



DIFFERENTIATION TO DISRUPTION, EXPANDING NEW HORIZON OF OPPORTUNITIES

Annual Integrated Report 2018

Growing Together...


LankaBanglaTM
FINANCE



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

DIFFERENTIATION TO DISRUPTION, EXPANDING NEW HORIZON OF OPPORTUNITIES

LankaBangla Finance is thriving towards growth, underpinned by technology disruption and adaptation and above all challenging the normal or established models and just being disruptive, yet focused on one central competency. We live in an on-demand economy, where consumer's 'need it now' tendencies dictate the strategies around the world. Smart or "fit" businesses are partnering their offers in collaborative models as distinct from attempting to "be all things and to simply attempt to acquire."

Today's LBFL approach is to disrupt and collaborate with other specialists enabling growth and far greater efficiencies in all forms of its business operations. LBFL also adopts exciting process for small independent businesses, allowing them to cater to today's consumer's 'need it now' tendencies', boost customer loyalty and satisfaction, and ultimately provide customers with the same cost effective and efficient experience. This platform also provides small businesses the opportunity to grow and scale by reaching customers further away than they may have been able to before. Businesses who understand this disruptive positioning coupled with smart partnering and who don't define the market by geography, rather by customer catchments are trail blazing the new frontier of business.

LBFL a new generation FI is exploring content services platforms for new ideas and a new approach to managing critical business information. It initiated themes that cut across all functions.

Streamlined Infrastructure: Emerging platforms and decentralized technologies provide new ways to aggregate and analyze information, improving connectivity and reducing the marginal costs of accessing information and participating in financial activities.

Automation High Value Activities: Many emerging innovations leverage advanced algorithms and computing power to automate activities that were once highly manual, allowing them to offer cheaper, faster, and more scalable alternative products and services

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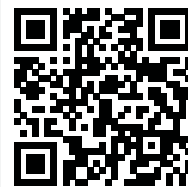
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Run the QR Code Reader app and point your camera at the QR Code



Access it

Get access to LankaBangla's website



Feedback

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

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

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of LankaBangla Finance Limited will be held on March 27, 2019 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 16 (New), 27 (Old), Dhanmondi, Dhaka-1209, Bangladesh to transact the following businesses:

AGMA-01-22-19	To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2018
AGMA-02-22-19	To declare dividend for the year 2018
AGMA-03-22-19	To elect Directors in place of those who shall retire by rotation in accordance with the provision of Articles of Association of the Company
AGMA-04-22-19	To appoint Statutory Auditors of the Company for the year 2019 until conclusion of 23rd AGM and to fix their remuneration
AGMA-05-22-19	To appoint Compliance Auditor as per Corporate Governance Code for the year 2019 and to fix their remuneration
AGMA-06-22-19	To transact any other business with the permission of the Chair

Dated, Dhaka
March 10, 2019

By Order of the Board

Mostafa Kamal FCA
Company Secretary

Notes:

- ▶ The record date is fixed on March 7, 2019. The Shareholders, whose names will appear in the Share Register of the Company at the close of business on the record date, will be eligible to attend the meeting and get dividend.
- ▶ The Board of Directors has recommended 15.00% Cash Dividend (i.e. BDT 1.50 per share of BDT 10.00 each)
- ▶ Pursuant to the Bangladesh Securities & Exchange Commission Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018, the Company will send the annual report-2018 in soft format to the e-mail of the shareholders available in their Beneficial Owners (BO) accounts maintained with the Depository.
Shareholders may also collect the printed copy of the annual report-2018 from the registered address of the company or from the AGM venue. The soft copy of the annual report-2018 will also be available in the Company's website at: www.lankabangla.com
- ▶ A shareholder eligible to attend and vote in the AGM may appoint a Proxy to attend and vote in his/her behalf. The Proxy Form duly completed and stamped must be deposited at the registered office of the Company not later than 48:00 hours before the time fixed for the meeting.
- ▶ Admission into the meeting room will be allowed on production of the Attendance Slip attached with the Proxy Form.

BRIEF ABOUT INTEGRATED REPORTING

Annual Integrated Report

Annual Report for the year 2018 of LankaBangla Finance has been presented as an 'Integrated Report' with the aim to utter how LankaBangla, as a growing organization, has effectively managed its business to deliver consistent value to its stakeholders. It incorporates 'efforts' the company has undertaken on the way to contributing towards economic prosperity, environmental sustainability and social well-being for a brighter future.

Scope and boundary

Our 2018 annual integrated report covers the period between 1st January 2018 and 31 December 2018. All materials that matters, up to group board of directors (Board) approval on 12 Feb 2019, are included here. The annual integrated report reflects operations of LankaBangla Finance Limited (LBFL) and its subsidiaries. Unless indicated otherwise, all data pertains to the group, which includes our financial operations and subsidiaries.

In presenting the Annual Integrated Report, we have consistently followed the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information has been extracted from the Audited Financial Statements for the year ended 31 December 2018 with relevant comparative information. The financial statements consistently comply with the requirements of:

- ▶ International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs),
- ▶ Relevant rules & regulations of Bangladesh Bank (The Central Bank);
- ▶ Companies Act 1994;
- ▶ Financial Institutions Act 1993;
- ▶ Securities and Exchange Rules 1987;
- ▶ The Income Tax Ordinance 1984;
- ▶ And other applicable laws and regulations of the land.

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our corporate governance practices, we have followed the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The scope of our Annual Integrated Report comprises of activities that have been carried out within the geographical boundaries of Bangladesh, as we do not have operation or subsidiary in other countries.

Materiality

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

We show the process of determining material issues as a business tool that facilitates integrated thinking. The materiality determination process undertaken in 2018 complemented our day-

to-day stakeholder engagements, going beyond these engagements and placing particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material issues have been revised and are outlined on pages from 184 to 185 of this report.

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

External Assurance

Sl.	Assurance on	External Assurer
1	Consolidated and Separate Financial Statements of LankaBangla Finance Limited	S. F Ahmed & Co. Chartered Accountants <i>A member Firm of HLB International</i>
2	Consolidated and Separate Financial Statements of LankaBangla Securities Limited	Ahmed Zaker & Co. Chartered Accountants
3	Financial Statements of LankaBangla Investments Limited	Syful Shamsul Alam & Co. Chartered Accountants <i>A member of UHY International Limited</i>
4	Financial Statements of LankaBangla Asset Management Company Limited	
5	Corporate Governance	M/s. Ahsan Manzur & Co. Chartered Accountants
6	BizBangla Media Limited	Ahmed Zaker & Co. Chartered Accountants
7	LankaBangla Information System Limited	Syful Shamsul Alam & Co. Chartered Accountants <i>A member of UHY International Limited</i>
8	Provident Fund	M/s. Ahsan Manzur & Co. Chartered Accountants
9	Gratuity Fund	

Responsibility of the Annual Integrated Report

Managing Director of LankaBangla finance Limited acknowledges the responsibility to ensure the integrity of the disclosure contained in the Integrated Report presented herewith that comprises the discussion and analysis, disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements. In his opinion, the integrated report, incorporated in this annual report has been prepared in accordance with the IIRC's international integrated reporting framework and addresses all material issues and fairly presents the group's integrated performance.



Khwaja Shahriar
Managing Director & CEO

BRIEF ABOUT LANKABANGLA FINANCE LIMITED

LankaBangla is the country's leading provider of integrated financial services including corporate financial services, retail financial services, SME financial services, stock broking, corporate advisory and wealth management services. Under the broadest umbrella of products and service offerings, we are the lone financial institution to operate credit card (MasterCard and VISA) and also provide third party card processing services to different banks in Bangladesh. Since 2006 LankaBangla has been listed in both DSE & CSE in Bangladesh.

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LANKABANGLA IN 2018

LankaBangla is the country's leading provider of integrated financial services including Corporate Financial Services, Personal Financial Services, SME Financial Services, Stock Broking, Corporate Advisory and Wealth Management Services.

LankaBangla Finance Limited (LBFL)

During the year 2018 the financial industry faced a challenging year due to some macro factors which affected the performance of the financial institutions. Extreme liquidity crisis prevailed during the year. Central Bank revised the AD ratio to 83.50 percent from 85 percent in the mid of 2018 which also intensified the liquidity crisis. On the other hand, capital market significantly experienced a bearish market condition in 2018. DSE General Index plunged by 13.8% at the end of 2018 and DSE's turnover reduced by 38.5% during the year 2018. As a result of the facts, our financial performances have been affected.

Though there was a liquidity shortage in the industry, balance sheet of LBFL showed steadiness. LBFL's asset base was BDT 81 billion at the end of 2018. Fund Under Management crossed BDT 144 billion by the end of 2018 compared to BDT 142 billion in 2017. LBFL's loan portfolio reached to a new height of BDT 64 billion by the end of 2018 registering yearly asset disbursement of nearly BDT 39 billion.

LBFL on the verge of expanding its wings and drive for reaching to the furthest ends. With this sentiment LBFL has opened 2 new branches in the year 2018 and reached to a total tally of 27 Branches within the jurisdiction of the country and is planning to open 5 more branches in the year 2019.

LBFL has always been very passionate about Human Capital Management within the organization. It is the employees who are fuelling the performance of LBFL bring it to the position where it is now. Total employees of LBFL as at 31 December 2018 was 1916, which consists of 616 Full Time Employees (FTE), 280 Business Support Officer (BSO) and 1020 Product Marketing Officers (PMO).

In order to facilitate the continuous Asset growth, LBFL received BDT 1,810 million against issuance of a subordinated bond of during the year. Thus the capital base of LBFL has been further strengthened targeting the facilitation of the above average growth of assets compared to the industry.

As an alternate source of funding, LBFL availed USD 20 million Murabaha facility from ICD (Member of Islamic Development Bank Group) as the first NBFIs to secure Shariah-compliant foreign currency financing.

The touch of excellence in operation resulted in boosting the solvency and efficiency of LBFL and which as a logical consequence improved its Credit Rating. LBFL's Credit rating has been done by Credit Rating Agency of Bangladesh (CRAB) and LBFL has been rated "AA3" for long term and "ST-2" for short term as on 28 June 2018.

Prudent and transparent reporting is in the philosophy of LankaBangla. LBFL has been awarded in both National and International level on a continuous basis. In the year 2018 LBFL has been awarded with the following recognitions

- ▶ SAFA Best Presented Annual Report Awards 2017 as 2nd position

- ▶ SAFA Corporate Governance Award 2017 as 2nd position
- ▶ 18th ICAB National Award for Best Presented Annual Report, 2017 as 2nd position
- ▶ 18th ICAB National Award for Corporate Governance 2017 as 2nd position
- ▶ ICMA Best Corporate Award 2017 as 2nd position

Issued Subordinated Bond of BDT 1,810 million as a part of Tier 2 capital base.

Availed USD 20 million Mudaraba facility from ICD as the first NBFIs to secure a Shariah-compliant foreign currency financing.

LBFL has been rated "AA3" for long term and "ST-2" for short term as at 28 June 2018

LankaBangla Securities Limited (LBSL)

Throughout the year 2018, the capital market was volatile and LBSL strived to maintain the momentum. During the year average daily turnover in DSE and CSE has declined by 37.01% and 40.25% respectively compared to the last year. Political uncertainty, yearlong liquidity shortage in banking sector, unstable money market and selling pressure from foreign investors have played big roles in the downtrend stock market. LBFL's brokerage and commission income reduced significantly by 38% in FY 2018.

Despite the prevailing vulnerabilities in the market, LankaBangla Securities Limited once again secured first position among all the brokerage houses in Bangladesh, making it 13th consecutive time in Dhaka Stock Exchange and 14th consecutive time in Chittagong Stock Exchange. During the year 2018 LankaBangla Securities Limited made after tax net profit of BDT 281.42 million which was BDT 826.15 million during the year 2017. Due to adverse situation in the Bangladesh Capital Market the Company's net profit after tax has declined by 65.94%.

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

In the year 2018 the main source of income of the company was interest income which contributed 40% of the total income of the company. The other two main sources of income of the company were brokerage income and income from investment from the stock market which occupied 39% and 17% of the total income of the company respectively. In 2018 Earnings per Share (EPS) was also decreased. EPS was 1.05 in 2018 which was 3.07 on 2017.

Country's first ever online payment gateway for stock brokerage company; LBSL credit rating, i.e. AA2 for long term, is the highest amongst the brokerage houses of the country as at 27 December 2018.

LBSL ranked Number One consecutively in last 13 years in DSE and 14 years in CSE;

LankaBangla Investments Limited (LBIL)

The Primary Market Services (PMS) wing of LankaBangla Investments Limited provides comprehensive Issue Management Services (i.e. Private Placement, Initial Public Offering, Direct Listing, Rights Offering, Repeat Public Offering, Listing of Debt Securities and Asset-backed Securities), Corporate Advisory Services (i.e. Capital Restructuring, Financial Consultancy, Feasibility of IPO, Company Valuation, Corporate Governance Structuring), and Registrar to the Issue Services and Underwriting for public offerings. The PMS team has wide range of expertise to manage issues and provides advisory services in almost all the sectors incorporated in the Stock Exchanges, especially Fuel & Power, Engineering, IT, Cement, Service and Real Estate, Textile, Bank and Insurance. 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 through listing of good companies.

The Primary Market Services Department of LankaBangla Investments Limited specializes in providing one stop equity financing solutions for corporate clients that includes expert corporate advisory services, innovative financial solutions for arranging funds through structuring of financial strategies, detailed execution and making use of comprehensive access to capital markets that LBIL possesses.

Notable achievements of the Primary Market Services (PMS) of LankaBangla Investments Ltd. in the year 2018 are as follows:

- ▶ Successfully completed the capital raising of KYCR Coil Industries Limited (BDT 344.52 Million), Butterfly Manufacturing Co. Ltd (BDT 507.52 Million). and edotco Bangladesh Co. Ltd. (BDT 5,373.83 Million) and PHP Integrated Steel Mills Ltd. (BDT 1,745.00 Million)
- ▶ Successfully arranged the IPO Road Shows of Baraka Patenga Power Ltd. (IPO Size of BDT 2,250.00 Million) and Aman Tex Ltd. (IPO Size of BDT 2,000.00 Million) and submitted the IPO application to BSEC for approval.
- ▶ Agreement signed with Rancon Motor Bikes Ltd., Sublime Greentex Limited and Fiber@Home Ltd. to provide corporate advisory and issue management services

The Investment banking wing of LBIL aspires to be the leading trusted Corporate Advisor and Investment Banker to its clients, which include Corporates, Financial Institutions, Financial Sponsors, Governments & Public authorities and Boards of Directors by providing Suitable, Compliant and Value Maximizing Comprehensive Equity Solutions.

Investment Banking Services (IBS) of LBIL has increase its portfolio in Arrangement Business as well as diversified the Advisory Business. In Advisory Business IBS worked as Transaction Advisor in divestment of a Foreign Investment and provided Valuation advisory services for repatriation of a foreign investment. IBS also engaged in Demerger, Merger and Corporate Restructuring of local conglomerates.

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

- ▶ Completed Advisory services for Demerger of Confidence Electric Limited, a unique corporate restructuring method.
- ▶ Originated and processed Merger of two concerns of Doreen Group in 2018

- ▶ Acted as Issue Manager for Preference Share Issuance of Summit Ace Alliance Power Limited
- ▶ Completed Valuation Service for Local Mobile Handset Manufacturing plant

Issue Manager of Baraka Patenga Power Ltd. (IPO Size of BDT 2,250.00 Million) and Aman Tex Ltd. (IPO Size of BDT 2,000.00 Million)

Our Portfolio Management Services enables clients to invest in different kinds of equity securities. LBIL combines global standards of equity research and portfolio management with in-depth understanding of the local market. Our 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.

Arranged BDT 7971 Million for its clients through Equity Arrangement

LankaBangla Asset Management Company Limited (LBAMCL)

As the wealth management wing of LankaBangla Finance Limited, LBAMCL has already made its mark in the Asset Management industry of Bangladesh with its wealth management products gaining increasing popularity amongst the investor community. Despite a predominantly bearish market trend in 2018, LBAMCL's first unit fund named, LankaBangla 1st Balanced Unit Fund (LB1stBUF) outperformed the market handsomely and declared 15% Cash dividend for its shareholders. In order to cater to the growing demand for Shariah based investment products, LBAMCL launched a Shariah based unit fund named, LankaBangla Al-Arafah Shariah Unit Fund in April 2018. This fund also outperformed the market and declared 4% Cash dividend for its shareholders.

2019 promises to be another exciting year for LBAMCL with two more unit funds expected to be launched in the capital market of Bangladesh. The name of the funds is LB Gratuity Opportunities Fund with initial fund size of BDT 200mn and LB Gratuity Wealth Builder Fund with initial fund size of BDT 100mn. On the Alternative Fund Management wing, LBAMCL's First Private Equity Fund named LankaBangla 1st PE Fund is expected to be launched with fund size of BDT 250mn. As part of diversifying its products offerings, LBAMCL has also launched discretionary fund management service exclusively for corporate clients as follows:

- ▶ Maximizer: A tailored discretionary portfolio management service for Institutional Clients.
- ▶ Minar: A Shariah based discretionary portfolio management service for Institutional Clients.
- ▶ Prudent: A complete package of Employees' Provident Fund and Gratuity Fund Management Service which includes Investment management service & Administration and reporting service.

Following the historic strategic partnership between Dhaka Stock Exchange and Chinese Consortium comprised of the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) in 2018, it is obvious that Bangladesh Capital market has entered a new era which will be shaped with new product proliferation (e.g. ETF, Derivatives etc), Technological advancement and automation. LBAMCL is fully prepared to embrace the upcoming developments and changes to better serve its investors and take its service to the next level.

ORGANIZATIONAL OVERVIEW

Growing Together...

Two decades back LankaBangla Finance Limited started its journey in 1997 as a joint-venture financial institution in multinational collaboration with a license from Bangladesh Bank under Financial Institution Act-1993. Today, LankaBangla is the country's leading integrated financial services provider that include Corporate Financial Services, Personal Financial Services, SME Financial Services, Liability Management, Stockbroking, Corporate Advisory and Wealth Management Services.

LankaBangla has implemented business process re-engineering to build capacity for its clients' superior service experience. The company now operates from a centralized administrative framework through cutting edge technological environment. LankaBangla is fueling a wide operational periphery covering major business hubs of the country.

Under a wide umbrella of products and services, LankaBangla is the only financial institution to operate credit card (Master and VISA) and also provide third party card processing services to different banks in Bangladesh.

LankaBangla is the market leader in the capital market services and has been giving an all-out effort to develop an efficient, vibrant and transparent capital market in Bangladesh. Its subsidiary, LankaBangla Securities Limited is providing top-notch brokerage services and leading the industry with cutting edge trading, top rated research information, and customer service. The group has another subsidiary, LankaBangla Investments Limited. It is a premier investment bank in the country providing corporate advisory, issue management, and portfolio management services. LankaBangla Asset Management Company Limited is providing

professional wealth management services to some of its customers. In quest of sustainable business, LankaBangla is positioning itself to provide enduring value to the people, customers, shareholders and the communities. There are other key divisions involved in setting up strategic priorities and upholding the living standard of our community. These divisions are involved among many others in prudent balance sheet management operation and maintenance of a strong IT infrastructure and recruiting as well as nurturing top-notch human resources.

LankaBangla Finance is the recipient of National Award for Best Published Accounts and Reports for the past few years announced by the Institute of Chartered Accountants of Bangladesh (ICAB). It also received "Best Presented Annual Report" for consecutive four years (2014-2017) from South Asian Federation of Accountants (SAFA) (an Apex body of SAARC). This is undoubtedly an igniting accomplishment and it is a reflection of ethical practices, right compliance and a great team work.

LankaBangla practices participatory management and adheres to industry's best practices in all its endeavors. Increasing stakeholders' value is a natural driving force for the people at LankaBangla.

Our long-standing sustainability efforts are creating environmental and social value while we move forward. By embracing high ethical standards, governance, and transparency, LankaBangla dreams to go further and grow bigger. Its ethos is simple. The company envisions its success lies in becoming the growth partner of its enterprising clients. LankaBangla is committed to empowering lives and inspire changes in community.

CODE OF CONDUCT GUIDING PRINCIPLES

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

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

The Code of Conduct is designed to guide the employees of the company to observe, comply with the prudential norms of conduct, manner and behavior. It is in alignment with the Company's Vision and Values to achieve the Mission and Objectives, and aims at enhancing the ethical and transparent process in managing the affairs of the Company. It also applies to every employee of LankaBangla and may be furnished to others for discharging the responsibilities. In addition to the ethical guidelines included in the code, there are many laws and regulations that affect each of the business that we

do. Complying with law is mandatory for everyone and is not subject to business priorities or individual decision.

Personal Responsibilities

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

Workplace Responsibilities

- ▶ Treat colleagues with respect and dignity
- ▶ Support the company's commitment to diversity and equal employment opportunity
- ▶ Provide a positive work environment free from intimidation and harassment

- ▶ Do not hold any outside positions with, or accept business opportunities from anyone who does business or competes with the company
- ▶ Ensure that financial records are accurate and complete and also ensuring cost efficiency.
- ▶ Maintain an effective system of internal control and compliance over financial reporting and operational activities
- ▶ Protect company's assets and properties

Marketplace Responsibilities

- ▶ Act responsibly in all sorts of communications with customers, suppliers, vendors, partners and regulatory authorities

- ▶ Safeguard the privacy, confidentiality and security of customer data
- ▶ Make only factual and truthful statements about company's products and services
- ▶ Gather business intelligence properly and ethically
- ▶ Prevent the use of company's services against money laundering purposes

Corporate Citizenship

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

FORWARD LOOKING STATEMENT

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

- ▶ LankaBangla Finance group will look for success by combining business domain, analytics, and artificial intelligence(AI) experts who understand algorithms and new techniques, as well as data engineers/scientists who can work with cloud technology and machine learning systems.
- ▶ In 2019, we would put high emphasis on the Retail and SME Financial Services to achieve a fragmented portfolio to diversify risk and high yield. Through establishing credit delivery channels, staffed with the required skill sets, making improved process flow, and decentralizing credit decisions, we will expand our business at high pace.
- ▶ With the objective of optimizing the Company's funding mix, we would look forward to more diversified sources of fund. The Cost of Fund is also anticipated to come down with the diversification of the Company's' funding portfolio. ALCO will be more vibrant in 2019 to tap market level opportunities.
- ▶ We would be upgrading our interface and functions by using latest technology, systems and tools. This will increase operational efficiency, reduce lead time, and speed up customer service. It will also enable quicker information dissemination to loan and liability clients, thereby saving cost.

- ▶ We believe product diversification is the key to achieving customer satisfaction by meeting the tailor made needs of customers. Innovation would be a continuously sought out strategy in the foreseeable future.
- ▶ In 2019, 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 2019. We would take initiatives to reduce cost to income ratio as minimum as possible.
- ▶ Continuous monitoring will be done to restrict NPL at a tolerable low level. Initiatives will be taken to increase the efficiency level of Recovery & Monitoring team and Special Asset Management Team to reduce NPL at minimum level.
- ▶ While we engage in our activities we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.

SUCCESS STORIES

The tale of a tigress, Mrs. Rubina Alam

“I failed many times but I rise again” – these words of Rubina Alam can be seen as inspiration for each and every women across countries. In 1984, a girl who came to Dhaka and started a job worth bdt 250.00, now she runs a garment factory with 400 worker. In 3 decades she also works in Middle east and work with German company. Her products from Ruby Fashions are going to places in home and abroad. At one point in time her husband joined the business to make the operations robust. To get finance she went to door to door of various institutions but failed. Finally LankaBangla came to her with its supportive hand. Now she is well aware of her employees well being. She believes that if her employees are taken care of, they will take care of her business. She believes that the scope of work for women is increasing in the country.

Rubina contacted LankaBangla’s SME department, not being sure of what their response would be. LankaBangla believes in the empowerment of women in the country and has been striving to provide the necessary support to women all along. The SME department looked into Rubina's passion and business proposition.

Rubina’s dreams saw a brighter path to success when her loan was approved. And her dream world of Ruby Fashion began on the path to reality. Now, step by step, the wheels of Ruby Fashion began to turn towards a positive future. Her products reach all the districts of Bangladesh, she is a unique example of woman empowerment, and a name in the industry as a dependable business, mass producer of garments.

Rita Das and emerging entrepreneur: Jotsna Traders:

Majority people generally don't encourage women to be in business, and that is the main obstacle for the women to enter into business activities and also to become successful in business. Some faced difficulty in getting cash payment from wholesalers, the problems of illiteracy and lack of knowledge, the troubles created through the teasing of women entrepreneurs by young people, the pressure and demand of unusual tolls which created crisis in business transactions, and the conservative mentality of the society and the general public regarding women's business involvement. Women participate more in SME products than large industrial items due to lack of finance, knowledge and other related requisites.

A business is often easy to perceive on pen and paper, but the most difficult of feats to conceive in reality. With nobody to back him up, She looked up every possible source of finance. At last, at the suggestion of a well-wisher, he visited LankaBangla. LankaBangla has always been a name that has believed in the small but promising aspects of the small enterprises in the country. Rita’s case was no different, and soon, equipped with his very first SME Loan in 2014, she set the course of his voyage towards a business he had learned the ins and outs of, but this time as the captain of his own ship. Currently she holds approximately 50 people in her company involved in fabric business.

CORPORATE INFORMATION

Registered Name of the Company		LankaBangla Finance Limited
Legal Form	Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh on November 5, 1996 under Companies Act, 1994	
Company Registration Number	C-31702 (823)/96	
Bangladesh Bank License No.	FID(L) - 1053/41-1088	
Corporate Office	Safura Tower (Level 11) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 58810998	
Company E-mail	info@lankabangla.com	
Company Website	www.lankabangla.com	
Business Divisions	Corporate Financial Services	Safura Tower (Level 3) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh
	Personal Financial Services & SME Financial Services	Assurance Nazir Tower, (Level-9), 65/B Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 8810998 Email: info@lankabangla.com
Card Centre	Assurance Nazir Tower, (Level-6), 65/B Kemal Ataturk Avenue, Banani, Phone: (880-2) 55035243-55 E-mail: cards@lankabangla.com	
Contact Centre & GIS	Safura Tower (Level 8) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Contact Centre Number: Local-16325, Overseas-0961101632 E-mail: myrequest@lankabangla.com	
Operations Division	SMC Tower (Level 17) 33 Banani Comercial Area, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10 Fax: (880-2) 58810998	
Tax Consultant	Adil & Associates 50, Purana Paltan Line (3rd floor), Dhaka-1000, Bangladesh	
Legal Advisors	Sadat Sarwat & Associates House # 28, Road # 23 Gulshan-1, Dhaka-1212	
Auditors	S F Ahmed & Co. Chartered Accountants House # 51 (2nd & 3rd floor), Road # 09, Block # F, Dhaka-1213, Bangladesh Phone: (880-2) 9894258, 9871018, 9870619 Fax: (880-2) 8825135 E-mail: sfaco@sfahmedco.org Web: www.sfahmedco.org	
Credit Rating Agency	Credit Rating Agency of Bangladesh (CRAB) D H Tower, 6 Panthapath, Level 15, Dhaka 1215, Bangladesh Phone: (880-2) 55013678, 55013681-84, Fax: (880-2) 55013679 E-mail: info@crab.com.bd Web: www.crab.com.bd	

BRANCHES AND SUBSIDIARIES OF LANKABANGLA FINANCE LIMITED

Branches of LankaBangla Finance Limited Branches

Banani Branch	Assurance Nazir Tower, 65/B Kemal Ataturk Avenue (Level-3), Banani, Dhaka- 1213, Bangladesh Phone: (880-2) 55034079-90 E-mail: banani@lankabangla.com
Dhanmondi Branch	MIDAS Centre (8th Floor, North Side) House No # 05, Road No # 16 (New), 27 (Old) Dhanmondi-1209, Dhaka, Bangladesh Phone: (880-2) 9114460, 9114451, 9114648, 9114574 E-mail: dhanmondi@lankabangla.com
Uttara Branch	Uttara Tower (4th Floor), Plot # 1, Jasimuddin Avenue, Sector # 03, Uttara C/A Uttara Model Town, Dhaka- 1230, Bangladesh Phone: (880-2) 7914230, 8931412-3 E-mail: uttara@lankabangla.com
Mirpur Branch	Northern Khan Height Tower (Level 3) Plot No # 34, Road No # 03, Block # D Section # 11, Mirpur, Dhaka-1216, Bangladesh Phone: (880-2) 9037841, 9037842-8, 9037851-2 Fax: (880-2) 9037848 E-mail: mirpur@lankabangla.com
Motijheel Branch	Peoples Insurance Bhaban (10th Floor) 36 Dilkusha C/A, Dhaka- 1000, Bangladesh Phone: (880-2) 9514570-2, 9513714-16, 9514767-8 E-mail: motijheel@lankabangla.com
Agrabad Branch	Hal's Aster Anwer (14th Floor), 1728 Sheikh Mujib Road, Agrabad, Chittagong 4100, Bangladesh E-mail: agrabad@lankabangla.com
CDA Avenue Branch	Yunusco City Centre (8th Floor) 807/1056, CDA Avenue, OR Nizam Road Khulshi, Chittagong 4000, Bangladesh Phone: (880-31) 2868901-3 E-mail: cdaavenue@lankabangla.com
Sylhet Branch	Khoirun Bhaban (Level 3) Holding No # 118, Azadi, Mirboxtula, Sylhet 3100, Bangladesh Phone: (880-821) 728420 E-mail: sylhet@lankabangla.com
Comilla Branch	The Garden City (2nd Floor), 203/187 Jawtola, Police Line, Comilla, Bangladesh Phone: (880-81) 73371-2 E-mail: comilla@lankabangla.com
Narsingdi Branch	56/1 Jalpatty Road (2nd Floor) Madhabdi Bazar, Narsingdi 1604, Bangladesh Phone: (880-2) 9446730-31 E-mail: narsingdi@lankabangla.com

