	5101018797	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2015-2016
6.	DCCI Membership Certificate	2857	23.12.2008	2015
7.	Board of Investment	9803054-H	30.03.1998	N/A
8.	Registration Number	C-702(823)/96	05.11.1996	N/A

1.2 Subsidiary companies

1.2.1 LankaBangla Securities Limited

The Company is holding a subsidiary company named “LankaBangla Securities Limited” (formerly Vanik Bangladesh Securities Limited) with an equity interest of 90.91% (202,126,617 shares of Tk.10 each totaling Tk. 2,021,266,170) in the subsidiary company. The subsidiary is a private limited company which was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated 03 July 1997 under the Companies Act, 1994. The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Dhanmondi, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayanganj- Narayanganj Branch. LankaBangla Securities Limited has two subsidiaries-

I) LankaBangla Information System Limited

LankaBangla Information System Limited (hereinafter referred to as “LBIS” or “the Company”) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-108903/13 dated 02 May 2013 as a Private Company Limited by Shares. Its registered office is situated at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Operational activities are carrying out from AA Bhaban (Level 6), 23 Motijheel C/A, Dhaka-1000. The Company was entitled to commence its business from 02 May 2013. The Company is a subsidiary of LankaBangla Securities Limited, which has a TREC (Trading Right Entitlement Certificate) in DSE and CSE.

II) BizBangla Media Limited

BizBangla Media Ltd. is a Private Limited Company incorporated on January 18, 2011 under the Companies Act 1994 with the Registrar of Joint Stock Companies & Firm of Bangladesh vides Reg. no. C- 89751/11. The Registrar office of the company is situated at 12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level - 17), Karwan Bazar, Dhaka-1215.

1.2.2 LankaBangla Asset Management Company Limited

The Company is also holding another subsidiary company named “LankaBangla Asset Management Company Limited”



with an equity interest of 99.999% (9,999,900 shares of Tk. 10 each totaling Tk. 999,990,000) in the subsidiary company. LankaBangla Asset Management Company Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-67738(289)/2007 dated 16 July 2007 under the Companies Act, 1994. LankaBangla Asset Management Company Limited got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration no: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company.

1.2.3 LankaBangla Investments Limited

The Company is also holding another subsidiary company named “LankaBangla Investments Limited” with an equity interest of 99.999996% (166,999,994 shares of Tk. 10 each totaling Tk. 1,669,999,940) in the subsidiary company. LankaBangla Investments Limited was incorporated as private limited company with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-83568/10 dated 29 March 2010 under the Companies Act, 1994. Later on the company converted itself into a public limited company with effect from 12 June 2013. LankaBangla Investments Limited also applied for registration to the Bangladesh Securities and Exchange Commission for approval to operate in the Capital Market.

1.3 Company’s activities

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

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

2. Basis for preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements and separate financial statements of LankaBangla have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank with reference to the provisions of Financial Institutions Act 1993 and Bangladesh Bank’s other circulars and guidelines or directives and in accordance with Bangladesh Financial Reporting Standards (BFRS¹), the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges.

In several cases, the laws, circulars, guidelines or directives of Bangladesh Bank differ from those of financial reporting standards as promulgated by International Accounting Standards Body (IASB) and as adopted by national standard setter, i.e., Institute of Chartered Accountants of Bangladesh (ICAB), the requirements of Bangladesh Bank prevails and these financial statements have been prepared by departing from those requirements of BFRS with a view to comply with the regulatory requirements.

The requirements of accounting standards as per BFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note - 2.6**.

However, this departure with BFRS has been made by following all of the relevant provisions of BAS – 1 and the details disclosures are given in **Note - 2.6** by following the provision of Para 20 of BAS – 1 (Presentation of Financial Statements).

2.2 Presentation of financial statements

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

2.3 Prior Year errors

The following tables summarizes the adjustment made to the consolidated statement of financial position for correcting prior year errors

¹The term “BFRS” refers to all standards and interpretations adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) in compliance with those promulgated and adopted by International Accounting Standards Board (IASB). Therefore, BFRS includes all BAS and BFRS along with all of the relevant interpretations adopted by ICAB.

Amount in million

Particulars	Other liabilities	Retained earning	Other Investments	Fair value measurement reserve	Non-controlling interest
Balance 1 January 2014, as previously reported	3,194.09	2,899.13	2,506.79	69.29	189.58
Impact of correction of error					
Interest charged on negative equity*	810.16	(781.13)	-	-	(29.04)
Representing cost value of investment in DSE and CSE shares**	-	-	(98.42)	(69.29)	(29.13)
Restated balance at 1 January 2014	4,004.25	2,118.01	2,408.38	-	131.41
Rearrangement of other liabilities with other deposit (Note-11)	126.00	-	-	-	-
Restated balance as presented on 31 December 2014	3,878.25	2,118.01	2,408.38	-	131.41

Amount in million

Particulars	Other liabilities	Retained earning	Other Investments	Fair value measurement reserve	Non-controlling interest
Balance 31 December 2014, as previously reported	3,602.88	2,764.52	3,929.61	69.29	184.73
Impact of correction of error	-	-	-	-	-
Interest charged on negative equity*	810.16	(781.13)	-	-	(29.04)
Representing cost value of investment in DSE and CSE shares**	-	-	(98.42)	(69.29)	(29.13)
Impact of correction during 2014	-	-	-	-	-
Restated balance at 31 December 2014	4,413.05	1,983.39	3,831.19	-	126.56
Rearrangement of other liabilities with other deposit (Note-11)	77.58	-	-	-	-
Restated balance as presented on 31 December 2014	4,335.46	1,983.39	3,831.19	-	126.56

*** Interest charged on negative equity**

In prior years LankaBangla Securities Limited (LBSL) have recognised interest income on negative equity in the expectation that the Stock Markets' condition will improve and negative equity will reverse. But the stock market is continuing with its bearish trend. Hence, management come into a stand that prior years' interest income on negative equity impact should be reversed to present a fair view of the financial position.

As per present and expected market condition LBSL should not have charge interest income rather should have to charge those to interest suspense account. In the proses to rectify these prior year errors as per BAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" LBSL reduce its Retained Earnings and charge the same to Interest Suspense account.

**** Representing cost value of investment in DSE and CSE shares**

LankaBangla Securities Limited (LBSL) purchased membership of DSE and CSE. Subsequently LBSL has received shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges. Previously this investment was presented at face value of the shares instead of cost value which is an error. In order to rectify this error we reduce the value of investment to represent cost value and also reduce the Fair value measurement reserve by the same amount as per BAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

2.4 Basis of measurement and consolidation

These financial statements have been prepared on the historical cost convention other than the finance lease asset and finance lease obligations which were measured at present value of the minimum lease payments. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.



Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 Non-Controlling Interest

Non-Controlling Interest are measured at their proportionate share of acquires identifiable net assets at the date of acquisition.

Changes in Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction. Details are given in **Note - 16** by following the provision of Para 22 of BFRS – 10 (Consolidated Financial Statements).

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

Bangladesh Bank is the ultimate regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of BFRS. As such the company has departed from those contradictory requirements of BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable:



Sl.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	BAS 39 "Financial Instruments: Recognition and Measurement"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall measure the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account.	As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.	In separate Financial Statements, provision has been kept for 2015 equivalent to BDT 132.64 million as per Bangladesh Bank guidelines among which BDT 86.28 million is general provision on good loan. Also, as at 31 December 2015, accumulated provision for lease, loan and advances stand at BDT 882.83 million. In consolidated accounts, provision has been kept for 2015 equivalent to BDT 412.94 million as per Bangladesh Bank guidelines. Also, as at 31 December 2015, accumulated provision for lease, loan and advances stand at BDT 1,312.81 million.
2	Valuation of Investments in quoted and unquoted shares	BAS 39 "Financial Instruments: Recognition and Measurement"	Investment in shares falls either under "at fair value through statement of comprehensive income" or under "available for sale" where any change in the fair value (as measured as per BFRS 13 "Fair Value") at the year-end is taken to statement of comprehensive income or revaluation reserve respectively.	As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year there is no impact in the financial statements due to this departure as total market value of all shares of the group are less than the cost price.
3	Recognition of interest income for SMA and classified lease, loans and advances	BAS 39 "Financial Instruments: Recognition and Measurement"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once an financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006, once an investment on lease, loan and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At year end, interest suspense account has decreased to BDT 283.80 million from 288.28 million resulting a decrease of BDT 4.48 million of interest suspense. This amount has been shown in interest income; rather shown as liability.
4	Presentation of cash and cash equivalent	BAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail of presentation of statement cash flows.	Presentation of financial statements is not fully aligned with the requirements of BAS. Thus items which should be presented as "investment activities" as per BAS is shown as cash & cash equivalent.
5	Measurement of deferred tax asset	BAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7 dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company has no taxable income in near future.



Sl.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
6	Presentation and disclosure of Financial Statements and Financial Instruments	BAS 1 "Presentation of Financial Statements" BAS 32 "Financial Instruments: Presentation" BFRS 7 "Financial Instruments Disclosure"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement. BAS 1 requires separate line item for intangible assets on the face of statement of financial position. BAS 32 and BFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular-11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.	Presentation of financial statements is not fully aligned with all requirements of BAS.
7	Preparation of "Statement of Cash Flows"	BAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular-11, Date-23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Presentation of financial statements is not fully aligned with all requirements of the BAS.
8	Current/ Non-current distinction	BAS-1 "Presentation of Financial Statement"	As per Para 60 of BAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular-11, Date-23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Presentation of financial statements is not fully aligned with all requirements of the BAS. Moreover, the liquidity statement shows the current/non-current portion of assets and liabilities in this regards.
9	Off-balance sheet items	BAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular-11, Date-23 December 2009, off balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements
10	Impairment of Margin Loan (Loans and receivables)	BAS-39 "Financial Instruments: Recognition and measurement"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) circular # BSEC/Mukhpatrio (Ditto Khondo)/2011/2205 dated 30 November 2015 provisions for the year 2015 on impairment of principal portion of margin loan may be kept at 20% on each quarter for the five quarters starting from December 2015.	Erosion of principal portion of Margin Loan as on 31 December 2015 is BDT 361.22 million. As per the requirement of the BSEC circular provision of BDT 74.09 million has been kept.
11	Complete set of financial statements	BAS 1 "Presentation of Financial Statements"	As per BAS 1 "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular-11, Date-23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements.
12	Intangible asset	BAS 1 "Presentation of Financial Statements"	As per BAS 1 "Presentation of Financial Statements" para 54 the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular-11, Date-23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure- A as separate line item.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements.

2.7 Components of the financial statements

The financial statements comprise of (As per DFIM Circular-11, Dated 23 December 2009):

- a) Consolidated and Separate Balance Sheet as at 31 December 2015;
- b) Consolidated and Separate Profit and Loss Account for the year ended 31 December 2015;
- c) Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2015;
- d) Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2015;
- e) Consolidated and Separate Liquidity Statement; and
- f) Notes to the Consolidated and Separate Financial Statements.

2.8 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.9 Use of estimates and judgments

The preparation of financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements. Provisions and accrued expenses are recognized in the financial statement in line with the Bangladesh Accounting Standard (BAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

- the Company has a legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.10 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.11 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.12 Directors' responsibility statement

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

2.13 Statement of cash flows

Statement of cash flows has been prepared in accordance with the template provide with DFIM circular no.-11, Date-23 December 2009 which is a mixture of Direct and Indirect method.

2.14 Branch accounting

The Company has 13 branches and a SME Booth, with no overseas branch as on 31 December 2015. Accounts of the branches are maintained at the Branch level, and consolidated through the Accounting software automatically in head office from which these accounts are drawn up.

2.15 Accounting for leases

The company, through implementation of BAS 17, has been following the finance lease method for accounting of lease incomes. The aggregate lease receivables including un-guaranteed residual value are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition cost and interest during the acquisition period of lease assets constitutes the unearned lease income. Initial direct costs (if any) in respect of lease are charged in the period in which such costs are incurred.

The unearned lease income is usually amortized to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Unrealized income is suspended, in compliance with the requirements of circular issued by the DFIM of Bangladesh Bank.



2.16 Accounting for term finance

Books of account of term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized principal for long-term finance are accounted for as term finance assets of the company. Interest earnings are recognized as operational revenue periodically.

2.17 Accounting for margin loan

Margin Loan to Portfolio investors is given at an agreed ratio between investors deposit and loan amount to purchase securities against respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to changes in market price of share. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

Interest on Margin loan is charged on client's portfolio value on daily basis at the applicable rate. Whenever the probability arises that the benefit will flow to the Company this is recognized to income as per para 29 of BAS 18: 'Revenue'.

2.18 Investments

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

Held to maturity (HTM)

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

Held for trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing - in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any impairment in the fair value is recognized in the statement of comprehensive income for the period in which it arises. However, as referred in **Note – 2.6**, no gain is recognized in statement of comprehensive income as per BB guidelines.

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

Investments in marketable shares

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where market price is less than cost) as guided by Bangladesh Bank. Unrealized gains are not recognized in the profit and loss account.

Investments in non-marketable shares

Investments in unlisted securities are reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Investments in subsidiaries

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

2.19 Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of financial liability. After initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus the cumulative amortization using the effective interest. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

2.20 Recognition of fixed assets

2.20.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the BAS 16, "Property Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any direct cost attributable to bringing the assets to its working condition for its intended use. Expenditure incurred after the assets

have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets. Software and all up-gradation or enhancements are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

During 2015, the Company acquired and capitalized a piece of land for BDT 68.69 crore located at 23-24 Tejgaon Industrial Area, Dhaka measuring more or less 1.0175 bighas to set up Corporate Office of the Company.

2.20.2 Assets acquired under finance lease

Assets acquired under finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on the outstanding liability. Depreciation on fixed assets acquired under lease has been charged in the accounts following the principal recovery method.

2.20.3 Depreciation on fixed assets

Depreciation will be charge from the day of acquisition of assets and depreciation will be charged on daily basis. However, the depreciation method on fixed assets is charged using straight-line method at the following rates:

<u>Property and equipment</u>	<u>Revised rate</u>
Furniture and fixture	20%
Office equipment	20%
Motor vehicle	20%
IT equipment	33.33%
Building	2%
Land	Nil

Changes in accounting estimates

During 2015, the Company adopts a revised fixed assets policy effective from 01 January 2015 due to revised estimates for fixed assets useful lives. As per new policy, depreciation will be charge from the day of acquisition of assets and depreciation will be charged on daily basis where in previous policy depreciation was charged from the period of acquisition of assets and no depreciation in the year of disposal. However, the depreciation method on fixed assets remains unchanged as straight-line method at the following revised rates:

Property and equipment	Previous rate	Revised rate
Furniture and fixture	15%	20%
Office equipment	20%	20%
Motor vehicle	25%	20%
IT equipment	N/A	33.33%
Building	N/A	2%
Land	N/A	Nil

As per Para 39-40 of BAS-8 "Accounting Policies, Changes in Accounting Estimates and Error", the effects of these changes on actual depreciation decreased by total BDT 5.31 million (Approx.) in 2015 and the effects of expected depreciation expense for upcoming periods cannot be determined due to lack of reliable calculation of estimated future depreciation of fixed assets.

2.20.4 Depreciation of leased assets

Leased assets in the use and possession of the Company are depreciated in the books of the Company over the lease terms. The principal portions of lease installment paid or due are charged as depreciation in the period to which it relates.

2.20.5 Subsequent expenditure on property and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

2.20.6 Disposal of property and equipment

On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.



2.20.7 Intangible assets

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses if any.

Intangible assets include accounting software, credit card software, other software and integrated systems along with related hardware.

Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of four (4) years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

2.21 Other assets

Other assets include mainly advance office rent, payment of advance income tax for which assessment of tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, and advance for operation.

2.22 Borrowing cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of fund.

The Company capitalized borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense as per para 8 of BAS 23 'Borrowing Costs'.

2.23 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.24 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, LankaBangla Finance applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8.

2.25 Liquidity statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of assets and liabilities as of the close of the period as per following bases:

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment or maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment.
- f) Borrowings from other banks and financial institutions as per their maturity or repayment term.
- g) Deposits and other accounts are on the basis of their maturity period and behavioral past trend
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their settlement.

2.26 Books of account

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

2.27 Consistency

In accordance with BFRS framework for the presentation of financial statements together with BAS-1 and BAS-8, LankaBangla Finance Limited discloses its information consistently from one period to the next. Where selecting and applying a new accounting policy, correction of errors, the amount involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. However, for changes in the accounting estimates the related amount is recognized prospectively in the current period and in the next period or periods.

2.28 Foreign currency transaction

Foreign currency transactions are translated into Bangladeshi Taka at exchange rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the period or year are reported at the rates prevailing on the Balance Sheet date. Exchange gains or losses arising out of the said conversions are recognized as income or expense for the period or year are charged in the profit and loss account after netting off.

2.29 Revenue recognition

As per BAS 18, "Revenue" is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

2.29.1 Income from lease financing

The Company follows the finance lease method for accounting of lease incomes in compliance with BAS 17. Interests are recognized as and when interest or incomes are accrued. Lease interests outstanding over 3 months are not recognized as revenue, and used to keep under interest suspense account. Fee based income and delinquent charges from lease operations are accounted for on cash basis.

2.29.2 Interest income from term finance

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account.

Fees based income and delinquent charges from loan operations are accounted when they arise.

2.29.3 Credit cards

Interest on credit card is accrued and taken to accounts up to 03 (three) months. Interest accrued on credit card for more than three months is accounted as Interest-in-Suspense and is not added to revenues. Thereafter, interest is recognized on cash basis reversing the suspense account. Fee based income from credit card operations are accounted for on accrual basis

2.29.4 Portfolio management fee

Portfolio management fee are recognized on the market value of the client's portfolio on daily basis at the applicable rate.

2.29.5 Issue Management and Corporate Advisory Fee

Issue management fee and corporate advisory fees are recognized according to the stage of completion of services as agreed and defined in Issue Management and Corporate Advisory agreement between company and clients.

2.29.6 Fees and commission based income

Fees and commission based income arising on services provided by the company are recognized on a cash basis. Commission charged to customers on is credited to income at the time of effecting the transactions.