Jessore Branch	Mohashin Super Market (2nd Floor) 10 R. N. Road, Jessore 7400, Bangladesh Phone: (880-421) 71146-47 E-mail: jessore@lankabangla.com
Barisal Branch	Yunus Plaza (1st Floor), 444 K.B. Hemayet Uddin Road Barisal 8200, Bangladesh Phone: (880-431) 61884, 65030, 61225 E-mail: barisal@lankabangla.com
Bogra Branch	Bogra Trade Center (Level-4), Dotto Bari, Borogola Bogra 5800, Bangladesh Phone: (880-51) 71031-35 E-mail: bogra@lankabangla.com
Mymensingh Branch	Sabit Sharif Bhaban (2nd Floor), 55/A BoroBazer Mymensingh 2200, Bangladesh Phone: (880-91) 62901-2
Khulna Branch	Tribune Tower (2nd floor), 2/A KDA Avenue Khulna 9200, Bangladesh Phone: (880-041) 731480, 731513
Rajshahi Branch	Ahmed Plaza (2nd floor), 182-Alo Patti, Ghoramara Boalia, Rajshahi, Bangladesh Phone: (880-0721) 771216, 771035-6
Narayangonj Branch	Akter Square-1 (3rd floor) 68, B.B. Road, Narayangonj, Bangladesh Phone: (880-0671) 7631342-3
Chowmuhani Branch	Morshed Alam Complex (3rd floor), South west corner, Karimpur Road, Begumgonj, Chowmuhani, Noakhali, Bangladesh Phone: (880-0321) 54411-6
Bangshal Branch	5 Old Bangshal Lane, 57 New shahid Sayed Nazrul Islam Sharani (Level-3), Dhaka- 1100, Bangladesh Phone: (880-2) 9586007-9, 9513822, Fax: (880-2) 7112904 E-mail: bangshal@lankabangla.com
Faridpur Branch	Rangolal Plaza (Level - 3), 103 Goalchamot Mouza, Holding No. 30, North Faridpur, Faridpur-7800, Bangladesh
Board Bazar Branch, Gazipur	Omar Ali Plaza (Level - 3), Holding No. 309, Ward No. 30, Mymensingh Road, Kolomeshor, National University, Board Bazar, Gazipur, Dhaka - 1704, Bangladesh
Savar Branch	MK Tower (Level - 4), B16/1, Jaleshwar, Shimultola, Savar, Dhaka 1340, Bangladesh
Dinajpur Branch	Northen Plaza (Level - 4), Goneshtola, Dinajpur-5200, Bangladesh
Keraniganj Branch	Hazi alimullah complex (level -3), aganagar, south keraniganj, keraniganj, Dhaka – 1310, Bangladesh
Gulshan Branch	The Glass House (4th Floor-West), Plot No. 02, Block -SE (B) 38, Gulshan Avenue, Gulshan-1, Dhaka
Habiganj Branch	Syed Bari Tower (2nd Floor), Holding No.3885-1, Habiganj Sadar, Habiganj-3300

Branches of LankaBangla Securities Limited

<p>LankaBangla Securities Limited (Subsidiary of LankaBangla Finance Limited)</p>	<p>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</p>
<p>Principal Branch, Motijheel</p>	<p>City Centre (12th Floor) 90/1 Motijheel C/A Dhaka 1000.</p> <p>ANNEX: 1 DSE Annex Building (1st Floor) 9/E, Motijheel C/A, Dhaka-1000 Phone: (88 02) 9561868, Fax: (88 02) 9562207 E-mail: resan@lbsbd.com</p> <p>ANNEX: 2 Eunoos Trade Center (Level 15) 52-53, Dilkusha, Dhaka-1000 Phone: (88 02) 9581629, 9581630 E-mail: riyadh@lbsbd.com</p>
<p>Banani Branch</p>	<p>Assurance Nazir Tower (Level-6) 65/B, Kemal Ataturk Avenue, Banani, Dhaka-1213 Phone: (88 02) 55035306-8, Fax: (88 02) 55035309 E-mail: aziz@lbsbd.com</p>
<p>Dhanmondhi Branch</p>	<p>MIDAS Centre (8th floor) House No: 05, Road No: 16(New) 27 (Old) Dhanmondhi, Dhaka-1209 Phone : +880-2-9112650,9137159, Fax : +880-2-9112648 E-mail: elahi@lbsbd.com</p>
<p>Uttara Branch</p>	<p>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</p>
<p>Narayangonj Branch</p>	<p>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</p>
<p>Agrabad Branch</p>	<p>HAL'S ASTER ANWAR, 13th floor 1398(Old), 1728(New), Sk.Mujib Road Agrabad, Chittagong Phone: (880-31) 2525836-8, Fax: (880-31) 2525839 E-mail: amir@lbsbd.com, sowkat@lbsbd.com</p>
<p>Khatungonj Branch</p>	<p>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</p>

Nasirabad Branch	Rahima Center (5th Floor) 1839, CDA Avenue, Nasirabad, Chittagong Phone: (880 31) 2554171-3, Fax: (880 31) 2554174 E-mail: munir@lbsbd.com
Sylhet Branch	J.R. Tower (3rd Floor),Jail Road, Sylhet-3100 Phone : (880-821) 711143,711752,711912 Fax: (880-821) 711918 E-mail: Shamsuddin@lbsbd.com
Comilla Branch	Nahar Plaza (1st Floor) 67/58, Nazrul Islam Avenue, Kandirpar, Comilla Phone: (88 081) 62117, 62109, 61768, Fax: (88 081) 62116 E-mail: nazir@lbsbd.com
Barisal Branch	LankaBangla Securities Information Center Yunus Plaza (1st floor) 444 KB Hemayet Uddin Road, Barisal-8200 Phone : 0431-63105,61641

LankaBangla Investments Limited

LankaBangla Investments Limited (Subsidiary of LankaBangla Finance Limited)	City Centre (Level 24), 90/1 Motijheel C/A, Dhaka-1000, Bangladesh Phone: (880-2) 9512621, 55110910-16,Fax: (880-2) 9561107 E-mail: info@lankabangla-investments.com Web: www.lankabangla-investments.com
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LankaBangla Asset Management Company Limited

LankaBangla Asset Management Company Limited (Subsidiary of LankaBangla Finance Limited)	Praasad Trade Centre, 4th Floor, 6 Kemal Ataturk Avenue Banani C/A, Dhaka-1213, Bangladesh E-mail: amcl@lankabangla.com Web: www.lankabangla.com
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LankaBangla Information Systems Limited

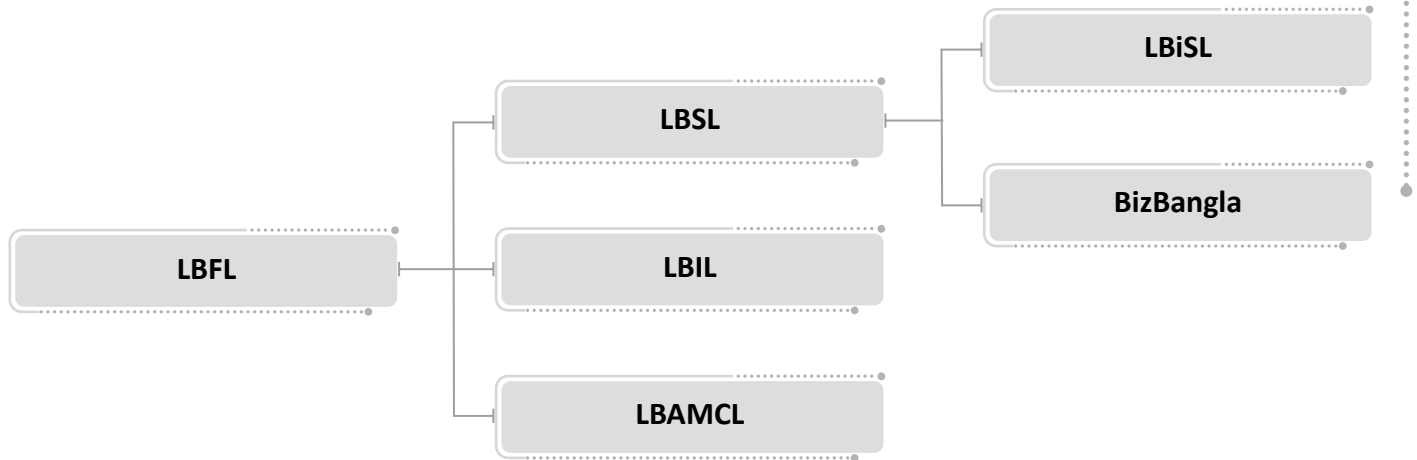
LankaBangla Information Systems Limited (Subsidiary of LankaBanglaSecurities Limited)	20, Kemal Ataturk Avenue, Level-11, Banani, Dhaka-1213
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BizBangla Media Limited

BizBangla Media Limited (Subsidiary of LankaBanglaSecurities Limited)	12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level-17), Kawran Bazar, Dhaka-1215
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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 (LBiSL) and BizBangla Media Limited.



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

Sl.	Name	Place of business	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1	LankaBangla Securities Limited	Bangladesh	90.9091767%	5.6430743%	96.5522510%
2	LankaBangla Investments Limited	Bangladesh	99.9999972%	-	99.9999972%
3	LankaBangla Asset Management Company Limited	Bangladesh	99.9999980%	-	99.9999980%
4	LankaBangla Information System Limited	Bangladesh	-	96.3591465%	96.3591465%
5	BizBangla Media Limited	Bangladesh	-	77.2418008%	77.2418008%

BUSINESS DIVISIONS OF LANKABANGLA FINANCE

Corporate Financial Services Division

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

Corporate and Institutional Unit

Corporate and Institutional unit prides at being the leader in providing the right funding ideas to its clients. It offers a comprehensive range of lending solutions that can turn ambition into accomplishment. The unit has a team of professionals who works within specialized industry groups, enabling them to understand each client's specific needs and determine the most cost-effective way to access the necessary funds. From a straightforward Term Loan to complex Club Financing, the Corporate and Institutional Unit can help by providing a range of options and solutions. LankaBangla Finance Limited combines broad knowledge of the industry with a deep understanding of the unique circumstances of the client. The smart and experienced team will help the client to integrate these two perspectives into a cohesive strategy, developing the most appropriate financial solutions. The unit is equipped with relationship managers with efficient management skills and sound knowledge of the industry and market which is necessary in providing a complete range of corporate financial solutions suited to the respective clients. To better understand customers, different distinct units are created each with a focus area. Each specialized group has its own Relationship Management Teams that pride themselves on their sub-specialties. Through their focus on industry sub-specialties, the teams have developed a wealth of understanding about the industry. The organization must be a legitimate corporate entity with potential business prospects in order to avail the loan facilities. Also the entity must have a successful business track record with sound repayment history. The followings are the products offered by Corporate and Institute Unit:

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

Emerging and Commercial Business Unit

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

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

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

Project and Structured Finance Unit

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

Apart from being a corporate entity with successful business track records and sound repayment history, the entity must have credit sales and a minimum of one year continuous operation. The followings are the products offered by Project and Structured Finance Unit:

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

Corporate Liability Unit

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

Personal Financial Services Division

The Personal Financial Service division offers a variety of personal financial services to fulfill the needs of individuals. By providing innovative, customized solutions and services, the Retail division of LankaBangla Finance is one of the leaders in the market of personal financial services. The division currently provides services through two different sectors namely Loan Unit and Card Center. The division delivers services through 6 (Six) units namely Auto Loan, Home and Mortgage Loan, Personal Loan, Credit Card, Retail Liability and Alternative Delivery Channel (ADC).

Auto Loan Unit

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

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

Home & Mortgage Loan Unit

With a host of Home Loan options, the Home & Mortgage Unit aims to meet the individual needs for housing solutions. The activities of Home & Mortgage Loan Unit include sales, marketing, business promotions, and relationship management with customers and developers. The unit provides customer service management like planning, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Home loan serves the following purpose:

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

Proposed property and/or any property acceptable to LankaBangla may be taken as collateral. Property is required to be Registered Mortgage through TPA (Tripartite Agreement) or Registered Mortgage as per Law prevailing in Bangladesh. The

following features differentiate Home Loan from that of the competitors:

- ▶ Highest loan ceiling of BDT 100 million
- ▶ Loan term up to 25 years including maximum 12 months moratorium period
- ▶ EMI calculation on Monthly Reducing Balance Method
- ▶ Partial Prepayment or Early Settlement options at any time on outstanding principal amount.
- ▶ Approval of home loan before purchase of apartment for high net worth customer
- ▶ Loan disbursement during the construction stage
- ▶ Disburse against tripartite agreement or registered mortgage
- ▶ Top up facility
- ▶ Loan takeover facility
- ▶ Semi Fixed and Variable interest rate – anyone can choose
- ▶ Loan facilities for Non-Resident Bangladeshis

Personal Loan Unit

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

- ▶ Highest loan ceiling of BDT 25 lac
- ▶ Highest loan tenure up to 60 months
- ▶ Top up loan facility
- ▶ Partial disbursement options
- ▶ Partial prepayment option

Credit Card Unit

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

Sl.	Name	Place of business	Valid in	Limit Range
1	MasterCard Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999
2	MasterCard Gold	BDT	Bangladesh	BDT 60,000 – BDT 149,999
3	MasterCard Titanium	BDT	Bangladesh	BDT 150,000 – BDT 500,000
4	VISA Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999
5	VISA Gold	BDT	Bangladesh	BDT 60,000 – BDT 10,00,000
6	Corporate Card	BDT	Bangladesh	BDT 500,000

The basic features of LankaBangla Credit Card are as follows:

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

Retail Liability Unit

The core objective of Retail Liability Department is to focus on retail deposits. Different Liability products are being offered to customers to cater their requirements. Considering the nature of retail clients and to provide the best customer service through strong relationships, various retail deposit teams consisting of a large pool of product marketing officers have been deployed throughout the branches all over Bangladesh. All members of the teams work under predefined monthly targets.

Alternative Delivery Channels (ADC)

LankaBangla Finance has launched Alternative Delivery Channels (ADC) department with an objective to create, develop & manage an integrated, customer focused, alternative way of customer serving, branding, business promotion and development.

ADC has started its function from 01 November 2016. At this moment, ADC is entrusted with the responsibilities of supervising, monitoring of LankaBangla website, social media (like facebook page, LinkedIn page & Youtube), online leads and any other digital channels for smooth operation & branding for further business promotion.

The responsibilities of ADC are given below:

- ▶ Manages leads with concerned product heads and their focal points for eCRM (electronic Customer Relationship Management) and also with concerned branches
- ▶ Concerned departments and branches address the Leads(prospective customer) immediately and update the follow up with ADC
- ▶ ADC maintains the MIS of all Leads generated through website and social media and contact center
- ▶ ADC ensures all updates at LankaBangla website & posts for social media and customer database

SME Financial Services Division

Small and medium enterprises (SMEs) are acknowledged worldwide as lifeblood of local trade, commerce and industry. With lower energy supply, lesser infrastructure facilities and minor environmental risk, SMEs contribute notably to alleviation of poverty, creation of employment opportunities, women empowerment and equitable distribution of income as well as diversification of industrial sector in Bangladesh. A strong, vibrant financial sector can play a significant role in the growth

and development of Small and Medium Enterprises by providing credit support to potential entrepreneurs. LankaBangla Finance Ltd., with the belief of 'Growing Together', has focused in SME business and performed well so far. Through the SME Financial Services 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 following are the products offered by SME Financial Service segment:

Small Business Unit

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

- ▶ Anonnya (Women Entrepreneur)
- ▶ Abash (Loan for Construction Mess)
- ▶ Durbar (Commercial Vehicle Finance)
- ▶ Somporko (Startup Finance)
- ▶ Astha (Fully Secured)
- ▶ Swarnali (Agro Processing Industry Finance)
- ▶ Ejara (Lease Finance)

Emerging and Medium Business Unit

- ▶ Term Loan Financing
- ▶ Lease/Asset Backed Financing
- ▶ Working Capital Solution

SME Liability Unit

SME Liability Unit is a newly launched unit and operates under SME Financial Services. The main objective of this unit is to mobilize deposits from SME segments and cater superior client experience from LankaBangla Finance Limited. Different liability products are being offered to clients with attractive features named SME Biswash, SME Shaccholata, SME Shacchando, SME Agro, SME Monermoto Sanchoy, SME Sommidhi, SME Digun Munafa and SME Tingun Munafa. A bunch of enthusiastic and energetic relationship managers has been deployed for marketing the services across the country who are tagged under different branches.

Treasury & FI Division

In a financial institution, fund management function is traditionally known as treasury activities. Treasury is a financial hub which operates as a financial clearing house for all other parts of the organization. Funding and transaction processing are the key activities of treasury department and therefore, it is known as the heart of the company and equally important for both internal and external stakeholders. Treasury ensures the availability of funds as required at the minimum cost possible. Managing maturity schedules of deposits and credit lines coincide with the demand for loans while ensuring the adequate liquidity of the funds is the most crucial aspect of treasury division. In LankaBangla, Treasury & FI division is internally structured in four major units, namely – Asset Liability

Management unit, Money Market Unit, FI & Central Bank Dealings Unit and Capital Market Unit.

Treasury performs its responsibility under two broad heads: Treasury front office & Treasury mid office. The core functions of Treasury & FI's are as follows:

Treasury Front Office

- ▶ Significant interactions with various counterparties
- ▶ Money Market Operation, i.e. Dealings with Overnight/ Placement/Treasury Line etc.
- ▶ Dealings with Govt. fixed income securities
- ▶ Striking of deals (trading) and ensuring profits from arbitrage dealing
- ▶ Credit relationship with Banks & FI's
- ▶ Seeking the alternate source of fund, e.g. issuing of debt instrument, foreign loan etc.
- ▶ Maintenance of CRR & SLR
- ▶ Liquidity Management by prudent Cash Management
- ▶ Repo & Reverse Repo dealings i.e. ALS/LS, Repo & Special Repo with Central Bank, Interbank repo
- ▶ Investment in commercial paper and other money market instrument to generate revenue

Treasury Mid Office

- ▶ Set up Treasury policies and strategies
- ▶ Monitoring, measurement, analysis and reporting of risks namely
 - ▶ Interest rate risks
 - ▶ Liquidity risk
 - ▶ Asset Liability Management (ALM)

Capital Market Unit

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

SUBSIDIARIES OF LANKABANGLA FINANCE

LankaBangla Securities Limited

LankaBangla Securities Limited (LBSL) is committed to providing top notch brokerage services and leading the industry with cutting edge trading, top rated research and customer service. LankaBangla Securities began as Vanik Bangladesh Securities Ltd in 1997 with their activities confined only within the Chittagong Stock Exchange (CSE) Ltd. A year later, they made a step ahead and introduced themselves to the Dhaka Stock Exchange (DSE). It rebranded to LankaBangla Securities Ltd. in 2005 following a restructuring of the company. The company is 90.91% owned subsidiary of LankaBangla Finance Limited (LBFL) which is one of the leading listed non-banking financial institutions in Bangladesh engaged in Leasing, Credit Card Services, Corporate Financing, and Financial Consultancy. LBFL is owned, by a group of highly successful local business entrepreneurs of Bangladesh- Sampath Bank Limited of Sri Lanka, One Bank Limited of Bangladesh, and the general public. With all these on the back, our house LBSL is undoubtedly a global one which knows clients' preferences, acts on their choice, and guarantees the most comfortable investment environment while investing in Bangladesh. LankaBangla Securities Ltd. is the leader in customer transactions. The ability to meet the demands considering every client's time horizon, goals, and risk tolerance have made the company settle relations with thousands of retail and institutional clients all over the globe. This is reflected in the fact that the brokerage house is crowned as the largest in terms of transaction value for the 13th consecutive time in DSE and 14th in CSE. At LBSL, people specialize in developing the country's most efficient stock brokerage workforce with unmatched skills and consummate perfectionism. Also, in whichever corner of the country the customers are, LBSL gets them covered with their 10 branches spread in the leading cities and towns. Quality, convenience, and reliability are some things that LBSL provides the customers at the highest level and which the customers can expect from their brokers. This is the key as LBSL has a strong network of key clients all over the world. Furthermore, the local and international recognitions from financial institutions, custodian banks, corporations, international fund managers, and other fellow brokers for its professionalism has laid the foundation of strength and further success. Apart from NITA trading, LankaBangla Securities Ltd. (LBSL) is offering trading facilities to foreign institutional clients comprising of different funds, international brokers, banks, etc. who are interested in trading Bangladeshi securities. Throughout the world, any client of an international broker can trade in the Bangladesh Capital Market through LBSL. To make it better, LBSL foreign trade execution team has a Bloomberg terminal on its dedicated foreign trade desk which connects the team with every fund manager around the globe assuring 100% compliant trading for the foreign clients. Possessing a strong equity base, LBSL focuses on the diversification strategy following which LBSL has made an equity participation in BizBangla Media Limited which is publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Besides, LankaBangla Securities Limited is one of the directors of MIDAS Financing Limited, a renowned financial institution. LBSL has already initiated establishing an independent IT subsidiary LankaBangla Information Systems Limited.

Brokerage Services

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

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

LBSL has 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 recourses to offer new products and services to the existing clients and also to attract new clients. The choice of an object oriented approach and using the latest technology has given them the flexibility to extend their product and service range as well as ensuring performance, security and scalability.

CDBL Services

LBSL operates as a Full Service DP at both DSE and CSE. Apart from their BO Account Opening and Maintenance services, they provide their clientele with Dematerialization and Rematerialization services. They offer safe transfers and transmission through CDBL as well as they provide their customers with customized services related to pledging, Un-pledging and Confiscation of Securities.

Research Services

LBSL firmly believes in the knowledge-based investment in the capital market to keep pace with the advanced market and sophisticated clients. Apart from efficient and effective brokerage services, LBSL is backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation. One of the important functions of LBSL is to carry out capital market research for themselves and their valued customers. Their Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. The Capital Market Research Department is continually generating knowledge based reports on the overall capital market, the macroeconomy, 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.

Internet-based 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. The company has been successfully

running the Order Management System (OMS) with Chittagong Stock Exchange through API to provide DMA (Direct Market Access) facility to the Dealers as well as investors. 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, client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management. It has ability to create interfaces to other systems such as accounting systems, banking solutions and depository systems; and real time access charting with strategies, indicators and patterns. The Algo trading (VWAP, TAWP, POV, IS, etc.) and STP-Gate/FIX protocol supported system is the advanced option for the futuristic capital market. It requires Ultra low latency bandwidth and configurable network architecture for Broker and Investors. The LBSL OMS is the open platform to integrate with other stock exchange trading engine. It is the new milestone for the capital market in Bangladesh. Dealers and inventors can place the order based on conditions and strategies using real time technical analysis and risk management.



Our web portal acts as a hub of information of the capital market, with abundant sources of information of the capital market and macro-economic insights for the investor, entrepreneur, academician and policy makers.

Our Internet Trading Department is mainly responsible for providing online based trading facilities to the clients of LBSL on both Chittagong Stock Exchange and Dhaka Stock Exchange platform. There are two online based platforms for the two exchanges which are given as follows:



This is the internet trading platform which is capable of trading in multi exchanges simultaneously. Currently, it is connected to Chittagong Stock Exchange only. The platform could be used by clients in desktops and all mobile devices. The trading orders could be placed any time and the validity is for 24 hours. The platform is also available for download in both Google and Apple application stores.



The platform is owned by Dhaka Stock Exchange and is provided to all the stock brokerage houses in Bangladesh to facilitate online trading in Dhaka Stock exchange. LBSL also facilitates its clients by providing DSE mobile services. The platform is also available for download in Google and Apple application store.

Under the wing of our portal services we have introduced other services like



This is referred to as the online back office for LBSL clients so that they can use iBroker for the following purposes:

- ▶ Online IPO application
- ▶ Access portfolio statements and client ledger details
- ▶ Fund requisition requests online



The Virtual Trading Platform is the online/virtual trading game simulator which allows an individual to enjoy the real time trading in CSE virtually. This application has been launched for the beginner investor for experiencing and learning real time stock market trading. The trading could be conducted through the virtual money provided by LBSL to the user.

i-frame/investor relationship Service:

Investor Relation Service is built on the cutting edge technology for listed companies complying the requirement of Dhaka Stock Exchange (Listing) Regulations, 2015 as well as mitigating the BSEC compliance. The services run through i-frame technology which is very easy to integrate on the specific company website and the theme is also designed to match with particular website theme. The i-frame service is available for listed companies, newspapers and for TV display.

The information is not only useful for the investors but also creditors and other important stakeholders of an organization. We have partnered with few reputed listed companies, committed to improve the investor relationship through convenience and accurate information. Our service easily integrates with websites without any sorts of complication.

LankaBangla Investments Limited (LBIL)

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

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

Services of LankaBangla Investments Limited

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

Corporate Advisory

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

Bond Issuance

LankaBangla Investments Limited combines expertise on debt origination and structuring with established distribution capabilities to a large base of investors. The origination team works directly with issuers, including corporations, banks and other entities that seek funding. LBIL advises these clients on debt financing strategies from a wide range of Bond Structures.

Alternative financing

LBIL provides Issue Management and Subscription Arrangement in case of Preference Share issuance, Commercial Paper issuance and Equity arrangement through Private Placement. With the market insight and expertise LBIL provides best possible services to its clients.

Mergers and Acquisitions

LankaBangla Investments Limited acts as the financial advisor for all transactions related to Merger or Acquisitions, whether the client is the bidder or the target. Our service starts from designing the scheme to Post-merger compliance.

Joint Advisory Services

LBIL provides Advisory services for the Joint Venture projects. Regular services under this segment includes aligning both local and foreign investors, assisting in legal and regulatory compliances, research support for both the investors, designing the financial structure of the joint venture etc. Notable achievements of the Investment Banking Services (IBS) of LankaBangla Investment Ltd. are as follows:

- ▶ Successfully issued and arranged fund of BDT 400 million through preference share issuance for Doreen Power House & Technologies Limited (DPHTL). BSEC accorded consent for raising capital through preference share issuance of DPHTL in 2015. The Investment Banking team acted as the Lead arranger of the issue and successfully completed the

Financial Closing in 2016

- ▶ The Investment Banking team prepared the Feasibility Report on PowerPac Economic Zone under Corporate Advisory Services provided to PowerPac Holdings Limited. This feasibility report was first ever feasibility report for an Economic Zone under PPP model completed by any investment banks in Bangladesh
- ▶ SSD-TECH operates in VAS and ISP Business and is considered as one of the leading VAS providers. IBS team prepared the valuation report on SSD-TECH under Corporate Advisory Services. It was a completely new experience for LBIL to complete a valuation report of a company operating in VAS industry
- ▶ Ajinomoto Bangladesh Limited is foreign entity operating in Bangladesh. The IBS team provided Corporate Advisory Services for BDT 210 Million Foreign Equity arrangement of Ajinomoto Bangladesh Limited

Primary Market Services

LBIL provides assistance to institutional clients seeking to raise funds through Issue Management, Capital raising & Private Placement business. The Primary Market Services Team has wide range of experiences in managing different types of issues across various industries, leading to obtaining of indepth knowledge of the regulatory framework and processes.

Capital Raising for Private & Public Ltd. Companies

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

Issue Management

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

Corporate Advisory Services

Our Corporate Advisory Services in this segment include:

- ▶ Capital Restructuring: Our expert team of professionals is adept in rebuilding the existing capital structure of client's Company which will derive optimum value in changing business conditions. Our methods are especially focused on improving the operational efficiency of the client
- ▶ Financial Consultancy: We provide in-depth and complete financial solutions which include advice, guidance and service to the issuer especially in ensuring compliance related to financial disclosure requirements
- ▶ Feasibility of IPO: We determine the feasibility of an IPO given the company's fundamentals including business model and management capability, growth potential and market size, financial track record, shareholders' objectives etc.
- ▶ Post Issue Services: The transformation from a private company to a public enterprise is a life-changing process for any organization and it will continue long after the actual IPO

transaction. Our Post Issue Services ease the activities of the company that has gone public

- ▶ **Company Valuation:** In the quest for discovering the economic value of an owner's interest in business, we conduct business valuation, where we consider the relevant industry and business aspects along with historical performance and future growth of the business entity
- ▶ **Corporate Governance Structuring:** We assist companies to adapt its internal structure to meet the requirements of the Corporate Governance framework guideline authorized by the regulators

Underwriting

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

Value Added Services

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

- ▶ Compliance Guideline
- ▶ IPO Readiness
- ▶ Customized Equity Financing Strategy

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

Portfolio Management Services

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

Discretionary Portfolio Management

In the ever changing capital market, managing investment has become an increasingly complex and time consuming process for a company or an individual to handle in isolation. For effective investment, one has to go through the hassle of following tons of financial data and market information continuously. LBIL

provides Discretionary Portfolio Management Services which relieves the investors from the hassles and burden of following market information as well as investment management. LBIL offers three Discretionary products for its clients.

AlphaPlus (Investments Best Managed)

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

AlphaPlus INITIAL

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

LankaBangla Nishchinto

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

Non-Discretionary Portfolio (IPA Scheme)

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

LankaBangla Asset Management Company Limited (LBAMCL)

Established in 2007, LankaBangla Asset Management Company Limited is a 99.99% owned subsidiary of LankaBangla Finance Limited, one of the leading NBFIs in Bangladesh. It received its license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 to operate as a full-fledged asset management company. LBAMCL is the official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. Backed by the group's strong operating history and strong footprint in the financial sector LBAMCL makes continual investments in the asset management and client service platform, resulting in a client-focused, solutions-driven orientation. LBAMCL values original thinking, due diligence, first

hand research and investment discipline. By keeping the target investors in focus, it opts to become one of the leading asset management companies in Bangladesh very soon.

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

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

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

Products and Services of LBAMCL

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

Closed-end Mutual Fund

A closed-end fund is a publicly traded fund that raises a fixed amount of capital from sponsors, institutional investors and from initial public offering (IPO). The fund comes with a fixed number of units and the units can only be purchased and sold in the market. LBAMCL manages different closed-end mutual funds with different investment strategies like current income, balanced growth capital appreciation etc. Extensive research and fundamental analysis is undertaken to achieve the investment objectives of the funds.

Unit Fund

In the unit fund, the investors can buy or sell as much amount as they want. The fund has virtually no limit of units. The buying or selling price of a unit is always tied to the Net Asset Value (NAV) of that unit. It is not traded in the stock exchanges but can be bought or sold very easily from selling agents. LBAMCL's management of open end mutual funds is also based on specific strategies as per the demand of different type of investors. Units can be bought or sold in any working day from a list of easily available selling agents.