2.29.7 Investment income

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

2.29.8 Dividend income on shares

Dividend income on shares is recognized during the year in which it is established the right to receive the payment as per para 30 (c) of BAS 18 'Revenue'.

2.29.9 Other income

Fee based incomes other than above are recognized as income at the stage of completion of transaction when the amount of revenue can be measured reliably and economic benefits associated with the transaction flows to the company.

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

2.29.10 Interest suspense account

Interests on lease finance, term finance and car loan overdue beyond three months period (in case of loan duration is within 5 years) and overdue beyond six months period (in case of loan duration is more than 5 years) are not recognized as revenue and credited to interest suspense account.

Interests on mortgage finance overdue beyond nine months are not recognized as revenue and credited to interest suspense account.



2.30 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand and fixed deposits and investments in call loan that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value.

2.31 Bank loans

Bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on accrual basis and charged to profit and loss account.

2.32 Provision for loans and advances

Generally, provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. However, at the discretion of management, provision against classified loans and advances may be made on monthly basis. The provisions rates are given below

Particulars	Rates
General Provision on:	
Unclassified general loans and advances	1%
Unclassified small and medium enterprise	0.25%
Special Mention Account	5%
Specific Provision On:	
Substandard loans and advances	20%
Doubtful loans and advances	50%
Bad/loss loans and advances	100%

2.33 Write off

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written off") the business's balance sheet.

Recovery against debts written off or provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities, properties or advances.

2.34 Corporate tax

a. Current tax

Provision for current income tax has been made @ 40 % as prescribed in Finance Act 2015 on the profit made by the Company considering major taxable allowances and disallowances and the same is understated or overstated to that extent. Any shortfall or excess provision will be duly adjusted after final assessment.

b. Deferred tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date. The impact on the accounts of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per BAS-12 "Income Taxes".

2.35 Employees benefit plans

LankaBangla Finance Limited offers a number of benefit plans which includes contributory provident fund, gratuity plan, Profit participation scheme and Group Life Insurance Scheme and Health Insurance. The retirement benefits accrued for the employees of the Company as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated are outlined below:

2.35.1 Provident fund

The Company maintains a contributory employees Provident Fund recognized by National Board of Revenue within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees. The Fund is administered by a Board of Trustees and is funded equally by the employer and the employees @ 10% of their basic salary as contribution of the fund. Provident Funds are invested in Fixed Deposit with other financial institutions and to the Government Treasury Bills and Bonds. Interest earned from the investments is credited to the members' account on yearly basis.



2.35.2 Gratuity fund

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

Year of Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

2.35.3 Profit participation scheme

Every confirmed employee will be entitled to participate in the profit participation scheme (on a pro-rata basis in case of new joiners) based on the performance.

2.35.4 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

2.35.5 Employees home loan scheme

The Company also has real estate loan for its permanent employees at 7% simple interest rate. Employees are entitled for real estate loan after satisfying of minimum loan eligible criteria.

2.36 Deposits and other accounts

Deposits by customers and banks are recognized when the Company enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.37 Borrowings from other banks, financial institutions and agents

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks and financial institutions. These are stated in the statement of financial position at amounts payable. Interest paid or payable on these borrowings is charged to the statement of comprehensive income.

2.38 Provision for liabilities

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

2.39 Legal proceedings

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

2.40 Earnings per Share (EPS)

The company calculates EPS in accordance with the requirement of BAS – 33: "Earnings Per Share", which has been shown on the face of the Statement of Comprehensive Income and the computation is shown in **Note - 34**.

Basic earnings

This represents earnings for the period ended on 31 December 2015 attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued (as bonus share) during the year multiplied by a time weighting factor. The time-weighting factor is the numbers of days the specific shares are outstanding as a proportionate of the number of days in the year.

Basic earnings per share

This has been calculated by dividing the basic earning by the weighted average number of ordinary shares outstanding for the year.

Diluted earnings per share

Diluted EPS is calculated if there is any commitment for issuance of equity shares in foreseeable future, i.e., potential shares, without inflow of resources to the Company against such issue. This is in compliance with the requirement of BAS – 33 "Earnings Per Share".



2.41 Credit rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company based on 31 December 2014 with “A1” (Pronounced as A One) in the long term and ST-3 for the Short Term based on audited financial of FY2014 and other available information up to the date of rating declaration. The outlook on the rating is Positive. The date of rating was 12 November 2015.

The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

2.42 Impairment of assets

The company has assessed at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired, whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount by debiting to statement of comprehensive account. Fixed assets are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may be impaired. This is in compliance with the requirement of BAS – 36 “Impairment of Assets”.

2.43 Statutory reserve

The Financial Institutions Act 1993 requires the Company to transfer 20% of its current year’s profit after tax to reserve until such reserve equals to its paid up capital.

2.44 Events after the Reporting Period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustments / disclosures have been made in the financial statements.

The proposed dividend for the year 2015 has not been recognized as a liability in the balance sheet in accordance with the BAS -10: Events After the Reporting Period. Dividend payable to the Company’s shareholders is recognized as a liability and deducted from the shareholders’ equity in the period in which the shareholders’ right to receive payment is established.

2.45 Corporate governance

The company recognizes the importance of high standards of corporate governance and corporate social responsibility. Through regular Board Meeting and documented procedures of independence, the company endeavors to meet the standards expected.

The company has taken note of the recently prescribed measures by the Bangladesh Securities and Exchange Commission in this regard and intends to introduce the concept of independent Director at the earliest possible opportunity. An Audit Committee is already in place. The Company also prohibits provision of non-audit services by the external auditors. The Audit committee keeps under review the independence and objectivity of the external auditors.

The Board is also committed to effective communication between the company and its subsidiaries, investors, regulators and third party interests.

2.46 BASEL II and its implementation

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

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

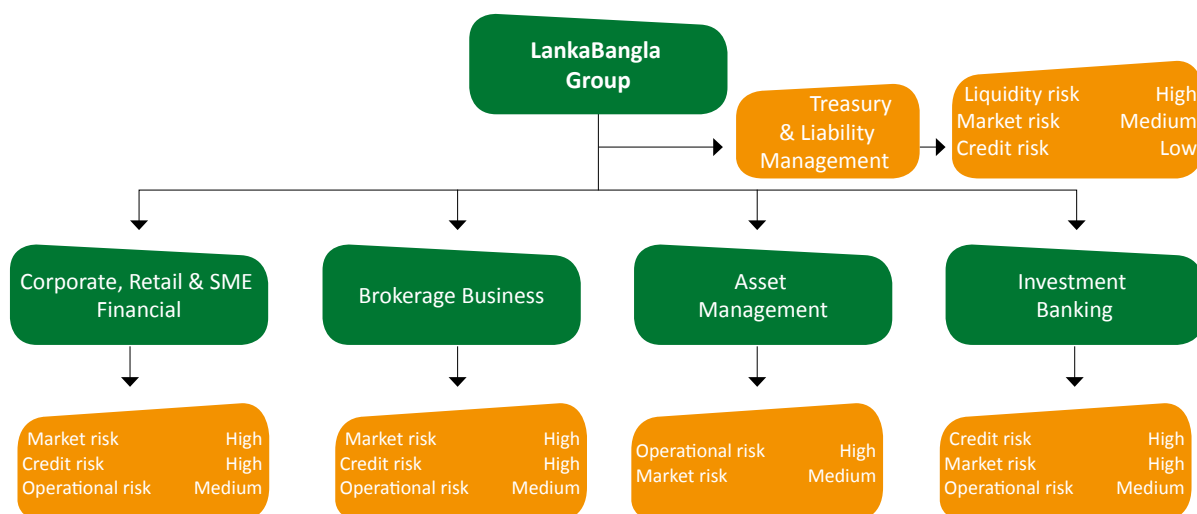
2.47 Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

The chart below provides a link between the Group’s business units and the principal risks that they are exposed to. The

significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.



The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Asset Liability Management committee (ALCO) and Risk Management Forum by following the relevant directives and guidelines of Bangladesh Bank, which are responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

The Board of Directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit Risk Management department, reporting to the Managing Director and Executive Committee, is responsible for management of the Group's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Group Credit Committee or the Board of Directors as appropriate.

Credit Risk Management assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.



The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury division manages the Group's liquidity position on a day-to day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), zero coupon bond and different types of bank borrowing ranging from very short nature call loan to short term loan to long term loan and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding;
- Carrying out stress testing of the Group's liquidity position. Treasury division receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

C. Market Risk

Market risk is the risk that changes in market prices, such as interest rates, share prices and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

D. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to Management Committee which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;



- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management Committee with summaries submitted to the Audit Committee and senior management of the Group.

2.48 Segments

After incorporated the company started with lease and loan as its core financing business. By times, it diversified its business among Asset Management Operations, Merchant banking business and brokerage business. The company has decided it various operating segment considering nature of segmental business. Thus four operating segments of the Group are reported and presented. Profit and loss account of above operations and other operation have been prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), and results of its operation have been combined, item by item, with the financial results of the Company. Information about operating segment has been presented in **Note-35**.

2.49 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December 2015 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2014 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

2.50 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 22 February 2016.

2.51 Compliance of Bangladesh Financial Reporting Standards (BFRS)

SI #	Name of BAS/BFRS	Status
01	BAS 1: Presentation of Financial Statements	Partially Complied
02	BAS 2: Inventories	Not Applicable
03	BAS 7: Statements of Cash Flows	Partially Complied
04	BAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
05	BAS 10: Events after the Reporting Period	Complied
06	BAS 11: Construction Contracts	Not Applicable
07	BAS 12: Income Taxes	Partially Complied
08	BAS 16: Property, Plant and Equipments	Complied
09	BAS 17: Leases	Complied
10	BAS 18: Revenue	Complied
11	BAS 19: Employee Benefits	Complied
12	BAS 20: Accounting for Govt. Grants and disclosures of Govt. Assistances	Not Applicable
13	BAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
14	BAS 23: Borrowing Costs	Complied
15	BAS 24: Related Party Disclosures	Complied
16	BAS 26: Accounting and Reporting by Retirement Benefit Plan	Not Applicable
17	BAS 27: Separate Financial Statements	Complied
18	BAS 28: Investments in Associates	Not Applicable
19	BAS 29: Financial Reporting in Hyperinflationary Economics	Not Applicable
20	BAS 32: Financial Instruments: Presentation	Partially Complied
21	BAS 33: Earnings Per Share	Complied
22	BAS 34: Interim Financial Reporting	Complied
23	BAS 36: Impairment of Assets	Complied
24	BAS 37: Provisions, Contingent Liabilities and Contingent Assets	Complied
25	BAS 38: Intangible Assets	Complied
26	BAS 39: Financial Instrument: Recognition and Measurement	Partially Complied
27	BAS 40: Investment Property	Not Applicable
28	BAS 41: Agriculture	Not Applicable



Sl #	Name of BAS/BFRS	Status
29	BFRS 1: First-time adoption of International financial Reporting Standards	Not Applicable
30	BFRS 2: Share-based Payment	Not Applicable
31	BFRS 3: Business Combinations	Not Applicable
32	BFRS 4: Insurance Contracts	Not Applicable
33	BFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
34	BFRS 6: Exploration for and Evaluation of Mineral Resources	Not Applicable
35	BFRS 7: Financial Instruments: Disclosures	Partially Complied
36	BFRS 8: Operating Segments	Complied
37	BFRS 10: Consolidated Financial Statements	Complied
38	BFRS 11: Joint Arrangements	Not Applicable
39	BFRS 12: Disclosure of Interests in Other Entities	Complied
40	BFRS 13: Fair Value Measurement	Complied
41	BFRS 14: Regulatory Deferral Accounts	Not Applicable
41	BFRS 15: Revenue from Contracts with Customers	Not Applicable



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

3 Cash in hand

Local currency	334,081	160,970	199,834	33,417
Foreign currency	-	-	-	-
	334,081	160,970	199,834	33,417

4 Balance with Bangladesh Bank

Local currency	515,939,214	337,386,246	515,939,214	337,386,246
Foreign currency	-	-	-	-
	515,939,214	337,386,246	515,939,214	337,386,246

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act, 1993 and Financial Institution Regulations 1994 and FID Circular No. 06 dated 06 November, 2003 and FID Circular No. 02 dated 10 November, 2004.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.

Cash reserve requirement (CRR) 2.50%

The Company requires to maintain cash with Bangladesh Bank current account equivalent to 2.50% of Term Deposits other than deposit taken from banks and financial institutions.

Required reserve	515,792,664	318,358,263	515,792,664	318,358,263
Actual reserve held	518,786,571	337,386,246	518,786,571	337,386,246
Surplus/ (deficit)	2,993,907	19,027,983	2,993,907	19,027,983

Statutory liquidity requirements (SLR) 5.00%

The Company requires to maintain SLR equivalent to 5% of total liability including 2.50% of CRR and excluding loans and deposits taken from banks and financial institutions.

Total required reserve	1,078,904,834	674,943,601	1,078,904,834	674,943,601
Actual reserve held	1,089,958,034	683,033,812	1,089,958,034	683,033,812
Total surplus/ (deficit)	11,053,200	8,090,211	11,053,200	8,090,211

5 Balance with other banks and financial institutions

Inside of Bangladesh

Local Currency

Non interest bearing current account (Note - 5.1)	14,353,725	21,582,124	14,353,725	21,582,124
Interest bearing short term deposit account (Note - 5.2)	731,467,213	958,620,128	93,190,599	74,225,805
Fixed deposit account (Note - 5.3)	681,445,595	923,554,024	617,805,926	889,333,603
	1,427,266,533	1,903,756,276	725,350,251	985,141,532



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Foreign Currency				
Dhaka Bank Limited-USD Account (Exchange Rate: Tk. 78.5000)	85,596	85,893	85,596	85,893
Dhaka Bank Limited-POUND Account (Exchange Rate Tk. 115.7326)	30,761	32,275	30,761	32,275
Dhaka Bank Limited-EURO (Exchange Rate Tk. 85.2353)	6,408	7,091	6,408	7,091
	122,765	125,259	122,765	125,259
	1,427,389,298	1,903,881,535	725,473,016	985,266,791
Outside of Bangladesh	-	-	-	-
	1,427,389,298	1,903,881,535	725,473,016	985,266,791

5.1 Non interest bearing current account

Al Arafah Islamai Bank Limited	34,146	-	34,146	-
Bank Al-Falah Limited	18,707	14,857	18,707	14,857
BRAC Bank Limited	252,572	607,953	252,572	607,954
Dhaka Bank Limited	34,862	90,098	34,862	90,098
Eastern Bank Limited	79,240	76,342	79,240	76,342
First Security Islami Bank Limited	3,504	4,654	3,504	4,654
Hongkong and Shanghai Banking Corporation (HSBC)	297,960	297,960	297,960	297,960
Jamuna Bank Limited	870	33,745	870	33,745
Mercantile Bank Limited	3,210,137	6,589,401	3,210,137	6,589,401
National Bank Limited	16,442	598,823	16,442	598,823
National Credit and Commerce Bank Limited	-	1,755	-	1,755
ONE Bank Limited	1,923,227	962,834	1,923,227	962,834
Prime Bank Limited	153,705	158,080	153,705	158,080
Shahjalal Islami Bank Limited	58,148	27,087	58,148	27,087
Southeast Bank Limited	-	8,846	-	8,846
Standard Bank Limited	16,444	13,053	16,444	13,053
Standard Chartered Bank	738,573	1,905,123	738,573	1,905,123
Premier Bank Limited	-	17,136	-	17,136
Trust Bank Limited	7,515,189	10,174,378	7,515,189	10,174,378
	14,353,725	21,582,124	14,353,725	21,582,124

5.2 Interest bearing short term deposit account

Al-Arafah Islami Bank Limited	-	562	-	562
Arab Bangladesh Bank Limited	300,103	660,501	300,103	660,501
Bangladesh Development Bank Limited	157,103	3,525	3,095	3,525
Bangladesh Krishi Bank Limited	325	1,475	325	1,475
Bank Asia Limited	3,677,049	9,203,586	3,677,049	9,203,586
BRAC Bank Limited	26,312	25,802	2,606,561	-
Commercial Bank of Ceylon PLC	453,983	222,127	-	-
Dhaka Bank Limited	3,564,531	29,102,099	-	2,640,709
Dutch Bangla Bank Limited	14,235,738	36,309,121	14,218,068	36,290,279



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Exim Bank Limited	230	198,588	230	198,588
Hongkong and Shanghai Banking Corporation	712,090	1,415,184	-	-
ICB Islami Bank Limited	83,708	83,708	83,708	83,708
IFIC Bank Limited	6,736	7,749	6,736	7,749
Jamuna Bank Limited	24,188	63	24,188	63
Mercantile Bank Limited	7,397,612	12,939,676	7,397,612	12,939,676
Meghna Bank Limited	9,611	-	-	-
Mutual Trust Bank Limited	47,486	216,336	47,486	216,336
National Credit and Commerce Bank Limited	3,172,904	8,370	2,720	8,370
NRB Commercial Bank Limited	3,930	3,930	3,930	3,930
National Bank Limited	7,470	2,125	-	-
ONE Bank Limited	638,336,731	826,109,216	9,023,742	1,516,356
Prime Bank Limited	241,269	252,536	241,269	252,519
Pubali Bank Limited	45,768	46,075	45,768	46,075
Shahjalal Islami Bank Limited	522,013	151,612	-	-
Social Islami Bank Limited	5,091	5,091	5,091	5,091
Southeast Bank Limited	2,202	3,246	2,202	3,246
South Bangla Agriculture and Commercial Bank Limited	345,050	48,775	7,659	8,627
Standard Bank Limited	-	5,999	-	5,999
Standard Chartered Bank	52,348,506	36,997,561	49,834,858	5,615,460
The City Bank Limited	1,384,781	338,328	1,303,506	256,213
Premier Bank Limited	4,288,554	4,186,047	4,288,554	4,186,047
United Commercial Bank Limited	61,420	60,643	61,420	60,643
Uttara Bank Limited	4,720	10,470	4,720	10,470
	731,467,213	958,620,128	93,190,599	74,225,805