Discretionary Portfolio Management

LBAMCL offers the service of discretionary portfolio management

where experienced and seasoned portfolio managers take investment decisions to manage clients' money. Risk-return profiles of the investors are carefully extracted. The investment policy statement (IPS) are then prepared, and the fund managed according to the investor specific IPS. LBAMCL also builds portfolio according to different investment style and investors can put funds in any style specific portfolio. The fund management fee structure of LBAMCL is very competitive.

Islamic Shariah based Products

There is a heavily growing demand of Islamic Shariah (IS) based products. Keeping this in mind LBAMCL offers a full range of IS based products for both institutional and individual investors. LBAMCL's IS based products and services range from mutual funds of both closed-end and open end types to discretionary portfolio, provident fund, and investment advisory services. An independent Shariah council provides and updates approved IS based securities to best serve the clients' needs and demand.

Provident Fund, Pension Fund, and Gratuity Fund Management

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

Financial Planning Services

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

LankaBangla Information System Limited (LBIS)

LankaBangla Information System is a leading information technology service provider in the country. LBIS started its journey on May, 2013. LBIS's strong base of expertise and technical know-how is built on the firm belief that "Technology Serves the Business". This belief enables us to deliver IT services that match and grow with clients requirements as they evolve. LankaBangla Information System is an IT Management Services outsourcing and consulting company providing IT solutions, project management and comprehensive infrastructure support and monitoring. With well understanding of the communications industry, access to current and emerging technologies, mature development processes, global resources and a proven track record, LBIS creates complete solutions to help clients succeed.

In today's world, organizations will have to quickly reengineer themselves and be more responsive to changing customer demands. LBIS is well positioned to be a partner and coinovator to businesses in their transformation journey, identify new growth opportunities and facilitate their venture into new sectors. The value is in the unification of proven experiences, skilled expertise and defined thought leadership.

Products and Services of LankaBangla Information System

Virtual Office Dynamics

ERP is an enterprise re-engineering solution that uses new business computing paradigms to integrate IT processes across company divisions and departments. LBIS has developed a web based ERP (HR, Payroll, Fixed Asset etc.) solution namely Virtual Office Dynamic (VOD) which is currently running in LankaBangla Finance Limited, LankaBangla Securities Limited, LankaBangla Investment Limited and LankaBangla Asset Management Company Limited.

Market Data Service

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

Project Management

LankaBangla Information System focuses on helping small and mid-sized businesses to manage their IT infrastructures and software implementations. It has a well reputation of working with clients to maximize their returns on IT investment. All LBIS team members are trained in professional IT project management tools and techniques. This ensures that the clients are working with a team of experienced and knowledgeable Engineers who have experience working with a broad range of IT systems. LBIS team members assist clients in every aspect of IT planning, procurement, implementation and operation. The team of expert consultants can help with all of the following IT issues:

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

Consultancy

LankaBangla Information System Consulting can give you the business analyses you need and follow through with implementation. LBIS can deliver a depth of resources unsurpassed by other firms. We have the flexibility to deliver solutions quickly and cost-effectively. Our confidence in our ability to think ahead makes us willing to be measured against any business outcomes. This means that with LankaBangla Information System Consulting, you get the advantage of future thinking - along with the advantage of being your partner or future endeavours. LBIS Consulting provides services through

following practices:

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

Cloud Services

In this constant and rapidly evolving cloud market, the battle for dominance is raging. Infrastructure, Platform and Software as Service providers are all locked in an increasingly competitive fight for service superiority and market share. The scalability and rapid deployment characteristics of a cloud environment can be the perfect solution for many of clients' applications. To determine exactly where, when and how cloud infrastructure should be implemented, however, thorough analysis of the level of security, control, customization and support of the customers' applications is required. LBIS also provides physical and logical space at state of art data center to share server/data to its clients. LBIS cloud service includes Software as a service (Saas), Platform as a service (Paas), Infrastructure as a service (Iaas), Data as a service (Daas) and Backup as a service (Bass). Server Management and Storage as a service is also a part of LBIS cloud service.

Outsourcing

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

Mobile Application Development

Mobile technology has progressed significantly since the advent of Apple iPhone and iOS platform. All users whether enterprises or others want to be connected all the time. Businesses are now looking to build competitive advantages by expanding the reach of essential business and consumer information to the fingertips of the users. LankaBangla Information System has a good understanding of the mobile application development processes. We have focused our efforts in the three most popular operating systems and platforms - Apple iOS, Google Android, and Microsoft Windows Phone OS.

BizBangla Media Limited

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

sustainable growth in quality business reporting and large clientele base, thereby leading to a strong market positioning in the market. Today this highly regarded business daily has an extensive network of circulation across the major operation i.e. business hubs/outlets across the country. In the recent years with a consolidated effort and prudent Management leadership, BizBangla has attempted to position itself within the top performing (Bengali) business newspapers in Bangladesh. This has resulted to emergence as one of the major Department of Film & Publications (DFP) compliant organizations. This rating by the DFP provides a very important indication of the integrity and strength of the organization and the concerned Newspaper and is particularly relevant to its ultimate readers/ consumers and other stakeholders such as the strategic partners, shareholders and lenders. Value adding activities for BizBangla Media are as follows:

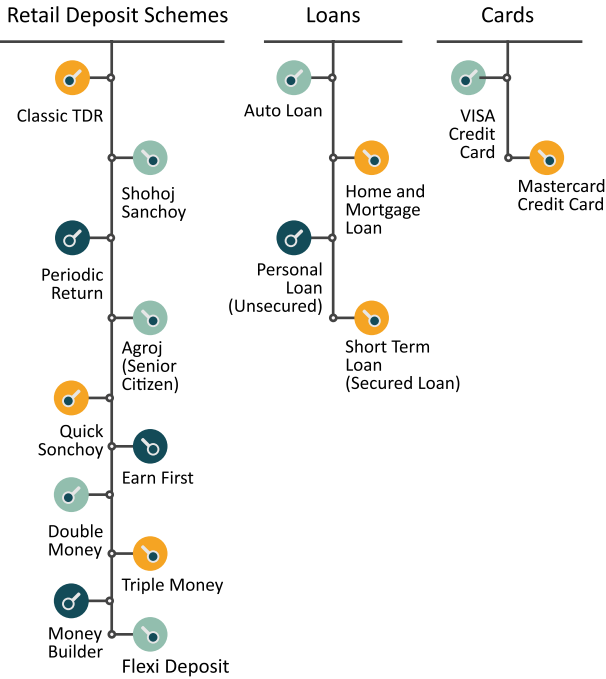
- ▶ Placing the trade & commerce sector's interest and satisfaction as first priority by providing updated, full proof, scrutinized information
- ▶ Adding value to the stakeholders through attaining excellence in daily operation
- ▶ Maintaining high ethical standard and transparency in publication
-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

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

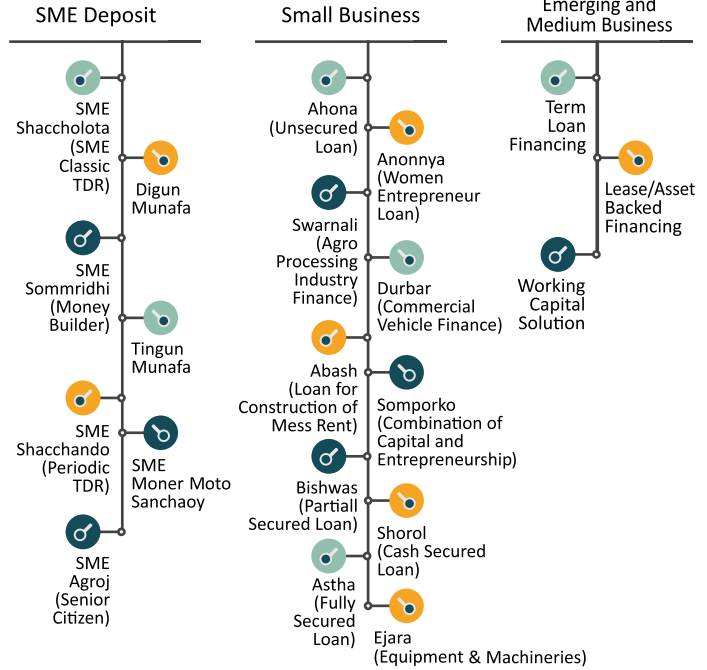
PRODUCT PORTFOLIO OF LANKABANGLA FINANCE

PRODUCT PORTFOLIO

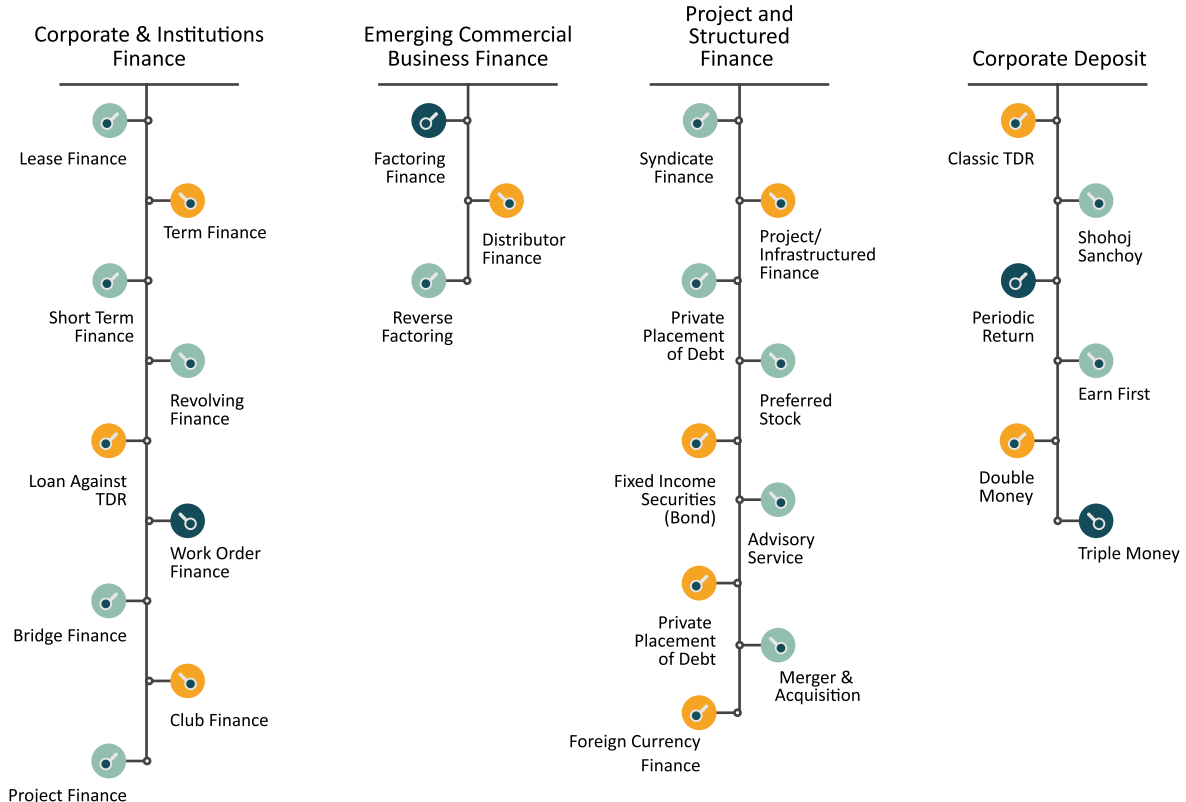
Personal Financial Services



SME Financial Services



Corporate Financial Services



AN EVENTFUL YEAR FOR LANKABANGLA



21st AGM of LankaBangla Finance Limited



The Directors of LankaBangla Finance on Board Meeting



The Directors of LankaBangla Securities on Board Meeting



The Directors of LankaBangla Investments Limited on Board Meeting



The Directors of LankaBangla Asset Management Company on Board Meeting



Town Hall February 2018



Town Hall August 2018



LankaBangla CXO Summit 2018

AN EVENTFUL YEAR FOR LANKABANGLA



ICAB National Award Giving Ceremony



SAFA Best Presented Annual Report Award



Pohela Baishakh Art Competition Dhaka 2018



Gulshan Branch Launching Program



Habiganj Branch Launching Program



Inauguration of i-Account Portal



Celebrating Women's Day 2018



MoU Signing Ceremony between LankaBangla Finance & Balaka Lounge

AWARDS AND RECOGNITIONS

This is undoubtedly an igning accomplishment that will work as an inspiration for us to reach the summit of success. It is a reflection of our ethical practices, true compliance and a great team work.



ICMAB Best Corporate Award 2017



ICAB Corporate Governance Award 2017



ICAB National Award for Best Presented Annual Reports 2017



SAFA Best Presented Annual Report 2017

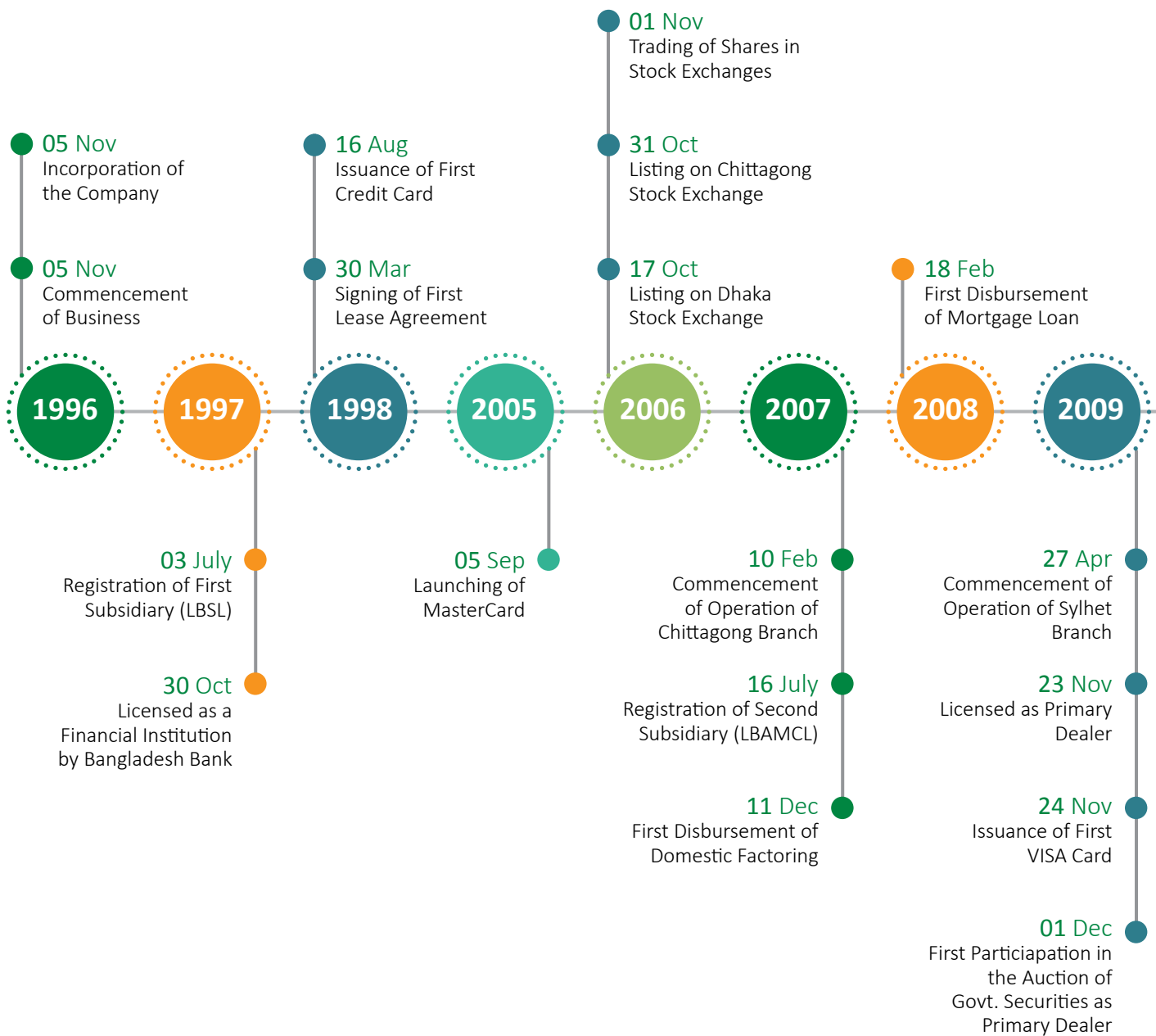


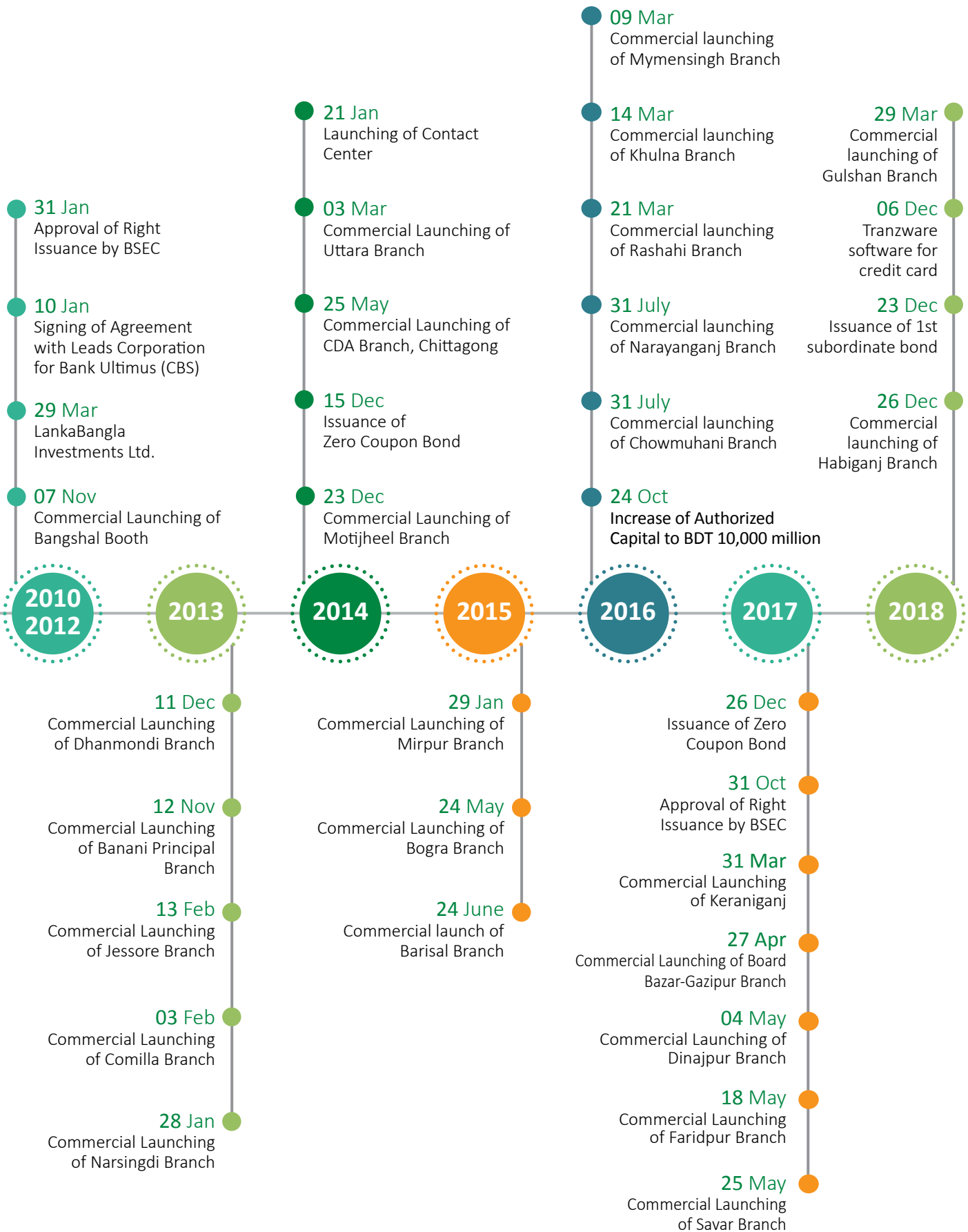
SAFA Corporate Governance Award 2017

MILESTONES

Our Journey so far

22 years of achieving and sustaining excellence





CORPORATE GOVERNANCE

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

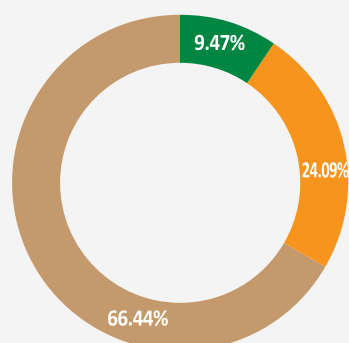
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SHAREHOLDING STRUCTURE

As on December 31, 2018

Authorised Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	1,000,000,000	10,000,000,000
Paid up Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	513,179,641	5,131,796,410
Details of shareholding structure is as under:		
Sponsors and/or directors	Total Holding (No. of Share)	% of Shareholding
a) Foreign Institution:		
Sampath Bank PLC (Sri Lanka)	48,606,291	9.47%
Sub-Total	48,606,291	9.47%
b) Local Institution:		
ONE Bank Limited	19,393,083	3.78%
Sub-Total	19,393,083	3.78%
c) Individuals:		
Mr. Mohammad A Moyeen	21,754,807	4.24%
Mrs. Aneesha Mahial Kundanmal	39,527,471	7.70%
Mr. Mahbubul Anam	22,855,945	4.45%
Mr. Tahsinul Huque	19,994,004	3.90%
Mrs. Jasmine Sultana	74,175	0.01%
Sub-Total	104,206,402	20.31%
Sponsors and/or directors Total	172,205,776	33.56%
General Shareholders	340,973,865	66.44%
Grand Total	513,179,641	100.00%



- Foreign Sponsors and/or directors
- Local Sponsors and/or directors
- General Shareholders

PROFILES OF THE DIRECTORS OF THE BOARD



MR. MOHAMMAD A. MOYEEN
Chairman

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



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

Nationality:	Sri Lankan
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Graduated in Technical Engineering
Present Directorship(s):	LankaBangla Securities Limited, IWS Holdings (Pvt.) Limited, APL Lanka (Private) Limited, American President Lines (Lanka) Agencies Limited



MR. NANDA FERNANDO

Director (Representing Sampath Bank PLC)

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



MR. MAHBUBUL ANAM

Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Executive Committee & Board Audit Committee
Academic / Professional Qualification(s):	Bachelor of Architecture degree from Bangladesh University of Engineering and Technology
Present Directorship(s):	Allied Aviation Bangladesh Limited, Airline Cargo Resources Limited, Airlines Services Limited, Ara-mex Dhaka Limited, Aeroness International, Arrow Aviation Limited, Anyeshan Limited, Aristeus Agri-culture Limited, BizBangla Media Limited, Bengal Meat Processing Industries Limited, Bollore Logistics Bangladesh Limited, BAY Cargo Centre Limited, Cargo Center Limited, Colloid Enterprises Limited, Cross Freight Lines Limited, Cross Freight Limited, Datafort Limited, Expo Freight Limited, Expo Express Services Limited, Expo Holdings (BD) Limited, Freight Care Aviation Services Limited, First Forwarding Limited, Global Aviation Services Limited, Innoweb Limited, Infosapex Limited, Joules Power Limited, LankaBangla Securities Limited, LankaBangla Information System Limited, Masco International Limited, Orchid Aviation Limited, S.G. Logistics (Pvt.) Limited, Standard Paper Products Limited, STS Educational Group Limited, STS Holdings Limited, The M & M Limited, Tropica Garments Limited, Technaf Solartech Energy Limited, Voyager Aviation Services Limited, Voytech Limited, Wings Spence Aviation Limited, Wings Classic Tours & Travels Limited, Wings Express Limited, Wings Ocean Freight Limited



MR. M. FAKHRUL ALAM

Director (Representing ONE Bank Limited)

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



MR. TAHSINUL HUQUE

Director

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



MRS. ANEESHA MAHIAL KUNDANMAL
Director

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	B.A. (Honors) in Public Administration from University of Dhaka
Present Directorship(s):	Royal Park Residence Hotel



MRS. ZAITUN SAYEF
Independent Director

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



MR. ABDUL MALEK SHAMSHER
Independent Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Audit Committee
Academic / Professional Qualification(s):	Passed Higher Secondary Certificate (First Division) in 1966 from Faujdharhat Cadet College and completed part-1 of the Institute of Banker's Examination, Karachi in 1969
Present Directorship(s):	Chairman of LankaBangla Asset Management Company Limited, Independent Director of LankaBangla Securities Limited & LankaBangla Investments Limited



MR. KHWAJA SHAHRIAR
Managing Director & CEO

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	BA (Honours) and MA in English from University of Dhaka, Bachelor of Business in Banking and Finance from Monash University, Melbourne and Master of Business Administration in Finance from Victoria University, Melbourne, Australia
Present Directorship(s):	Director of LankaBangla Asset Management Company Limited

BOARD COMMITTEES

Executive Committee

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

Audit Committee

Sl. No.	Name	Status in the Organization	Status in the Committee
1	Mrs. Zaitun Sayef	Independent Director	Chairperson
2	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	Member
3	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	Member
4	Mr. Mahbubul Anam	Director	Member
5	Mr. Abdul Malek Shamsher	Independent Director	Member

MANAGEMENT COMMITTEE (MANCOM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & Financial Institutions	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Mostafa Kamal	Group Company Secretary	Member Secretary
7	Kazi Masum Rashed	Head of Branch Distribution and Management	Member
8	Mohammad Shoaib	Head of Corporate Financial Services	Member
9	Shamim Al Mamun	Chief Financial Officer	Member
10	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
11	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
12	Sheik Mohammad Fuad	Head of ICT	Member
13	Mohammad Nazmul Hasan Tipu	Chief Credit Officer	Member
14	Ummay Habiba Sharmin	Head of Legal	Member
15	Muhammad Habib Haider	Head of GIS	Member

PROFILES OF THE MANAGEMENT TEAM



01

01. Khwaja Shahriar

Managing Director & CEO

Mr. Khwaja Shahriar joined LankaBangla Finance as Managing Director on May 21, 2017. Prior to that he was the Deputy Managing Director and Head of Business of LankaBangla Finance since June 2012. Before joining LankaBangla Mr. Shahriar worked in various Banks and Financial Institutions for almost two decades. He served BRAC Bank Limited for almost a decade in different positions and capacity including Head of Corporate Banking, Head of Cash Management and Head of Probashi Banking. He also served in various positions in both GSP Finance Company Limited and Bangladesh Finance & Investment Company Limited. Mr. Shahriar also worked for Uttara Bank Limited, AB Bank Limited and Green Delta Insurance Company.

Mr. Shahriar attended a good number of trainings, workshops and seminars at home and abroad including USA, UK, Dubai, Hong Kong, India during his long professional career.

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



02

02. A. K. M. Kamruzzaman, FCMA

Head of Operations

Mr. A. K. M. Kamruzzaman, FCMA, is working as the Senior Executive Vice President & Head of Operations, with the responsibility of Asset Operations, Liability Operations, Treasury Operations, Asset Monitoring, Collection & Recovery, Special Asset Management (SAM), Asset Accounts Maintenance, Closing & Clearance and MIS & Regulatory Reporting. During his long sixteen and half years' tenure with LankaBangla, he has got the rare opportunity to work in almost all the functional areas of the company in different capacities as head of Credit & Investment, Head of Business, Head of Credit Administration, Head of Accounts, Head of Administration & Company Secretary. He is a nominated Director in the Board of LankaBangla Asset Management Company Limited. Prior to LankaBangla, he served Opex Group, Prime Group, Babylon Group and some other leading companies in manufacturing and service industries.

He also served time to time as part-time and guest faculty in the Institute of Cost & Management Accountants of Bangladesh (ICMAB), the Institute of Business Administration (IBA), University of Dhaka, and as a guest trainer in Bangladesh Institute of Bank Management (BIBM) and Bangladesh Leasing & Finance Companies' Association (BLFCA). Currently he is the Chairman of Dhaka Branch Council (DBC) of ICMAB.

Mr. Kamruzzaman is a post graduate in Accounting from the University of Dhaka. He is also an MBA from the IBA, University of Dhaka and a Fellow Member (FCMA) of ICMAB. For personal and professional development, he has travelled SriLanka, Thailand, Malaysia, Indonesia, Singapore, Germany, France, Switzerland & Italy.



Management Committees

MC Management Committee (MANCOM)	ITDC IT Development Committee	ICCC Internal Control and Compliance Committee
RMC Risk Management Committee	HRC Human Resource Committee	CMOC Capital Market Operations Committee
MCC Management Credit Committee	Inv.C Innovation Committee	SFC Sustainable Finance Committee
ALMC Asset Liability Management Committee (ALMC)	PC Purchase Committee	IC Integrity Committee
BRM Business Review Management Committee	LMRC Loan Monitoring & Recovery Committee	



03

03. Khurshed Alam

Head of Personal Financial Services

Khurshed Alam, Senior Executive Vice President joined the then Vanik Bangladesh Limited in July 1998. He is currently looking after the Personal Financial Services Division. As a long term serving employee, he worked in various departments of the Company including Finance, Administration, HR, Portfolio Management, Credit Card, Home Loan, SME Finance, Auto Loan, Personal Loan and Secured Loan.

Mr. Khurshed started his career in 1992 as a Probationary Officer-Finance & Accounts in Rupali General Insurance Company Limited. He obtained his Honors and Masters in Management from the University of Dhaka. He also got his Post Graduate Diploma in Personnel Management (DPM) from Bangladesh Institute of Management. He has attended a good number of training, workshop and seminar in home and abroad.

- MC
- RMC
- MCC
- ALMC
- ITDC
- ICCC
- HRC
- PC
- BRM
- LMRC
- SFC



04

04. Quamrul Islam

Head of Treasury & FI

Quamrul Islam, Senior Executive Vice President joined erstwhile Vanik Bangladesh Limited on October 7, 1997 which was later renamed as LankaBangla Finance Limited. During his tenure of office he held different positions and looked after the functions of Finance and Treasury. Currently he is discharging the responsibility as Head of Treasury & Financial Institutions.

Mr. Islam obtained his graduation with Honors and post graduation in Accounting from the Faculty of Business Studies of Dhaka University. He started his career with "PRAN Group" one of the largest conglomerates of the country as a Management Trainee Officer in early 1997. Mr. Quamrul is the Joint Secretary of Bangladesh Money Market Dealers' Association (BAMDA).

- MC
- RMC
- ALMC
- HRC
- ITDC
- ICCC
- CMOC
- BRM



05

05. Mohammed Kamrul Hasan, FCA

Chief Risk Officer

Mohammed Kamrul Hasan, Executive Vice President and Chief Risk Officer heads the Risk Management Division which is responsible for managing the Enterprise Risk at LankaBangla and its subsidiaries. Mr. Hasan was appointed as Vice President in February 2007. He possesses extensive experience in Accounting, Auditing and Finance.

Mr. Hasan holds a Bachelor Degree in Accounting from the National University of Bangladesh. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

- MC
- RMC
- ALMC
- ITDC
- ICCC
- IC
- SFC

Management Committees

- MC Management Committee (MANCOM)
- ITDC IT Development Committee
- ICCC Internal Control and Compliance Committee
- RMC Risk Management Committee
- HRC Human Resource Committee
- CMOC Capital Market Operations Committee
- MCC Management Credit Committee
- Inv.C Innovation Committee
- SFC Sustainable Finance Committee
- ALMC Asset Liability Management Committee (ALMC)
- PC Purchase Committee
- IC Integrity Committee
- BRM Business Review Management Committee
- LMRC Loan Monitoring & Recovery Committee



06

06. Mostafa Kamal, FCA

Group Company Secretary

Mostafa Kamal, Executive Vice President, joined LankaBangla in February 2009. Currently, he is working as the Group Company Secretary of LankaBangla Finance Limited and its subsidiaries. In addition to his current role, he also worked in the company as Head of HR and Administration. Mr. Kamal completed his B.Com. (Hons.) and M.Com. in Accounting from University of Dhaka. He is a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Prior to joining in LankaBangla he was the Head of ICC of IPDC of Bangladesh Limited and also served Rahman Rahman Huq, Chartered Accountants, (Member Firm of KPMG International) as Manager, Audit and Advisory Services from September 2003 to June 2006.

Mr. Kamal held the position of the Chairman of Dhaka Regional Committee of ICAB for the year 2010-2011. He was a Council Member of ICAB for the term 2016- 2018. He was Vice President (Education & Training) of ICAB for the year 2017. Mr. Kamal played a very vital role in opening Dhaka Chapter of Information System Audit and Control Association (ISACA) of USA. He is the Founder Director, Communication and Ex-Director, Academic Relations of ISACA Dhaka Chapter. Mr. Kamal is also a Founder Member and the General Secretary of Vision Care Foundation (a non-profit organization). He is the Executive Director and a member of Policy Advisory Committee of Bashundhara Eye Hospital and Research Institute, a non-profit and most modern Eye Hospital in Bangladesh. Currently, Mr. Kamal is Government nominated Board Member in two state owned organizations namely Bangladesh Cable Shilpa Limited and Telephone Shilpa Sangstha Limited.

MC



07

07. Kazi Masum Rashed

Head of Branch Distribution & Management

Kazi Masum Rashed, is entrusted with the role of Head of Branch Distribution & Management Division since April 2018. He joined LankaBangla in 2011 as Chief Credit Officer and served long seven years as CCO of LankaBangla Finance. Altogether he possess more than 18 years of experience in Banking Industry.

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

MC

MCC

ALMC

ITDC

HRC

ICCC

IC

SFC

BRM

LMRC

Inv.C

Management Committees

MC

Management Committee (MANCOM)

RMC

Risk Management Committee

MCC

Management Credit Committee

ALMC

Asset Liability Management Committee (ALMC)

BRM

Business Review Management Committee

ITDC

IT Development Committee

HRC

Human Resource Committee

Inv.C

Innovation Committee

PC

Purchase Committee

LMRC

Loan Monitoring & Recovery Committee

ICCC

Internal Control and Compliance Committee

CMOC

Capital Market Operations Committee

SFC

Sustainable Finance Committee

IC

Integrity Committee



08

08. Mohammad Shoaib

Head of Corporate Financial Services

Mohammad Shoaib, Executive Vice President, joined LankaBangla Finance as Assistant Vice President in May 2007. He is currently working as the Head of Corporate Financial Services Division looking after the Corporate Asset & Liability Portfolio. Mr. Shoaib has around 16 years of financial services experience and held various senior management positions in credit & investment, corporate finance, retail finance, SME finance, credit administration and corporate liability. Prior to joining LankaBangla, he was the Branch In-charge of Chittagong Branch of Prime Finance & Investment Limited. He is a Bachelor in Business Administration with Honors in Accounting and a Master's in Business Administration in Accounting & Information Systems from the University of Dhaka. He has attended a good number of trainings, seminars and workshops both in home and abroad.

- MC
- RMC
- MCC
- ALMC
- IC
- SFC
- LMRC



09

09. Shamim Al Mamun, FCA

Chief Financial Officer

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

He obtained his Bachelor degree in Computer Science from American International University of Bangladesh (AIUB). He is also an ex-cadet and completed his secondary education from Sylhet Cadet College. Mr. Shamim possesses extensive competencies and experiences in Strategic Planning & Forecasting, Process design and Productivity improvement, Financial Governance & Modelling, Financial Reporting and Financial Management. He is also a resource person of ICAB in the capacity of providing training to students and in the process of educational development.

- MC
- RMC
- ALMC
- ITDC
- HRC
- ICCC
- PC
- CMOC
- SFC
- BRM



10

10. Md. Kamruzzaman Khan

Head of SME

Md. Kamruzzaman Khan, Senior Vice President joined LankaBangla Finance Limited as a Head of SME Financial Services Division since 2013. Mr. Khan has over 15 years of Banking and Financial Services experiences. Prior to joining LankaBangla Finance Limited, he served in BRAC Bank Limited under SME Division in different positions including Manager and Senior Manager. Mr. Khan has obtained an M. Com in Accounting and also attained an MBA from State University of Bangladesh with Major in Finance & Banking. He participated in advance training programme on Financing SMEs in NIBM, Pune (India) organized jointly by Frankfurt School of Finance and Management, Germany. Mr. Khan also participated in strategic Planning & Thinking programme on SME financing in SIM (Singapore). He has extensive knowledge and experience in business development, risk governance, organizational transformation and driving sustainable business growth. Besides attended a good number of trainings, seminars and workshops both in home and abroad he also been elected as the President of the Rotary Club of Dhaka Capital for 2019-20.

- MC
- RMC
- MCC
- ALMC
- BRM
- LMRC
- SFC

Management Committees

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> MC Management Committee (MANCOM) RMC Risk Management Committee MCC Management Credit Committee ALMC Asset Liability Management Committee (ALMC) BRM Business Review Management Committee | <ul style="list-style-type: none"> ITDC IT Development Committee HRC Human Resource Committee Inv.C Innovation Committee PC Purchase Committee LMRC Loan Monitoring & Recovery Committee | <ul style="list-style-type: none"> ICCC Internal Control and Compliance Committee CMOC Capital Market Operations Committee SFC Sustainable Finance Committee IC Integrity Committee |
|---|--|---|



11

11. Mohammad Faruk Ahmed Bhuya

Head of Asset Operations

Mohammad Faruk Ahmed Bhuya joined LankaBangla Finance Limited on April 01, 2013. He is currently working as Head of Asset operations and responsible to take care of Loan Documentation, Disbursement, Credit Card Operation, Post Dated Cheques (PDC) and Un-dated Cheque (UDC) management. Prior to this, he was working as manager at BASIC Bank limited in different branches and divisions as well as at Head Office from June 2000 to March 31, 2013. He started his banking career in 1999 with Prime Bank Limited as a Management Trainee Officer (MTO). Mr. Bhuya is a post graduate in Management from the University of Dhaka.

He brings with him 17 years of long and diversified banking experience in Credit, Trade Finance and General Banking. Mr. Bhuya attended a number of professional Training, workshops and seminars at home and abroad. He is a Diplomaed Associate of the Institute of Bankers, Bangladesh (DAIBB). Mr. Bhuya is a widely travelled person.

MC LMRC MCC ITDC SFC



12

12. Sheik Mohammad Fuad

Head of ICT

Sheik Mohammad Fuad, Head of Information & Communication Technology Division, has been working in LankaBangla Finance Limited since 1999 and has been serving current role as Head of Information and Communication Technology (ICT) Division since November 2011. He has more than 18 years of experience in IT Operations, IT Project Management, IT Governance and IT Risk Management. As the Head of ICT, Mr. Fuad is responsible for enabling various business requirements through development and successful deployment Information Technology features. He also contribute to the strategic planning of the organization as a member of the Management Committee.

Here in LankaBangla Mr. Fuad is leading a team of highly professional personnel experienced in various wing of Information & Communication Technology such as Infrastructure & Network, ICT Security & Risk, Application & Database Management, Project Management. He has attained professional certifications such as CDCP, COBIT®5, PRINCE2®, ITIL & MCP.

MC RMC ITDC ICCC IC PC

Management Committees

MC Management Committee (MANCOM)

RMC Risk Management Committee

MCC Management Credit Committee

ALMC Asset Liability Management Committee (ALMC)

BRM Business Review Management Committee

ITDC IT Development Committee

HRC Human Resource Committee

Inv.C Innovation Committee

PC Purchase Committee

LMRC Loan Monitoring & Recovery Committee

ICCC Internal Control and Compliance Committee

CMOC Capital Market Operations Committee

SFC Sustainable Finance Committee

IC Integrity Committee



13

13. Mohammad Nazmul Hasan Tipu, CFA

Chief Credit Officer

Mohammad Nazmul Hasan Tipu, Senior Vice President & Chief Credit Officer is responsible for Credit Risk Management Division of LankaBangla Finance Limited. He joined LankaBangla Finance Limited as AVP at Credit Risk Management Division in May 2013 with around 9 years of banking experience with exposure in loans and advances both at Branch (Relationship Management) and Head Office level (Industrial Credit Division). He successfully served around 5 years as Unit Head, Corporate Credit, CRM and eventually he has been promoted to the role of Chief Credit Officer in April 2018.

Mr. Nazmul obtained his B.Sc. in Chemical Engineering from Bangladesh University of Engineering and Technology (BUET) and Masters in Business Administration (MBA) from Institute of Business Administration (IBA), University of Dhaka. In 2018, he obtained coveted Chartered Financial Analyst (CFA) charter reflecting his commitment to harnessing enriched skill sets of international standard and thus demonstrating professional excellence in his area of expertise. He attended a number of trainings, seminars and workshops both in home and abroad.

- MC**
- RMC**
- MCC**
- ALMC**
- ITDC**
- CMOC**



14

14. Ummay Habiba Sharmin

Head of Legal Affairs

Ms. Sharmin joined LankaBangla family as Head of Legal back in 2009. Since then she has been overseeing the legal issues of not only LankaBangla Finance but also LankaBangla group as well. Ms. Sharmin possesses comprehensive knowledge on legal issues including documentation, acquisition, due diligence, trust-agency transactions, commercial issues, labour law issues, litigation etc. Prior to joining LankaBangla, she was a practicing lawyer at a very renowned corporate law firm namely Lee, Khan & Partners. She has the exposure of plentiful large project financing of various modalities .

Ms. Sharmin is a post-graduate in law from University of Chittagong and is an enrolled advocate at the Supreme Court of Bangladesh with around 14 years of experience in the legal profession. She is currently attending an executive Master’s Program on Business Administration at BRAC University.

- MC**
- ITDC**
- LMRC**



15

15. Muhammad Habib Haider

Head of GIS

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

- MC**
- PC**
- RMC**
- ITDC**

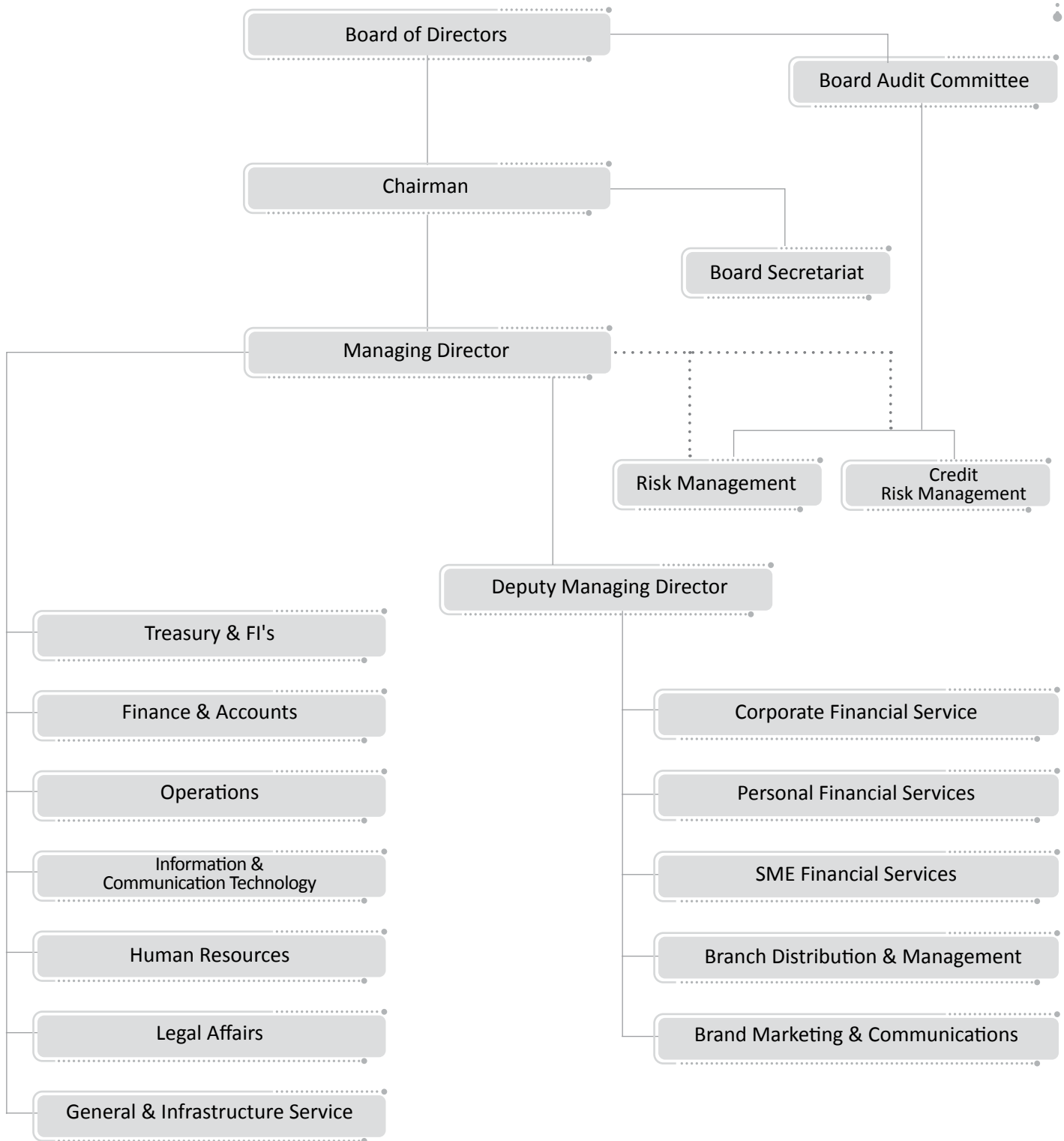
Management Committees

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- HRC** Human Resource Committee
- Inv.C** Innovation Committee
- PC** Purchase Committee
- LMRC** Loan Monitoring & Recovery Committee

- ICCC** Internal Control and Compliance Committee
- CMOC** Capital Market Operations Committee
- SFC** Sustainable Finance Committee
- IC** Integrity Committee

ORGANOGRAM OF LANKABANGLA FINANCE



MANCOM MEMBERS

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



Sitting

- 01 Ummay Habiba Sharmin**
Head of Legal Affairs
- 02 Khwaja Shahriar**
Managing Director & CEO
- 03 A. K. M. Kamruzzaman, FCMA**
Head of Operations

Standing

- 04 Muhammad Habib Haider**
Head of GIS
- 05 Mohammad Faruk Ahmed Bhuya**
Head of Asset Operations
- 06 Sheik Mohammad Fuad**
Head of Information & Communication Technology
- 07 Khurshed Alam**
Head of Personal Financial Services
- 08 Quamrul Islam**
Head of Treasury & FI
- 09 Mohammed Kamrul Hasan, FCA**
Chief Risk Officer
- 10 Shamim Al Mamun, FCA**
Chief Financial Officer
- 11 Mohammad Nazmul Hasan Tipu, CFA**
Chief Credit Officer
- 12 Kamruzzaman Khan**
Head of SME Financial Services
- 13 Mohammad Shoib**
Head of Corporate Financial Services
- 14 Kazi Masum Rashed**
Head of Branch Distribution & Management
- 15 Mostafa Kamal, FCA**
Group Company Secretary

MESSAGE FROM THE CHAIRMAN



In the name of Almighty Allah, the Most Gracious and the Most Merciful.

Dear valued shareholders,

As-salamu-alaikum.

It is our great pleasure to invite you all to the 22nd Annual General Meeting of LankaBangla Finance Limited. I am glad to present the annual report, financial performances with audited financial statements for the year ended 31 December 2018, economic outlook and business strategies for the Company and its subsidiaries.

Bangladesh economy grew at a record 7.86% rate in 2018 which is expected to remain at the same level for 2019 ensuring robust economic growth. The fiscal expansion followed the growth trajectory with development budget allocation being 37% of BDT 4,645 billion national budget for FY 2018-2019. Amid robust GDP growth in 2018, broad money (M2) increased at slower rate of 9.41%. The low deposit rate resulted in yearlong liquidity shortage that was intensified due to the regulatory compliance of maintaining the AD ratio to a permissible level. This has resulted in high deposit rate and reduced interest rate spread.

During the year 2018 the foreign currency was under constant pressure amid balance of payment and current account deficit which might continue throughout 2019. Devaluation of BDT will definitely boost export oriented sectors but create pressure on inflation rate.

The year 2018 has been a difficult year, but as we look back over last five years, our Company had gone through extraordinary length to diversify the Company in terms of product offering, revenue growth, risk management, digital infrastructure and prudent balance sheet

management. We have diversified our core lending portfolio with more exposures in Retail and SME customers which comprises of 65.68% of our loan book in 2018 from that of 18.29% in 2013. The diversification of asset base did not stop us from being a strong participant in the capital market.

In 2018, we have achieved BDT 444 million net profit after tax from consolidated operations and BDT 714 million from standalone operation of LankaBangla Finance Limited. Earnings per share (EPS) is BDT 0.85 on consolidated basis and BDT 1.40 on standalone basis. The year 2018 being an election year there was some political uncertainties which resulted in liquidity crunch in banking sector and bearish capital market; accordingly, our bottom line result has been greatly affected.

The net cash flow per share from operating activities has increased to BDT 3.30 up from negative territory last year. Due to high attrition rate of corporate and institutional (e.g. Financial Institutions) deposits, LankaBangla Finance focused and successfully increased its retail deposit base, at the same time bank borrowing decreased by 16% from that of 2017. Concurrently, we are exploring low cost and long term nature of funding avenue which will increase our interest rate spread. Already, LankaBangla Finance has availed USD 20 million Murabaha facility from ICD (Member of Islamic Development Bank Group) as the first NBFIs in Bangladesh to secure Shariah-compliant foreign currency financing.

Although, Company's earnings per share has been down by 79% in 2018 from that of previous year, we never lost sight that matters the most; serving our customers to our best capacity by growing together. As Bangladesh graduates into a middle-income country, the economy

is growing more than double the growth rate of world average paving prosperous future in the days to come.

In the meantime, LankaBangla Finance Limited has become safer and stronger than ever enabling it to lend and raise capital to ensure growth for both our customers and shareholders. We have strengthened our balance sheet by issuing Right Share that has increased our shareholders' equity to a new height of BDT 9,823 million up by 18% from 2017. Moreover, subordinated bond of BDT 1,793 million has strengthen our supplementary tier 2 capital. After those strategic initiatives, Capital Adequacy Ratio (CAR) of 16.18% on consolidated basis and 15.74% on standalone basis shows great improvement in terms of safety comparing to the consolidated and standalone CAR of 11.95 % and 11.81% respectively for the year 2017.

Our loan book and carrying value of investment registered marginal growth considering tight liquidity position and LBFL's continuous focus on balance sheet diversification. Our focus on Retail and SME business segment has resulted into more diversified loan book. In 2018 we have added 2 more new branches in an effort to expand our geographical footprint.

Comparing to the marginal growth of LBFL's loan book by 3.2%, its net interest income grew by 11.3% in 2018. Operating expenses growth was controlled successfully as it grew by only 3.7% in a competitive market and comparing to average yearly inflation rate of 5.54% in 2018.

Income from investment has reduced to BDT 434.00 million in 2018 from that of 914.00 million in previous year due to bearish stock market performance throughout the year. We had to make provision of BDT 342.29 million for diminution in value of investments and BDT 368.77 million for loans and advances. NPL increased to 3.60% in 2018 compared to 3.07% in 2017.

As political uncertainty abates of and the new government consolidates its position, capital market is expected to be upbeat in terms of turnover and general direction in price index. Although banking sector liquidity situation is still tight, it is expected to be better than that of last year. Besides, economic growth, positive corporate earnings in a growing economy and reduced uncertainty are expected to improve the capital market outlook. In 2018, Chinese consortium of Shenzhen and Shanghai Stock Exchange has inked deal with Dhaka Stock Exchange to become a strategic investor of DSE. Expectedly, the technical assistance and collaboration offered by the strategic investor is expected to benefit the capital market in future. Throughout the year 2018, the capital market was volatile and we strived to maintain the momentum. During the year average daily turnover in DSE and CSE has declined by 37.01% and 40.25% respectively compared to the last year. Political uncertainty, yearlong liquidity shortage in banking sector, unstable money market and selling pressure from foreign investors have played vital roles in the downtrend stock market. Our fee based income like brokerage and commission has reduced significantly by 38% in FY 2018. On top of that, we had to put aside considerable amount as provision for margin loans.

Despite the afore mentioned situations, our subsidiary Company, LankaBangla Securities Limited, has secured 1st position in terms of turnover for 13 consecutive years in Dhaka Stock Exchange and for 14 consecutive years in Chittagong Stock Exchange depicting our consistent strong presence in Bangladesh Capital Market.

We consider corporate social responsibility as an opportunity to work for advancing societal needs and improving communities. In 2018, we arranged 2nd phase of Tree Plantation at Ramu Cantonment, Cox's Bazar. Besides, we have continued our support to underprivileged people of the community to ensure their health, shelter and education

through LankaBangla Foundation.

Our board has recommended 15% cash dividend to the shareholders for their approval in the Annual General Meeting. LankaBangla Finance Limited pledges utmost importance in justifiable distributions to shareholders that is consistent with prevailing economy, financial condition of the Company and organizational strategy as a whole.

Our most important asset is our human capital. We attract the best talents in the industry through our flagship management trainee program and lateral entries that offers competitive compensations and benefits. We focus on need-based training for next generation of leaders. Newly recruited staffs go through proper orientation, external/internal training depending on the requirement of the job along with on the job training and mentoring.

As we navigate through 2019 after a difficult year, the management of LankaBangla Finance Limited stands resolute to the commitment of improved performance for coming years. Going forward in 2019, following strategies will be instrumental in setting priorities and focus of LankaBangla Group:

- ▶ To bolster our strong market position among the NBFIs by capitalizing the network effect of our wide branch coverage, leveraging existing relationships through cross selling and optimizing balance sheet for high-risk adjusted return.
- ▶ We will continue to diversify our revenue streams, reduce portfolio concentration and explore niche markets that have either superior return or reduced risk. We focus on the markets that matches our organizational strength.
- ▶ Strong corporate governance and adhering to strict compliance standards are two of the guiding ethos of LBFL. Vigorous effort to improve and maintain adequate liquidity, full compliance to all regulatory requirements will be our priorities like all other years.
- ▶ To maintain and leverage our leading position to materialize opportunities in capital market.

I would like to express my sincere thanks to the Board of Directors of the company for their valuable guidance and efforts to keep LankaBangla Finance Limited on right track. We are ever thankful to Bangladesh Bank, Bangladesh Securities and Exchange Commission, National Board of Revenue, Dhaka Stock Exchange, Chittagong Stock Exchange, Central Depository Bangladesh Limited, Registrar of Joint Stock Companies and Firms and all other relevant entities for their tremendous support, trust and indispensable contributions. Special thanks to our depositors and customers for believing in LankaBangla Brand. At LankaBangla Finance Limited, we believe in long-term sustainable performance and value we create though executing our long term strategies. We reiterate that fulfilling the commitment to our shareholders will remain the most important yardstick of our management's success.

Yours sincerely,



Mohammad A. Moyeen
Chairman

DIRECTORS' REPORT

Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you to the 22nd Annual General Meeting of the Company.

The Board of Directors of LankaBangla Finance Limited have the pleasure in presenting LankaBangla Group's Annual Report for the year ended 31 December 2018, which includes reports on business strategy and review, risk management, corporate governance, investor relations and a sustainability supplement. It includes Audited Financial Statements of the Company, Consolidated Financial Statements of the Group for the year and the Auditors' Report on those Financial Statements. The Financial Statements were reviewed and approved by the Board of Directors on 12 February 2019.

We are pleased to report that during the year 2018, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 444.44 million. This year was a difficult year as we navigate through tight liquidity situations but at the end we came out of the situation with stronger balance sheet. Needless to say, capital market downturn resulted in reduced profitability which is expected to improve in FY 2019 as uptick in market indexes and robust economy leads the way in post-election expectation of an improved economic environment.

1. General

LankaBangla Finance Limited (LBFL) started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LBFL also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as a Merchant Banker. The Company went for public issue in 2006 and its shares are listed in both Dhaka and Chittagong Stock Exchange since 17 October 2006 and 31 October 2006 respectively. The corporate office of LBFL is located at Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh.

2. Vision, Mission, Core Values & Code of Conduct

LBFL's Vision, mission, core values and code of conduct are given in the page number 1 and 10 of the Annual Integrated Report. The business activities of the organization are conducted at a high level of ethical standard in achieving its Vision.

3. Principal Business Activities

3.1 LBFL

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

- ▶ Fee based services include Credit Card Membership Fees, Merchants Commission, Underwriting of Securities, IPOs, Portfolio Management, and Corporate Financial Services etc.
- ▶ Fund based services include Lease Finance, Term Finance, Real Estate Finance, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, Term Deposit etc.

Organization	Principal Business Activities
LankaBangla Securities Limited	The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, treasury bills and/or any financial instruments.
LankaBangla Investments Limited	The activities of the Company include services broadly classified as interest income and fee based services, such as underwriting of securities, issue management, register to issue, portfolio management, corporate advisory services etc.
LankaBangla Asset Management Company Limited	The principal activities of the company include: <ul style="list-style-type: none"> ▶ Manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust. ▶ Float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being. ▶ Manage and administer mutual fund, provident fund, pension fund for the purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise as per relevant rules and regulations.

<p>LankaBangla Information System Limited</p>	<p>ERP, Consultancy & Training, Market Data Service to International Fund Manager and Exchanges, develop specialized simulation tools for trading, outsourcing, Private Cloud Computing, ITES, Project Management, Process Management, Cloud Services, Business Process Outsourcing (BPO), Registered Educational Provider (REP) affiliating with world recognized companies, System Integrator (SI), E-Commerce, M-Commerce, IT Audit, Trading of PC, Servers, Network, Security and Accessories and many more with changes of technology and business diversities.</p>
<p>BizBangla Media Limited</p>	<p>Printing and publishing of newspaper, Journals, magazines, periodicals, books any other literary and non-literary works.</p>

prices. For some, this easing has been partially offset by the pass-through of currency depreciations to domestic prices.

Financial conditions in advanced economies have tightened in 2018. Equity valuations—which were stretched in some countries—have been pared back with diminished optimism about earnings prospects amid escalating trade tensions and expectations of slower global growth. Concerns over a US government shutdown further weighed on financial sector sentiment toward year-end. Major central banks also appear to be adopting a more cautious approach. While the US Federal Reserve raised the target range for the federal funds rate to 2.25%–2.50% in December, it signalled a more gradual pace of rate hikes in 2019 and 2020.

Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019. There is substantial uncertainty around the baseline projection of about 1.5% growth in the United Kingdom in 2019–20. The unchanged projection reflects the offsetting negative effect of prolonged uncertainty about the Brexit outcome and the positive impact from fiscal stimulus announced in the 2019 budget. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, as of January 2019, the shape that Brexit will ultimately take remains highly uncertain.

The growth forecast for the United States also remains unchanged. Growth is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest. Nevertheless, the projected pace of expansion is above the US economy’s estimated potential growth rate in both years. Strong domestic demand growth will support rising imports and contribute to a widening of the US current account deficit.

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018) before improving to 4.9% in 2020. Growth in emerging and developing Asia will dip from 6.5 percent in 2018 to 6.30% in 2019 and 6.40% in 2020. Despite fiscal stimulus that offsets some of the impact of higher US tariffs, China’s economy will slow due to the combined influence of needed financial regulatory tightening and trade tensions with the United States. India’s economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.

2018 is also marked by a number of countries carrying out comprehensive tax reform. Among others, Argentina, Belgium, Poland, South Korea, Turkey and the United States all fall under this banner. The reduction in the corporation tax rate from a maximum of 35% to a flat rate of 20% (25% for personal services corporations) may encourage capital spending. The tax reform package is expected to help small businesses & self-employed individuals. Despite these actions, the US economy expanded at a fast pace in 2018, as tax cuts and spending increases stimulated demand. The US Federal Reserve has continued to raise the policy interest rate as a result. Interest rates on US long-term bonds have increased less, as investors see risks to future growth and value the safety of US Treasury securities. As growth and interest rates in the United States have outpaced those in other major economies, the US dollar has appreciated against most other currencies in 2018.

(Source: World Economic Outlook, January 2019, International Monetary Fund)

4. Economic Review of 2018

4.1 World Economy

The global economy started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017. After the rapid growth in 2017, industrial production and trade have slowed and business confidence has fallen. In a nutshell, growth has weakened, trade tensions remain high, several developing economies have experienced financial stress, and risks to the outlook have increased. The global economy is projected to grow at 3.5% in 2019.

The global economy continues to expand in 2018 but third-quarter growth has disappointed in some economies. New fuel emission standards in Germany, natural disasters in Japan were weighed on activity in large economies. But these developments occurred against a backdrop of weakening financial market sentiment, trade policy uncertainty, and concerns about China’s outlook. In the fourth quarter of 2018, outside the United States, industrial production has decelerated, particularly of capital goods. Global trade growth has slowed down.