5.3 Fixed deposit account

Commercial Bank of Ceylon PLC	58,946,426	141,069,830	58,946,426	141,069,830
Mercantile Bank Limited	-	50,263,773	-	50,263,773
Prime Bank Limited	108,100,000	100,000,000	108,100,000	100,000,000
The Premier Bank Limited	30,759,500	28,000,000	30,759,500	28,000,000
Union Bank Limited	120,000,000	100,000,000	120,000,000	100,000,000
Midland Bank Limited	-	250,000,000	-	250,000,000
NRB Bank Limited	-	50,000,000	-	50,000,000
Exim Bank Limited	100,000,000	20,000,000	100,000,000	20,000,000
Midas Finance Limited	200,000,000	-	200,000,000	-
Standard Chartered Bank	36,718,512	34,220,421	-	-
Mutual Trust Bank Ltd	25,000,000	-	-	-
Peoples Leasing and Financial Services Limited	-	150,000,000	-	150,000,000
One Bank Limited	1,921,157	-	-	-
	681,445,595	923,554,024	617,805,926	889,333,603

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



5.4 Maturity grouping of balance with other banks and financial institutions

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Up to 1 month	14,476,490	21,707,383	14,476,490	21,707,383
Over 1 month but not more than 3 months	731,467,213	958,620,128	93,190,599	74,225,805
Over 3 months but not more than 6 months	681,445,595	923,554,024	617,805,926	889,333,603
Over 6 months but not more than 1 year	-	-	-	-
Over 1 year but not more than 5 years	-	-	-	-
Over 5 years	-	-	-	-
	1,427,389,298	1,903,881,535	725,473,016	985,266,792

6 Investment

Government securities	-	1,009,100,000	-	1,009,100,000
Treasury bills	-	-	-	-
Treasury Bonds (Note-6.1)	-	1,009,100,000	-	1,009,100,000
Other investments	4,372,854,794	3,831,191,911	1,836,284,248	1,172,069,863
Non marketable ordinary shares (Note - 6.2)	165,559,935	461,063,935	78,569,450	46,569,450
Marketable ordinary shares (Note - 6.3)	3,627,294,860	3,370,127,976	1,177,714,798	1,125,500,413
Investment in Commercial Paper	580,000,000	-	580,000,000	-
	4,372,854,794	4,840,291,911	1,836,284,248	2,181,169,863

See details in Note 2.3 for prior year adjustment

Investment is Designated as follows:

Held for Trading	-	3,370,127,976	1,177,714,798	1,125,500,413
Held to Maturity	580,000,000	1,470,163,935	658,569,450	1,055,669,450
Available for Sale	-	-	-	-
Others	-	-	-	-
	580,000,000	4,840,291,911	1,836,284,248	2,181,169,863

6.1 Treasury Bonds

05-Year Treasury Bond	-	-	-	-
10-Year Treasury Bond	-	479,700,000	-	479,700,000
15-Year Treasury Bond	-	294,800,000	-	294,800,000
20-Year Treasury Bond	-	234,600,000	-	234,600,000
	-	1,009,100,000	-	1,009,100,000

6.2 Non marketable ordinary shares

Dhaka Stock Exchange Limited*	11,606,000	11,606,000	-	-
Chittagong Stock Exchange Limited*	5,000,000	5,000,000	-	-
BD Venture Limited	20,000,000	20,000,000	20,000,000	20,000,000
BizBangla Media Limited	-	318,000,000	-	-
Central Depository (Bangladesh) Limited	1,569,450	1,569,450	1,569,450	1,569,450
Financial Excellence Limited	3,000,000	3,000,000	-	-
CAPM Unit Fund	2,000,000	20,000,000	2,000,000	20,000,000



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Information Technology Company Limited (ITCL)**	72,384,485	72,384,485	5,000,000	5,000,000
United Power Generation and Distribution Limited	-	9,504,000	-	-
LankaBangla 1st Balanced Unit Fund	50,000,000	-	50,000,000	-
	165,559,935	461,063,935	78,569,450	46,569,450

*LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges

Stock Exchange	Type of Shares	"Number of Shares"	Face Value	Face Value amount
Dhaka Stock Exchange	Floated (40%)	2,886,042	10	28,860,420
	Blocked (60%)	4,329,064	10	43,290,640
		7,215,106		72,151,060
Chittagong Stock Exchange	Floated (40%)	1,714,932	10	17,149,320
	Blocked (60%)	2,572,398	10	25,723,980
		4,287,330		42,873,300

Valuation of membership has been shown at cost in the accounts.

**Information Technology Company Limited (ITCL) is converted to marketable ordinary share as on 10 January 2016.

6.3 Marketable ordinary shares

Bank	760,665,448	782,594,802	529,723,137	520,136,666
Cement	191,896,774	312,962,760	-	-
Engineering	129,400,990	118,865,127	20,929,882	23,012,515
Non-Bank Financial Institutions	665,508,687	504,680,830	165,290,369	165,290,369
Fuel and Power	219,504,362	107,927,990	-	-
Insurance	332,745,630	330,689,630	-	-
IT Sector	24,620,272	19,061,567	24,620,272	18,320,748
Food and Allied	21,941,045	15,966,191	21,941,045	15,934,631
Miscellaneous	-	131,460,526	-	-
Mutual Funds	225,148,476	215,026,569	63,118,703	50,150,000
Pharmaceuticals and Chemicals	512,071,758	296,688,905	212,416,332	189,162,858
Tannery Industries	69,761,029	81,909,662	-	11,092,438
Telecommunication	12,724,657	-	-	-
Textile	452,271,641	452,273,027	132,398,803	132,400,188
Manufacturing	-	20,391	-	-
Ceramics	9,034,092	-	7,276,255	-
	3,627,294,860	3,370,127,976	1,177,714,798	1,125,500,413

All investments in marketable ordinary shares are valued at average cost price as on reporting date and adequate provision has been made as per Bangladesh Bank Guideline.*

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



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

*As at 31 December, 2015 there was Tk.36,606,960 gross unrealized gain on investment in marketable ordinary shares which has been net off against Tk. 175,391,904 gross unrealized losses at fair value through profit and loss account in compliance with the DFIM circular No. 11 dated 19 September, 2011 and DFIM Circular No.02 , dated 31 January, 2012 issued by Bangladesh Bank.

6.4 Strategic classification of investment in shares

Strategic investment in shares	2,190,488,811	1,820,842,960	841,095,233	748,244,203
Non-strategic investment in shares	1,436,806,049	1,549,285,016	336,619,566	377,256,210
	3,627,294,860	3,370,127,976	1,177,714,798	1,125,500,413

6.5 Maturity grouping of investments

Maturity wise group

Up to 01 Month	102,685,414	113,661,990	16,862,725	2,084,018
More than 01 Month to 03 Months	278,437,742	308,201,396	71,571,044	18,320,748
More than 03 Month to 01 Years	679,754,475	752,416,954	687,818,290	188,132,875
More than 01 Year to 05 Years	1,102,265,344	1,220,092,200	301,035,704	734,022,404
More than 05 Years	2,209,711,820	2,445,919,371	758,996,485	1,238,609,819
	4,372,854,794	4,840,291,911	1,836,284,248	2,181,169,863

7 Leases, loans and advances

Loans , cash credit and overdraft etc. (Note - 7.1)	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073
Bills discounted and purchased	-	-	-	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

7.1 Loans , cash credit and overdraft etc.

Corporate finance

Factoring debtors	720,967,177	350,286,986	720,967,177	350,286,986
Lease finance	2,199,768,799	1,771,380,973	2,199,768,799	1,773,460,480
Revolving credit -secured	48,568,179	41,659,455	48,568,179	41,659,455
Short term finance	5,192,731,527	2,867,029,990	5,192,731,527	2,867,029,990
Short term loan to subsidiaries (Note - 7.1.1)	-	-	3,393,501,095	3,632,574,703
Term loan	10,420,557,539	7,269,301,975	10,420,557,539	7,269,301,975
Real estate developers Finance	12,154,467	-	12,154,467	-
Term loan syndication finance	586,981,656	762,045,459	586,981,656	762,045,459
Work order finance	57,297,810	79,334,255	57,297,810	79,334,255
	19,239,027,154	13,141,039,093	22,632,528,248	16,775,693,303

Retail finance

Credit card receivables (Note - 7.1.2)	1,629,929,972	1,294,555,556	1,629,929,972	1,294,555,556
Mortgage loan (Note - 7.1.3)	4,299,031,839	2,926,769,390	4,299,031,839	2,926,769,390
Auto loan (Note - 7.1.4)	3,123,615,510	1,681,934,277	3,091,239,700	1,675,906,406
Personal loan (Note - 7.1.5)	2,248,003,861	987,665,020	2,240,637,614	970,652,140
	11,300,581,182	6,890,924,243	11,260,839,125	6,867,883,492

SME finance

SME finance	2,125,449,476	622,417,278	2,125,449,476	622,417,278
	2,125,449,476	622,417,278	2,125,449,476	622,417,278



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
<u>Others</u>				
Margin loan to share trading clients	3,559,650,618	4,262,866,614	-	-
Debit balance of share trading clients	5,594,307,500	5,479,139,490	-	-
	9,153,958,118	9,742,006,104	-	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073
<u>Place of disbursement</u>				
In Bangladesh	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073
Outside of Bangladesh	-	-	-	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073
7.1.1 Short term finance-subsidiaries				
Short term loan to subsidiaries				
LankaBangla Investments Limited	-	-	3,109,108,380	3,320,257,883
LankaBangla Securities Limited	-	-	284,392,715	312,316,820
	-	-	3,393,501,095	3,632,574,703
7.1.2 Credit card receivables				
Master card	1,061,022,683	879,415,121	1,061,022,683	879,415,121
VISA card	481,094,367	382,636,494	481,094,367	382,636,494
Master card ezy pay settlement account	61,272,389	22,314,998	61,272,389	22,314,998
VISA card ezy pay settlement account	26,540,532	10,188,943	26,540,532	10,188,943
	1,629,929,972	1,294,555,556	1,629,929,972	1,294,555,556
7.1.3 Mortgage loan				
Bangladesh Bank refinance loan	608,321,668	676,050,847	608,321,668	676,050,847
Commercial loan	3,557,027,062	2,181,983,698	3,557,027,062	2,181,983,698
Staff loan	133,683,108	68,734,845	133,683,108	68,734,845
	4,299,031,839	2,926,769,390	4,299,031,839	2,926,769,390
7.1.4 Auto Loan				
Commercial loan	3,047,230,683	1,628,045,605	3,047,230,683	1,628,045,605
Staff loan	76,384,828	53,888,672	44,009,018	47,860,801
	3,123,615,510	1,681,934,277	3,091,239,700	1,675,906,406
7.1.5 Personal Loan				
Loan against deposit	160,738,946	95,577,655	160,738,946	95,577,655
Term loan	1,997,653,155	822,043,595	1,997,653,155	822,043,595
Staff loan	89,611,760	70,043,771	82,245,513	53,030,891
	2,248,003,861	987,665,020	2,240,637,614	970,652,140
<u>Maturity wise group</u>				
On demand	918,832,840	1,726,099,728	810,467,351	1,693,595,787
Not more than 3 months	2,664,556,868	1,727,162,710	2,632,988,416	1,727,162,710
More than 03 month to 01 years	12,375,650,736	6,160,483,977	8,316,000,118	2,133,818,708
More than 01 year to 05 years	18,403,892,279	11,451,260,872	18,403,892,279	11,451,260,872
More than 05 years	7,456,083,207	9,331,379,432	5,855,468,685	7,260,155,996



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka
41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

7.1.6 Classification wise leases, loans and advances/ investments

Unclassified

Standard (UC)	39,786,087,762	28,098,689,219	33,985,888,681	21,968,296,573
Special Mention Accounts (SMA)	693,746,690	1,065,783,841	693,746,690	1,065,783,841
	40,479,834,452	29,164,473,060	34,679,635,371	23,034,080,414

Classified

Sub-standard (SS)	271,122,016	145,078,111	271,122,016	145,078,111
Doubtful (DF)	312,397,978	408,479,002	312,397,978	408,479,002
Bad/loss (BL)	755,661,484	678,356,546	755,661,484	678,356,546
	1,339,181,479	1,231,913,659	1,339,181,479	1,231,913,659
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

Detailed classification wise leases, loans and advances is given in **Annexure-C**.

Loans, advances and lease on the basis of significant concentration

a) Loans, advances and lease to the institutions in which Directors have interest	-	4,241,513	3,393,501,095	3,636,816,216
b) Loans, advances and lease to Chief Executive and other senior executives	57,253,196	44,415,456	57,253,196	44,415,456
c) <u>Loans, advances and lease to customer groups:</u>				
i) Real estate finance	3,557,027,062	2,181,983,698	3,557,027,062	2,181,983,698
ii) Car loan	3,047,230,683	1,681,934,277	3,047,230,683	1,675,906,406
iii) Personal loan	1,997,653,155	822,043,595	1,997,653,155	822,043,595
iv) Loan against deposits (LAD)	160,738,946	95,577,655	160,738,946	95,577,655
v) Small and medium enterprises	2,125,449,476	622,417,278	2,125,449,476	622,417,278
vi) Special program loan (Bangladesh Bank refinancing scheme)	608,321,668	676,050,847	608,321,668	676,050,847
vii) Staff loan	299,679,696	138,778,616	259,937,639	121,765,736
viii) Industrial loans, advances and leases	19,239,027,154	13,141,039,093	22,632,528,248	16,775,693,303
ix) Other loans and advances	10,783,888,090	11,036,561,660	1,629,929,972	1,294,555,556
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

d) Details of industrial loans, advances and leases

1) Trade and commerce	3,024,082,267	1,277,690,253	3,024,082,267	1,277,690,253
2) Industries				
i) Garments and knitwear	1,420,353,942	1,286,588,828	1,420,353,942	1,286,588,828
ii) Textile	1,523,745,941	742,624,151	1,523,745,941	742,624,151
iii) Jute and jute -products	255,783,420	450,316,183	255,783,420	450,316,183
iv) Food production and processing industry	3,866,039,628	1,264,142,434	3,866,039,628	1,264,142,434
v) Plastic industry	192,125,085	276,008,725	192,125,085	276,008,725
vi) Leather and leather goods	40,595,787	51,489,480	40,595,787	51,489,480
vii) Iron, steel and engineering	2,466,928,115	1,708,676,161	2,466,928,115	1,708,676,161



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
viii) Pharmaceuticals and chemicals	966,840,928	90,583,204	966,840,928	90,583,204
ix) Cement and allied industry	971,406,847	740,052,921	971,406,847	740,052,921
x) Telecommunication and IT	659,158,478	493,481,271	659,158,478	493,481,271
xi) Paper, printing and packaging	572,279,087	631,086,100	572,279,087	631,086,100
xii) Glass, glassware and ceramic industry	820,023,890	577,153,476	820,023,890	577,153,476
xiii) Ship manufacturing industry	-	-	-	-
xiv) Electronics and electrical products	919,868,304	877,100,805	919,868,304	877,100,805
xv) Power, gas, water and sanitary service	366,804,879	475,680,613	366,804,879	475,680,613
xvi) Transport and aviation	599,990,424	489,690,712	599,990,424	489,690,712
	15,641,944,756	10,154,675,064	15,641,944,756	10,154,675,064
3) Agriculture	315,363,374	337,998,340	315,363,374	337,998,340
4) Housing	5,340,808,724	2,926,769,390	5,340,808,724	2,926,769,390
5) Others				
i) Loan to subsidiaries companies	-	-	3,393,501,095	3,632,574,703
ii) Others	17,496,816,811	15,699,253,671	8,303,116,635	5,936,286,323
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

7.1.7 Particulars of loans, advances and leases

i) Loan considered good in respect of which the Bank/ FI is fully secured	12,231,506,072	11,372,289,195	10,565,156,501	5,241,896,549
ii) Loan considered good for which the Bank/ FI holds no other security than the debtor's personal security.	5,763,779,482	1,294,555,556	1,629,929,972	1,294,555,556
iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	23,823,730,377	17,729,541,968	23,823,730,377	17,729,541,968
iv) Loan adversely classified; for which no provision is created.	-	-	-	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.

vi) Loan due by companies and firms in which the directors of the Bank/ FI have interests as directors, partners or managing agent or in case of private companies as members.

Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies

vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors and managers or officers of the Bank/ FI or any of them either severally or jointly with any other persons.



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank/ FI have interests as directors, partners or managing agents or, in case of private companies as members.	-	-	-	-
Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies				
ix) Due from other bank/ FI companies	4,369,115	14,389,458	4,369,115	14,389,458
x) Information in respect of classified loans and advances:				
a) Classified loans for which interest/ profit not credited to income	1,339,181,479	1,231,913,659	1,339,181,479	1,231,913,659
b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	415,894,992	391,619,110	415,894,992	391,619,110
	1,755,076,471	1,623,532,769	1,755,076,471	1,623,532,769
c) Amount of interest credited to the interest suspense account	(4,482,789)	129,396,652	(4,482,789)	129,396,652
xi) Cumulative amount of written off loans:				
Opening Balance	517,051,972	483,975,637	517,051,972	483,975,637
Amount written off during the year	-	33,326,335	-	33,326,335
Amount received from written off during the year	22,350,000	250,000	22,350,000	250,000
Balance of written off loans and advances yet to be recovered	494,701,972	517,051,972	494,701,972	517,051,972
The amount of written off loans for which law suits have been filed				

Leases, Loans, and advances -geographical location-wise

Inside Bangladesh:

Urban

Dhaka	31,329,466,188	24,471,291,701	27,053,261,529	18,340,899,055
Chittagong	8,821,795,173	5,345,127,578	7,501,864,323	5,345,127,578
Sylhet	575,134,845	262,052,738	423,499,369	262,052,738
Jessore	549,726,510	143,545,950	549,726,510	143,545,950
Narshindi	226,397,092	94,682,637	226,397,092	94,682,637
Comilla	239,078,823	79,686,116	186,650,727	79,686,116
Bogra	46,884,066	-	46,884,066	-
Barisal	30,533,234	-	30,533,234	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073
Outside Bangladesh:	-	-	-	-
	41,819,015,931	30,396,386,719	36,018,816,850	24,265,994,073

8 Fixed Assets including Land, Building, Furniture and Fixtures

Freehold assets (Note - 8.1)	989,832,775	253,053,792	843,283,581	111,145,595
Intangible assets (Note - 8.2)	276,465,276	41,096,526	29,214,282	16,361,245

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Lease hold assets (Note - 8.3)	25,555,236	16,842,671	5,151,506	1,225,001
	1,291,853,287	310,992,989	877,649,370	128,731,842

Details are given in Annexure - A and Annexure - B.