Crude oil prices have been volatile since August 2018, reflecting supply influences, including US policy on Iranian oil exports and more recently fears of softening global demand. As of early January, crude oil prices stood at around \$55 a barrel, and markets expected prices to remain broadly at that level over the next 4–5 years. Prices of metals and agricultural commodities have softened slightly since August, in part due to subdued demand from China. Consumer price inflation has generally remained contained in recent months in advanced economies but has inched up in the United States, where above-trend growth continues. Among emerging market economies, inflationary pressures are easing with the drop in oil

4.2 Regional Economy

Growth in South Asia accelerated to 6.9% in 2018 from 6.2% of 2017 and expected to accelerate to 7.1% in 2019 by strengthening investment and robust consumption. The solid investment was supported by the fading of a number of temporary disruptions, a revival of credit growth and ongoing infrastructure projects. Strong domestic demand boosted imports while exports remained subdued amid weak global trade sentiment, causing current account deficits to widen.

India is forecast to accelerate to 7.2% in FY 2018-19 as consumption remains robust and investment growth continues. Excluding India, regional growth moderated slightly in 2018. Pakistan's GDP has reached 5.8% in 2018, with solid contributions from consumption and investment and expected to decelerate to 3.7% in FY 2018-19, with financial conditions tightening to help counter rising inflation and external vulnerabilities.

Sri Lanka is anticipated to speed up slightly to 4.00% in 2019, supported by robust domestic demand and investment boosted by infrastructure projects. Investment and services remained the major contributor to economic activity in Bhutan and the Maldives. In Bhutan, hydropower and other infrastructure projects supported investment, and GDP has reached to 5.40% in 2018.

Maldives' GDP accelerated to an estimated 8% in 2018, reflecting strength in tourism and construction. Growth in Afghanistan is estimated to have edged down to 2.40%. Although activity was supported by agriculture and services, subdued business confidence and security challenges continued to weigh on growth.

There were some signs of rising inflationary pressure across the region, and both India and Pakistan raised rates in 2018 to counter the effects of currency depreciation, rising energy prices, and domestic capacity constraints. Sovereign bond yields surged in the region last year. Fiscal consolidation stalled owing to elections in several countries, contributing further to the region's high levels of government debt. Pakistan's fiscal deficit rose to 6.60% of GDP in the year 2018, well above the government's target of 4.10%, as tax collection fell short of expectations. External vulnerabilities are also rising in the region. In Sri Lanka and to some extent in Pakistan, external debt is sizable and current account deficits have deteriorated considerably.

4.3 World Commodity Price

Commodity prices are expected to generally stabilize in 2019. Crude oil & energy prices fluctuated remarkably in the second half of 2018, mainly due to supply factors, with sharp declines toward the end of 2018. Prices of metals and agricultural commodities also weakened, due to concerns about the effects of tariffs on global growth and trade. Oil prices averaged \$68 per barrel (bbl) in 2018, which was 30% higher than in 2017. Oil prices are expected to average \$67/bbl in 2019 and 2020. While growth in oil demand is expected to remain robust in 2019, the outlook for supply is uncertain and depends to a large extent on production decisions by OPEC. Metals prices rose 6.00% on average in 2018, less than the year 2017. After increasing in the first half of last year, prices fell sharply in the second half following the imposition of broad based tariffs by the United States on China's imports. While agricultural prices were roughly flat in 2018 as a whole, they declined appreciably in the second half of the year, with developments varying by commodity.

Wheat prices were slightly higher in 2018. Estimates for the 2018-19 crop forecast have been revised up for most commodities, and high stock-to-use ratios for rice and wheat reduce the likelihood of a food price spike. In all, agricultural prices are projected to remain broadly stable in 2019 and 2020.

4.4 Bangladesh Economy

Bangladesh is undergoing a transformation from a low-income to a middle-income economy. Bangladesh continues to generate strong growth at 7.86% for 2018 as against the target of 7.80% driven by consumer spending and investment. Growth in Bangladesh has averaged more than 6% over the last decade, significantly lifting per capita income. Poverty has declined steadily and other social indicators, like gender disparity in education and maternal mortality, have also improved. Throughout this process, the country has diversified away from an agrarian to a more manufacturing-based economy with rapid growth in the ready-made garment industry. Tax revenues in Bangladesh are currently low at 9.00% of GDP, and the country needs more revenues to finance infrastructure investment and social spending. The average tax revenue to GDP ratio for non-resource rich, low-income countries is around 15.00%.

4.4.1 Fiscal Management

Bangladesh is firmly on course to a higher economic growth achieving 7.80% gross domestic product (GDP) growth during the coming fiscal year of 2019. Budget for FY 2018-2019 is BDT 4,645.73 billion (around USD 55 billion) which is 16.07% higher compared to previous fiscal year's budget. It has revenue target of BDT 2,962.01 billion which is 63.70% of total budget funding. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.80% in FY'19, a slight increase from the previous year's target of 7.40%. Budget deficit is projected to be BDT 1,252.93 billion which is 4% of the GDP. Of this, an amount of BDT 540.67 billion (2.10% of GDP) will be collected from external sources while an amount of BDT 712.26 billion (2.80% of GDP) will be raised from domestic sources namely banking system, national savings schemes & other non-bank sources. The new budget has the highest allocation to public administration sector (18.00% of total budget) and also emphasized on power sector and ICT sector of the country.

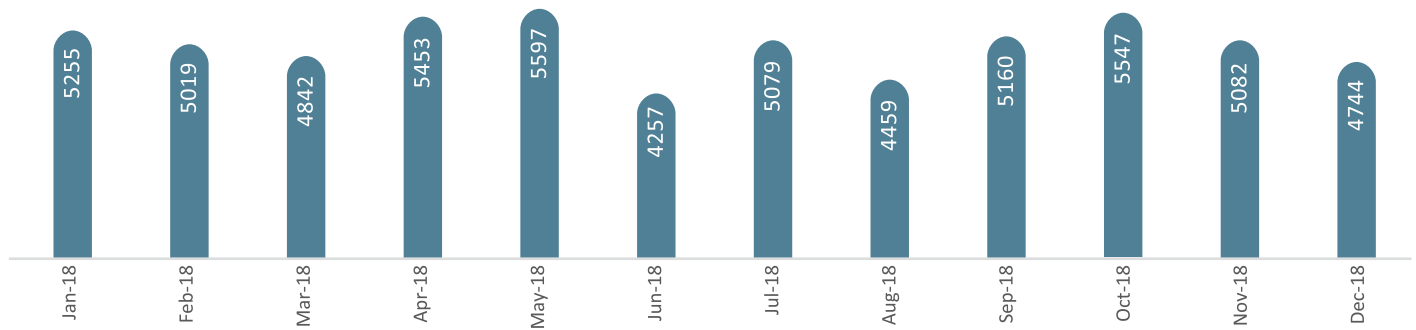
4.4.2 Current Account Balance

The current account balance continued to deteriorate throughout the first half of FY'18 as the country's capacity to export continues to lag behind. Bangladesh Current Account recorded a deficit of BDT 173.10 billion in October 2018 and a record low deficit of BDT 209.80 billion in May 2018. Money laundering & higher import payment against the lower export earnings was largely responsible for the large trade & current deficit. However, increasing foreign investment and aid can improve Bangladesh's capital account balance.

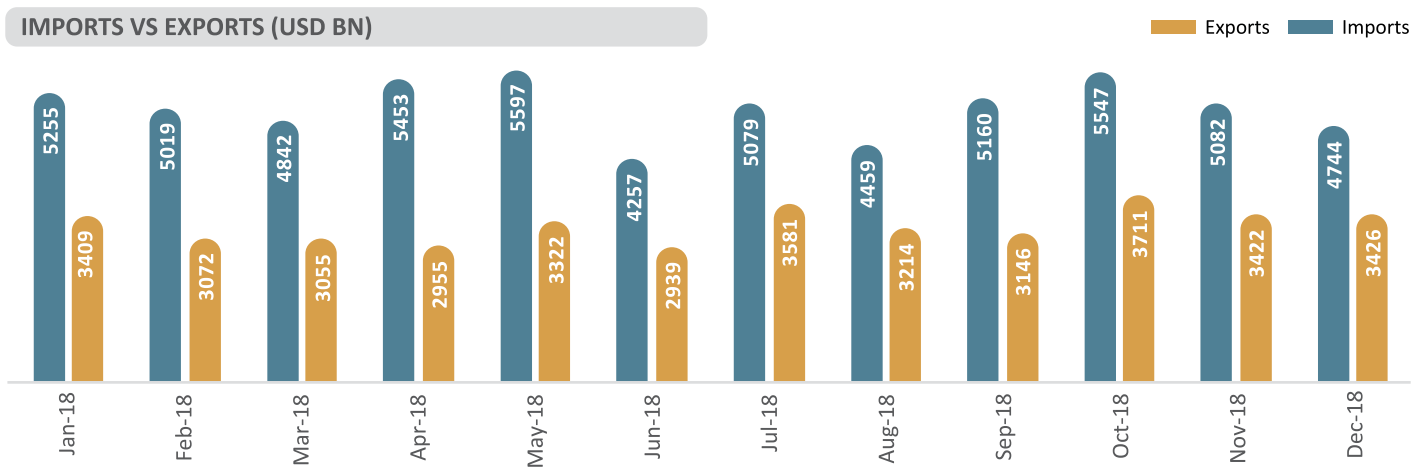
4.4.3 Import

Imports in Bangladesh increased to BDT 426.27 billion in October 2018. Total merchandise imports payments of Bangladesh (including imports of EPZ) during FY'18 amounting to USD 52,939.60 million and total imports payments of services during FY'18 amounting to USD 6,086.60 million. The import payment pressure particularly on capital machinery for power plants and infrastructure development projects may rise in the year 2019. The uptrend in fuel prices on the global market may enlarge overall import payment obligations in the near future.

IMPORTS (USD BN)



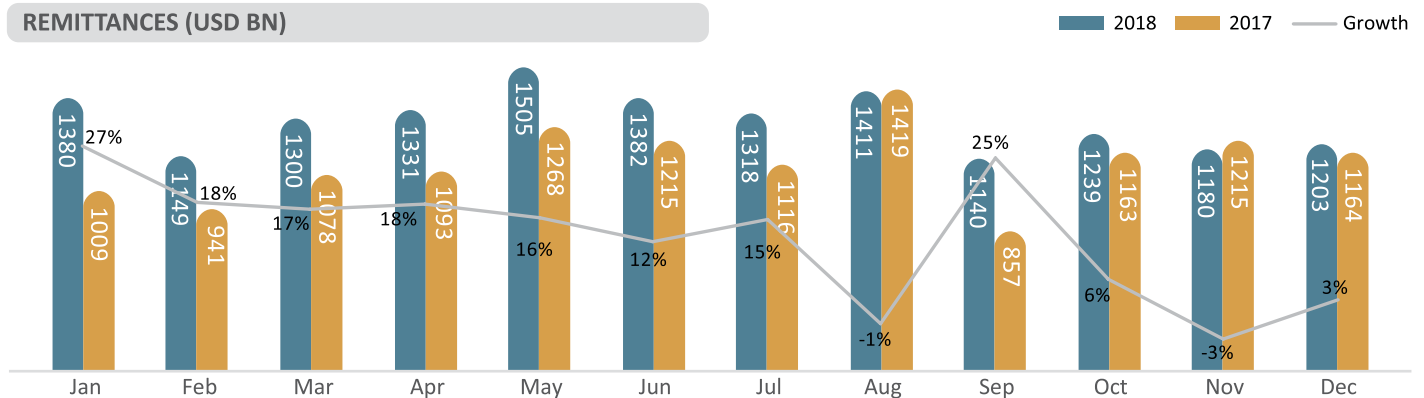
IMPORTS VS EXPORTS (USD BN)



4.4.4 Remittance Inflow

Remittances in Bangladesh increased to USD 1,202.85 million in December 2018 which was USD 1,163.82 million in December 2017. Remittance increased 15.00% in FY'18 since the depreciation of taka against the greenback and the central bank's measures to strengthen its surveillance on hundi played a major role to encourage migrants to send home more remittance in the year 2018. Remittances also rose due to rise in oil prices in the global market. Money sent by the non-resident Bangladeshis makes up about 12.00% of country's total GDP.

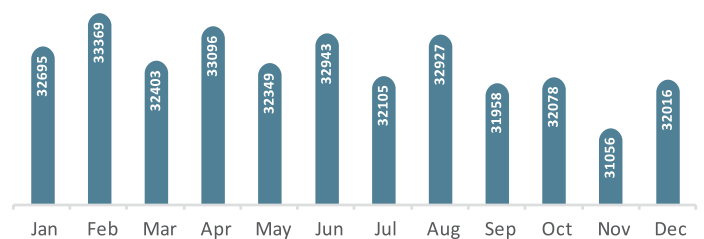
REMITTANCES (USD BN)



4.4.5 Foreign Exchange Reserve

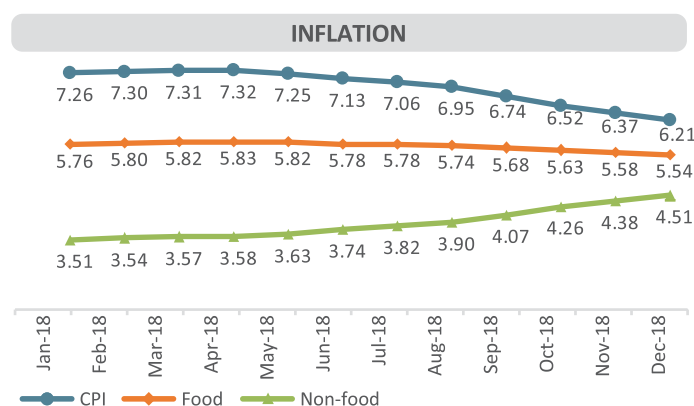
The foreign currency reserve of the Bangladesh Bank is on the decline. The reserves dropped to USD 32.02 billion in FY18 from USD 33.5 billion in FY17. Increase in import costs, particularly rise in rice and onion prices in India, the reserves declined. The import cost of necessary machinery for setting up industries rose by about 35.00% during the period of 2018 while the fuel oil & raw material for industries increased by 28.00% and 15.00% respectively. The country was witnessing a rise in foreign exchange reserves over the last few years. The import cost rose in the election time of 2018 and putting pressure on the reserves.

FX reserves- 2018



4.4.6 Inflation

From the beginning of 2016 a downward trend has been observed in year on year inflation. Starting from 7.35% in 2014 year on year inflation declined to 5.83% in 2017 and stood at 5.35% in December 2018 on a point to point basis. Satisfactory domestic production, favourable domestic environment, low budget deficit and prudent monetary policy coupled with low fuel and commodity prices in the international markets contributed to such sliding of overall inflation. Food inflation stood at 5.28% in December 2018 as against 6.02% of 2017. On the other hand, with an upward inclination since 2014, non-food inflation shot up but after that it came down to 5.49% in 2017 and 5.45% in 2018.



4.4.7 Money Market

The overall market was depressed due to 2018 being election year and unrest in the banking sector. Interest rate in call money market rate ranging from 3.90% to 4.09% during this year. Private sector credit growth continued its downward course after many banks adopted a go slow policy in disbursing fresh loans. The ongoing downward trend in money market continued in 2018. Bangladesh Bank has re-fixed the repo interest rate from 6.75% to 6.00% and unchanged the reverse repo rate remained in 2018 for achieving broad objective of monetary policy.

5. Industry Outlook

The Financial Industry in our country represents one of the most important industries those control the monetary flow in the economy. Non-Bank Financial Institutions (NBFIs), have been playing a crucial role by providing additional financial services that is not usually provided by the banks. From the very first of its journey this industry has shown so much prospect as well as progress. Sharing some common characteristics of banks & some of its own it brought diversification in the financial market. NBFIs are supervised by Bangladesh Bank under a risk-based supervisory system. The asset of NBFIs was BDT 870.30 billion as on June 30, 2018. Among the total investment made by the NBFIs 44.20% was in industry sector. Currently the industry has so many competitors. It is very clear that the companies are trying to strengthen their position in the market as the investment and fixed asset seems to be on the rise.

FIs in Bangladesh may also explore the possibilities of gaining access to new sources of funds. New instrument may introduce

which will be emerged as an important tool and added a new dimension in the financial market. If proper support is given, NBFIs will play more significant role in the economic and financial development of our country.

6. Review of Operation of LankaBangla

A review of financial and operational performance of LBFL and the Group together with important events that took place during the year 2018 are contained in the Chairman's Message pages 52-53, the Managing Director's Review pages 132-134, and the CFO's Reviews pages 135-140. These reports form an integral part of the Annual Report of the Board of Directors.

7. Future Developments

LBFL focuses on a business expansion drive through its existing and extended branch network, concentrating more on Retail and SME business to increase its market share and profitability. This will be further accompanied by a more vigorous drive on innovative product development, process improvements and staff development, aimed at fulfilling the rapidly changing customer needs in the challenging market conditions and maximizing the value that we create for all the stakeholders. Two new branches were opened during the year 2018 and further five branches are set to be opened in the year 2019. Further an overview of the future development of LBFL and the Group is given in the Chairman's Message pages 52-53, the Managing Director's Review pages 132-134, and the CFO's Reviews pages 135-140.

8. Financial Statements

The Financial Statements of LBFL and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) laid down by the Institute of Chartered Accountants of Bangladesh, and comply with the requirements of DFIM circular No. # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank and Bangladesh Bank's other circulars and guidelines or directives, the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing regulations of Dhaka and Chittagong Stock Exchanges. The aforementioned Financial Statements for the year ended 31 December 2018 duly signed by the Chief Financial Officer, Company secretary, Managing Director, the Chairman of the Audit Committee and the Chairman of the Board are given on pages from 214-372 which form an integral part of this Annual Report.

9. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of LBFL and the Group to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages from 214-372 have been prepared in conformity with the requirements of the International Financial Reporting Standards, Companies Act 1994, Financial Institutions Act 1993 and amendments thereto, the Listing Regulations of Dhaka Stock Exchange & Chittagong Stock Exchange, Bangladesh Bank's Guidelines and the Corporate Governance Code. The Statement of Directors'

Responsibility for Financial Reporting is given on page 103 and forms an integral part of the report of the Board of Directors.

10. Auditors Report

The Auditors of LBFL are M/s. S. F Ahmed & Co., Chartered Accountants carried out the audit on the Financial Statements of LBFL and the Group for the year ended 31st December 2018 and their report on those Financial Statements, as required by the Companies Act 1994 is given on 215.

11. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 233 to 249 which comply with provisions of IFRSs and the Companies Act 1994.

12. Financial Review

In line with overall economic growth, LankaBangla also exhibited a substantial progress in many of the business lines during 2018. Total asset of the group grew by 02.86% from BDT 85.44 billion in 2017 to BDT 87.89 billion in 2018. Significant amounts of disbursements were made in Corporate, Retail and SME business. Cost of borrowing has slightly increased in 2018 compared to 2017 due to liquidity crisis in whole of the year.

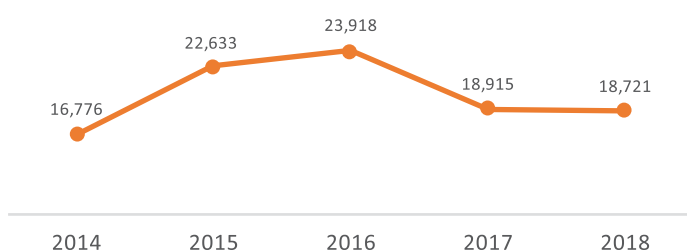
Total Asset disbursement of LankaBangla Finance for the year 2018 reduced by 31.70% compared to 2017, due to liquidity crisis in the whole of year. Total disbursed amount in 2018 was BDT 38,754 million compared to BDT 56,726 million in 2017. On the deposit side, our total deposits grew by 03.26% from BDT 51,553 million in 2017 to BDT 53,231 million in 2018, largely driven by our strong liability sales team who has provided uncompromised service. The company's investment portfolio reached BDT 77,531 million in 2017 compared to BDT 75,505 million in 2017. NPL showed a negative picture as the percentage of classified loans for the company increased to 3.60% in 2018 compared to 3.07% in 2017.

13. Core Business Review

13.1 Corporate Financial Services

LankaBangla maintained its Corporate Business portfolio throughout 2018. A total of BDT 21,052 million of corporate lending has been disbursed for the year 2018 compared to BDT 26,211 million of 2017. Disbursement in Corporate Business has decreased due to the less emphasis on Corporate Business because of low margin. Disbursement in 2018 was driven mostly by Term Loan and Factoring.

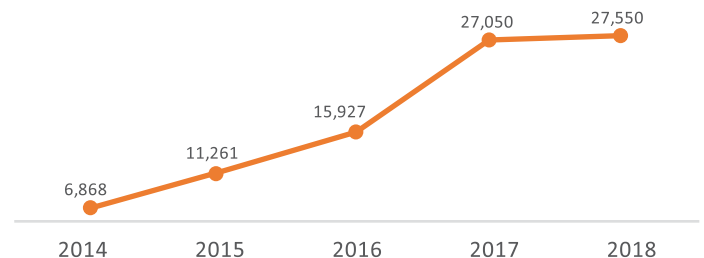
CORPORATE FINANCIAL SERVICES



13.2 Personal Financial Services

During the year 2018, the Company has continued to concentrate more on this segment by expanding two branches and increasing manpower in retail financial activities. Total BDT 13,207 million was disbursed during 2018 under retail financial services in the form of auto loan, home loan, personal loan, credit card and staff loan.

PERSONAL FINANCIAL SERVICES



13.2.1 Home Loan

Total Home Loan disbursement in 2018 was BDT 2,078 million comprising of Mortgage Loan of BDT 1,963 million and Staff Home Loan of BDT 115 million. Home Loan portfolio grew by 7.40% in 2018. At the end of 2018, Home Loan portfolio stood at BDT 13,159 million which was BDT 12,250 million in 2017.

13.2.2 Auto Loan

In 2018, BDT 1,210 million has been disbursed as auto loan compared to BDT 5,269 million in 2017 resulting an 77.00% reduced in disbursement. Also the auto loan portfolio reduced by 10.70% in 2018 from BDT 5,473 million in 2017 to BDT 6,128 million at the end of 2018.

13.2.3 Personal Loan

Disbursement of Personal Loan has been in 2018 with a total figure of BDT 1,692 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2018 was BDT 5,309 million, which reduced by 8.40% from BDT 5,794 million in 2017.

13.2.4 Credit Card

During 2018, a total of 37,103 new credit cards were issued by LankaBangla. The card portfolio grew by 25.40% in 2018 to BDT 3,609 million from BDT 2,878 million in 2017. Number of active credit card users has increased from 79,272 in 2017 to 99,271 in 2018 resulting in a growth of 25.23%. This was the highest number of active card users in the industry. Monthly average spending by all credit card users has significantly increased in 2018 in comparison to previous year due to Company's prudent strategies to motivate customers to use LBFL's card by giving various promotional offers including attractive discounts in prominent outlets, gifts, etc. Average monthly credit card usage in 2018 has increased to BDT 686 million from BDT 514 million in 2017 resulting in a growth of 33.40%.

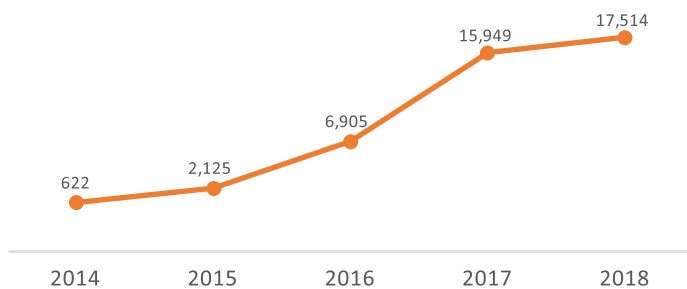
13.3 SME

SME, the heart of worldwide growth of economies, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance

is also remarkable. In 2018, SME loan disbursement of BDT 4,495 million has been made compared to BDT 7,074 million in 2017, thereby resulting in a 36.5% reduced. At the end of 2018, SME portfolio stood at BDT 17,514 million compared to BDT 15,549 million in 2017 resulting in 9.81% 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.

In view of the rising market risk and the Company's ambitious growth trajectory, treasury in LankaBangla assumed greater importance. Treasury is using its internal expertise successfully in reading the market, gaining market entry in a timely manner and availing itself of arbitrage opportunities thereby enabling the company to improve its revenue. It is also engaged in increasing the sources of funding, proprietary trading, as well as managing the maturity mismatches arising from short-term financing to long term lending in its attempt to sustain the Company's margins.

SME FINANCIAL SERVICES



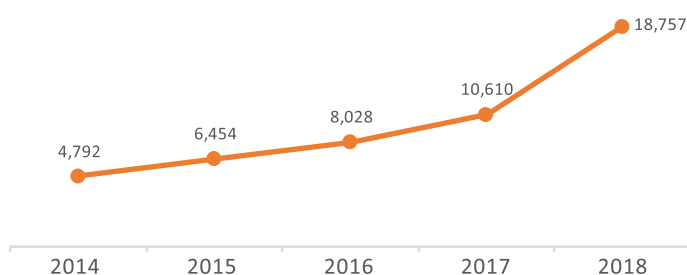
13.4 Liability Management

Liability Management has played an important role throughout 2018 with regards to achieving TDR growth, reducing bank borrowing dependencies by sourcing core deposit products, and balancing the heat of extreme volatility in the money market. In this regard, the Retail, Corporate and SME Liability units played an important role. In 2018, total retail, SME and corporate TDR stood at BDT 40,012 million portraying a moderately strong growth of 15.27% from 2017 and a budget achievement of 81.83%. TDR mobilization during 2018 was BDT 25,915 million compared to BDT 20,804 million indicating a 24.57% growth.

13.4.1 Retail Liability Management

Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 18,757 million at the end of 2018 which shows a growth of 76.78% from 2017 portfolio and having a budget achievement of 128.16%. Retail liability mobilization for the year was BDT 13,539 million compared to 2017 figure of BDT 5,947 million. This is made possible due to strong personnel of product marketing officers.

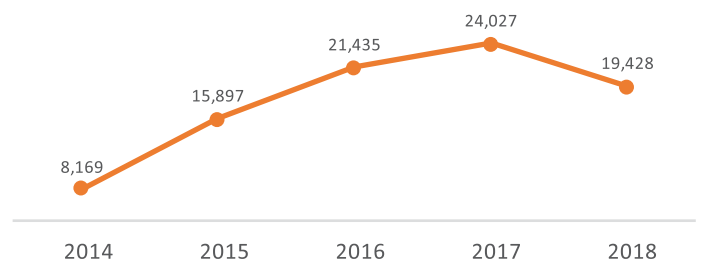
RETAIL LIABILITY



13.4.2 Corporate Liability Management

Corporate Liability portfolio consists of a diverse deposit portfolio of corporate clients. The value of the portfolio stands at BDT 19,428 million at the end of 2018 decreasing by 19.1% from 2017 end having a budget achievement of 61.4%. Corporate liability mobilization for the year was BDT 10,425 million compared to BDT 14,782 million of 2017. Mobilization decrease as the company made more focus on decentralized fund sourced from retail and SME market during the year.

CORPORATE LIABILITY



13.5 Treasury Operations

2018 was so far a turbulent year considering the liquidity concern of the entire Banking/FI industry. Treasury Division of LankaBangla Finance played a crucial role regarding understanding of the market, managing fund effectively, and ensuring liquidity by prudent contingency and backup plan.

Treasury relentlessly catered the demands of business and serviced all of its debts despite of having high volatility in deposit mobilization that predominantly occurred for the high demand of deposit among the Banking/FI community. Cash management has played a pivotal role in channelling all the cash flows of the company in a very effective and efficient way, so that optimum utilization of fund is achieved throughout the year. We have been able to implement most of the sophisticated cash management tools through the online system like BEFTN, RTGS, DDI etc. Notwithstanding rising interest trend, the WACB of LBFL was very much close to overall COFI during the 2018, which only happened for exercising optimum borrowing mix.

Treasury investments covered deposits with other banks and financial institutions, investments in capital market and commercial papers. Treasury strengthened its creditworthiness to counterparties in 2018 by way of dot payment, and thereby ensured strong presence in the market. Treasury deliberately down sized its investment portfolio during the year by assessing the market condition which stood at BDT 5,540 million at the end of 2018. Since the capital market was in a bearish mode for the entire 2018, the return was not at our expected level.

By taking into cognizance the liquidity pressure, Treasury gave utmost priority to alternative sources of fund. In this regard, Treasury has been able to issue a Subordinated Bond worth BDT 3.00 billion with Tier 2 capital implication, out of which BDT 1.81 billion has already been raised within 31st December 2018. This subordinated bond has a huge contribution to augment our capital adequacy ratio. Apart from that Treasury worked relentlessly to procure foreign currency loan and successfully obtained Term sheet of USD 20 million from Islamic Corporation for the Development of the Private Sector (ICD), the private sector wing of IDB, KSA and due

regulatory approval from Bangladesh Bank. Several negotiations are under process with other DFIs for separate deal of foreign currency loan. Treasury worked for a Syndicated Term Loan of BDT 3.00 billion to mitigate its ongoing business demand which is at the last stage of completion of the deal.

Among the funding mix of LBFL at the end of 2018, public deposit contributed to 59.59%, followed by money market exposure of 33.52%, zero coupon bond and subordinated bond comprised 3.33%, while bank borrowings made up for the remainder of the funding mix.

14. Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 28 June 2018 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable.

The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

15. Financial Results and Appropriations

15.1 Revenue

Total Revenue of the Group for the year 2018 was BDT 11,061.16 million registering a 10.82% growth over 9,980.78 million of 2017. Total revenue of LBFL for the year 2018 was BDT 9,232.98 million which was 18.08% higher than the previous year's BDT 7,818.98 million. An analysis of the revenue is given in pages from 138 to 139 of the annual report.

15.2 Profitability

The Group has recorded a reduced in operating profit and profit after tax of 31.79% and 79.93% respectively in 2018. LBFL's operating profit and profit after tax reduced by 21.29% and 47.21% respectively in 2018. Consolidated net profit after tax for the year 2018 was BDT 444.44 million which was BDT 1,926.29 million in previous year. LBFL's net profit after tax for the year 2018 was BDT 714.16 million compared to BDT 1,352.79 million in 2017.

Particulars	Consolidated		LBFL	
	2018	2017	2018	2017
Total Revenue	11,061.16	9,980.78	9,232.98	7,818.98
Total Expenses	9,375.75	7,510.02	7,939.76	6,176.06
Operating Profit	1,685.41	2,470.76	1,293.22	1,642.92
Provisions	976.34	206.95	477.48	245.53
Profit before Tax	709.07	2,263.81	815.73	1,397.39
Tax	264.63	337.52	101.58	44.60
Profit after Tax	444.44	1,926.29	714.16	1,352.79

14.3 Appropriation

Particulars	BDT
Net Profit After Tax for the year 2018	714.16
Retained Earnings brought forward	1,736.32
Profit available for appropriation	3,166.54
Less: Transaction Cost for Right Issue	10.17
Less: Statutory Reserve	142.83
Amount available for declaration of dividend	2,297.48
Less: Dividend (Proposed 15.00% Cash)	769.77
Retained Earnings carried forward	1,527.71

14.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended that dividend of BDT 1.5 per share as cash dividend of BDT 10.00 each compared to BDT 0.75 per share as stock dividend and BDT 0.75 per share in the form of cash dividend for the year 2017.

The dividend is subject to approval of the shareholders at the Annual General Meeting.

The Board was satisfied that LBFL would meet the solvency test immediately after the proposed dividend, which will be paid in 2018. Further details on liquidity position is given in page number 231 of this report.

No bonus shares or stock dividend was declared during the period under review as interim dividend.

15. Reserves

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

Particulars	Consolidated		LBFL	
	2018	2017	2018	2017
Share premium	1090.88	1090.88	-	-
Right Share Subscription	-	160.31	-	160.31
Statutory reserve	1,615.43	1,472.60	1,615.43	1,472.60
General reserve	53.05	50.87	-	-
Retained earnings	1,932.05	2,369.83	2,297.48	2,452.39
Total reserves	4,691.41	5,144.51	3,912.91	4,085.30

17. Key Operating and Financial Data

Key operating and financial data for last five years as per Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in pages 141 to 146.

18. Plan for Utilization of Undistributed Profits

The Company requires substantial funds every year to carry out its regular business operation. The undistributed profits will be utilized to disburse fund for its new investments and will be used to meet contingencies in future as authorized under Article 100

of Schedule I of the Companies Act 1994. Additionally, with this retention a reasonable debt equity ratio would be maintained & the borrowing power of the Company would enhance.

19. Capital Expenditure

Total capital expenditure on acquisition of property, plant and equipment and intangible assets of Group and the LBFL for the year ended 31 December 2018 amounted to BDT 815.52 million and BDT 405.95 million respectively which were BDT 531.46 million and BDT 226.39 million respectively for the year 2017. Details are given in Annexure A & B of Financial Statements.

20. Capital Commitments

Capital expenditures approved and contracted for, as at the reporting date is given in note number 42 (f) of the financial statements.

21. Fixed Assets

Details of property, plant and equipment are given on note number 8 to the Financial Statements.

22. Utilization of proceeds raised through Rights Issue

Bangladesh Securities & Exchange Commission vide its letter number BSEC/CI/RI-112/2017/591 dated October 31, 2017 approved Rights Issue of LankaBangla Finance Limited. Rights issue process has been completed in January 2018 & Rights Shares have been issued & allotted on January 31, 2018. As per Rights Share Offer Document of LankaBangla Finance Limited, the proceeds as received from Rights Shares amounting to BDT 1,591,254,700 were invested to increase the lending portfolio of the Company.

23. Financial results deteriorate after Public Issue

There was no such event happened during the reporting period.

24. Significant deviations from last year operating results

There was no significant deviation from last year's operating results.

25. Share Capital and Bonds

25.1 Equity Capital

Paid-up Capital of LankaBangla Finance Limited as at 31 December 2018 amounted to BDT 5,131.79 million consisting of 513,179,641 ordinary shares as against BDT 3,182.51 million consisting of 318,250,941 Ordinary shares as at 31 December 2017.

The increase in number of share is the result of issuance of right shares in the ratio of 1R:2 and payment of stock dividend at a rate of 7.50% for 2017. Details about share in issue are given in note number 13 of the financial statements.

25.2 Debt Capital

On 27 November, 2018 Bangladesh Securities & Exchange Commission has accorded its consent to issue Non-Convertible Subordinated Bond amounting to BDT 300,00,00,000 (three hundred crore) at floating interest rate of 8.00% to 11.00% p.a. to boost the capital base of the Company by increasing supplementary (Tier-II) capital, subject to compliance of the relevant laws & regulatory requirements.

On 26 December 2017, the Company issued the first tranche

of the second Zero Coupon Bond with face value of BDT 742,998,000 (with approved face value of BDT 3,000 million). The Company received BDT 654,466,856 after discounting the Bond at 7.50%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 12,195,023. Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.66% as per Para 9 of BAS 39. Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 12,195,023)

Details about Zero coupon bond is given in note number 10.1.5 of the financial statements.

26. Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Financial Highlights on pages 142 to 147. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 37.

27. Shareholding

There were 23,677 nos. of registered ordinary shareholders as on 31st December 2018 (2017: 15,325). Information on distribution of shareholding and the respective percentages are given on pages 270-271 of the Annual Report.

Details of shareholders' composition and percentage holding of the public are given in the Investor Information section on page 270.

The shareholding pattern as per Clause 2(k) of SEC Notification No. SEC/CMRRCD /2006-158/Admin/02-08 dated February 20, 2006 is shown in Annexure-iii.

28. Equitable Treatments to Shareholders

LankaBangla has at all times ensured that all shareholders are treated equitably. Minority shareholders' interests are always looked after by the Board.

29. The Board of Directors

The Board of Directors of LBFL consists of nine Directors with wide commercial knowledge and experience. The names of the Directors of LankaBangla during the period 1st January 2018 to 31st December 2018 are mentioned in Report on Corporate Governance (page 68) and their brief profiles are given on pages 38 to 42 of the Annual Report.

30. Changes in Board

- ▶ 2nd term of three years of Mr. Al-Mamoon Md. Sanaul Huq, as independent Director has expired on March 27, 2018.
- ▶ Mr. Abdul Malek Shamsher has been appointed as Independent Director in the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq w.e.f. March 29, 2018.

Mr. Shamsher started his Banking career with Grindlays Bank Limited in 1966 and carried out various management roles until 1980. He joined Bank of Credit and Commerce International Limited in 1981 where he served in senior positions in Philippines, South Korea and Hong Kong from the year 1981

to 1991. He joined Arab Bangladesh Bank Limited as Vice President in 1992 and retired in 2004 as Executive Vice President. He has diverse experience in local and international banking for over 38 years. Mr. Shamsher is also Chairman of LankaBangla Asset Management Company Limited.

31. List of Directors of the Subsidiaries

Names of the Directors of Subsidiary companies are as follows:

Particulars	Name of Director	Position
LankaBangla Securities Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. B. W. Kundanmal	Director
	4) Mr. Mahbubul Anam	Director
	5) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	7) Mr. Khandoker Saffat Reza (Nominated by LankaBangla Finance Limited)	Director
	8) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Investments Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Abdullah Al Karim	Director
	4) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Asset Management Company Limited	1) Mr. Abdul Malek Shamsher	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	4) Mr. Abul Kalam Mohammad Kamruzzaman (Nominated by LankaBangla Finance Limited)	Director
	5) Mr. Quamrul Islam (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Shamim Al Mamun (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Information System Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Securities Limited)	Director
BizBangla Media Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. Dewan Hanif Mahmud	Director

32. Board Sub Committees

The Board, while assuming the overall responsibility and accountability for the management oversight of the organization, has also appointed Board Sub Committees to ensure that the activities of LankaBangla at all times are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board formed two Sub Committees named Executive Committee and Audit Committee. The compositions of these Sub Committees as at 31st December 2018 were as follows:

32.1 Executive Committee

The Executive Committee of the Board of LankaBangla Finance Limited was re-constituted in the 109th Board of Directors meeting held on February 13, 2018.

32.2 Audit Committee

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October 2011 and Bangladesh Securities & Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 the Audit Committee of LankaBangla Finance Limited was re-constituted in 112th Board of Director's meeting held on October 24, 2018.

33. Directors' Meeting

The details of Directors meetings which comprise Board meetings and the Board Sub Committee meetings and the attendance of Directors at these meetings are given in the Corporate Governance Report on pages 95 to 96 of the Annual Integrated Report.

34. Related Party Transactions

Directors have also disclosed transactions, that could be classified as Related Party Transactions in terms of International Accounting Standard-IAS 24 (Related Party Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in note number 39 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

35. Directors' Interest in Ordinary Shares

The shareholdings of Directors are as follows:

Sl. No.	Name of Director	Number of shares as on 31 December 2018	Number of shares as on 31 December 2017
1	Mr. Mohammad A. Moyeen	21,754,807	13,491,355
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	48,606,291	30,143,437
3	Mr. Nanda Fernando (Nominated by Sampath Bank PLC)		
4	Mr. M. Fakhrul Alam (Nominated by ONE Bank Limited)	19,393,083	12,026,719
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	39,527,471	24,513,161
6	Mr. Mahbubul Anam	22,855,945	14,174,230
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque-Alternate Director)	19,994,004	12,399,383
8	Mrs. Zaitun Sayef	Nil	Nil
9	Mr. Abdul Malek Shamsher	Nil	Nil

36. Substantial Shareholdings

BSEC's Corporate Governance Notification dated June 3, 2018 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in LankaBangla Finance Limited. The shareholding status of all sponsor shareholders as on December 31, 2018 is given in page 44 of this report.

37. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2018

LankaBangla Securities Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen (Nominated by LankaBangla Finance Limited)	Chairman	122,290	122,290
2	Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director	Nil	Nil
3	Mr. Mahbubul Anam	Director	119,841	119,841

LankaBangla Investments Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Director	1	1
2	Mr. Mahbubul Anam	Shareholder	1	1

LankaBangla Information System Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

BizBangla Media Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbulul Anam	Director	100	100

38. Directors' Remuneration

Details of directors' emoluments paid during the year are given in note number 28 to the financial statements.

39. Management discussion and analysis

Management discussion & analysis has been highlighted in the Managing Director's statement pages 132-134 & in Directors' Report.

40. Declaration by the CEO and the CFO

Declaration by the Managing Director and the Chief Financial Officer has been given on page 82.

41. Team Members (Employees)

LankaBangla believes that its real potential rests on the strength and capabilities of its team members in a rapidly changing environment. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected in the Strategic Plan and the Budget.

As at 31st December 2018, the number of employees on the payroll of LankaBangla was 896 which was 832 in previous year.

Details discloser related to human resource are given pages 189 to 195 of this report which form an integral part of the Annual Report of the Board of Directors.

42. Environmental Protection

To the best knowledge of the Board, LankaBangla has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirms that to the best of their knowledge and belief LankaBangla has complied with the relevant environmental laws and regulations.

43. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory bodies and related to the employees have been paid on a timely basis.

Details about contribution to government exchequer is given in page 213 of this Annual Report.

44. Outstanding Litigations

In the opinion of the Directors and in consultation with the LBFL's lawyers, litigation currently pending against LankaBangla will not have a material impact on the reported financial statements of future operations of LankaBangla. Details of litigation pending against LankaBangla are given in note number 2.38 to the Financial Statements.

45. Events after Reporting Period

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure

in, the accounts, except those disclosed in note number 42 (e) to the Financial Statements.

46. Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission LankaBangla has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. Details about going concern assessment of LankaBangla is presented in Statement of Going Concern in page 130 of the Annual Report.

47. Risk Management and Internal Control

47.1 Material Foreseeable Risk Factors

LankaBangla has an ongoing process in place to identify, evaluate and manage the risks that are faced by it. This process is detailed in the Risk Management Report on pages 112-119. The Directors, on a regular basis review the above mentioned process.

47.2 Internal Controls

The Directors of LankaBangla have taken reasonable steps open to them to safeguard the assets of the Group and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the risks faced by LankaBangla throughout the year and it is being regularly reviewed by the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

48. Financial Risk Management

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

Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

The Company has provided in a separate note to the financial statements the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and management of its capital. Details about risk management is given in Risk management report on pages 112-119 of this Annual Report.

49. Corporate Governance

In the management of the Company, the Directors have placed emphasis on confirming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced or improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance is given on pages 68-81.

Pursuant to Clause 9.00 of BSEC Notification No. BSEC/CMRRC/2006-158/207/Admin/80 dated June 3, 2018 the Company's compliance status is shown in Annexure-i.

50. Additional Disclosures

The Directors, in accordance with BSEC Notification No. BSEC/CMRRC/2006-158/207/Admin/80 dated June 3, 2018; confirm compliance with the financial reporting framework for the following;

- ▶ The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper books of accounts of the Company have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- ▶ International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ There are no significant doubts upon the Company's ability to continue as a going concern.
- ▶ There is no extraordinary gain or loss during the year.
- ▶ No significant difference occurs between quarterly financial performance and annual financial statements.
- ▶ There are no significant changes in the Company or its subsidiaries' fixed assets and the market value.
- ▶ The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate.

51. Audit Information

The Directors who held office at the date of this Directors' Report confirm that:

- ▶ So far as the Directors are aware, there is no relevant audit

information of which the company's auditors are unaware; and

- ▶ The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

52. Auditors

The Board in its 114th meeting held on February 12, 2019 recommended the shareholders to appoint M/s. S. F Ahmed & Co. Chartered Accountants at a remuneration of BDT 550,000. LBFL has also taken prior approval from Bangladesh Bank to appoint M/s. S. F Ahmed & Co., Chartered Accountants, until completion of conclusion of the 23rd AGM.

Based on the declaration provided by M/s. S. F Ahmed & Co. and as far as the Directors are aware, the Auditors do not have any relationship with or interest with LankaBangla that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report.

Details about auditors of subsidiaries and auditor for other audit services are given in page number 6 of the annual report.

53. Recognition

As a reward of our relentless efforts to the best practices of corporate and financial reporting, LBFL is being recognized by South Asian Federation of Accountants (SAFA), Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Cost and Management Accountant of Bangladesh (ICMAB) on a continuous basis. Some of the awards we achieved are:

- ▶ SAFA Best Presented Annual Report 2014
- ▶ SAFA Best Presented Annual Report 2015
- ▶ SAFA Best Presented Annual Report 2016
- ▶ SAFA Best Presented Annual Report 2017
- ▶ SAFA Corporate Governance Award 2017
- ▶ ICAB Best Presented Annual Report 2014
- ▶ ICAB Best Presented Annual Report 2015
- ▶ ICAB Best Presented Annual Report 2016
- ▶ ICAB Best Presented Annual Report 2017
- ▶ ICAB Corporate Governance Award 2016
- ▶ ICAB Corporate Governance Award 2017
- ▶ ICMAB Best Corporate Award 2016
- ▶ ICMAB Best Corporate Award 2017

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive thirteen years from 2006 to 2018 by Dhaka Stock Exchange (DSE) & for consecutive fourteen years from 2005 to 2018 by the Chittagong Stock Exchange (CSE).

54. Notice of Meeting

The 22nd Annual General Meeting of LankaBangla Finance Limited will be held at 10:00 am on March 27, 2019.

The Notice of Meeting is given on page number 5 of the Annual Report.

As required by Section 168 (1) (k) of the Companies Act the Board of Directors hereby acknowledge the contents of this report.

55. Acknowledgement

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

Since 2006, LankaBangla Finance Limited has recorded rapid and consistent growth, outperforming its competitors. One of the major reasons for this success was possible with a strong work ethic which has improved productivity at all levels. My high and sincere appreciation, on behalf of the Board of

Directors, is due to the management and all members of staff of the Company, for their outstanding efforts, loyalty, sincere services and dedication.

I would like to take this opportunity to thank my colleagues on Board, who have extended their all sorts of cooperation, in the face of adverse internal and external conditions, and made the year 2018 another year of success for the Company. Finally, the Board of Directors thank the respected shareholders and assure them that they will continue to add value to maximize the shareholders' wealth through further strengthening and development of the Company in which they have placed their trust and confidence. Let us work together in a spirit of open and honest partnership. The Board's pledge to you is that we will listen your criticisms carefully, will at all times take those very seriously and will make clear cut decisions for the greater interest of the Company.

For and on behalf of the Board of Directors



Mohammad A. Moyeen
Chairman

STATEMENT ON CORPORATE GOVERNANCE

1. Overview

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

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

2. Framework and Regulations Applied

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

The following Acts, Regulations and Circulars have been used:

Sl. No.	Particulars
1	The Companies Act, 1994
2	The Financial Institutions Act, 1993
3	The Code of the best Practice on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (SEC) vide Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018.
4	Bangladesh Bank circular DFIM Circular No. 07, dated; 25 September, 2007.
5	Listing Regulations of Dhaka Stock Exchange and Chittagong Stock Exchange

The following internal principles and guidelines have been followed;

Sl. No.	Particulars
1	Vision and Values
2	Articles of Association
3	Code of Conduct
4	Code of Ethics
5	Board and Board Sub Committee Charters
6	Policies, Procedures, Directives

3. Corporate Governance Structure



4. Governance Systems



5. Key Activities of the Board in 2018

5.1 Strategy

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

5.2 Operational and Financial Performance

- ▶ Considered strategic and operational updates from the Managing Director, as well as matters highlighted for the board's attention at board meetings.
- ▶ Reviewed quarterly financial Statements against the group's budget.
- ▶ Approval of the group's annual report and financial results, and agreed dividend payments.
- ▶ Appointment of Two Non-Executive Independent Director in compliance with the SEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018.
- ▶ Re-Constitutions of the Board Audit Committee and Board Executive Committee.
- ▶ Strengthening the process of business operations through rearrangement of Corporate Organogram.
- ▶ Revision of the Credit Policy and incorporation of Environment Risk Management Procedure (following guidelines of Bangladesh Bank) by the Board Audit Committee and Board of Directors.
- ▶ Approval of ICT Policy of the Company by the Board of Directors.
- ▶ Approval of Green Banking Policy.
- ▶ Review of the Product Program Guidelines (PPG) on Home Loan, Auto Loan, Credit Cards, SME Loan, Personal Loan.
- ▶ Strengthening the process of identification, recording and disclosure of Related Party Transactions.
- ▶ Expansion of geographical presence to cover more customer base by opening new Branches countrywide.

5.3 Governance and Risk

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

6. Functioning of the Board and its Governance Processes

6.1 Board Composition and Frequency

The present Board comprises of nine non-executive directors of whom four are nominee directors and two are independent directors. This number is appropriate for the current scope of the company's operations. The Board meets not less than four times in any given calendar year, with at least one meeting per quarter. The Board sets its agenda for Board meetings well in advance with items proposed by the Managing Director and senior management,

so that each member has time to be conversant with the issues by timely dissemination of meeting papers, presentations and reports. The Company Secretary and the Chief Financial Officer attend all Board meetings and ensure that all relevant regulations and established procedures regarding the conduct of the Board are complied with.

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

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

6.2 Selection and Term of Appointment of New Director

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

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

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

6.3 Independence of Directors

Pursuant to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018, in LankaBangla, the Board comprises of ten non-executive members, of which two are totally independent, being 1/5th of total number of Director. The purpose of appointing non-executive and independent directors is first to provide the Board with knowledge, objectivity, and judgment and balance which may not be available if the Board consists only of full time executives; and secondly to ensure that the performance of the non-executive directors and the management of the Company are up to the standards required. Independent directors of LankaBangla bring their special expertise and knowledge to bear on the strategy and enterprise of the company. They each bring an independent judgement on

issues of conformance and performance.

6.4 Role and Responsibilities of the Board

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

Broadly, the responsibilities of the Board includes the following:

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

Statement on Directors' responsibilities is presented on page no. 100 of this Report.

6.5 Chairman of the Board of Directors

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

6.6 Role of the Chairman

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

6.7 Separation of the role of Chairman and the Managing Director

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

6.7.1 The Chairman's responsibilities include

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

6.7.2 The Managing Director's responsibilities include

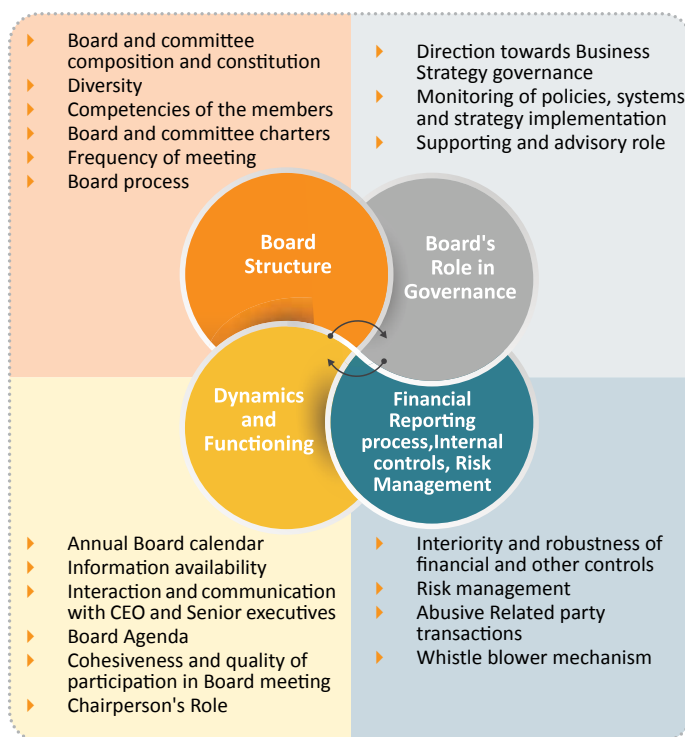
- ▶ Appointing the executive team and ensuring proper succession planning and performance appraisals
- ▶ Developing the company's strategy for consideration and approval by the board
- ▶ Developing and recommending budgets to the board that support the group's long-term strategy
- ▶ Monitoring and reporting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

ethical environment

- ▶ Ensuring that the group complies with all relevant laws and corporate governance principles.

6.8 Appraisal of Performance of the Board

The Board performs three major roles in LankaBangla- it provides direction (i.e. sets the strategic direction of the company), it controls (i.e. monitors the management), and provide support and advice. Board evaluation examines these roles of the Board and the entailing of responsibilities, and how effectively these are fulfilled by the Board. Appraisal of the performance of the Board is conducted considering the following parameters:



6.9 Annual Evaluation of Managing Director by the Board

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

6.10 Learning and Development Program of Directors

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

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

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

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

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

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

6.12 Retirement and Re-election of Directors

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

6.13 Directors' Remuneration

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

With reference to the Bangladesh Bank's DFIM Circular No. 13 dated November 30, 2015 each Director of LankaBangla Finance Limited is entitled to receive BDT 8,000 for attending each meeting of the Board and its Committees.

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

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

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

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

6.15 IT Governance

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

6.16 Ethics and Compliance

LankaBangla has adopted more stringent policies than the prescribed guidelines issued by BSEC and has a policy against insider trading. LankaBangla employees are prohibited from dealing in securities of LankaBangla during the period commencing from two months before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the LankaBangla's stock broking subsidiary. The Board is committed to ensure highest level of Ethics and Compliance by itself and by the employees of LankaBangla. Statement on Ethics and Compliance is provided on page no. 106 of this Annual Integrated Report.

6.17 Human Capital

LankaBangla has always been very passionate about human capital management. Description about Human Resource policies and procedures are provided as Human Resource and Remuneration Committee Report from page no. 103 to 104. Quantifiable information about Human resource and Human Capital is portrayed in details on page 189 to 194 *Human Resource Accounting* and page 195 *Human Capital*.

Organizational Chart is given on page no. 55.

6.18 Whistle Blowing Policy

LBFL has a Whistle Blowing Policy in place, which serves as a channel for early identification of corporate fraud or risk by

ensuring that employees reporting legitimate concerns on potential wrongdoings occurring within the organization are guaranteed complete confidentiality. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Chairman of the Board Audit Committee. The procedure is made available through the intranet to ensure awareness by all employees.

6.19 Communication and Relationship with Stakeholders

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

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

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

6.19.1 Communication through Quarterly Reports

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

6.19.2 Communication through Annual General Meeting (AGM)

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

6.19.3 Communication through Digital Media

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

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

6.20 Environment and Social Obligation

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

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

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

Details about Environmental and Social Obligation and Performance is portrayed on Sustainability Report (Pages 197 -202) Green Banking (Pages 203 - 205) and statement on Corporate Social Responsibility (Pages 206 - 208)

7. LBFL's Vision, Mission and Strategies

7.1 Board approved Vision and Mission statements of the Company

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

LBFL's vision, mission and Core values are portrayed on page 01 & 10 of this Annual Integrated report

7.2 Strategies to achieve Company's Business Objectives

Aligned with our vision of maximising stakeholders' value and thus Growing Together our Strategic Focus areas are described on Page 186 to 188 of this Report.

8. Board and Board Committees

8.1 Board

8.1.1 Members and 2018 Meeting Attendances

Members and 2018 Meeting Attendances

Sl. No.	Name	Position	Appointment Date	No. of meeting held	Entitlement to attend	Attended
1	Mr. Mohammad A. Moyeen	Chairman	November 5, 1996	5	5	4
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	November 27, 2008	5	5	5
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	February 13, 2018	5	4	4
4	Mrs. Aneesha Mahial Kundanmal (Alternate Director-Mr. B. W. Kundanmal)	Director	November 5, 1996	5	5	3
5	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	July 30, 2013	5	5	4
6	Mr. Mahbubul Anam	Director	November 5, 1996	5	5	5
7	Mr. Tahsinul Huque (Alternate Director-Dr. M. Mahbubul Huque)	Director	November 5, 1996	5	5	5
8	Mrs. Zaitun Sayef	Independent Director	July 31, 2016	5	5	5
9	Mr. Abdul Malek Shamsher	Independent Director	March 29, 2018	5	4	4
10	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	March 28, 2012	5	1	1

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mr. Nanda Fernando has been appointed as Director in the Board of LBFL in place of Mr. M. Y. Aravinda Perera representing Sampath Bank PLC w. e. f. February 13, 2018.
- ▶ Mr. Abdul Malek Shamsher has been appointed as Independent Director in the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq w. e. f. March 29, 2018.

8.1.2 Summary of Key Terms of Reference

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

8.2 Audit Committee

8.2.1 Appointment of members and composition of the Audit Committee

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

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

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

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

8.2.2 Members and 2018 Meeting Attendances

Sl. No.	Name	Position	No. of meeting held	Entitlement to attend	Attended
1	Mrs. Zaitun Sayef (Independent Director)	Chairperson	4	4	4
2	Mr. Mohammad A. Moyeen	Director	4	2	2
3	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	4	4	4
4	Mr. Mahbulul Anam	Director	4	4	2
5	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	4	0	0
6	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	Director	4	1	1
7	Mr. Abdul Malek Shamsher (Independent Director)	Director	4	2	2

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ As per clause number 2.2(b) of "Corporate Governance Code" Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of Bangladesh Securities and Exchange Commission the audit committee of LankaBangla Finance Limited was re-constituted in 112th Board of Director's meeting held on October 24, 2018. The Board has nominated Mr. Nanda Fernando as a member of Board Audit Committee in place of Mr. Mohammad A. Moyeen.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mr. Abdul Malek Shamsher has been appointed as Independent Director in the Board of LBFL and nominated as a member of Board Audit Committee in place of Mr. Al-Mamoon Md. Sanaul Huq.

8.2.3 Qualification of the members including the Chairman:

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

8.2.4 Summary of key terms of reference:

8.2.4.1 External audit

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

8.2.4.2 Internal Audit and Financial Crime

- ▶ Reviews, approves and monitors the internal audit plan
- ▶ Reviews and approves the internal audit charter as per the board's delegated authority
- ▶ Considers and reviews the internal auditors' significant findings and management's response
- ▶ Annually re-evaluates the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system
- ▶ Reviews the reports and activities of the financial crime to ensure the mitigation and control of fraud and related risks.

8.2.4.3 Compliance

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

8.2.4.4 Financial Reporting and Financial Controls

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

8.2.4.5 Risk Management

- ▶ Reviews the quarterly risk management report noting all significant financial and non-financial risks that may have an impact on the group.
- ▶ Considers any significant matters raised at RMC meetings.

8.2.4.6 Information Technology

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

8.2.5 Summary of Key Focus Areas in 2018

- ▶ Reviewed the financial information published by the group, including the content of the annual report and all other financial reports such as the annual financial statements and interim reports, and recommended them to the board for approval
- ▶ Evaluated financial accounting and reporting issues that affected the group
- ▶ Reviewed, approved and monitored the external audit, internal audit and compliance plans
- ▶ Considered tax matters, including current and upcoming tax legislation
- ▶ Considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required
- ▶ Considered the group's external auditors' annual assessment of internal audit against the International Standards on Auditing, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of the external audit
- ▶ Considered the routine independent quality assurance review of audit execution, the results of which confirmed that internal audit had generally conformed with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing
- ▶ Considered the requirements of the Companies Act in terms of assessing the independence of external auditors
- ▶ Approved the audit committee report for publication in the financial statements

8.2.6 Board Audit Committee Report

Board Audit Committee Report is given in page no. 97-99.

8.3 Executive Committee

8.3.1 Members and 2018 Meeting Attendances

Sl. No.	Name	Position	No. of meeting held	Entitlement to attend	Attended
1	Mr. Mohammad A. Moyeen	Chairman	6	6	4
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Member	6	6	6
3	Mr. Mahbubul Anam	Member	6	6	6
4	Mrs. Zaitun Sayef (Independent Director)	Member	6	5	4
5	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	Member	6	1	1

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mrs. Zaitun Sayef has been included as a member of Board Executive Committee of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq.