8.1 Freehold assets

Land (Note - 8.1.1)	686,921,231	-	686,921,231	-
Freehold asset other than land (Note 8.1.2)	302,911,544	253,053,792	156,362,350	111,145,595
	989,832,775	253,053,792	843,283,581	111,145,595

8.1.1 Land

Opening Balance	-	-	-	-
Add : Addition/(Disposal) during the year	686,921,231	-	686,921,231	-
	686,921,231	-	686,921,231	-
Less: Sales/ adjustment during the year	-	-	-	-
	686,921,231	-	686,921,231	-

8.1.2 Freehold asset other than land

A. Cost

Opening Balance	494,908,085	415,395,926	232,598,422	160,254,194
Add : Addition during the year	139,430,889	87,387,644	83,145,749	76,001,707
	634,338,973	502,783,571	315,744,170	236,255,901
Less: Sales/ disposal during the year	21,380,690	7,875,486	3,781,769	3,657,479
	612,958,283	494,908,085	311,962,401	232,598,422

B. Accumulated depreciation

Opening Balance	241,854,293	197,954,579	121,452,826	95,817,328
Add : Charged during the year	81,748,371	50,039,493	37,566,327	27,891,175
	323,602,664	247,994,071	159,019,154	123,708,503
Less: Adjusted during the year	13,555,925	6,139,779	3,419,103	2,255,677
	310,046,739	241,854,293	155,600,051	121,452,826

C. Written down value Total (A-B)

	302,911,544	253,053,792	156,362,350	111,145,595
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8.2 Intangible assets

Goodwill (Note - 8.2.1)	234,143,286	-	-	-
System Software (Note - 8.2.2)	42,321,991	41,096,526	29,214,282	16,361,245
	276,465,276	41,096,526	29,214,282	16,361,245

8.2.1 Goodwill*

Opening Balance	-	-	-	-
Add: Addition during the year	234,143,286	-	-	-
	234,143,286	-	-	-
Less : Impairment during the year	-	-	-	-
	234,143,286	-	-	-

* Intangible asset, goodwill, arises as a result of acquisition of 80% shares of BizBangla Media Limited by LankaBangla Securities Limited a subsidiary of LankaBangla Finance Limited as on 31 May 2015. Details calculation is given below:



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Cost of acquisition	60,000,000	-	-	-
Less: Share of net assets at acquisition date	(174,143,286)	-	-	-
	234,143,286	-	-	-

8.2.2 System software

Opening Balance	41,096,525	73,280,805	16,361,245	6,533,637
Add: Addition during the year	22,989,321	16,325,847	19,916,676	12,972,481
	64,085,847	89,606,652	36,277,921	19,506,118
Less : Amortized during the year	21,763,856	48,510,126	7,063,639	3,144,873
	42,321,991	41,096,526	29,214,282	16,361,245

8.3 Lease hold assets

A. Cost

Opening Balance	49,297,810	49,297,810	4,900,000	4,900,000
Add: Addition during the year	16,947,625	-	4,877,000	-
	66,245,435	49,297,810	9,777,000	4,900,000
Less: Adjusted during the year	11,969,780	-	-	-
	54,275,655	49,297,810	9,777,000	4,900,000

B. Accumulated depreciation

Opening Balance	32,455,139	23,374,080	3,674,999	2,450,000
Add : Charged during the year	7,479,060	9,081,059	950,495	1,224,999
	39,934,199	32,455,139	4,625,494	3,674,999
Less: Adjustment during the year	11,213,780	-	-	-
	28,720,419	32,455,139	4,625,494	3,674,999

C. Written down value (A-B)

	25,555,236	16,842,671	5,151,506	1,225,001
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9 Other assets

Non income generating assets

Advances and prepayments (Note-9.1)	923,507,658	1,154,939,030	592,769,301	587,194,474
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Income generating assets

Interest and other receivables (Note-9.2)	96,990,635	86,328,745	13,974,613	49,510,022
Investment in:	-	-	4,033,436,963	3,817,435,504

LankaBangla Securities Limited	-	-	1,546,237,023	1,362,485,564
LankaBangla Asset Management Company Limited	-	-	817,200,000	784,950,000
LankaBangla Investment Limited	-	-	1,669,999,940	1,669,999,940
	1,020,498,293	1,241,267,775	4,640,180,877	4,454,140,000

9.1 Advances and Prepayments

Advance office rent	69,104,883	45,068,932	49,743,292	25,395,797
Advance for expenses	5,706,243	49,595,269	322,262	2,601,596
Advance insurance premium	1,791,899	-	1,791,899	-
Advance to employee	956,852	262,716	-	-
Advance to suppliers	2,364,083	25,556,927	2,364,083	25,556,927
Advance income tax**	230,516,824	206,585,749	202,858,308	191,252,163



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Advance interest payment	23,361,900	18,231,445	23,361,900	18,231,445
Advance against floor purchase	191,968,000	188,968,000	-	-
Security and other deposit receivable	7,120,208	244,191,328	6,920,208	16,474,208
Advance for bank guarantee margin	319,611	2,048,437	-	-
Prepayments and others (Note - 9.1.1)	390,297,156	374,430,226	305,407,350	307,682,338
	923,507,658	1,154,939,030	592,769,301	587,194,474

**Advance income tax represents corporate income tax paid as per Section- 64 of the Income Tax Ordinance 1984 and the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances of LankaBangla Finance Limited.

9.1.1 Prepayments and others

Prepayments	185,697,146	186,022,634	182,935,000	182,935,000
Receivables against share trading	-	10,305	-	3
Receivables DSE and CSE	46,759,317	51,182,904	-	-
Deferred tax asset (Note -9.1.1.1)	21,155,656	23,070,481	20,670,433	20,670,433
Dividend receivables	116,533,046	96,270,763	97,393,125	96,250,763
Work in Progress	-	-	370,000	-
Receivable from Employees Provident Fund	-	4,000,000	1,128,321	4,000,000
Other receivables	20,151,992	13,873,140	2,910,472	3,826,140
	390,297,156	374,430,226	305,407,350	307,682,338

9.1.1.1 Deferred tax asset

Deferred tax has been calculated based on deductible taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 "Income Taxes".

Particulars	Accounting base carrying amounts	Tax base amounts	Tax base carrying amounts
Deferred tax asset is arrived at as follows			
Assets:			
Fixed assets net of depreciation including leased hold assets as on 31 December 2015	190,728,139	937,426,767	745,373,285
Liabilities:			
Employee gratuity as on 31 December 2015	27,534,735	-	27,534,735
Total	218,262,874	937,426,767	772,908,020
Applicable tax rate for fixed assets and employee gratuity @40%			309,163,208
Deferred tax asset as on 31 December 2015			309,163,208
Deferred tax asset as on 31 December 2014			20,670,433
Deferred tax income need to account for during the year			288,492,775

However, as per BAS 12 deferred tax asset shall be recognized to the extent that it is probable that taxable profit will be available against which the deductible difference can be utilized. However, due to having huge amount of accumulated business loss (around 161 core) as per tax laws, it is not probable that there will be future taxable profit against which these deductible temporary difference can be utilized. Hence, no additional deferred tax asset has been recognized during the current year.

In addition to that subsidiary companies recognized its respective deferred tax assets to the extent of its available taxable profit.



9.2 Interest and other receivables

Interest receivables-fixed deposit account	12,882,319	29,377,745	10,523,780	26,326,439
Interest receivables from Commercial Paper	3,450,833	-	3,450,833	-
PD- receivable -Treasury Bonds/Bills	-	23,183,583	-	23,183,583
Issue management fees receivable	5,040,000	5,793,558	-	-
Underwriting commission receivable	-	451,008	-	-
Account receivable from PO department	16,886,433	23,502,852	-	-
Account receivable from advertisement	51,560,558	-	-	-
Account receivable from circulation	3,269,274	-	-	-
Receivable from LankaBangla 1st balanced unit fund	181,218	-	-	-
Corporate advisory fees receivable	3,720,000	4,020,000	-	-
	96,990,635	86,328,745	13,974,613	49,510,022

10 Borrowings from Bangladesh Bank, other banks and financial institutions

Inside Bangladesh (Note 10.1)	9,006,817,980	11,711,474,316	6,235,918,622	8,886,334,401
Outside Bangladesh	-	-	-	-
	9,006,817,980	11,711,474,316	6,235,918,622	8,886,334,401

10.1 Inside Bangladesh

Secured:

Bank overdraft (Note - 10.1.1)	935,636,347	592,619,316	916,705,734	592,619,316
Long term loan (Note - 10.1.2)	2,665,656,043	4,491,767,186	1,432,163,901	3,204,863,348
REPO against Govt. treasury bills and bonds (Note - 10.1.3)	-	735,380,043	-	735,380,043
	3,601,292,391	5,819,766,544	2,348,869,635	4,532,862,706

Unsecured:

Call loans- (Note - 10.1.4)	490,000,000	1,400,000,000	490,000,000	1,400,000,000
Short term borrowings (Note - 10.1.5)	3,183,476,603	2,038,236,077	1,665,000,000	500,000,000
Zero Coupon Bond (Note - 10.1.6)	1,732,048,987	2,453,471,695	1,732,048,987	2,453,471,695
	5,405,525,590	5,891,707,772	3,887,048,987	4,353,471,695
	9,006,817,980	11,711,474,316	6,235,918,622	8,886,334,401

10.1.1 Bank overdraft

Secured by FDR

Standard Chartered Bank Limited	(42,332,279)	-	(42,332,279)	-
Commercial Bank of Ceylon PLC	109,999,798	135,363,641	109,999,798	135,363,641
	67,667,519	135,363,641	67,667,519	135,363,641

Secured by Pari Passu sharing agreement

Bangladesh Development Bank Limited	916	897,813	916	897,813
Midland Bank Limited	2,201,548	980,109	2,201,548	980,109
Bank Asia Limited	24,722,800	19,399,014	24,722,800	19,399,014
Mercantile Bank Limited	-	21,730,421	-	21,730,421
Prime Bank Limited	121,834,453	85,343,482	121,834,453	85,343,482
Dhaka Bank Limited	29,852,734	13,367,903	29,852,734	13,367,903

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Meghna Bank Limited	8,658	702,235	8,658	702,235
Mercantile Bank Limited	44,085,417	-	44,085,417	-
Modhumoti Bank Limited	1,551,443	-	1,551,443	-
Mutual Trust Bank Limited	342,694,003	158,854,773	323,763,390	158,854,773
Standard Chartered Bank	-	46,256,478	-	46,256,478
United Commercial Bank Limited	301,016,857	109,723,448	301,016,857	109,723,448
	867,968,828	457,255,675	849,038,215	457,255,675
	935,636,347	592,619,316	916,705,734	592,619,316

10.1.2 Long term loan

Opening Balance	4,491,767,186	7,390,174,188	3,204,863,348	6,424,237,851
Add: Addition during the year	750,000,000	2,165,032,553	400,000,000	1,056,050,000
	5,241,767,186	9,555,206,741	3,604,863,348	7,480,287,851
Less: Adjusted during the year	2,576,111,143	5,063,439,555	2,172,699,448	4,275,424,503
	2,665,656,043	4,491,767,186	1,432,163,901	3,204,863,348

Details of the above balance is presented below:

From Bangladesh Bank and its agents Bank

Bangladesh Bank (under Re-Finance)- Women Entrepreneur	109,511,188	68,079,732	109,511,188	68,079,732
Bangladesh Bank (under Re-Finance)- Mortgage Loan	600,125,826	659,833,599	600,125,826	659,833,599
Bangladesh Bank (under Re-Finance)- IPFF Fund	189,000,000	85,050,000	189,000,000	85,050,000
Bangladesh Bank (Under Re-Finance)- Agro Processing Industry	1,000,000	-	1,000,000	-
	899,637,013	812,963,331	899,637,013	812,963,331

From other than Bangladesh Bank and its agents Bank

Arab Bangladesh Bank Limited	-	-	-	-
Bank Asia Limited	-	115,476,687	-	115,476,687
Dhaka Bank Limited	-	85,072,951	-	85,072,951
Dutch Bangla Bank Limited	53,848,203	118,760,458	53,848,203	118,760,458
Eastern Bank Limited	180,952,381	-	180,952,381	-
Fareast Finance Limited	23,342,251	47,284,730	-	-
Hajj Finance Company Limited	162,489,063	177,520,837	-	-
International Leasing and Financial Services Limited	63,479,266	99,574,917	-	-
Investment Corporation of Bangladesh (ICB)	52,121,257	90,682,497	-	-
Mutual Trust Bank Limited	291,447,008	398,770,179	291,447,008	398,770,179
Meghna Bank Limited	58,485,366	88,715,210	-	-
Phoenix Finance & Investment Ltd	170,961,484	254,974,762	-	-
Shahjalal Islami Bank Limited	148,481,145	827,661,906	-	618,438,015
Southeast Bank Limited	-	182,479,206	-	182,479,206
Standard Bank Limited	-	165,891,389	-	165,891,389
South Bangla Agriculture and Commerce Bank Limited	544,780,421	307,975,000	-	-



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
The Premier Bank Limited	-	687,539,856	-	687,539,856
Uttara Bank Limited	-	16,620,177	-	16,620,177
Lease obligation	15,631,186	13,803,095	6,279,296	2,851,101
	1,766,019,030	3,678,803,854	532,526,887	2,391,900,017
	2,665,656,043	4,491,767,186	1,432,163,901	3,204,863,348

Bank borrowings are secured by:

- First ranking pari passu charge on present and future fixed and floating assets of LankaBangla Finance Limited with the future and existing lenders.
- Usual charge documents (Letter of Hypothecation, Promissory Notes, Letter of Continuation, Letter of Arrangements, etc.)
- Funds required for the operation of business are primarily obtained from various banks and financial institutions. Secured loans are covered by way of first priority floating charge with full title guarantee ranking pari-passu among all the lenders of the company.

10.1.3 REPO against Govt. treasury bills and bonds

REPO against Govt. treasury bills	-	-	-	-
REPO against Govt. bonds	-	735,380,043	-	735,380,043
	-	735,380,043	-	735,380,043

10.1.4 Call loan

Southeast Bank Limited	-	50,000,000	-	50,000,000
Mutual Trust Bank Limited	50,000,000	-	50,000,000	-
United Commercial Bank Limited	-	230,000,000	-	230,000,000
The City Bank Limited	-	180,000,000	-	180,000,000
Bangladesh Development Bank Limited	-	100,000,000	-	100,000,000
Pubali Bank Limited	40,000,000	50,000,000	40,000,000	50,000,000
Agrani Bank Limited	-	200,000,000	-	200,000,000
Dutch Bangla Bank Limited	210,000,000	-	210,000,000	-
One Bank Limited	-	50,000,000	-	50,000,000
Basic Bank Limited	100,000,000	50,000,000	100,000,000	50,000,000
Sonali Bank Limited	50,000,000	-	50,000,000	-
Dhaka Bank Limited	-	80,000,000	-	80,000,000
Eastern Bank Limited	-	100,000,000	-	100,000,000
The Farmers Bank Limited	-	20,000,000	-	20,000,000
Janata Bank Limited	40,000,000	100,000,000	40,000,000	100,000,000
NRB Bank Limited	-	40,000,000	-	40,000,000
South Bangla Agriculture and Commerce Bank Limited	-	150,000,000	-	150,000,000
	490,000,000	1,400,000,000	490,000,000	1,400,000,000

10.1.5 Short term borrowings

One Bank Limited	759,168,485	750,000,000	-	-
Eastern Bank Limited	700,000,000	-	700,000,000	-
Standard Chartered Bank	280,506,327	277,236,077	-	-
Shahjalal Islami Bank Limited	375,544,445	400,000,000	-	-



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Brac Bank Limited	640,000,000	300,000,000	640,000,000	300,000,000
IPDC of Bangladesh Limited	75,000,000	-	75,000,000	-
The Premier Bank Limited	250,000,000	-	250,000,000	-
Bank Asia Limited	-	200,000,000	-	200,000,000
South Bangla Agriculture and Commerce Bank Limited	103,257,345	100,000,000	-	-
National Bank Limited	-	11,000,000	-	-
	3,183,476,603	2,038,236,077	1,665,000,000	500,000,000

10.1.6 Zero Coupon Bond

Sk. Akijuddin Limited	750,555,716	1,063,172,703	750,555,716	1,063,172,703
Central Depository Bangladesh Limited	57,736,121	81,784,025	57,736,121	81,784,025
Delsey Cotton Spinning Mills Limited	86,602,449	122,673,585	86,602,449	122,673,585
Janata Jute Mills Limited	346,409,797	490,694,339	346,409,797	490,694,339
Prime Bank Limited	57,732,657	81,779,119	57,732,657	81,779,119
Square Pharmaceuticals Limited	86,602,449	122,673,585	86,602,449	122,673,585
Universal Jeans Limited	173,204,899	245,347,169	173,204,899	245,347,169
Uttara Motor Corporation Limited	173,204,899	245,347,169	173,204,899	245,347,169
	1,732,048,987	2,453,471,695	1,732,048,987	2,453,471,695

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

Subsequently, the Zero Coupon Bond is measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 12.51% as per Para 9 of BAS 39.

Initially the Zero Coupon Bond is measured at fair value (2,478,093,342) less the transaction costs (39,031,137) i.e., 2,439,062,205 as per para 43 of BAS 39.

Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	-	-	-	-
Up to 1 month	494,200,000	1,400,000,000	494,200,000	1,400,000,000
Over 1 month but within 3 months	455,759,383	592,619,316	75,000,000	592,619,316
Over 3 months but within 1 year	1,897,600,703	2,467,430,999	2,606,705,734	1,500,000,000
Over 1 year but within 5 years	4,744,117,210	6,168,727,621	1,264,575,875	4,658,335,043
Over 5 years	1,415,140,685	1,082,696,380	1,795,437,013	735,380,043
	9,006,817,980	11,711,474,316	6,235,918,622	8,886,334,401

11 Term deposits and other deposits

Term deposits (Note - 11.1)	29,991,564,599	16,682,970,535	30,080,861,537	16,717,170,535
Other deposit (Note - 11.2)	115,143,130	77,582,108	115,143,130	77,582,108
	30,106,707,729	16,760,552,643	30,196,004,667	16,794,752,643

Previously other deposit presented in other liabilities that is rearranged for better presentation and compliance of DFIM circular no # 11 dated 23 December 2009.



11.1 Term deposits

Product wise break-up of term deposit

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Periodic return term deposits	841,739,618	1,013,807,442	841,739,618	1,013,807,442
Cumulative term deposits	614,908,663	662,403,913	614,908,663	662,403,913
Double money term deposits	2,285,001,481	858,021,957	2,285,001,481	858,021,957
Money builders scheme	115,608,272	54,836,752	115,608,272	54,836,752
Fixed term deposit	14,023,727,619	12,270,101,847	14,113,024,557	12,304,301,847
Term deposit earn first	115,437,882	315,493,199	115,437,882	315,493,199
Term deposit shohoj sanchoy	635,601,529	181,899,870	635,601,529	181,899,870
Term deposit quick sanchoy	107,408	-	107,408	-
Term deposit triple money	49,382,895	1,418,183	49,382,895	1,418,183
Term deposit (fixed term)-3 months	422,326,321	1,324,987,370	422,326,321	1,324,987,370
Term deposit Earn First Fixed Rate	504,516,956	-	504,516,956	-
Term deposit AgroJ (Senior Citizen)	753,950,573	-	753,950,573	-
Term deposit Classic TDR 2 To 3 Years	9,629,255,381	-	9,629,255,381	-
	29,991,564,599	16,682,970,535	30,080,861,537	16,717,170,535

11.2 Other deposits against leases, loans and advances

Other deposits

Corporate Clients	103,498,258.00	68,464,234	103,498,258	68,464,234
Retail Clients	5,388,410.00	1,908,508	5,388,410	1,908,508
SME Clients	6,256,462.00	7,209,366	6,256,462	7,209,366
	115,143,130	77,582,108	115,143,130	77,582,108

11.3 Group-wise break-up of term deposits and other deposits

Banks	7,492,632,016	3,300,000,000	7,492,632,016	3,300,000,000
Corporate houses	11,804,798,795	5,233,222,738	11,894,095,733	5,267,422,738
Employees provident fund	2,483,861,974	1,831,263,305	2,483,861,974	1,831,263,305
Individual	6,634,933,309	5,102,247,967	6,634,933,309	5,102,247,967
Insurance companies	898,586,051	715,216,180	898,586,051	715,216,180
Non Banking Financial Institute (NBFI)	407,140,465	2,050,000	407,140,465	2,050,000
Non-Government Organization (NGO)	384,755,120	576,552,453	384,755,120	576,552,453
	30,106,707,729	16,760,552,643	30,196,004,667	16,794,752,643

11.4 Remaining maturity grouping of term deposits and other deposits

Payable on demand	22,765,400	-	22,765,400	-
In not more than 01 month	564,520,982	460,991,466	564,520,982	460,991,466
In more than 01 month but not more than 06 months	5,916,299,743	1,466,684,399	5,916,299,743	1,466,684,399
In more than 06 months but not more than 01 year	5,186,746,511	2,599,168,798	5,186,746,511	2,599,168,798
In more than 01 year but not more than 05 years	13,922,592,273	5,194,053,448	14,011,889,211	5,194,053,448
In more than 05 years but not more than 10 years	4,493,782,820	7,039,654,531	4,493,782,820	7,073,854,531
In more than 10 years	-	-	-	-

LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka
30,106,707,729	16,760,552,643	30,196,004,667	16,794,752,643

12 Other liabilities

Accrued expenses	26,569,087	19,260,969	22,014,279	13,773,716
Salaries and related expenses payable	5,393,246	5,781,741	598,703	643,952
Office rent payable	3,036,500	-	629,077	-
Utility bill payable	2,404,409	-	1,027,038	-
Advance receipt against leases-adjustment A/C	306,665,865	38,454,833	306,665,865	38,454,833
CDBL expenses payable	2,114,650	162,482	-	-
Client positive balance	56,829,033	72,502,814	-	-
Deferred liability-employee gratuity (Note -12.1)	87,910,169	94,662,146	27,534,735	14,156,758
Deferred tax liability	-	1,998,191	-	-
Employees provident fund payable	2,214,629	553,763	-	71,965
Interest payable (Note - 12.2)	753,901,788	505,640,689	725,307,943	453,808,618
Interest suspense account (Note - 12.3)	1,093,964,825	1,098,447,614	283,800,779	288,283,568
IPO subscription payable	51,794	51,794	51,794	51,794
ITCL settlement A/C	283,000	613,126	283,000	613,126
Payable against MCBS charges	465	240	465	240
Payable against merchants claims and others	206,315	1,164,428	206,315	1,164,428
Payable against receipt from other card holders	2,635,921	2,268,228	2,635,921	2,268,228
Payable to LB Foundation	11,188,409	8,038,357	10,404,177	4,926,159
Payable DSE and CSE	27,396,281	126,394,914	-	-
Payable to share trading clients	584,374,130	491,336,804	-	-
Provisions for loans / investments (Note - 12.4)	1,506,023,770	1,360,105,926	1,006,394,000	920,636,374
Provision for other assets	2,910,000	11,851,000	2,910,000	11,851,000
Provision for taxation (Note - 12.5)	234,003,429	273,616,467	179,488,712	163,591,047
Receivables/(payables)-other MasterCard operator (Note - 12.6)	7,855,390	8,199,484	7,855,390	8,199,484
Payable to right share holder	-	-	214,123	214,123
Payable against legal and professional fees	2,772,175	146,984	2,772,175	146,984
Payable to Green Delta for trustee fee	350,000	700,000	350,000	700,000
Provision for audit fee	794,350	722,850	398,750	350,250
Sundry creditors	11,000,520	13,905,642	11,000,520	13,383,142
Safety net deposit-factoring and others	2,272,141	-	2,272,141	1,516,267
Unpaid dividend	53,671,930	27,316,163	50,506,960	23,540,631
Privileged creditors (Note - 12.7)	175,393,392	157,206,904	78,476,686	60,865,731
VISA settlement A/C	26,287	940,403	26,287	940,403
Brokerage sharing	13,508,539	8,909,219	-	-
Other liabilities	7,318,661	4,510,009	-	-
Mobile phone bill payable-Handset	65,152	-	65,152	-
	4,985,106,251	4,335,464,182	2,723,890,987	2,024,152,822

12.1 Deferred liability - employee gratuity

Opening Balance	94,662,146	62,691,555	14,156,758	174,366
Addition during the year	38,994,698	40,381,145	13,650,287	14,182,892
Received cash	187,440	-	187,440	-
	133,844,284	103,072,700	27,994,485	14,357,258



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Payment during the year	45,934,115	8,410,554	459,750	200,500
Closing Balance	87,910,169	94,662,146	27,534,735	14,156,758

12.2 Interest payable

Term deposit receipts	702,453,920	442,302,910	702,504,539	442,641,869
Long term loan-commercial bank	-	551,737	-	-
Long term loan-Bangladesh Bank	8,741,007	8,242,138	8,741,007	8,242,138
Long term loan-Bangladesh Bank-IPFF	13,786,840	1,687,612	13,786,840	1,687,612
Long term loan-Bangladesh Bank-Agro Processing Industry	31,668	-	31,668	-
Short term borrowings	28,831,964	52,081,791	187,500	462,500
Call loan borrowings	56,389	774,500	56,389	774,500
	753,901,788	505,640,689	725,307,943	453,808,618

12.3 Interest suspense

Lease finance	91,825,435	137,199,288	91,825,435	137,199,288
Term finance	129,559,693	123,392,223	129,559,693	123,392,223
Credit card	17,824,665	15,086,134	17,824,665	15,086,134
Mortgage loan	44,590,986	12,605,924	44,590,986	12,605,924
Margin Loan*	810,164,046	810,164,046	-	-
	1,093,964,825	1,098,447,614	283,800,779	288,283,568

* See details in **Note - 2.3**

12.3.1 Movement of interest suspense account

Opening Balance	1,098,447,614	199,202,194	288,283,568	199,202,194
Add: Transferred to interest suspense during the year	10,364,366	103,448,113	10,586,783	103,448,113
Add: Transferred to interest suspense as prior year adjustment	-	810,164,046	-	-
Less: Interest suspense realized during the year	14,847,154	12,791,660	15,069,572	12,791,660
	1,093,964,825	1,100,022,693	283,800,779	289,858,647
Less: Write off during the year	-	1,575,079	-	1,575,079
Balance at 31 December	1,093,964,825	1,098,447,614	283,800,779	288,283,568

See details in **Note - 2.3**

12.4 Provisions for loans / investments

Provision for leases and loans	882,833,140	750,183,842	882,833,140	750,183,842
Lease finance	238,732,396	247,850,518	238,732,396	247,850,518
Term finance and short term loan	439,572,274	337,831,027	439,572,274	337,831,027
Credit card	157,436,430	129,573,290	157,436,430	129,573,290
Mortgage loan	47,092,041	34,929,007	47,092,041	34,929,007
Margin loan	429,973,951	389,567,203	-	-
Provision for diminution in value of investment in equity shares	193,216,679	220,354,881	123,560,860	170,452,533
	1,506,023,770	1,360,105,926	1,006,394,000	920,636,374



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

12.4.1 Movement of provision for loans / investments

Opening Balance	1,360,105,926	1,267,760,462	920,636,374	679,869,029
Provision required for the year	486,450,335	361,150,909	186,404,228	289,294,054
Provision released during the year	(109,587,602)	(15,200,374)	(109,587,602)	(15,200,374)
Provision charged for the year	376,862,732	348,673,536	76,816,626	276,816,681
Write off during the year	-	(253,605,071)	-	(33,326,335)
Closing Balance	1,506,023,770	1,360,105,926	1,006,394,000	920,636,374

During the year 2014, the Company had written off it's receivables of contracts as per write off policy of the Bangladesh Bank (FID circular No. 03 dated 15 March 2009) and no written off it's receivables of contracts during the year 2015.

12.4.2 Grouping of Provision for leases, loans and advances

General Provision

Standard (UC)	325,157,854	217,052,567	325,157,686	217,052,567
Special Mention Account (SMA)	31,394,070	53,219,146	31,394,070	53,219,146
	356,551,924	270,271,713	356,551,757	270,271,713

Specific Provision

Sub-standard (SS)	25,065,438	43,965,665	25,065,438	43,965,665
Doubtful (DF)	80,783,373	44,327,353	80,782,373	44,327,353
Bad Loss (BL)	420,432,405	391,619,110	420,433,572	391,619,110
	526,281,216	479,912,128	526,281,383	479,912,128

Provision for margin loan	429,973,951	389,567,203	-	-
Provision for investment in shares	193,216,679	220,354,881	123,560,860	170,452,533
	1,506,023,770	1,360,105,926	1,006,394,000	920,636,374

Detailed classification wise provision of leases, loans and advances is given in **Annexure-C**.

12.5 Provision for taxation

Opening Balance	273,616,467	431,407,916	163,591,047	350,270,148
Provision during the year	112,104,402	171,397,349	15,897,665	-
	385,720,869	602,805,265	179,488,712	350,270,148
Adjusted during the year	151,717,440	329,188,799	-	186,679,101
	234,003,429	273,616,467	179,488,712	163,591,047

12.6 Receivables/(payables)-other Master Card operator

This represents receivable/payables from the other master card operators which is created due to the use of credit card systems at the point of sales.

Bank Asia Limited	(641,871)	(1,351,237)	(641,871)	(1,351,237)
City Bank Limited	1,730	1,730	1,730	1,730
National Bank Limited	15,570	15,570	15,570	15,570
Prime Bank Limited	-	7,757	-	-
Premier Bank Limited	7,757	-	7,757	7,757
Balance for Master Card operation (Nostro A/C)	5,584,533	5,584,533	5,584,533	5,584,533



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Standard Chartered Bank	2,887,671	3,941,131	2,887,671	3,941,131
	7,855,390	8,199,484	7,855,390	8,199,484

12.7 Privileged creditors

Three major categories of Government dues are reported. Tax deduction at source, VAT, Excise duty payable to govt. exchequer.

VAT at source	9,103,922	9,388,186	9,045,173	9,313,196
Tax deducted at source (TDS)	150,765,019	134,307,966	53,907,062	38,041,783
Excise duty deducted form customer accounts	15,524,450	13,510,752	15,524,450	13,510,752
	175,393,392	157,206,904	78,476,686	60,865,731

13 Share capital

Authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
100,000,000 ordinary shares of Tk.10/- each				
Issued, subscribed and paid up	2,406,434,340	2,187,667,590	2,406,434,340	2,187,667,590

Details of shares holding position are as under:

Details of shares holding position are as under:

Sponsor shareholders:	Percentage 2015	2015		2014	
		Number of shares	Taka	Number of shares	Taka
a. Foreign sponsors					
Sampath Bank Limited, Sri Lanka	9.47%	22,792,770	227,927,700	20,720,700	207,207,000
b. Local sponsors					
	29.09%	70,002,913	700,029,130	63,639,016	636,390,160
ONE Bank Limited, Bangladesh	4.86%	11,688,600	116,886,000	10,626,000	106,260,000
SSC Holdings Limited, Bangladesh	1.07%	2,581,718	25,817,180	2,347,017	23,470,170
Shanta Apparel Limited	1.74%	4,184,645	41,846,450	3,804,223	38,042,230
Individuals	21.42%	51,547,950	515,479,500	46,861,776	468,617,760
General shareholders	61.44%	147,847,751	1,478,477,510	134,407,043	1,344,070,430
	100%	240,643,434	2,406,434,340	218,766,759	2,187,667,590

Classification of shareholders by holding as required by Regulation- 37 of the Listing Regulations of Dhaka Stock Exchange Limited

Shares groups	Number of share	Percentage	Number of share	Percentage
Less than 500	731,392	0.30	1,044,662	0.48
501 to 5,000	14,115,151	5.87	13,532,764	6.19
5,001 to 10,000	8,760,282	3.64	8,273,494	3.78
10,001 to 20,000	10,102,813	4.20	9,337,421	4.27
20,001 to 30,000	6,152,562	2.56	5,288,155	2.42
30,001 to 40,000	4,529,229	1.88	3,959,904	1.81
40,001 to 50,000	10,209,110	4.24	2,994,327	1.37
50,001 to 100,000	3,179,311	1.32	11,759,326	5.38
100,001 to 1,000,000	56,340,711	23.41	49,919,240	22.82
Above 1000000	126,522,873	52.58	112,657,466	51.50
	240,643,434	100.00	218,766,759	100.00



The company increased its paid-up capital from Tk. 2,187,667,590 to Tk. 2,406,434,340 by issuing 21,876,675 bonus share to the shareholder as approved in 18th Annual General Meeting (AGM) held on 19 March 2015.

The shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 October 2006 and 31 October 2006 respectively, also trading in the both houses from 01 November, 2006. Share trade Tk. 29.00 and Tk. 29.00 At Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2015.

LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

13.1 Capital Adequacy Ratio (CAR):

“As per section 4(GHA) of the Financial Institution Rule 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the Company. The surplus eligible capital of the Company as well as the Group at the close of business on 31 December 2015 were Tk.171.24 crore and Tk. 164.65. crore, respectively.”

Core Capital (Tier-1)

Paid-up capital (Note - 13)	2,406,434,340	2,187,667,590	2,406,434,340	2,187,667,590
Share premium	1,090,888,800	1,090,888,800	-	-
Statutory reserves (Note - 14)	987,633,085	781,630,380	987,633,085	781,630,380
General reserves	53,849,069	52,741,881	-	-
Dividend equalization reserves	-	-	-	-
Retained earnings (Note - 15)	1,722,988,700	1,983,390,086	2,064,661,706	1,678,184,396
Non-controlling interest -	87,458,943	184,729,213	-	-
Sub-Total	6,349,252,937	6,281,047,951	5,458,729,132	4,647,482,366

Deductions from Tier-1 (Core Capital)

Goodwill and value of any contingent assets which are shown as assets	234,143,286	-	-	-
Total Eligible Tire - 1 Capital	6,115,109,651	6,281,047,951	5,458,729,132	4,647,482,366

Supplementary capital (Tier -II)

General provision (unclassified loans up to specified limit + SMA + off balance sheet exposure)	356,500,000	269,400,000	356,500,000	269,400,000
Assets revaluation reserves up to 50%	-	-	-	-
Revaluation reserve for securities up to 10%	-	31,178,336	-	-
All others preference shares	-	-	-	-
Others (if any other item approved by Bangladesh Bank)	-	-	-	-
Sub-Total	356,500,000	300,578,336	356,500,000	269,400,000

A) Total capital	6,471,609,651	6,581,626,287	5,815,229,132	4,916,882,366
Total assets including off -balance sheet exposures	57,055,686,519	46,135,249,106	51,222,345,030	39,457,603,194
B) Total risk weighted assets	48,250,823,201	42,676,120,516	41,028,018,699	32,635,760,504
C) Required capital based on risk weighted assets (10% on B)	4,825,082,320	4,267,612,052	4,102,801,870	3,267,166,027
D) Surplus (A-C)	1,646,527,331	2,314,014,235	1,712,427,262	1,654,662,968
E) Capital Adequacy Ratio	13.41%	15.42%	14.17%	15.07%
F) Core Capital to RWA	12.67%	14.72%	13.30%	14.24%
G) Supplementary Capital to RWA	0.74%	0.70%	0.87%	0.83%



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

Prior year consolidated core capital is changed due to restatement of retained earning. For details please see in **Note - 2.3**

14 Statutory reserve

Opening Balance	781,630,380	651,287,206	781,630,380	651,287,206
Add: Transferred from profit during the year @ 20%	206,002,705	130,343,174	206,002,705	130,343,174
	987,633,085	781,630,380	987,633,085	781,630,380

15 Retained earnings

	2,407,926,127	3,341,236,266	2,708,197,920	2,231,743,312
Opening Balance	1,983,390,086	2,899,133,850	1,678,184,396	1,580,027,441
Add: Profit/(loss) for the year	424,536,041	442,102,416	1,030,013,524	651,715,871
Less: Adjustment during the year:	684,937,426	1,357,846,180	643,536,214	553,558,916
Transfer to statutory reserve during the year	206,002,705	130,343,174	206,002,705	130,343,174
Transfer to general reserve during the year	1,107,188	6,918,054	-	-
Prior year adjustments	-	7,574,381	-	-
Transfer to interest suspense*	-	781,126,267	-	-
Changing effect of non controlling interest	22,732,982	5,556,364	-	-
Adjustment of non-controlling interest	17,561,042	-	-	-
Transferred of stock dividend	218,766,750	104,174,640	218,766,750	104,174,640
Cash dividend	218,766,759	312,523,943	218,766,759	312,523,943
Transfer LB Foundation	-	9,629,357	-	6,517,159
	1,722,988,700	1,983,390,086	2,064,661,706	1,678,184,396

* See details in **note 2.3**

16 Non-controlling interest

Name of Subsidiaries	Percentage of Non-controlling interest	Equity as on 31.12.2015	LankaBangla Group	
			31.12.2015	31.12.2014
			Taka	Taka
Name of Subsidiaries				
LankaBangla Securities Limited	3.5841851%	3,986,429,039	142,880,994	126,557,963
LankaBangla Investments Limited	0.0000036%	869,670,579	31	139
LankaBangla Asset Management Company Limited	0.0010000%	898,256,476	8,983	164
LankaBangla Information System Limited	3.7770167%	918,520	34,693	-
BizBangla Media Limited	22.8673481%	(242,554,397)	(55,465,758)	-
			87,458,943	126,558,266

See details in **Note - 2.3**



LankaBangla Group		LankaBangla Finance Limited	
31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taka	Taka	Taka	Taka

17 Interest income

Corporate finance

Factoring finance	76,329,685	55,386,204	76,329,685	55,386,204
Lease finance	320,796,682	208,108,086	320,796,682	208,938,902
Lending to subsidiaries	-	-	483,216,124	595,641,781
Term loan secured overdraft	7,460,624	6,542,826	7,460,624	6,542,826
Short term lending	638,294,386	503,896,805	638,294,386	503,896,805
Term finance	1,317,865,151	1,048,975,203	1,317,865,151	1,048,975,203
Term loan syndication finance	96,382,416	88,450,962	96,382,416	88,450,962
Real estate developers finance	2,932,662	-	2,932,662	-
	2,460,061,606	1,911,360,087	2,943,277,730	2,507,832,684

Retail finance

Auto loan	353,024,563	206,028,968	353,024,563	206,028,968
Credit card (Note- 17.1)	330,975,827	325,007,111	330,975,827	325,007,111
Mortgage loan (Note- 17.2)	491,057,355	364,372,568	491,057,355	364,372,568
Personal loan (Note- 17.3)	247,792,522	122,707,201	246,548,601	121,518,022
	1,422,850,268	1,018,115,849	1,421,606,347	1,016,926,670

SME finance

SME finance	186,979,790	61,398,792	186,979,790	61,398,792
	186,979,790	61,398,792	186,979,790	61,398,792

Treasury finance

Fixed deposit accounts	53,471,964	71,478,956	50,474,643	68,434,740
Short term deposit accounts	49,320,996	71,495,473	2,670,341	2,718,014
	<u>102,792,960</u>	<u>142,974,429</u>	<u>53,144,984</u>	<u>71,152,754</u>

Others

Margin loan to share trading clients	109,479,557	165,048,286	-	-
Debit balance of share trading clients	505,083,119	666,591,752	-	-
	614,562,675	831,640,038	-	-
	4,787,247,300	3,965,489,195	4,605,008,851	3,657,310,900

17.1 Credit Card

Master Card	224,550,428	228,319,135	224,550,428	228,319,135
Visa Card	106,425,399	96,687,976	106,425,399	96,687,976
	330,975,827	325,007,111	330,975,827	325,007,111

17.2 Mortgage loan

Bangladesh Bank refinance loan	66,362,609	62,331,204	66,362,609	62,331,204
Commercial loan	418,141,428	299,760,936	418,141,428	299,760,936
Staff loan	6,553,318	2,280,428	6,553,318	2,280,428
	491,057,355	364,372,568	491,057,355	364,372,568

17.3 Personal loan

Term loan	222,768,198	95,024,687	222,768,198	95,024,687
Loan against deposit	15,151,276	21,271,270	15,151,276	21,271,270



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Staff loan	9,873,048	6,411,245	8,629,127	5,222,066
	247,792,522	122,707,201	246,548,601	121,518,022

18 Interest expenses on deposits and borrowings

Other than Bangladesh Bank

Term loan- commercial bank	651,824,625	883,905,646	150,893,617	475,783,151
Zero Coupon Bond	278,577,293	14,409,490	278,577,293	14,409,490
Term deposits	2,332,154,318	1,720,596,609	2,337,345,229	1,726,594,347
Short term loan	187,030,981	85,566,397	187,030,981	85,566,397
Bank overdraft	64,056,395	45,119,651	63,721,763	45,119,651
Call loan	108,439,167	167,848,819	108,439,167	167,848,819
	3,622,082,778	2,917,446,612	3,126,008,048	2,515,321,855

Bangladesh Bank

Term loan- Bangladesh Bank	47,867,233	40,123,610	47,867,233	40,123,610
Bangladesh Bank REPO	44,934,729	75,320,247	44,934,729	75,320,247
	92,801,962	115,443,857	92,801,962	115,443,857
	3,714,884,740	3,032,890,469	3,218,810,010	2,630,765,712

19 Income from investment

Income from investment in share (Capital)	180,222,862	60,111,433	57,781,533	(18,484,041)
Dividend income	95,159,729	44,503,960	206,947,231	187,196,986
Commercial paper	3,450,833	-	3,450,833	-
PD operation	157,473,587	94,147,719	157,473,587	94,147,719
	436,307,012	198,763,111	425,653,183	262,860,663

20 Commission, exchange and brokerage income

Underwriting commission	1,473,400	1,288,121	-	-
Brokerage commission	560,594,048	675,776,389	-	-
	562,067,448	677,064,510	-	-

21 Other operational income

Corporate finance

Fees and documentations (Note-21.1)	24,216,913	29,497,233	24,216,913	29,497,233
Write off recovery	22,350,000	250,000	22,350,000	250,000
Portfolio and issue management fee	46,649,680	78,084,581	-	-
Capital restructuring, PMD	-	300,000	-	-
	93,216,593	108,131,814	46,566,913	29,747,233

Retail finance

Membership fees of credit card	14,664,800	12,330,800	14,664,800	12,330,800
Other income from credit card	56,103,163	37,311,570	56,103,163	37,311,570
Fees and documentations (Note-21.1)	131,474,972	84,129,675	131,474,972	84,129,675
	202,242,936	133,772,046	202,242,936	133,772,046

SME finance

Fees and documentations (Note-21.1)	17,253,461	5,330,377	17,253,461	5,330,377
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	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
	17,253,461	5,330,377	17,253,461	5,330,377
Others				
Profit on sale of fixed asset	21,076,500	51,154	626,557	-
Foreign exchange gain/(loss)	(1,598)	(2,743)	(1,598)	(2,743)
Corporate finance fees	3,273,600	4,667,400	61,500	-
Miscellaneous	1,597,631	6,456,938	778,056	1,440,331
Settlement fee	34,628,083	-	-	-
Advertisement	40,345,956	-	-	-
Circulation	4,436,289	-	-	-
Sponsorship	1,591,220	-	-	-
Round Table Conference	1,289,370	-	-	-
Scrap sales	1,392,348	-	-	-
Income from CDBL	28,595,710	294,200	-	-
	138,225,109	11,466,949	1,464,516	1,437,588
	450,938,098	258,701,186	267,527,826	170,287,244

21.1 Fees and documentations

Corporate finance

Lease finance	5,126,295	2,271,597	5,126,295	2,271,597
Term loan	4,960,818	14,725,823	4,960,818	14,725,823
Real estate developers Fin-Build	-	100,000	-	100,000
Term loan syndication finance	120,860	2,559,457	120,860	2,559,457
Bridge finance	-	173,913	-	173,913
Short term loan	4,124,375	2,151,749	4,124,375	2,151,749
Revolving credit -secured	22,201	1,052	22,201	1,052
Factoring finance	9,555,231	7,076,058	9,555,231	7,076,058
Work order finance	45,000	431,705	45,000	431,705
Late payment charge-factoring	262,134	5,879	262,134	5,879
	24,216,913	29,497,233	24,216,913	29,497,233

Retail finance

Auto loan	13,229,639	7,184,538	13,229,639	7,184,538
Home loan	18,798,616	8,142,487	18,798,616	8,142,487
Personal loan	16,409,825	5,929,279	16,409,825	5,929,279
Credit card	83,036,892	62,873,372	83,036,892	62,873,372
	131,474,972	84,129,675	131,474,972	84,129,675

SME finance

SME finance	17,253,461	5,330,377	17,253,461	5,330,377
	17,253,461	5,330,377	17,253,461	5,330,377
	172,945,346	118,957,285	172,945,346	118,957,285

22 Salary and allowances

Salary and allowances	723,692,196	585,295,166	439,796,140	361,813,695
Provident fund contribution	24,918,691	15,894,843	11,926,060	5,830,325



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Gratuity fund	37,363,434	40,012,686	12,019,023	13,814,433
Festival bonus	35,603,768	31,748,719	35,603,768	27,140,521
	821,578,089	672,951,415	499,344,992	408,598,973
23 Rent, taxes, insurance, electricity etc.				
Office rent	120,208,326	91,444,021	74,100,830	47,932,010
Insurance premium	19,389,405	7,776,183	12,543,959	2,864,534
Electricity	20,210,531	15,770,290	10,268,147	7,499,424
	159,808,261	114,990,494	96,912,936	58,295,968
24 Legal and professional fees	19,744,690	25,407,350	15,941,909	18,547,161
25 Postage, stamp, telecommunication etc.				
Postage and courier	2,029,473	3,119,641	1,759,175	2,790,966
Stamp charges	926,349	1,738,423	874,327	1,642,623
Telephone bill	14,051,086	12,587,122	9,210,524	8,485,634
	17,006,908	17,445,187	11,844,026	12,919,223
26 Stationery, printing, advertisement				
Printing and stationery	24,503,665	22,779,150	14,972,477	15,183,608
Advertisement	15,663,979	11,796,327	14,246,646	7,818,182
	40,167,644	34,575,477	29,219,123	23,001,790
27 Managing director's salary and allowance				
Salary and allowances	13,000,000	11,897,250	13,000,000	11,897,250
Provident fund contribution	804,000	699,225	804,000	699,225
Gratuity fund	1,631,264	368,459	1,631,264	368,459
Festival bonus	1,340,000	1,149,500	1,340,000	1,149,500
	16,775,264	14,114,434	16,775,264	14,114,434
28 Director fees and expenses				
Board meeting attendance fees	1,822,127	1,555,710	691,500	485,000
Other financial benefits	-	-	-	-
	1,822,127	1,555,710	691,500	485,000
For details, please see the Note- 40 .				
29 Audit fees				
Annual audit fees	607,584	668,750	258,750	230,000
Provident fund audit fees	30,000	23,000	30,000	23,000
Gratuity fund audit fees	30,000	17,250	30,000	17,250
IT security control compliance review fees	-	575,000	-	575,000
LB foundation audit fees	-	80,000	-	80,000
	667,584	1,364,000	318,750	925,250
30 Repairs, maintenance and depreciation				

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Repairs and maintenance	3,312,188	10,094,681	2,022,106	9,063,474
Software maintenance	13,682,013	1,143,864	11,336,441	1,143,864
Depreciation	92,549,026	82,399,082	45,580,461	32,261,046
	109,543,227	93,637,627	58,939,008	42,468,384

31 Other expenses

Training	11,737,736	9,924,840	8,909,641	5,876,593
HR event	2,759,410	-	2,759,410	-
Staff welfare	721,114	655,115	721,114	655,115
Membership and renewal fees	4,345,552	4,687,179	2,210,639	1,846,694
Conveyance	4,994,076	2,898,277	4,780,548	2,891,922
Travelling	25,205,859	6,316,980	21,067,050	3,622,116
Internet and e-mail	15,977,185	13,890,136	4,051,288	3,384,889
Newspaper and periodicals	742,601	228,734	25,931	2,526
Computer accessories	399,835	2,244,634	382,085	2,238,750
Fuel expense	2,003,915	1,723,016	543,010	492,477
Vehicle maintenance/registration	33,173,592	26,512,449	15,728,346	12,678,087
Water and sewerage bill	1,949,546	1,511,898	1,061,629	858,501
Office maintenance	39,946,360	22,164,207	28,780,006	11,023,004
Donation and miscellaneous expenses	7,047,440	973,360	729,953	938,779
Entertainment	8,983,604	8,230,971	2,574,844	1,636,085
Business promotion	40,977,618	50,392,875	18,143,447	6,626,913
Bank charges	2,360,730	1,537,911	1,202,601	977,456
CIB Charge	3,661,270	2,618,750	3,661,270	2,618,750
Marketing expenses	58,097,002	47,235,960	58,097,002	47,235,960
Recovery commission	322,869	628,867	322,869	628,867
CDBL fee	32,561,701	13,707,590	238,345	47,567
Cost of Newspaper, P. S Plates & Polyester film	11,813,037	-	-	-
Factory overhead	4,966,140	-	-	-
Fair and conference	1,178,440	-	-	-
Selling & distribution expenses	3,472,197	-	-	-
Third party commission	4,221,082	-	-	-
MCBS charges	12,568,080	12,579,517	12,568,080	12,579,517
Loss on sales of fixed asset	197,568	1,138,752	121,223	1,088,952
AGM and related expenses	949,512	498,225	858,108	458,871
Recruitment expense	285,271	299,711	285,271	299,711
Educational expense reimbursements	96,736	220,811	96,736	154,316
Meeting expense	1,130,643	2,386,872	1,130,643	2,386,872
Loan processing fee	-	512,328	-	-
LB foundation	11,188,409	-	10,404,177	-
Subscription	290,781	179,448	-	-
Hawla charges	894,994	5,112,816	-	-
laga charges	34,990,155	35,720,715	-	-
Other operational expense credit card	12,803,858	8,807,048	12,803,858	8,807,048
Documentation fee	810,113	308,836	761,750	23,170
Networking charge	236,389	396,376	-	-
Software maintenance fee	-	1,681,082	-	-
Commission on bank guarantee	12,767,104	12,935,215	-	-



	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Taka	Taka	Taka	Taka
Credit card accessories	2,155,252	205,500	2,155,252	205,500
Picnic expenses	-	36,950	-	36,950
Other expenses	366,656	1,517,472	-	-
Excise duty	624,520	398,709	609,170	378,709
SMS service charge	2,352,974	1,008,089	2,352,974	1,008,089
Bkash commission	65,381	1,581	65,381	1,581
Master Card-SBLC issuance charge	1,072,281	1,023,094	1,072,281	1,023,094
Contact point verification fee	5,388,596	3,750,032	5,388,596	3,750,032
	424,855,180	308,802,926	226,664,527	138,483,461

32 Provisions for loans, investments and other assets

Provisions for leases and loans	132,649,299	166,529,589	132,649,299	166,529,589
General provision	86,280,043	65,963,347	86,280,043	65,963,347
Specific provision	46,369,255	100,566,242	46,369,255	100,566,242
Provision for margin loan	280,292,635	26,511,282	-	-
General provision for other assets	(8,941,000)	2,723,000	(8,941,000)	2,723,000
Provision for diminution in value of investments	(27,138,202)	152,909,664	(46,891,672)	107,564,091
	376,862,732	348,673,536	76,816,626	276,816,681

33 Provision for tax made during the year

Current tax expense	111,998,262	(15,281,752)	15,897,665	(186,679,101)
Deferred tax expense/ (income)	(83,366)	(5,095,741)	-	-
	111,914,896	(20,377,493)	15,897,665	(186,679,101)

In calculating deferred tax, temporary difference arising from freehold assets and liability for gratuity were considered.

34 Earnings Per Share (EPS)

Earning attributable to ordinary shareholders	424,536,041	442,102,416	1,030,013,524	651,715,871
Weighted average number of ordinary shares outstanding	240,643,434	240,643,434	240,643,434	240,643,434
Basic earnings per share	1.76	1.84	4.28	2.71

35 Segment report

35.1 Basis for segmentation

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable Segments	Operations
Core Financing Business	Fees based services include Credit Card Membership Fees, Loan processing fees etc. Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.



Reportable Segments	Operations
Brokerage Business	Act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments.
Investment Business	Trading, margin loan and corporate finance activities
Asset Management Business	Fund management activities

The Group's Management Committee reviews internal management reports from each segment at least monthly.