8.3.2 Summary of Key Terms of Reference

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

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

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

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

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

8.3.3 Summary of Key Focus Areas in 2018

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

9. Management Committees

9.1 Management Committee (MANCOM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & Financial Institutions	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6.	Mostafa Kamal	Group Company Secretary	Member Secretary
7	Kazi Masum Rashed	Head of Branch Distribution & Management	Member
8	Mohammad Shoaib	Head of Corporate Financial Services	Member
9	Shamim Al Mamun	Chief Financial Officer	Member
10	Sheik Mohammad Fuad	Head of ICT	Member
11	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
12	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
13	Mohammad Nazmul Hasan Tipu	Chief Credit Officer	Member
14	Ummay Habiba Sharmin	Head of Legal	Member
15	Muhammad Habib Haider	Head of GIS	Member

9.2 Risk Management Committee

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

9.3 Management Credit Committee

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

9.4 Asset Liability Committee (ALCO)

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

9.5 IT Development Committee

ICT Steering Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & Financial Institutions	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Kazi Masum Rashed	Head of Branch Distribution and Management	Member
7	Shamim Al Mamun	Chief Financial Officer	Member
8	Sheik Mohammad Fuad	Head of ICT	Member Secretary
9	Mohammad Nazmul Hasan Tipu	Chief Credit Officer	Member
10	Ummay Habiba Sharmin	Head of Legal	Member
11	Muhammad Habib Haider	Head of GIS	Member

ICT Security Committee

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

9.6 Human Resource Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FI	Member
5	Kazi Masum Rashed	Head of Branch Distribution and Management	Member
6	Shamim Al Mamun	Chief Financial Officer	Member
7	Reazul Haque	FAVP-Human Resources Division	Member Secretary

9.7 Purchase Committee

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

9.8 Internal Control and Compliance Committee

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

9.9 Capital Market Operations Committee

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

9.10 Sustainable Finance Committee

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

9.11 Integrity Committee

Sl. No.	Name	Designation	Status in the Committee
1	A K M Kamruzzaman	Head of Operations	Chairman
2	Mohammed Kamrul Hasan	Chief Risk Officer	Focal Point
3	Kazi Masum Rashed	Head of Branch Distribution & Management	Member
4	Mohammad Shoaib	Head of Corporate Financial Services	Member
5	Sheik Mohammad Fuad	Head of ICT	Member
6	Md. Minhaz Uddin	Head of Personal Loan and Credit Cards	Member
7	Mohd. Shafiqul Islam	SAVP- Risk Management Division	Deputy Focal Point & Member Secretary
8	Muhammad Azharul Islam	Head of Retail Liability	Member
9	Md. Nurul Islam	Head of Small Business	Member
10	Md. Habib Haider	Head of GIS	Member
11	Md. Jahangir Hossain	Head of Alternative Delivery Channel	Member
12	Reazul Haque	FAVP-Human Resources Division	Member
13	SK Zahidur Rahman	Head of Contact Center	Member

9.12 Innovation Committee

Sl. No.	Name	Designation	Status in the Committee
1	Kazi Masum Rashed	Head of Branch Distribution & Management	Chairman
2	Md. Jahangir Hossain	Head of Alternative Delivery Channel	Member Secretary
3	Md. Shahinur Rahman	Head of Project & Structured Finance	Member
4	Khandakar Zakaria	Head of Auto Loan	Member
5	Md. Raziuddin	Head of Brand Marketing & Communications	Member
6	A. B. M. Ahasan Ullah	Head of ICT Security & Risk	Member
7	Md. Amir Hamja Nerob	Assistant Manager-Dhanmondi Branch	Member
8	Md. Rakibul Islam Protik	Assistant Manager -Kushtia Branch	Member

9.13 Business Review Management Committee (BRM)

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

9.14 Loan Monitoring & Recovery Committee

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

Annexure-A
[As per condition No. 1(5)(xxvi)]

February 6, 2019

The Board of Directors
LankaBangla Finance Limited
Safura Tower (Level-11),
20 Kemal Ataturk Avenue,
Dhaka 1213.

Subject: Declaration on Financial Statements for the year ended on December 31, 2018

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of LankaBangla Finance Limited for the year ended on December 31, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concerns basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:-

- (i) We have reviewed the financial statements for the year ended on December 31, 2018 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



Khwaja Shahriar
Managing Director and CEO



Shamim Al Mamun FCA
Chief Financial Officer



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Annexure-B

[Certificate as per condition No. 1(5)(xxvii)]

Report to the Shareholders of LankaBangla Finance Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by LankaBangla Finance Limited for the year ended on December 31, 2018 This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is satisfactory.

Place: Dhaka
Dated: 27 February 2019

Ahsan Manzur & Co.
Chartered Accountants

Annexure-C**[As per condition No. 1(5)(xxvii)]**

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	Board of Directors			
1(1)	Board's size shall not be less than 5 and more than 20 (twenty)	✓		
1(2)	Independent Directors			
1(2) (a)	Independent director: At least 1/5th of the total number of directors	✓		
1(2)(b)	Independent Director means			
1(2)(b)(i)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company	✓		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years	✓		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market	✓		
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code	✓		
1(2)(b)(viii)	Who is not independent director in more than 5 (five) listed companies	✓		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude	✓		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM)			
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	✓		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only	✓		
1(3)	Qualification of Independent Director			
1(3)(a)	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)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association	✓		



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company	✓		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law	✓		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	✓		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification	✓		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)	✓		
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission			N/A
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals	✓		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company	✓		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company	✓		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer	✓		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes	✓		
1(5)	The Directors' Report to Shareholders shall include			
1(5)(i)	An industry outlook and possible future developments in the industry	✓		
1(5)(ii)	The segment-wise or product-wise performance	✓		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any	✓		
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 extraordinary activities and their implications (gain or loss)			N/A
1(5)(vi)	Discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions	✓		
1(5)(vii)	Utilization of proceeds raised through public issues, rights issues and/or any other instruments	✓		
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights share Offer, Direct Listing, etc.			N/A
1(5)(ix)	If significant variance that occurs between Quarterly Financial performances and Annual Financial Statements			N/A
1(5)(x)	Remuneration paid to the directors including independent directors	✓		
1(5)(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
1(5)(xii)	Proper books of account of the issuer company have been maintained	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	✓		
1(5)(xiv)	International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from 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)	Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress	✓		
1(5)(xvii)	There is no significant doubt upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed	✓		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained	✓		
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year			N/A
1(5)(xxi)	Board's statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend	✓		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director	✓		
1(5)(xxiii)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details) held by	✓		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details)	✓		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details)	✓		
1(5)(xxiii)(c)	Executives (top 5 (five)) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance	✓		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details)			N/A
1(5)(xxiii)	Appointment or reappointment of a director, a disclosure on the following information to the shareholders:			
1(5)(xxiv)(a)	Brief resume of the director	✓		
1(5)(xxiv)(b)	Nature of his or her expertise in specific functional areas	✓		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board	✓		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes.	✓		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof	✓		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	✓		



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		Complied	Not Complied	
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe	✓		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;	✓		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM	✓		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	✓		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C	✓		
1(6)	Meetings of the Board of Directors			
1(6)	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code	✓		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company	Please refer to the note given below:		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency			
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company	✓		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company	✓		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company	✓		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC)	✓		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals	✓		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time	✓		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS	✓		

Note: As explained in note under condition number 6, since no NRC was formed code of conduct for the Chairperson of the Board, other board members and Chief Executive Officer of the company remained pending.

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s)	✓		
3(2)	Requirement to attend Board of Directors' Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board	✓		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members	✓		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report	✓		
4	Board of Directors' Committee			
	For ensuring good governance in the company, the Board shall have at least following sub- committees:			
4(i)	Audit Committee	✓		
4(ii)	Nomination and Remuneration Committee			Please refer to the note given under condition number 6
5	Audit Committee:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board	✓		
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing	✓		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members	✓		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director	✓		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience	✓		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee	✓		
5(2)(e)	The company secretary shall act as the secretary of the Committee	✓		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓		
5(3)	Chairperson of the Audit Committee			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director	✓		



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes	✓		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM) Meeting (AGM)	✓		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year	✓		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must	✓		
5(5)	Role of Audit Committee			
5(5)(a)	Oversee the financial reporting process	✓		
5(5)(b)	Monitor choice of accounting policies and principles	✓		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report	✓		
5(5)(d)	Oversee hiring and performance of external auditors	✓		
5(5)(e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption	✓		
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval	✓		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval	✓		
5(5)(h)	Review the adequacy of internal audit function	✓		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report	✓		
5(5)(j)	Review statement of all related party transactions submitted by the management	✓		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors	✓		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;	✓		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission. Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.	✓		
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a) (i)	The Audit Committee shall report on its activities to the Board	✓		
5(6)(a) (ii)	The Audit Committee shall immediately report to the Board on the following findings, if any:			
5(6)(a) (ii) (a)	Conflicts of interests			N/A
5(6)(a) (ii) (b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements			N/A

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(6)(a) (ii) (c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations			N/A
5(6)(a) (ii) (d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately			N/A
5(6)(b)	Reporting to the Authorities If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier			N/A
5(7)	Reporting to the Shareholders and General Investors Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.			N/A
6	Nomination and Remuneration Committee (NRC)	Please refer to the note given below:		
6(1)	Responsibility to the Board of Directors			
6(1) (a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;			
6(1) (b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			
6(1) (c)	The Terms of Reference (TOR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b)			
6(2)	Constitution of the NRC			
6(2) (a)	The Committee shall comprise of at least three members including an independent director			
6(2) (b)	All members of the Committee shall be non-executive directors			
6(2) (c)	Members of the Committee shall be nominated and appointed by the Board			
6(2) (d)	The Board shall have authority to remove and appoint any member of the Committee			
6(2) (e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee			
6(2) (f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee			
6(2) (g)	The company secretary shall act as the secretary of the Committee			
6(2) (h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director			
6(2) (i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company			

Note: As per DFIM Circular number 18 dated October 26, 2011 no Non-Banking Financial Institution can constitute any permanent or temporary or any sub-committee of the Board except the Executive Committee and Audit Committee. Since there is clear contradiction between the regulations of Bangladesh Bank and Bangladesh Securities & Exchange Commission, LankaBangla Finance Limited kept formation of Nomination and Remuneration Committee pending.



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(3)	Chairperson of the NRC			
6(3) (a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director			
6(3) (b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes			
6(3) (c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders			
6(4)	Meeting of the NRC			
6(4) (a)	The NRC shall conduct at least one meeting in a financial year			
6(4) (b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC			
6(4) (c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h)			
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders			
6(5) (b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board			
6(5) (b) (i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following			
6(5) (b) (i) (a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully			
6(5) (b) (i) (b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks			
6(5) (b) (i) (c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals			
6(5) (b) (ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality			
6(5) (b) (iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board			
6(5) (b) (iv)	Formulating the criteria for evaluation of performance of independent directors and the Board			
6(5) (b) (v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria			
6(5) (b) (vi)	Developing, recommending and reviewing annually the company's human resources and training policies			
6(5) (c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report			
7	External or Statutory Auditors :			
7 (1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:			
7 (1) (i)	Appraisal or valuation services or fairness opinions;	✓		
7 (1) (ii)	Financial information systems design and implementation;	✓		
7 (1) (iii)	Book-keeping or other services related to the accounting records or financial statements;	✓		



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
7 (1) (iv)	Broker-dealer services	✓		
7 (1) (v)	Actuarial services;	✓		
7 (1) (vi)	Internal audit services or special audit services	✓		
7 (1) (vii)	Any service that the Audit Committee determines	✓		
7 (1) (viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	✓		
7 (1) (ix)	any other service that creates conflict of interest.	✓		
7 (2)	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; his or her family members also shall not hold any shares in the said company	✓		
7 (3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders	✓		
8	Maintaining a website by the Company –			
8 (1)	The company shall have an official website linked with the website of the stock exchange.	✓		
8 (2)	The company shall keep the website functional from the date of listing	✓		
8 (3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s)	✓		
9	Reporting and Compliance of Corporate Governance:			
9 (1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report	✓		
9 (2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	✓		
9 (3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	✓		



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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:	



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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
2.	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) For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(Ga) All recruitment/promotion/training, except those of DMD, GM and equivalent positions 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) Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary actions shall be vested to the Managing Director:	Complied
	(Cha) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied



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Annexure -iii

COMPLIANCE REPORT ON BSEC'S NOTIFICATION

Compliance of section 1.5 (xxii)

Board of Directors meeting held during the year 2018 and attendance by each Director:

Sl. No.	Composition of the Board		No. of meeting held	Entitlement to attend	Attended
	Name	Position			
1	Mr. Mohammad A. Moyeen	Chairman	5	5	4
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	5	5	5
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	5	4	4
4	Mr. B. W. Kundanmal (Alternate of Mrs. Aneesha Mahial Kundanmal)	Alternate Director	5	5	3
5	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	5	5	4
6	Mr. Mahbubul Anam	Director	5	5	5
7	Dr. M. Mahbubul Huque (Alternate of Mr. Tahsinul Huque)	Alternate Director	5	5	5
8	Mrs. Zaitun Sayef	Independent Director	5	5	5
9	Mr. Abdul Malek Shamsher	Independent Director	5	4	4
10	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	5	1	1

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mr. Nanda Fernando has been appointed as Director in the Board of LBFL in place of Mr. M. Y. Aravinda Perera representing Sampath Bank PLC w. e. f. February 13, 2018.
- ▶ Mr. Abdul Malek Shamsher has been appointed as Independent Director in the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq w. e. f. March 29, 2018.

Board of Executive Committee meeting held during the year 2018 and attendance by each Director:

Sl. No.	Composition of the Committee		No. of meeting held	Entitlement to attend	Attended
	Name	Position			
1	Mr. Mohammad A. Moyeen	Chairman	6	6	4
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Member	6	6	6
3	Mr. Mahbubul Anam	Member	6	6	6
4	Mrs. Zaitun Sayef (Independent Director)	Member	6	5	4
5	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	Member	6	1	1

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mrs. Zaitun Sayef has been included as a member of Board Executive Committee of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq.

Board of Audit Committee meeting held during the year 2018 and attendance by each Director:

Sl. No.	Composition of the Committee		Meeting held	Attended
	Name	Position		
1	Mrs. Zaitun Sayef (Independent Director)	Chairperson	4	4
2	Mr. Mohammad A. Moyeen	Member	4	2
3	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Member	4	4
4	Mr. Mahbubul Anam	Member	4	4
5	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Member	4	0
6	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	Member	4	1
7	Mr. Abdul Malek Shamsher (Independent Director)	Member	4	2



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Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ As per clause number 2.2(b) of “Corporate Governance Code” Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of Bangladesh Securities and Exchange Commission the audit committee of LankaBangla Finance Limited was re-constituted in the 112th Board of Director’s meeting held on October 24, 2018. The Board has nominated Mr. Nanda Fernando as a member of Board Audit Committee in place of Mr. Mohammad A. Moyeen.
- ▶ The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- ▶ Mr. Abdul Malek Shamsheer has been appointed as Independent Director in the Board of LBFL and nominated as a member of Board Audit Committee in place of Mr. Al-Mamoon Md. Sanaul Huq.

Compliance of Section 1.5(xxi)

The Pattern of Shareholding

a) Parent/Subsidiary/Associated Companies and other related party

Sl. No.	Name	Relation	Shares Held
1	Sampath Bank PLC	Related Party	48,606,291

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

Sl. No.	Name	Designation	Shares Held
1	Mr. Mohammad A. Moyeen	Chairman	21,754,807
2	Mr. I.W. Senanayake	Representative of Sampath Bank PLC	48,606,291
3	Mr. Nanda Fernando		
4	Mr. M. Fakhrul Alam	Representative of ONE Bank Limited	19,393,083
5	Mr. Mahbubul Anam	Director	22,855,945
6	Mrs. Aneasha Mahial Kundanmal	Alternate Director of Mr. B. W. Kundanmal	39,527,471
7	Mr. Tahsinul Huque	Alternate Director of Dr. M. Mahbubul Huque	19,994,004
8	Mrs. Zaitun Sayef	Independent Director	Nil
9	Mr. Abdul Malek Shamsheer	Independent Director	Nil
10	Mr. Khwaja Shahriar	Managing Director	Nil
11	Mr. Mostafa Kamal FCA	Company Secretary	Nil
12	Mr. Mohammed Kamrul Hasan FCA	Head of Internal Audit	450
13	Mr. Shamim Al Mamun FCA	Chief Financial Officer	Nil

c) Executives (top five salaried employees of the company, other than Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance)

Sl. No.	Name	Designation	Shares Held
1	Mr. AKM Kamruzzaman FCMA	Senior Executive Vice President	Nil
2	Mr. Khurshed Alam	Senior Executive Vice President	1,000
3	Mr. Quamrul Islam	Senior Executive Vice President	Nil
4	Mr. Kazi Masum Rashed	Executive Vice President	Nil
5	Mr. Mohammad Shoaib	Executive Vice President	13,061

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

BOARD AUDIT COMMITTEE REPORT

1. The Composition of the Committee

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

- ▶ Mrs. Zaitun Sayef, Independent Director (Chairperson)
- ▶ Mr. Mahbubul Anam
- ▶ Mr. M. Fakhru Alam
- ▶ Mr. Nanda Fernando
- ▶ Mr. Abdul Malek Shamsheer, Independent Director

The Chairperson of the Committee was Deputy Managing Director of IFIC Bank Limited and possesses considerable experience in the field of business, credit and financial management of banking sector. The Portfolios of the members are given in pages 38 to 42.

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

2. The Charter of the Audit Committee

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

Bangladesh Bank's DFIM Circular No. 13, dated; 26/10/2011, on formation of Audit Committee and its subsequent amendments and The "Corporate Governance Code" issued by Bangladesh Securities and Exchange Commission (BSEC) vide notification no. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June, 2018, for listed companies further regulate the compositions, roles and functions of the Audit Committee.

3. Terms of Reference

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

4. Roles and responsibilities of the Audit Committee

The role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the Guidelines of Bangladesh Bank on 'Corporate Governance for NBFIs in Bangladesh' and also "Corporate Governance Code" by the Bangladesh Securities and Exchange Commission. The main objective of the Audit Committee is to assist the Board of Directors to effectively carry on its responsibilities relating to financial and other connected affairs of LankaBangla. The Committee is empowering to monitor, review and examine:

- ▶ The integrity of the financial statements of LBFL and all

subsidiaries;

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

5. Meetings

The Committee held on four (4) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 74. Members of the senior management of the company were invited to participate at meetings as and when required. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors. On invitation of the Committee, the Engagement Partner of Company's external auditors, S. F Ahmed & Co, Chartered Accountants attended two (2) Committee meetings during the year. The Committee continued guiding the management with the selection of the new Accounting Policies which is required under the aforesaid new Accounting Standards and implementing same.

6. Activities

The Committee carried out the following activities during the year 2018:

6.1 Financial Reporting

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

- ▶ Reviewing the systems and procedures to ensure that all transactions are completely and accurately recorded in the books of account.
- ▶ Reviewing the effectiveness of the financial reporting system in place to ensure reliability of the information provided to the stakeholders
- ▶ Reviewing the Accounting Policies and to determine the most appropriate accounting policies after consideration of all choices available

- ▶ Strict adherence and compliance with the Bangladesh Accounting Standards and recommended best accounting practices
- ▶ Reviewing the Annual Report and Accounts and the Interim Financial Statements prepared for publication, prior to submission to the Board

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

6.2 Regulatory Compliance

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

6.3 Identification of Risk and Control measures

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

6.4 Corporate Governance Report

As required by the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/207/Admin/80, dated; 03 June 2018 Corporate Governance for Licensed Financial Institutions in Bangladesh, Annual Corporate Governance Report for 2018 is provided on pages 68 to 81. The external auditors have performed procedures set out by the Bangladesh Securities and Exchange Commission (BSEC), to meet the compliance requirement of the Corporate Governance directive. Their findings presented in their report, addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on pages 83 to 96.

6.5 Internal Audit Function

The Audit Committee approves the terms of reference of internal audit and reviews the effectiveness of the internal audit function. In line with leading practice, it to provide independent and reasonable, but not absolute, assurance that the LankaBangla system of risk management, control, and governance processes, as designed and implemented by senior management, are

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

The work undertaken by Internal Audit includes the audit of the Company's system of internal controls over its key operations, review of security and access controls for the Company's computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Internal Audit also participates in major new system developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Company complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies. The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Internal Audit reports functionally to the Audit Committee and administratively to the Managing Director, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. The Audit Committee approves the appointment and removal of the Head of Internal Audit.

6.6 External Audit

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

6.7 Internal Controls

The Board believes, with the concurrence of the Audit Committee, that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Company's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment. The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely

affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

6.8 Ethics and Good Governance

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

6.9 International Accounting Standards

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

6.10 Appointment of the External Auditor

The Audit Committee has recommended to the Board of Directors that M/s. S. F. Ahmed & Co., Chartered Accountants, may be appointed for the financial year ending 31 December 2019, subject to the approval of shareholders at the next Annual General Meeting.

7. Evaluation of the Committee

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



Zaitun Sayef
Chairperson – Audit Committee

Dhaka
12 February, 2019

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The statement sets out the responsibility of the Directors, in relation to the Financial Statements of LankaBangla Finance Limited (The Company) and the Consolidated Financial Statements of the Company and its subsidiaries (Group). The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Auditors' Report" given on page 213.

In terms of 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 transactions and prepare Financial Statements that gives a true and fair view of the financial positions of the Company and the Group for each financial year and place those before a general meeting. The Financial Statements comprises of the Balance Sheets as on 31 December 2018, Profit and Loss Accounts, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and notes thereto.

Accordingly, the Directors confirms that the Financial Statements of the Company and the Group give a true and fair view of:

- ▶ The financial position of the Company and the Group as on 31 December 2018; and
- ▶ The financial performance of the Company and the Group for the financial year then ended.

Compliance Report

The Board of Directors also confirms that:

- ▶ Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 233 to 249 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substances of transactions are properly reflected and material departures, if any, have been disclosed and clarified;
- ▶ The Financial Statements for the year 2018, prepared and presented in this annual report have been prepared based on the International Accounting Standards (IAS) are in agreement with the underlying books of account and are in conformity with the requirements of the International Financial Reporting Standards (IFRS), the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws & regulations;
- ▶ These Financial Statements comply with the prescribed format issued by the Bangladesh Bank vide DFIM Circular No. 11, dated; 23/11/2009 for the preparation of annual Financial Statements of financial institutions;
- ▶ Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by section 181 of the Companies Act, 1994 to determine at any point of time the Company's financial position, in accordance with the Act to facilitate proper audit of the Financial Statements;
- ▶ The Directors have taken appropriate steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the report of the Audit Committee is given in pages 95 to 97. The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee;
- ▶ The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;

- ▶ The Directors also have taken reasonable measures to safeguard the assets of the Company and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of financial institution in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The Directors' Statement on Internal Control is given in page 101 of this Annual Report;
- ▶ To the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the reporting date have been paid or, where relevant, provided for ;
- ▶ As required by Sections 183(2) of the Companies Act, 1994, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholders of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy of the Annual Report within the stipulated period of time as required by the Clause 22 of the Listing Regulations 2015 of Dhaka and Chittagong Stock Exchanges;
- ▶ That all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- ▶ That after considering the financial positions, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Corporate Governance" issued separately by Bangladesh Securities and Exchange Commission and Bangladesh Bank for the financial institutions, the Directors have a reasonable expectation that the Company and its Subsidiaries possess adequate resources to continue its operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements;
- ▶ The Financial Statements of the Company and the Group have been signed by two Directors, the Managing Director and the Company Secretary of the Company on 12 February, 2019 as required by Section 189(1) of the Companies Act, 1994 and other regulatory requirements;
- ▶ The Company's External Auditors, S. F. Ahmed & Co. who were appointed in terms of Section 210 of the Companies Act, 1994 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears on page 215.

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, 12 February 2019

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

As per the Bangladesh Bank's DFIM Circular No. 07, dated; 25-09-2007, DFIM Circular Letter No. 09, dated; 08-10-2007, DFIM Circular Letter No. 18, dated; 26-10-2011 and DFIM Circular Letter No. 06, dated; 17-06-2012, which clearly define the Responsibility of the Board of Directors on Internal Control of the Company.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of internal controls of LankaBangla Finance Limited (LBFL). However, such a system is designed to manage the LBFL's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes in business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of FIs in accordance with DFIM Circulars on Internal Control issued by Bangladesh Bank. As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key risk areas of the Company.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation and monitoring of suitable internal controls to mitigate and control those risks. The Board is of the view that the system of internal controls in place are sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Significant Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- ▶ The Board Sub Committees are established to assist the Board in ensuring:
 - the effectiveness of the LBFL's daily operations.
 - that LBFL's operations are in accordance with the corporate objectives and strategies.
 - that the operations of the Company are in line with the annual budget as well as the policies and business directions that have been approved by the Board.
- ▶ The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on majority of units and branches, the frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.

- ▶ The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of the same. The minutes of the Audit Committee meetings are tabled for the information to the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 97 to 99.
- ▶ The Risk Management Forum (RMF) is established to assist the Board to oversee the overall management of principal areas of risk of the Company. The Risk Management Forum which includes representation from all key business and operating units of the Company, assists the Board with the implementation of policies advocated at the Board Audit Committee.
- ▶ Board Executive Committees have also been established with appropriate empowerment to ensure effective management and supervision of LBFL's core areas of business operations and investments.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an ongoing basis.

The Company adopted the International Accounting Standards Comprising IAS & IFRS. Since adoption of such International Accounting Standards, progressive improvements on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made whilst, further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures. They also recognized the need to introduce an automated financial reporting process to more effectively comply with the requirements of recognition, measurement, classification and disclosures of financial instruments. The assessment did not include subsidiaries of the Company. The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement those.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Bangladesh Accounting Standards and regulatory requirements of the Bangladesh Bank and Bangladesh Securities and Exchange Commission.



Mohammad A Moyeen
Chairman

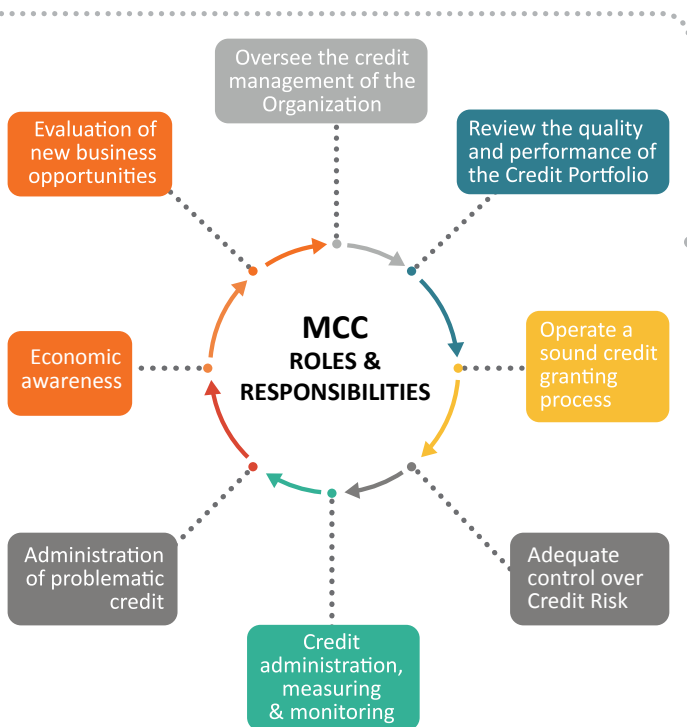
Dhaka, 12 February 2019

MANAGEMENT CREDIT COMMITTEE REPORT

Composition of the Management Credit Committee (MCC)

The following members who serve on the Committee are:

Sl.	Name	Designation	Position in the Committee
1	Khwaja Shahriar	Managing Director	Member
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Service	Member
4	Mohammad Nazmul Hasan Tipu, CFA	Chief Credit Officer	Member Secretary
5	Mohammad Shoab	Head of Corporate Financial Service	Member
6	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member



Duties and responsibilities:

The purpose of the Committee is to oversee the credit and lending decisions & strategies. This includes:

- (i) Overseeing the credit management, including reviewing internal Credit Policies/PPGs, Delegation of Credit Approval authority and establishing portfolio limits.
- (ii) Recommending credit related proposals to the Board Executive Committee/Board for approval.
- (iii) Reviewing the quality and performance of the credit portfolio.

In addition, the Committee is responsible for any other matters delegated to it by the Board. Hence, it is the responsibility of the Committee to:

1. Operate a sound credit granting process

- ▶ Review and approve credit proposals in accordance with Board approved credit policies and standards. Where required, submit credit requests beyond the Committee's scope to the Board for a decision.

- ▶ Review credit policy changes including Delegation of Credit Approval Authority initiated by the management of the FI and recommend them to the Board of Directors for its approval.
- ▶ Ensure compliance by the FI's credit policies with the statutory requirements prescribed by the regulatory/supervisory authorities.
- ▶ Request rapid portfolio reviews or sector/industry reviews, where deemed appropriate.

2. Maintain adequate controls over credit risk

- ▶ Monitor capital allocation and define limits in line with risk appetite.
- ▶ Ensure credit risk exposure is kept within acceptable limits to maximise the FI's risk adjusted rate of return.

3. Maintain appropriate credit administration, measuring and monitoring process

- ▶ Review credit approval framework and assign credit delegated limits in line with the Bank's policy.
- ▶ Review and recommend to the Board, facilities that they believe should have Board approval.

4. Identification and Administration of problem credits

- ▶ Monitor on an ongoing basis the Bank's credit quality, review periodic credit portfolio reports and assess portfolio performance.
- ▶ Ensure post-credit monitoring and postmortem reviews are performed, where deemed appropriate.

5. Aware of the cyclical aspects of the economy (both internal and external)

- ▶ Monitor the resulting shifts in the composition and quality of the loan portfolio.

6. Ensure all new credit risk related products are reviewed from a credit risk management perspective.

Review of the committee

Members of the Committee work closely with the Board of Directors to maintain proper credit standards for the Bank. The Board undertakes a review of the Committee's performance, objectives and responsibilities according to its terms of reference to ensure that it is operating effectively.

HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

1. Overview

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla guards with care the great resource of intelligent, experienced, disciplined, clear-thinking and energetic people who continuously drive growth and innovation, within clear risk boundaries. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are major forces that help it to achieve sustainable results.

2. Composition of the Committee

The Human Resources & Remuneration Committee (the Committee), appointed by and responsible to the Board of Directors comprises the HR & Remuneration Committee of LankaBangla Finance Limited:

Sl.	Name	Designation
1	Khwaja Shahriar	Managing Director
2	A. K. M. Kamruzzaman	Head of Operations
3	Khurshed Alam	Head of Personal Financial Services
4	Quamrul Islam	Head of Treasury
5	Kazi Masum Rashed	Head of Branch Distribution & Management
6	Shamim Al Mamun	Chief Financial Officer

The Head of Human Resources functions as the Secretary to the Committee.