35.2. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's management committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to the other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Amount in Taka

Particulars	For the year 2015				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	4,121,792,727	547,742,146	116,796,496	915,930	4,787,247,300
Revenue from investment	241,901,724	107,926,624	34,128,307	52,350,356	436,307,012
Commission, exchange and brokerage income	-	560,594,048	1,473,400	-	562,067,448
Other operational income	267,527,826	104,290,813	84,807,611	102,849	456,729,098
Total revenue from external customers	4,631,222,278	1,320,553,631	237,205,815	53,369,135	6,242,350,858
Revenues from transactions with other operating segments of the same entry :					
Interest revenue	483,216,124	-	-	5,190,911	488,407,035
Revenue from investment	183,751,459	-	-	-	-
Total revenues from transactions with other operating segments of the same entry	666,967,583	-	-	5,190,911	488,407,035
Total segment revenue	5,298,189,860	1,320,553,631	237,205,815	58,560,046	6,730,757,893
Interest expenses					
Segment interest expenses	3,213,619,099	494,244,361	6,686,648	334,632	3,714,884,740
Revenues from transactions with other operating segments of the same entry	5,190,911	41,560,895	441,655,228	-	488,407,035
Total segment expenses	3,218,810,010	535,805,257	448,341,876	334,632	4,203,291,775
Operating expenses	900,647,643	538,142,103	66,775,610	8,437,432	1,514,002,788
Depreciation and amortization	45,580,461	41,994,477	3,758,523	1,215,565	92,549,026
Net operating income	1,133,151,745	204,611,794	(281,670,195)	48,572,418	920,914,303
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	76,816,626	62,897,911	236,132,741	1,015,454	376,862,732
Profit before tax and reserve	1,056,335,119	141,713,883	(517,802,936)	47,556,964	544,051,571



Provision for tax made during the year	21,502,474	90,444,019	711,429	4,945,148	117,603,071
Deferred tax (expense)/ Income	-	(2,044,345)	2,123,088	(162,109)	(83,366)
	21,502,474	88,399,674	2,834,517	4,783,039	117,519,705
Net profit after tax	1,034,832,645	53,314,209	(520,637,453)	42,773,924	426,531,866
Total segment assets	44,615,692,969	8,883,263,141	4,193,676,664	927,855,528	58,620,488,302
Inter segmental assets	3,393,501,095	-	-	89,296,938	3,482,798,033
Net segment assets	41,222,191,874	8,883,263,141	4,193,676,664	838,558,590	55,137,690,270
Amount of addition to non-current fixed assets	794,860,655	74,392,965	2,723,481	1,361,860	873,338,961
Segment capital employed	5,454,337,989	3,851,488,346	869,670,579	898,256,476	11,073,753,390
Segment liability	39,161,354,980	5,080,283,838	3,324,006,086	29,599,051	47,595,243,954
Inter segmental liabilities	89,296,938	284,392,715	3,109,108,380	-	3,482,798,033
Total segmental liability	44,704,989,907	9,216,164,899	7,302,785,044	927,855,528	62,151,795,377

Amount in Taka

Particulars	For the year 2014				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	3,061,669,119	724,145,212	180,168,745	336,935	3,966,320,011
Revenue from investment	87,859,275	51,350,542	51,958,405	7,594,888	198,763,111
Commission, exchange and brokerage income	-	675,776,389	1,288,121	-	677,064,510
Other operational income	170,287,244	4,386,442	84,027,500	-	258,701,186
Total revenue from external customers	3,319,815,638	1,455,658,586	317,442,771	7,931,823	5,100,848,817
Revenues from transactions with other operating segments of the same entry :					
Interest revenue	595,641,781	-	-	5,997,738	601,639,519
Revenue from investment	175,001,388	-	-	4,953,750	-
Total revenues from transactions with other operating segments of the same entry	770,643,169	-	-	10,951,488	601,639,519
Total segment revenue	4,090,458,807	1,455,658,586	317,442,771	18,883,311	4,499,209,298
Interest expenses					
Segment interest expenses	2,624,767,974	402,596,699	6,306,614	49,998	3,033,721,286
Revenues from transactions with other operating segments of the same entry	5,997,738	54,749,610	540,892,171	-	601,639,519
Total segment expenses	2,630,765,712	457,346,309	547,198,785	49,998	2,432,081,766
Operating expenses	685,578,614	444,360,395	64,538,345	7,968,183	1,202,445,537
Depreciation and amortization	32,261,046	43,842,690	5,291,023	1,004,323	82,399,082
Net operating income	741,853,434	510,109,191	(299,585,383)	9,860,807	782,282,912
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	276,816,681	35,589,378	36,245,790	21,687	348,673,536
Profit before tax and reserve	465,036,754	474,519,813	(335,831,172)	9,839,120	433,609,377



Provision for tax made during the year	(186,679,101)	166,918,000	3,254,706	1,224,643	(15,281,752)
Deferred tax (expense)/ Income	-	(3,617,996)	(1,200,785)	(276,960)	(5,095,741)
	(186,679,101)	163,300,004	2,053,922	947,683	(20,377,493)
Net profit after tax	651,715,855	311,219,809	(337,885,094)	8,891,437	453,986,869
Total segment assets	32,352,722,232	9,192,745,862	4,994,034,630	830,073,441	47,369,576,165
Inter segmental assets	(7,452,089,716)	(4,503,842)	-	(784,196,103)	(8,240,789,661)
Net segment assets	24,900,632,515	9,188,242,021	4,994,034,630	45,877,338	39,128,786,504
Amount of addition to non-current assets	88,974,187	10,468,193	1,171,227	3,099,884	103,713,491
Segment capital employed	4,683,199,962	4,837,505,943	1,390,308,030	823,232,552	11,734,246,488
Segment liability	27,714,314,206	4,355,237,615	3,603,726,599	6,840,889	35,680,119,309
Inter segmental liabilities	(34,200,000)	(313,856,546)	(3,318,718,157)	-	(3,666,774,703)
Total segmental liability	32,363,314,168	8,878,887,013	1,675,316,472	830,073,441	43,747,591,094



36 Group subsidiaries

36.1 List of significant subsidiaries

THE TABLE BELOW PROVIDES DETAILS OF THE SIGNIFICANT SUBSIDIARIES OF THE GROUP

Sl.	Name	Place Of Business	Ownership Interest
1	LANKABANGLA SECURITIES LIMITED	BANGLADESH	96.4158149%
2	LANKABANGLA INVESTMENTS LIMITED	BANGLADESH	99.9999964%
3	LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED	BANGLADESH	99.9990000%
4	LANKABANGLA INFORMATION SYSTEM LIMITED	BANGLADESH	96.2229833%
5	BIZBANGLA MEDIA LIMITED	BANGLADESH	77.1326519%

36.2 FINANCIAL SUPPORT GIVEN TO STRUCTURED ENTITIES

ALL THE TRANSACTIONS WITH OR AMONG THE SUBSIDIARIES ARE ARMS LENGTH TRANSACTIONS AND ARE PROPERLY DISCLOSED IN THE RELATED PARTY DISCLOSURE (**NOTE-37**). OTHER THAN THOSE NO OTHER FINANCIAL SUPPORT HAS BEEN GIVEN TO ANY OF THE SUBSIDIARIES IN THE YEAR 2015.

36.3 SIGNIFICANT RESTRICTIONS

THE GROUP DOES NOT HAVE ANY SIGNIFICANT RESTRICTIONS ON ITS ABILITY TO ACCESS OR USE ITS ASSETS AND SETTLE ITS LIABILITIES OTHER THAN THOSE RESULTING FROM THE SUPERVISORY FRAMEWORK WITHIN WHICH FINANCIAL SUBSIDIARIES OPERATE. THE REGULATORY FRAMEWORKS REQUIRE FINANCIAL ORGANIZATIONS TO KEEP CERTAIN LEVEL OF REGULATORY CAPITAL AND LIQUID ASSETS, LIMIT THEIR EXPOSURE TO OTHER PARTS OF THE GROUP AND COMPLY WITH OTHER RATIOS.

36.4 NCI IN SUBSIDIARIES

Name	Nci	Profit Allocated To Nci	Carrying Amount Of Nci
LANKABANGLA SECURITIES LIMITED	3.5841851%	2,089,212	142,880,994
LANKABANGLA INVESTMENTS LIMITED	0.0000036%	(19)	31
LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED	0.0010000%	427.74	8,983
LANKABANGLA INFORMATION SYSTEM LIMITED	3.7770167%	(8,828)	34,693
BIZBANGLA MEDIA LIMITED	22.8673481%	(5,688,319)	(55,465,758)
TOTAL		(3,607,526)	87,458,943

37.00 Related party disclosure

I) NAMES OF THE DIRECTORS TOGETHER WITH A LIST OF ENTITIES IN WHICH THEY HAVE INTEREST
DIRECTORS' INTERESTS IN DIFFERENT ENTITIES ARE STATED BELOW:

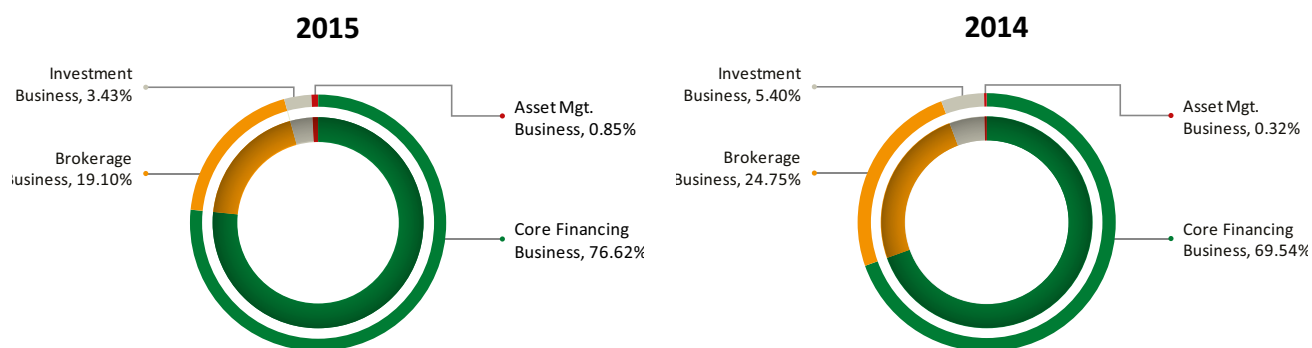


Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
1	Mr. Mohammad A. Moyeen	Chairman	1	Tropica Garments Limited
			2	Airline Cargo Resources Limited
			3	Air & Sea International Logistics Limited
			4	BizBangla Media Limited
			5	Colloid Enterprises Limited
			6	Cross Freight Lines Limited
			7	Expo Express Services Limited
			8	Freight Care Aviation Services Limited
			9	Global Aviation Services Limited
			10	LankaBangla Securities Limited
			11	LankaBangla Investment Limited
			12	LankaBangla Information System Limited
			13	Orchid Air Limited
			14	Pulsar Shipping Agencies Ltd
			15	S.G Logistics (Pvt.) Limited
			16	Standard Paper Products Limited
			17	STS Educational Group Limited
			18	STS Holdings Limited
			19	Swift Logistics Services Limited
			20	The M & M Limited
			21	UCL Logistics Limited
			22	Uniworld Logistics Limited
			23	Voytech Limited
			24	WAC Logistics Limited
			25	Wings Aviation Limited
			26	Wings Spence Aviation Limited
			27	Wings Express Limited
			28	Wings Logistics Limited
			29	Wings Ocean Freight Limited
			30	Wings Classic Tours & Travels Limited
			31	Wings Tours & Travels Limited
			32	Global Ground Services Limited
			33	Information Technology Consultants Limited (ITCL)
2	Mr. I.W. Senanayake	Director	N/A	
	Mr. M. Y. Aravinda Perera			
	(Representing Sampath Bank PLC)			

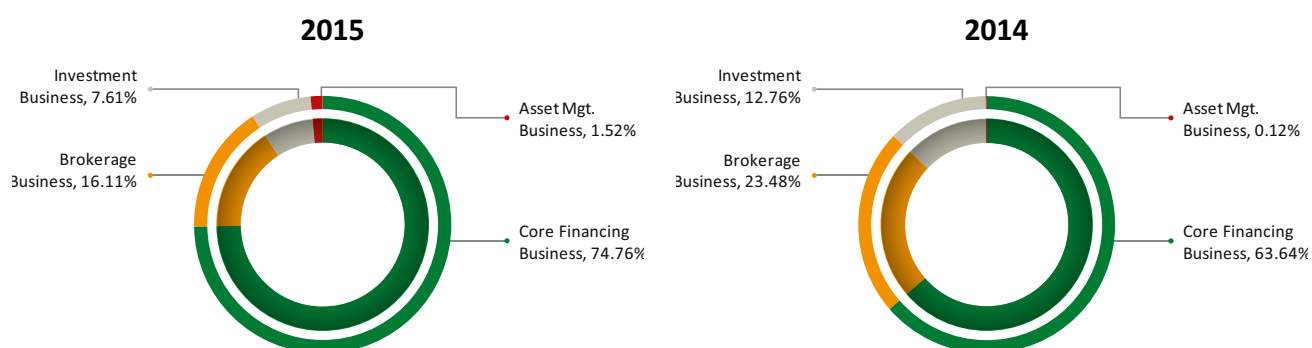


35.2. Information about reportable segments (continued)

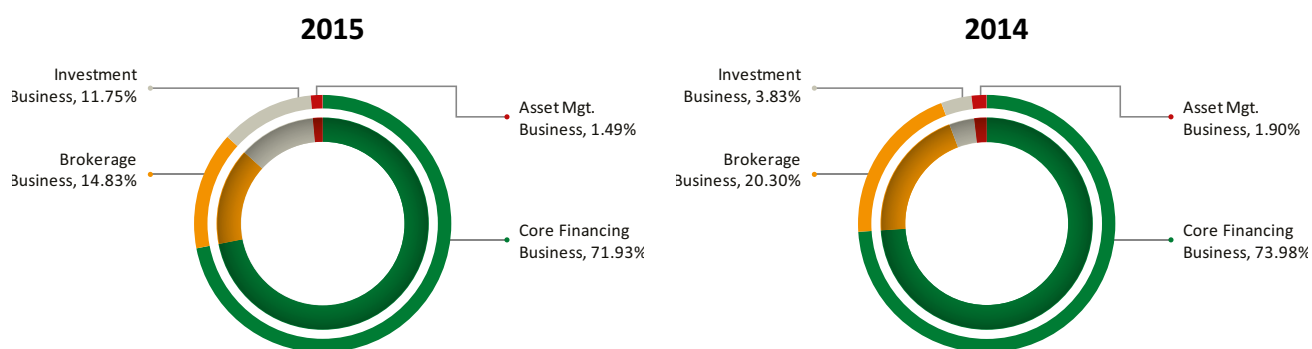
Revenue



Assets



Liabilities



Consolidated Fixed Assets Schedule

As at 31 December 2015

Particulars	COST			DEPRECIATION					Written down value as at 31.12.2015	
	Balance as at 01.01.2015	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2015	Rate %	Balance as at 01.01.2015	Charged during the year	Adjustment during the year		Balance as at 31.12.2015
I. Freeholds assets										
Land		686,921,231	-	686,921,231				-		686,921,231
Building	115,246,150	-	8,792,000	106,454,150	2.5	10,679,543	2,771,254	1,421,100	12,029,697	94,424,453
Furniture and Fittings	138,532,830	17,390,606	173,966	155,749,469	20	62,578,844	17,917,231	105,283	80,390,792	75,358,678
Office Equipment	148,095,848	75,298,658	4,333,951	219,060,555	20	110,161,361	33,428,876	3,956,272	139,633,965	79,426,590
IT Equipment	16,972,871	20,877,235	1,420,980	36,429,126	33.33	1,967,987	7,775,993	1,413,477	8,330,503	28,098,623
Office Renovation	51,589,268	21,006,390	3,200,193	69,395,465	20	39,996,649	10,338,161	3,200,193	47,134,617	22,260,848
Motor Vehicles	24,471,119	4,858,000	3,459,600	25,869,519	20	16,469,910	9,516,856	3,459,600	22,527,167	3,342,352
	494,908,085	826,352,119	21,380,690	1,299,879,514		241,854,293	81,748,371	13,555,925	310,046,739	989,832,775
II. Intangible assets and goodwill										
Goodwill	-	234,143,286	-	234,143,286		-	-	-	-	234,143,286
Systems and Software	113,319,166	30,039,217	-	143,358,383	25	72,222,640	28,813,752	-	101,036,392	42,321,991
III. Lease Hold Assets										
Motor Vehicle	49,297,810	16,947,625	11,969,780	54,275,655	20	32,455,139	7,479,060	11,213,780	28,720,419	25,555,236
Total (2015)	657,525,061	873,338,961	33,350,470	1,497,513,552		346,532,072	118,041,183	24,769,705	439,803,551	1,291,853,287

As at 31 December 2014

Particulars	C O S T				D E P R E C I A T I O N				Amount in Taka	
	Balance as at 01.01.2014	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2014	Rate %	Balance as at 01.01.2014	Charged during the year	Adjustment during the year	Balance as at 31.12.2014	Written down value as at 31.12.2014
I. Freeholds assets										
Building	115,246,150			115,246,150	2.5	7,798,389	2,881,154		10,679,543	104,566,607
Furniture and Fittings	90,169,429	49,840,409	1,477,009	138,532,830	15	45,319,520	17,809,963	550,639	62,578,844	75,953,986
Office Equipment	136,898,433	31,717,263	3,546,977	165,068,719	20	95,082,195	22,636,292	5,589,140	112,129,348	52,939,371
Office Renovation	51,589,268			51,589,268	20	34,980,550	5,016,098		39,996,648	11,592,619
Motor Vehicles	21,492,646	5,829,972	2,851,500	24,471,119	25	14,773,925	1,695,985		16,469,910	8,001,209
	415,395,926	87,387,644	7,875,486	494,908,085	-	197,954,578	50,039,493	6,139,779	241,854,293	253,053,792
II. Intangible assets										
Systems and Software	96,993,319	16,325,847	-	113,319,166	20	48,944,110	23,278,530	-	72,222,640	41,096,525
III. Lease Hold Assets										
Motor Vehicle	49,297,810	-	-	49,297,810	20	23,374,080	9,081,059	-	32,455,139	16,842,671
Total (2014)	561,687,055	103,713,491	7,875,486	657,525,061		270,272,768	82,399,082	6,139,779	346,532,072	310,992,989

LankaBangla Finance Limited

Schedule of Fixed Assets

As at 31 December 2015

Particulars	C O S T				D E P R E C I A T I O N				Amount in Taka	
	Balance as at 01.01.2015	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2015	Rate %	Balance as at 01.01.2015	Charged during the year	Adjustment during the year	Balance as at 31.12.2015	Written down value as at 31.12.2015
I. Freeholds assets										
Land	-	686,921,231	-	686,921,231		-	-	-	-	686,921,231
Furniture & Fittings	116,204,720	15,852,502	29,600	132,027,621	20	52,081,615	14,462,003	29,600	66,514,018	65,513,603
Office Equipment	83,450,935	46,121,372	1,104,189	128,468,118	20	57,892,808	14,287,051	749,026	71,430,833	57,037,285
IT Equipment	15,605,823	20,873,875	1,420,980	35,058,718	33.33	1,413,477	7,324,497	1,413,477	7,324,497	27,734,221
Motor Vehicles	17,336,945	298,000	1,227,000	16,407,945	20	10,064,927	1,492,776	1,227,000	10,330,703	6,077,242
	232,598,422	770,066,979	3,781,769	998,883,632		121,452,826	37,566,327	3,419,103	155,600,051	843,283,581
II. Intangible assets										
Systems and Software	43,218,632	19,916,676	-	63,135,308	25%	26,857,387	7,063,639	-	33,921,026	29,214,282
III. Leaseholds assets										
Motor Vehicles	4,900,000	4,877,000	-	9,777,000	20%	3,674,999	950,495	-	4,625,494	5,151,506
Total (2015)	280,717,053	794,860,655	3,781,769	1,071,795,940		151,985,212	45,580,461	3,419,103	194,146,570	877,649,370

As at 31 December 2014

Particulars	C O S T			D E P R E C I A T I O N					Amount in Taka	
	Balance as at 01.01.2014	Addition during the year	Sales/Adjustment during the year	Balance as at 31.12.2014	Rate %	Balance as at 01.01.2014	Charged during the year	Adjustment during the year	Balance as at 31.12.2014	Written down value as at 31.12.2014
I. Freeholds assets										
Furniture & Fittings	68,879,101	48,802,628	1,477,009	116,204,720	15	38,049,199	14,475,519	443,103	52,081,615	64,123,105
Office Equipment	74,038,149	27,199,079	2,180,470	99,056,758	20	47,836,703	13,282,156	1,812,574	59,306,285	39,750,473
Motor Vehicles	17,336,945	-	-	17,336,945	25	9,931,427	133,500	-	10,064,927	7,272,018
	160,254,194	76,001,707	3,657,479	232,598,422		95,817,328	27,891,175	2,255,677	121,452,826	111,145,596
II. Intangible assets										
Systems and Software	30,246,151	12,972,481	-	43,218,632	20	23,712,514	3,144,873	-	26,857,387	16,361,245
III. Leaseholds assets										
Motor Vehicles	4,900,000	-	-	4,900,000	25	2,450,000	1,224,999	-	3,674,999	1,225,001
Total (2014)	195,400,345	88,974,187	3,657,479	280,717,053		121,979,842	32,261,046	2,255,677	151,985,212	128,731,842

Classification of leases, loans and advances with provisions and interest suspenses

As on 31 December 2015

Amount in Taka

Products	Total	Balance Outstanding						Base for Provision				Amount of Provision Required	Interest in Suspense			
		Unclassified (UC)			Classified			SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)		SMA	Classified	Total	
		Standard	Standard-SME			Sub Standard (SS)	Doubtful (DF)									Bad/ Loss (BL)
Corporate																
Factoring	720,967,177	696,289,194	-	-	7,210,167	-	17,467,815	-	6,647,371	-	16,255,082	24,547,448	-	1,775,530	1,775,530	
Lease Finance	2,199,768,799	1,785,410,448	-	27,912,645	47,798,327	28,953,529	309,693,851	26,152,537	24,990,519	19,519,610	161,201,084	195,120,724	1,760,109	85,930,574	87,690,682	
Secured Overdraft	48,568,179	48,568,179	-	-	-	-	-	-	-	-	-	485,682	-	-	-	
Short Term Loan	5,192,731,527	5,130,442,412	-	62,288,098	-	-	1,017	56,308,812	-	-	-	54,119,865	5,979,287	-	5,979,287	
Short Term loan to Subsidiaries	3,393,501,095	3,393,501,095	-	-	-	-	-	-	-	-	-	33,935,011	-	-	-	
Term Loan	10,420,557,539	9,932,387,409	-	264,860,412	83,842,488	-	139,467,229	233,856,503	53,107,481	-	30,187,700	151,825,895	31,003,910	37,400,211	68,404,120	
Real estate developers Finance	12,154,467	12,154,467	-	-	-	-	-	-	-	-	-	121,545	-	-	-	
Syndication Finance	586,981,656	586,981,656	-	-	-	-	-	-	-	-	-	5,869,817	-	-	-	
Work Order Finance	57,297,810	17,664,300	-	-	-	-	39,633,510	-	-	-	20,454,296	20,630,939	-	6,179,214	6,179,214	
	22,632,528,248	21,603,399,159	-	355,061,156	138,850,982	28,953,529	506,263,422	316,317,851	84,745,370	19,519,610	228,098,161	486,656,925	38,743,305	131,285,528	170,028,833	
Retail Finance																
Auto Loan	3,091,239,700	2,983,044,412	-	78,321,167	18,388,732	10,004,011	1,481,378	75,958,303	17,749,814	9,078,216	1,155,662	42,873,093	2,362,864	1,890,429	4,253,293	
Home Loan	4,299,031,839	4,084,555,701	-	80,409,381	71,986,893	25,774,459	36,305,404	68,756,750	2,056,790	3,188,639	2,014,857	48,303,929	11,652,631	31,674,368	43,327,000	
Credit Cards	1,629,929,972	1,384,159,208	-	80,504,996	15,363,018	14,022,178	135,880,572	71,069,178	13,465,096	12,182,249	131,257,275	157,436,476	9,435,818	8,362,623	17,798,441	
Personal Loan	2,240,637,614	1,970,592,468	-	53,194,345	2,887,396	213,962,690	715	51,421,356	2,661,996	108,150,612	715	76,885,412	1,772,989	23,763,929	25,536,918	
	11,260,839,125	10,422,351,790	-	292,429,889	108,626,039	263,763,338	173,668,069	267,205,587	35,933,697	132,599,716	134,428,509	325,498,909	25,224,302	65,691,349	90,915,651	
SME																
SME	2,125,449,476	-	1,960,137,906	46,255,645	23,644,995	19,681,111	75,729,820	44,357,967	4,648,124	9,445,420	57,906,728	70,677,306	1,897,678	20,958,617	22,856,295	
Total	36,018,816,850	32,025,750,949	1,960,137,906	693,746,690	271,122,016	755,661,311	627,881,404	125,327,191	161,564,746	420,433,399	882,833,140	65,865,285	217,935,494	283,800,779		

* Segregation of outstanding (Unclassified and Classified), base for provision, provision and interest suspense have been calculated based on Bangladesh Bank guidelines

* Base for provision for SMA has been calculated according to total outstanding minus interest suspense

* Base for provision for SS, DF and BL have been calculated according to total outstanding minus interest suspense minus eligible securities

* Provision has been calculated according to below rates of Bangladesh Bank guidelines

Particulars	Percentage
Standard except SME Standard (UC)	1.00%
Standard-SME (UC)	0.25%
Special Mention Account (SMA)	5.00%
Sub Standard (SS)	20.00%
Doubtful (DF)	50.00%
Bad/ Loss (BL)	100.00%

Highlights

(As per Bangladesh Bank guidelines)

Annexure-D

Sl no.	Key indicators	Amount in taka (mn)			
		LankaBangla Group		LankaBangla Finance Limited	
		2015	2014	2015	2014
1	Paid-up capital	2,406.43	2,187.67	2,406.43	2,187.67
2	Total capital	6,261.79	6,096.32	5,458.73	4,647.48
3	Capital surplus	1,646.53	2,314.01	1,712.43	1,654.66
4	Total assets	50,447.88	39,030.37	44,614.54	32,352.72
5	Total deposits	30,106.71	16,760.55	30,196.00	16,794.75
6	Total loans, advances and leases	41,819.02	30,396.39	36,018.82	24,265.99
7	Total contingent liabilities and commitments	6,607.80	7,104.88	6,607.80	7,104.88
8	Credit deposit ratio	1.39	1.81	1.19	1.44
9	Percentage of classified loans against total loans, advances and leases	3.20%	4.05%	3.72%	5.08%
10	Profit after tax and provision	420.93	453.99	1,030.01	651.72
11	Amount of classified loans during current year	1,339.18	1,231.91	1,339.18	1,231.91
12	Provisions kept against classified loans	526.28	479.91	526.28	479.91
13	Provision surplus against classified loan	-	-	-	-
14	Cost of fund	9.23%	10.64%	9.23%	10.64%
15	Interest earnings assets	43,811.93	32,278.56	37,309.81	25,229.55
16	Non-interest earnings assets	6,635.96	6,751.81	7,304.73	7,123.17
17	Return on investment (ROI)	0.88%	1.22%	2.42%	2.09%
18	Return on assets (ROA)	0.83%	1.16%	2.31%	2.01%
19	Income from investment	436.31	198.76	425.65	262.86
20	Earnings Per Share (EPS) (restated :2014)	1.76	1.84	4.28	2.71
21	Net income per share (restated:2014)	1.76	1.84	4.28	2.71
22	Market price per share	29.00	44.00	29.00	44.00
23	Price earnings ratio	16.44	23.95	6.78	16.25



Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
3	Mr. Mahbubul Anam	Director	1	Expo Freight Limited
			2	Airline Cargo Resources Limited
			3	Air & Sea International Logistics Limited
			4	LankaBangla Securities Limited
			5	BizBangla Media Limited
			6	LankaBangla Information System Limited
			7	Colloid Enterprises Limited
			8	Airlines Services Limited
			9	Allied Aviation Bangladesh Limited
			10	Aerones International
			11	Aramex Dhaka Limited
			12	Cargo Center Limited
			13	Cross Freight Lines Limited
			14	Expo Express Services Limited
			15	Freight Care Aviation Services Limited
			16	Global Aviation Services Limited
			17	Orchid Air Limited
			18	Pulsar Shipping Agencies Ltd
			19	S.G Logistics (Pvt.) Limited
			20	Standard Paper Products Limited
			21	STS Educational Group Limited
			22	STS Holdings Limited
			23	SDV Bangladesh Private Limited
			24	The M & M Limited
			25	Tropica Garments Limited
			26	UCL Logistics Limited
			27	Voyager Airlines Limited
			28	Voytech Limited
			29	WAC Logistics Limited
			30	Wings Aviation Limited
			31	Wings Spence Aviation Limited
			32	Wings Express Limited
			33	Wings Ocean Freight Limited
			34	Wings Classic Tours & Travels Limited
			35	Eastern Cables Limited
4	Mrs. Aneesha Mahial Kundanmal	Director	1	Royal Park Residence
			2	GDS Chemical Bangladesh Limited
5	Mr. Tahsinul Huque	Director	N/A	
6	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	N/A	



Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
7	Mr. Mirza Ejaz Ahmed (Representing SSC Holdings Limited)	Director	1	Shirt Makers Limited
			2	International Shirt Line Limited
			3	Section Seven Limited
			4	Section Seven Apparels Limited
			5	Section Seven Agro Limited
			6	Section Seven International Limited
			7	Share Knitwear Limited
			8	Excel Apparels Limited
			9	Lumbini Limited
			10	Star Feeds Limited
8	Mr. Al- Mamoon Md. Sanaul Huq	Independent Director	1	LankaBangla Securities Limited
			2	LankaBangla Investments Limited
			3	LankaBangla Asset Management Company Limited
9	Mr. Kazi Abu Muhammad Majedur Rahman	Independent Director	N/A	

ii)	Significant contracts where Company is a party and wherein Directors have interest during the year 2015	NIL
iii)	Shares issued to Directors and Executives without consideration or exercisable at a discount	NIL
iv)	Related party transactions	

The company in normal course of business has entered into transactions with other individuals/ entities that fall within definition of related party contained in Bangladesh Accounting Standards-24 (Related Party Disclosures) as noted below:

SL No.	Name of Related Party	Relationship	Percentage of Holding	Amount of Transaction during the year	Outstanding 2014	Amount of transaction during the year 2015		Outstanding 2015	Nature of Transaction	Outstanding balance present in note
						Debit	Credit			
1	LankaBangla Securities Limited	Subsidiary company	90.910%	95,770,050	312,316,820	41,575,895	69,500,000	284,392,715	Short term loan	7.1
2	LankaBangla Investments Limited	Subsidiary company	99.998%	652,819,732	3,320,257,883	441,670,228	652,819,732	3,109,108,380	Short term loan	7.1
3	LankaBangla Asset Management Company Ltd.	Subsidiary company	99.998%	55,096,938	34,200,000	3,759,781	58,851,250	89,291,469	TDR	11.1
4	STS Educational Group Limited	Concern related to Directors	-	3,631,310	49,146,500	1,402,434	5,033,744	52,777,810	TDR	11.1
5	STS Holdings Limited	Concern related to Directors	-	321,620,475	414,129,678	1,742,954	16,179,535	428,566,260	TDR	11.1
6	Colloid Enterprises Limited	Concern related to Directors	-	5,000,000	5,000,000	-	-	5,000,000	TDR	11.1
7	Global Aviation Services Limited	Concern related to Directors	-	16,000,000	16,000,000	800,000	800,000	16,000,000	TDR	11.1

v)	Disclosure of transaction regarding Directors and their related concerns		Disclosed above (iv)
vi)	Lease agreement made with the Ex-Sponsor Director and Existing Depositor Director		NIL
vii)	Investment in the Securities of Directors and their related concern		NIL

38 Audit committee disclosures

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October, 2011 and Bangladesh Securities & Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/admin/44, dated 07 August 2012- an audit committee of LankaBangla Finance Limited (LBFL) was re-constituted by the Board of Director of LBFL in its Board Circular No. 04/2013 dated July 25, 2013.

Sl. No.	Name of Member	Status in the Organization	Status in the Committee	Educational Qualification
01	Mr. Al- Mamoon Md. Sanaul Huq	Independent Director	Chairman	B. Sc. (Hons) and M.Sc in Applied Chemistry with post graduate Diploma in Management Accounting from Highbury College of Technology, Ports-mouth, UK.
02	Mr. Mahabubul Anam	Director	Member	B. Sc. Engineer from BUET
03	Mr. Mohammed A. Moyeen	Director	Member	B.Arch. from BUET
04	Mr. Mirza Ejaz Ahmed	Director	Member	MBA from IBA
05	Mr. M. Fakhru Alam	Director	Member	MBA

The Company Secretary is to act as Secretary of the Audit committee of the Board.

During the year 2015, the Audit Committee of the Board conducted 05 (Five) meetings in which among other things, the following issues were reviewed/discussed.

- The integrity of the financial statements of LBFL and all subsidiaries;
- The Company's external auditor's 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.

39 Impact of inflation and changing prices

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

40 Others

a) Board meeting and directors' remuneration

Each Director is drawing Taka 5,000 for attending five Board Meetings and Taka 8,000 for attending five one Meeting. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2015. Nothing is due from any Director of the Company as on the date of closing the accounts. During the year under audit five Board of Director's meetings were held. Details are as under:



Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	92th Board Meeting	18 February 2015	5
02	93th Board Meeting	11 May 2015	7
03	94th Board Meeting	31 May 2015	6
04	95th Board Meeting	27 July 2015	6
05	96th Board Meeting	26 October 2015	7
06	97st Board Meeting	1 December 2015	9

b) Executive Committee (EC) meeting and directors' remuneration

Each Director is drawing Taka 5,000 for attending Eleven Executive Committee (EC) Meetings and Taka 8,000 for attending One Executive Committee (EC) Meeting. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2015. During the year under audit ten of Executive Committee director's meetings were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	39rd EC Meeting	2 February 2015	3
02	40th EC Meeting	1 March 2015	3
03	41th EC Meeting	20 April 2015	4
04	42th EC Meeting	7 May 2015	3
05	43th EC Meeting	24 June 2015	3
06	44th EC Meeting	11 July 2015	4
07	45th EC Meeting	13 August 2015	3
08	46th EC Meeting	2 September 2015	3
09	47st EC Meeting	16 September 2015	3
10	48nd EC Meeting	27 October 2015	4
11	49rd EC Meeting	19 November 2015	4
12	50th EC Meeting	8 December 2015	4

c) Employees' details

	Year-2015	Year-2014
No. of employee received TK.3,000 per month	0	0
No. of employee received more than Tk.3,000 per month	518	470
	518	470

d) Event after the Reporting Period

Dividend Information

The Board of Director in its 98th Meeting held on 22 February 2016 has recommended to the shareholders @15% of Stock Dividend and @ 15 % of Cash Dividend for the year ended 31 December 2015. This will be considered for approval of shareholders at 19th Annual General Meeting (AGM) of the company scheduled to be held on 30 March 2016.

e) Capital expenditure commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2015. There was no material capital expenditure authorized by the Board but not contracted for at 31 December 2015.

f) Foreign remittances

During the year 2015, the company remitted **USD 398,163.77 (in BDT 31,217,176.58)** and **GBP 5,015.8 (in BDT 596,109.03)** against Various Technical Service Fees to the Foreign Shareholders and training provider.

Sl #	Purpose	Pay to	USD	GBP	BDT
01	Training Fee -2015	Various Training provider abroad	28,330.00	-	2,411,400.00
02	Annual Maintenance Fee	TSYS Card Tech	44,309.63	-	3,462,797.58
03	Annual Service Fee	TSYS Card Tech	-	5,015.80	596,190.03



Sl #	Purpose	Pay to	USD	GBP	BDT
04	Annual Membership Fee	Asian Financial Services Association (AFSA)	750.00	-	59,312.00
05	Dividend Payment	Sampath Bank PLC	226,237.57	-	17,612,595.00
		Mr. Tahsinul Huque	98,536.57	-	7,671,072.00
Total			398,163.77	5,015.80	31,813,366.61

g) Financial highlights

Key financial highlights of the Company are annexed as “Annexure-D”.

h) Interim financial statements

LankaBangla Finance Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission and as per BAS 34 “Interim Financial Reporting”.

Interim Reporting Period	Publication Date
January to March (1st quarter)	12 May 2015
January to June (Half Yearly)	28 July 2015
January to September (3rd quarter)	27 October 2015

i) Change in and disagreement with Auditors

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

j) Numerical presentation

Figures shown in the accounts have been rounded off to the nearest Taka. Previous year figures have been re-arranged where necessary to conform to current year’s presentation.

k) General:

- All shares have been fully called up and paid up.
- Company Balances shown in the accounts are duly reconciled.
- No amount was spent by the Company for compensating any members of the board for special services rendered during the period.



Director

Director

Managing Director

Company Secretary

Dhaka, 22 February 2016

LankaBangla Finance Limited

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