3. Policy

LankaBangla's remuneration policy aims to attract, motivate and retain employees in a competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives. It is the focus of the Committee to ensure that the total remuneration package is sufficiently competitive to attract the best available talent to LankaBangla.

4. Scope

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors on any matter that may affect the human resource management of LankaBangla within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board. It reviews all significant Human Resource policies and initiatives, salary structures and terms and conditions relating to staff at senior management level. In this process, necessary information and recommendations are obtained from the Head of Human Resource. The Committee deliberates upon and recommends to the Board of directors the

remuneration packages, annual increments and bonuses of all the employees having evaluated their performance against the set goals and targets.

The organizational structure is also reviewed periodically and adjustments are made according to the focus of the Strategic Plan. An ongoing priority is to ensure proper succession for key posts. In doing so, the aspirations for career progression of Management are taken into account. Recruitments and promotions of staff at management level are also considered and approved based on proposals submitted by the Head of Human Resource following a formal process of evaluation and thereafter recommended to the Board for ratification.

5. Meetings

The Committee met four (04) times during 2018. Other Board Members may attend meetings on invitation.

6. Major Task Done By the HR and Remuneration Committee

Organization wide the role of HR and Recruitment Committee is clearly visible. The committee is more focused on employee engagement activities that make the basic essence of LankaBangla which is "Growing Together". The major task done by the committee can be divided in below segments:

- ▶ **Employee Development:** We consider our human resources as our asset. For the development of our asset, we provide various in-house, external & foreign trainings. In 2018, we have provided 110 numbers of training.
- ▶ **Employee Recognition:** We are a performance driven organization. Promoting the best performer is our motto. To encourage our employees to excel in their area of work, we have developed several recognition programs such as "Heros@Work" for our FTEs & HRCs, "Dine with MD" for PMOs and "Icon BM" for best Branch Manager. On top of that, we also organize town-hall meeting twice in a year for our staffs and the best performers are also rewarded by our honourable Chairman and Managing Director. Crests, gift hampers, cash incentives and certificates are awarded in this program. All these efforts are taken only to boost the morale of our employees and to motivate them to perform at their best.
- ▶ **Employee Engagement:** LankaBangla is like home out of home as we spend most of our time here. So we celebrate different occasions together like Women's Day, Pohela Boishakh, Kids' Art Competition to enhance the bonding with our colleagues and with LankaBangla.
- ▶ **Health & Refreshment:** To get rid of our monotonous daily life, we arrange different sports among our subsidiaries such as table tennis, football, badminton. We also participate in corporate football program and have been awarded as the "Emerging Team of the Tournament". Beside this, we have organized in-house health check-up program for our employees.
- ▶ **Insurance Coverage:** LankaBangla also provide health & life insurance to its employees. Health insurance covers employee, spouse and their kids. The premium is borne by

the company. HR Division manages all administrative activities for any insurance claim. Even HR arranges direct payment facility for its employees. We have also introduced parent's insurance coverage facility for our employees. This is one of a mile stone achievement in the industry. The premium of parents' insurance is borne by the employee itself but parents can avail similar facility as the employee is getting from the insurance company.

- ▶ **Participation in Career Fairs:** HR team has participated in 5 career fairs such as at Brac University, Jahangirnagar University, NSU, IUB, East West University and BLYC. We have recruited a significant number of employees from career fair.
- ▶ **Development in ERP:** As a part of automation and reducing man hour, the committee has given a significant effort in the development of ERP. A major achievement was creating online recruitment portal. Through this we have done our MTO, TCA and TCSO recruitment without any manual intervention within shortest possible time.

7. Developing and Managing Talent at Lankabangla

Against the backdrop of strategic repositioning and the challenges ahead, LankaBangla has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within the organization, while bringing in the necessary capabilities that will help position LankaBangla for long-term sustainable performance.

7.1 Internal Recruitment:

In 2018, LankaBangla continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. Total 44 employees have been internally recruited during the year.

7.2 Building New Talent

Another key aspect of LankaBangla's hiring strategy is to ensure a steady pipeline of junior talent, including permanent hires and investment in this area will continue. In this year 2018 we saw that more than 260 graduates hired, 19% of whom are female. There has also been a particular strategic focus on integrating Management Trainee Program to build a broader and more flexible talent pool for the future. Additionally, LankaBangla continued to expand its presence and engagement on social media platforms to ensure it is accessing the relevant target groups through the channels they use to explore career and employment opportunities. LankaBangla is also strengthened its governance, ensuring that consistent, structured, merit-based hiring practices for all target groups are in place.

8. Developing Employees and Creating Future Leaders

LankaBangla's business performance relies, first and foremost, on its employees. LankaBangla seeks to build the capabilities of managers and staff to help them develop both professionally and personally and to position the organization for future success. Talent and development activities are aligned to three priorities: building leadership capabilities and developing future leaders; fostering an environment that supports sustainable performance; and promoting continual professional and personal development for all employees.

9. Aligning the Reward System to Evolving Requirements

Compensation plays an integral role in the successful delivery of LankaBangla's strategic objectives. Attracting and retaining the most capable employees is central to the LankaBangla's compensation strategy. The corner stone of this concept is pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values. As the organization seeks to align compensation evolving external and internal expectations, reward structures are regularly reviewed and changed as needed.

LankaBangla historically established a close link between employees' compensation and their performance and behaviour at all levels and across all divisions of the organization. This takes into consideration a host of factors including, but not limited to, the Company's performance, divisional performance and the employee's individual performance.

10. Succession Planning

As companies move through various stages in their life cycle and build growth strategies to deal with changing business environments, the issue of leadership becomes critical and with it, the related issue of succession. In view of that, LankaBangla implements succession planning for its management. This requires forecasting and planning appropriately to ensure that there is continuity and the right kind of leadership in the business.

11. Grievance Management and Counseling

LankaBangla Finance Limited (LBFL) is committed to provide the best possible working conditions for its employees and associated members. LBFL strives to ensure fair and honest treatment for all employees. Head of the Divisions, Managers, Supervisors and Employees are expected to treat each other with mutual respect.

Part of this commitment, LBFL does encourage an open and frank atmosphere in which any grievance may be shared with management to get it resolved. LBFL does believe that most of the work related problems can be resolved through mutual understanding and discussion without initiating formal grievance procedure.

RESPONSIBILITY STATEMENT OF MD AND CFO

The financial statements of Lankabangla Finance Limited (LBFL) and the consolidated financial statements of LBFL and its subsidiaries as at 31 December 2018 are prepared and presented in compliance with the requirements of the following:

- ▶ International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- ▶ Companies Act 1994;
- ▶ Income Tax Ordinance 1984;
- ▶ Financial Institution Act 1993 (as amended);
- ▶ Bangladesh Securities and Exchange Rules 1987;
- ▶ Listing Rules of the Dhaka Stock Exchange;
- ▶ Bangladesh bank guidelines.

The formats used in the preparation of the financial statements and disclosures made comply with the formats prescribed by the Bangladesh Bank, the Central Bank of Bangladesh.

The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption except for as mentioned in note number 2.5 of the Audited Financial Statements (Pages 236 to 237). Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and external auditors.

The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis; in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that LBFL's state of affairs is reasonably presented. To ensure this, LBFL has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. It is confirmed that LBFL has adequate resources to continue its operations in the foreseeable future. Therefore, LBFL will continue to adopt the 'going concern' basis in preparing these financial statements.

Our internal auditor has conducted periodic audits to provide reasonable assurance that the established policies and procedures of LBFL were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

Directors' Report on page 54 report on Internal Control over Financial Reporting. In addition, report on Directors' Responsibility on Financial Reporting and Internal Control is provided on pages 100 & 101. LBFL's External Auditors, Messrs S. F Ahmed & Co., Chartered Accountants have audited the effectiveness of the LBFL's Internal Controls Over Financial Reporting.

The Financial Statements of LBFL were audited by S. F Ahmed & Co., Chartered Accountants, the independent External Auditors.

Their report is given on page 215 of this Annual Report. The Board Audit Committee of LBFL meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on page 97 The Board Audit Committee approves the audit and non-audit services provided by Messrs S. F Ahmed & Co., in order to ensure that the provision of such services does not impair Messrs S. F Ahmed & Co.'s independence.

We confirm that,

- ▶ LBFL and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- ▶ There are no material non compliances;
- ▶ There are no material litigations that are pending against the Group.
- ▶ Required and adequate provision has been made for the overdue loans and advances, marketable and non-marketable shares as per the Bangladesh Bank regulation and IFRS.



Khwaja Shahriar
Managing Director & CEO



Shamim Al Mamun, FCA
Chief Financial Officer

STATEMENT ON ETHICS AND COMPLIANCE

Acknowledgement

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

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

Approach

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

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

Enforcing a corporate code of ethics requires understanding

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

Code of Ethics & Principles of Conduct

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

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

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

Effectiveness of Code, Efforts of the Company

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

Additionally,

- ▶ Establishing the relevant facts and indentifying the ethical issue
- ▶ Taking stock of all stakeholders or parties involved
- ▶ Having an objective assessment of each stakeholder's position
- ▶ Indentifying viable alternatives and their efforts on stakeholders
- ▶ Comparing and evaluating the likely consequences of each alternatives with reference to the standards expected
- ▶ Selecting the most appropriate course of action In a nutshell, our business ethics means, "Choosing the good over the bad, the right over the wrong, the fair over the unfair and the truth over the untruth". Strict compliance, confidentiality, avoidance of conflicts of interest, encouraging the reporting by the Officers of the Company on illegal and unethical behavior is also amongst the guiding principles of the Company's Code of Ethics.

Monitoring Compliance

Compliance with our Code of Conduct and Ethics is embedded in our employment contracts, recruitment and performance management activities. We have set explicit targets for compliance, commencing at executive management level. All employees are required to comply with our Code of Conduct and Ethics and report conduct that may be in breach of the law, the Code or policy. Advice on LankaBangla policies, practices and management systems is available via our Human Resources department. Any employee, contractor or consultant can confidentially report concerns about conduct, practices or issues to our HR department.

To help our employees in applying the principles of our Code of Conduct and Ethics and the Conduct and Ethics Policy Framework, we have developed a training course regularly for the newly appointed employees, Case studies are provided to assist staff in translating the Code and related policies into real-life situations. All employees are required to complete this training course each year. Declarations within the course require each employee to confirm whether they understand

the Code's principles, have complied with them over the previous 12 months and agree to comply with them in the future. Compliance is a Key Result Area examined as part of our Performance Management Process and failure to complete required compliance training can be a factor in determining the employee's entitlement to performance-based remuneration and could lead to termination of employment in serious cases.

Additionally, employees are required to undertake issue-specific training for topics such as money laundering, counter terrorist activity, fraud, corruption and privacy.

Our 'HR Manual' covers our Code of Conduct and Ethics, standards and behaviours, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy. All Management Cadres must complete an annual attestation that they have read and understood these ground rules and failure to complete this may result in a 'flag' being raised in an individual's performance review.

Reporting Compliance

We have reported breaches of our Code of Conduct and Ethics framework yearly. Breaches of operational, regulatory and compliance requirements are tracked and case management, with corrective action closely monitored until 'closed'. All breaches of the Code are reported annually to our Management Committee and form part of regular risk reporting to the Management Credit Committee.

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

CORPORATE GOVERNANCE DISCLOSURE CHECKLIST

Particulars	Pg. & Seg. Ref.
1. BOARD OF DIRECTORS, CHAIRMAN AND CEO	
1.1 Company's policy on appointment of directors disclosed.	69 (6.2)
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	69 (6.3)
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	69 (6.3)
1.4 Chairman to be independent of CEO	70 (6.7)
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	70 (6.7.1), 69 (6.3)
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	71 (6.8)
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	71 (6.9)
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	71 (6.10)
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	71 (6.11)
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	73 (8.1.1)
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	82-96
2. VISION / MISSION AND STRATEGY	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	01, 73 (7.1)
2.2 Identification of business objectives and areas of business focus disclosed	73 (7.2)
2.3 General description of strategies to achieve the company's business objectives	183-188

Particulars	Pg. & Seg. Ref.
3. AUDIT COMMITTEES	
3.1 Appointment and Composition	
3.1.1 Whether the Audit Committee Chairman is an independent Non – Executive Director and Professionally Qualified	74 (8.2.1)
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	74 (8.2.4)
3.1.3 More than two thirds of the members are to be Non Executive Directors	74 (8.2)
3.1.4 All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting.	74 (8.2.3)
3.1.5 Head of internal audit to have direct access to audit committee	74 (8.2.1)
3.1.6 The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.	74 (8.2.2)
3.2 Objectives & Activities	
3.2.2 Statement on Audit Committee’s review to ensure that internal controls are well conceived properly administered and satisfactorily monitored	97
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	106
3.2.4 Statement of Audit committee involvement in the review of the external audit function <ul style="list-style-type: none"> ▶ Ensure effective coordination of external audit function ▶ Ensure independence of external auditors ▶ To review the external auditors findings in order to be satisfied that appropriate action is being taken ▶ Review and approve any non-audit work assigned to the external auditor and ensure that such such work does not compromise the independence of the external auditors. ▶ Recommend external auditor for appointment / re-appointment 	74 (8.2.4.1)
3.2.5 Statement on Audit Committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	
3.2.6 Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases	75 (8.2.4.4)
3.2.7 Reliability of the management information used for such computation	

Particulars	Pg. & Seg. Ref.
4. INTERNAL CONTROL & RISK MANAGEMENT	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	101
4.2 Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.	
4.3 Statement that the Director's have reviewed the adequacy of the system of internal controls	
4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	115-119
4.5 Disclosure of the strategies adopted to manage and mitigate the risks	
5. Ethics and Compliance	
5.1 Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.	106-107
5.2 Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	
5.3 Board's statement on its commitment to establishing high level of ethics and compliance within the organization	
5.4 Establishing effective anti-fraud programs and controls, including effective protection of whistle blowers, establishing a hot line reporting of irregularities etc.	
6. REMUNERATION COMMITTEE	
6.1 Disclosure of the charter (role and responsibilities) of the committee	103 (4)
6.2 Disclosure of the composition of the committee	103 (2)
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	103 (3)
6.4 Disclosure of number of meetings and work performed	103 (5,6), 104
6.5 Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	96, 277, 291
7. HUMAN CAPITAL	
7.1 Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counseling.	189-194
7.2 Organizational Chart	50
8. Communication to Shareholders & Stakeholders	
8.1 Disclosure of the Company's policy / strategy to facilitate effective communication with shareholders and other stake holders	170-172, 377
8.2 Ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	5
9. Environmental and Social Obligatoin	
9.1 Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	197-208
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	206-208

RISK MANAGEMENT

LankaBangla's overall approach to risk management is supported by a well-defined risk appetite, comprehensive policy framework, effective governance structures and appropriate tools and techniques to identify, measure and manage risk.

Statement on Risk Management	112
Disclosure on Market Discipline under Pillar-III of BASEL-II	120
Statement on NPL Management	127
Report on Going Concern	130



STATEMENT ON RISK MANAGEMENT

1. Introduction:

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

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

2. Risk Management in LankaBangla

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

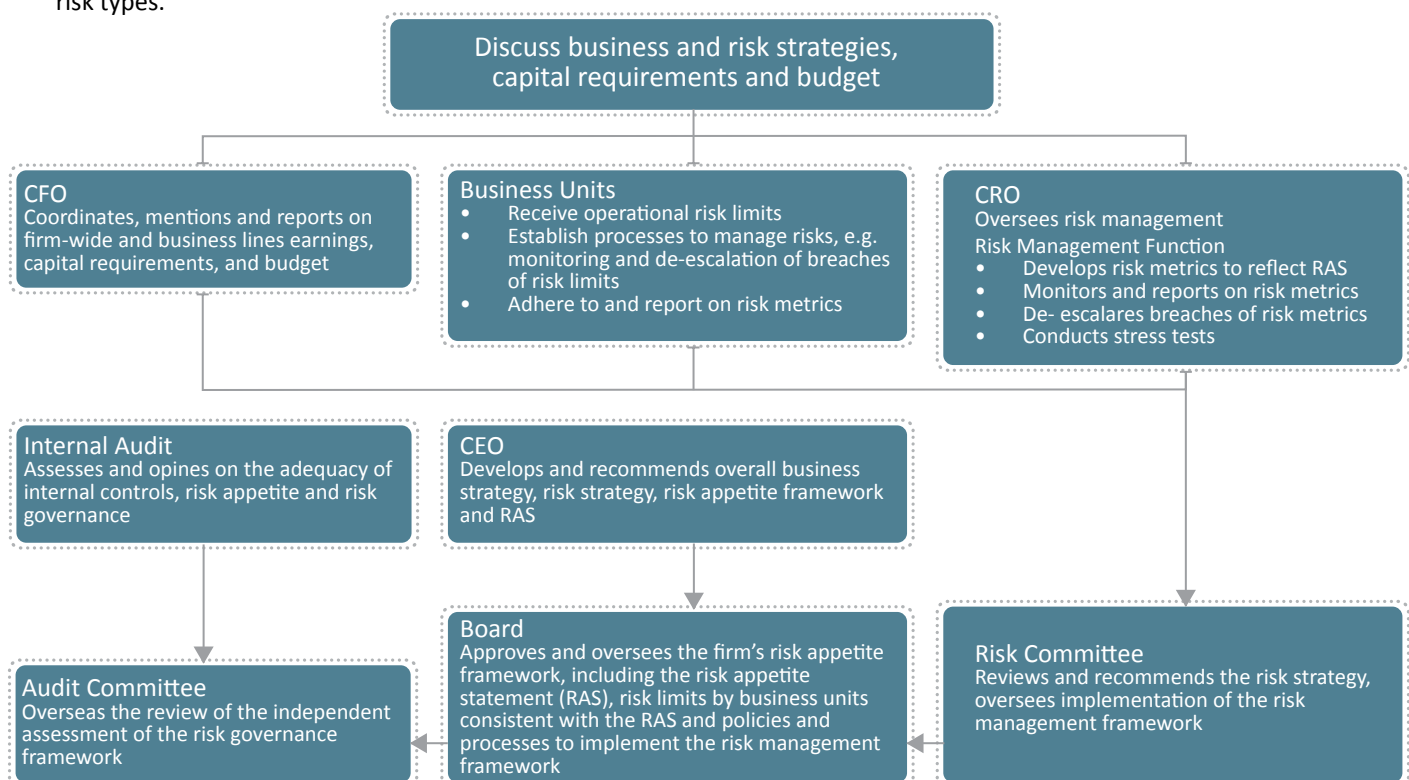
- ▶ Risk appetite – The Board of Directors approves the Company's risk appetite, and risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- ▶ Risk frameworks – The Company's risk management frameworks for all risk types are documented, comprehensive, and consistent.
- ▶ Holistic risk management – Risks are managed holistically, with a view to understand the potential interactions among risk types.

- ▶ Qualitative and quantitative evaluations – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

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

3. Risk Governance and Organisation

The Board of Directors establishes the Company's risk appetite and risk principles. The Board Audit Committee is the principal Board committee that oversees the Company's risk management. It reviews and approves the Company's overall risk management philosophy; risk management frameworks, major risk policies, and risk models. The Board Audit Committee also oversees the establishment and operation of the 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.

4. Risk Management Forum at LankaBangla

Risk Management Forum (RMF) and Risk Analysis Unit (RAU) of LankaBangla has been established in LankaBangla in 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 includes the following:

- ▶ The Risk Management Forum members will parameterize the Internal Environment of the Company including risk appetite, integrity and ethical values and the environment in which is operated.
- ▶ The MANCOM must form the objectives so that they can identify potential events affecting the achievement unenthusiastically and consistent with its risk appetite.
- ▶ The management will identify the internal and external events affecting company's achievement and distinguish between risks and opportunities.
- ▶ It is the management responsibility to assess and measure the potential risks.
- ▶ The management selects risk responses-- avoiding, accepting, reducing or sharing risk-- developing a set of actions to align risks with the company's risk tolerances and risk appetite.
- ▶ The management will take policies and procedures and implement it to help ensure the risk responses are effectively carried out.
- ▶ The managerial authority will identify, generate and communicate the relevant information in a form and timeframe that enable people to carry out their responsibilities.
- ▶ The entirety of enterprise risk management will be monitored and it will be accomplished through ongoing management activities.

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

5. Risk Analysis Unit (RAU) at LankaBangla

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

Risk Analysis unit will be responsible only for the followings:

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

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

6. BASEL II

LankaBangla has implemented Bangladesh Bank's Guidelines (Basel Accord for Financial Institutions) on Risk Based Capital Adequacy Requirements for FIs incorporated in Bangladesh with effect from 1 January 2011. Bangladesh Bank adopts the Basel Committee on Banking Supervision's proposal on "International Convergence 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 FIs to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. Enhanced public disclosures on risk profile and capital adequacy are required under the mentioned guidelines.

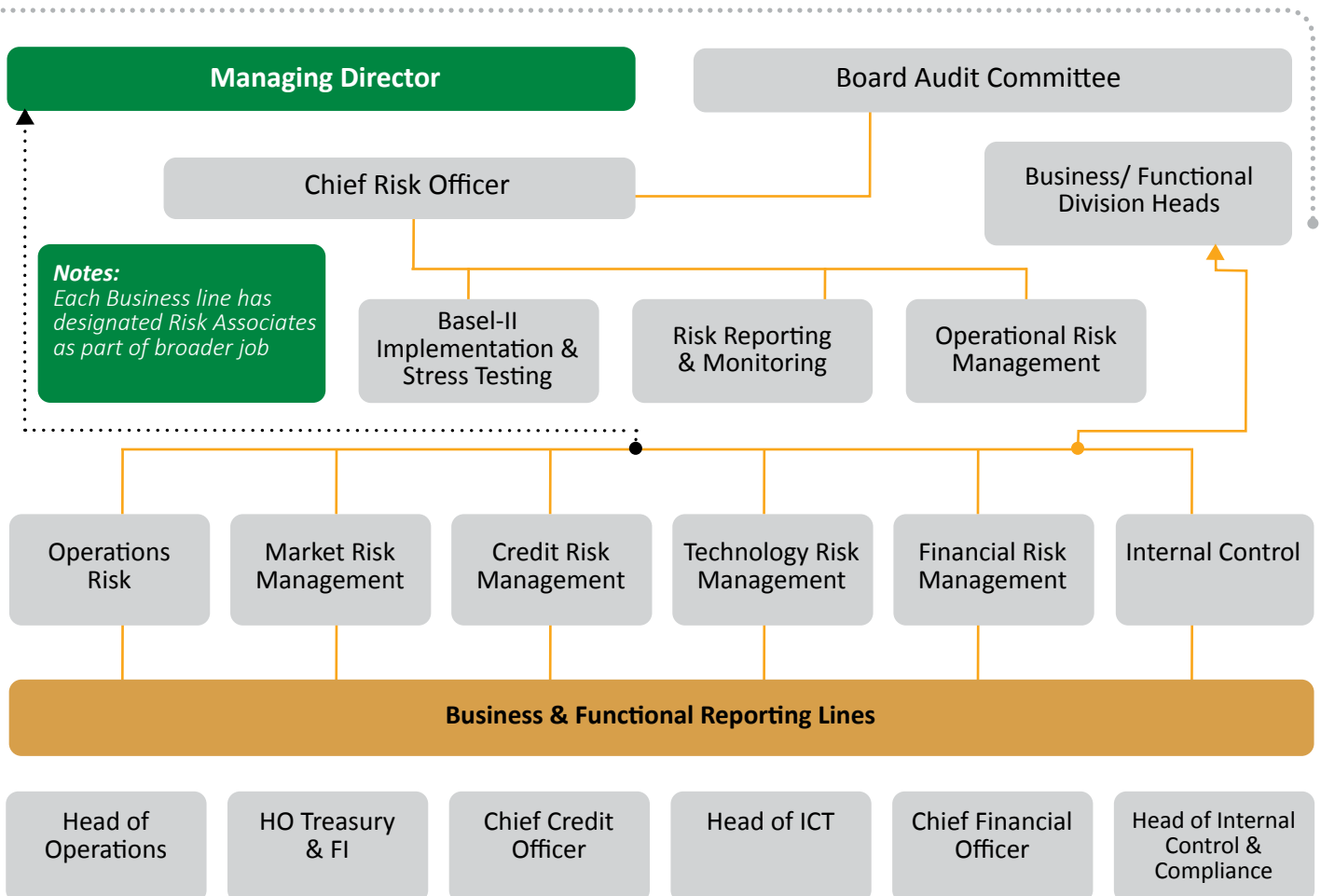
7. Stress Testing

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

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

8. Risk Management Structure

Risk Management Structure



9. Credit Risk

9.1 Definition

LBFL defines credit risk as the risk of losses arising because counterparties fail to meet all or part of their payment obligations to the Group.

9.2 Policy

The Board of Directors sets the overall policies for the LBFL's credit risk exposure. The LBFL's risk appetite framework is determined in accordance with these policies. The LBFL's aim is to build long-term relationships with its customers. For the vast majority of products, credit is granted on the basis of the customer's financial circumstances and specific individual assessments. Ongoing follow-up on developments in the customer's financial situation enables to assess whether the basis for the credit facility has changed. The credit facilities should match the customer's credit worthiness, capital position and assets. Further and in order to increase the mitigation of credit risk, LBFL as a general rule requires collateral. LBFL aims to assume risks only within the limits of applicable legislation and other rules, including rules on best practices for financial undertakings.

9.3 Credit process

In order to ensure a consistent, coordinated credit granting process of a high quality all credit applications are handled according to a pre-defined procedure that provides a consistent, high credit processing quality:

Branches: All branch managers process all credit applications and then the applications are submitted to the Credit Risk.

9.4 Credit Profile

9.4.1 Sector wise Credit concentration with sectoral NPL

Figures in BDT Million

Sector	2018			2017		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Garments and Knitwear	2,138.69	173.13	8.09%	2,338.24	167.01	7.14%
Textile	1,820.80	75.26	4.13%	1,161.73	88.66	7.63%
Food Production and Processing Industries	4,008.56	107.88	2.69%	4,326.35	22.96	0.53%
Jute and Jute-Products	183.67	0.00	0.00%	347.76	0.00	0.00%
Leather and Leather-Goods	521.55	0.00	0.00%	533.11	0.00	0.00%
Iron, Steel and Engineering	2,101.06	91.63	4.36%	1,933.14	91.63	4.74%
Pharmaceuticals and Chemicals	933.98	0.96	0.10%	891.62	0.00	0.00%
Cement and Allied Industry	1,525.51	27.40	1.80%	1,113.59	8.30	0.75%
Telecommunication and IT	971.65	0.00	0.00%	842.46	0.81	0.10%
Paper, Printing and Packaging	601.38	11.30	1.88%	540.91	11.30	2.09%
Ship Manufacturing Industry	-	-	0.00%	-	-	0.00%
Glass, Glassware and Ceramic Industries	440.98	14.02	3.18%	18.62	18.62	100.00%
Power, Gas, Water & Sanitary Service	852.71	21.68	2.54%	710.18	25.34	3.57%
Transport and Aviation	1,049.67	102.63	9.78%	1,249.06	145.83	11.67%
Trade and Commerce	9,513.67	414.99	4.36%	10,201.34	276.29	2.71%
Agriculture	831.28	47.34	5.69%	860.01	34.92	4.06%

Management Division through the respective Business Division along with a credit recommendation.

The Credit Risk Management (CRM) Division: All credit applications are submitted to the CRM Division for approval. The CRM division approves the credit proposal within the limit set by the Board of Directors. Other application those exceeds the limit, CRM division coordinates and prepares credit recommendations to The Management Credit Committee (MCC), the Board Executive Committee and to the Board of Directors.

The Management Credit Committee (MCC): The MCC reviews all applications beyond the Credit Department's credit line. The MCC conducts credit meetings on a weekly basis. The purpose of the Credit Committee is to:

- ▶ Process credit applications exceeding the credit line of the Credit Department;
- ▶ Process and provide recommendations for all credit applications to be submitted to the Board of Directors;
- ▶ Implement the guidelines for the credit area as approved by the Board of Directors; and
- ▶ Supervise the overall credit granting procedure.

Board of Directors: The Board of Directors reviews all applications that are beyond the MCC's credit line.

Credit processing must be conducted on the basis of extensive knowledge of the risks inherent to each individual exposure for the purpose of striking a balance between risk and earnings opportunities and in compliance with the overall goals defined by the Board of Directors and Bangladesh Bank.

Figures in BDT Million

Sector	2018			2017		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Housing	13,196.62	456.99	3.46%	12,284.33	314.53	2.56%
Brokerage & Securities	3,719.31	0.00	0.00%	3,537.03	0.00	0.00%
Others Loan	19,373.50	753.26	3.89%	19,024.10	693.16	3.64%
Total	63,784.58	2,298.45	3.60%	61,913.59	1,899.36	3.07%

9.4.2 Ten Large Credit as a % of Total Exposure

	2018	2017
Ten large credit as a % of exposure	10.17%	10.24%
Ten large credit	6,487	6,342
Total exposure	63,784	61,914

9.4.3 Classification Status of Loans and Advances

	2018	2017
Performing Loans	61,486	60,014
Unclassified	59,088	58,717
SMA	2,397	1,297
Non-Performing Loans	2,298	1,899
SS	667	480
DF	344	231
BL	1,286	1,188
Total Outstanding	63,784	61,914

9.5 Credit Risk Mitigation

From forward looking perspective borrower selection process is the most important credit risk identification measure employing fundamental analysis of credit including purpose and utilization of loan, company analysis including cash flow, industry analysis, credit rating, credit risk grading, entrepreneurial track record, repayment performance including CIB status among others. Identifying the extent of credit risk eventually determines the scope of credit risk mitigation measure. However following credit risk mitigation measures are typical employed by lenders

- ▶ **Collateral coverage:** Collateral coverage may be in the form of land and building, financial instrument such as TDR, Marketable securities etc. In the event of downside, value from liquidation of collateral securities may provide some degree of protection against credit risk. Valuation of land and building is usually done third party surveyor. Cash security by default provides maximum protection against credit risk and exposure is usually calculated net-off cash security.

- ▶ **Hypothecation:** Leased assets are primary security which inherently provide some degree of protection against credit risk. Hypothecated capital machinery and stock of goods is a usual primary security measures whereas marketability and control of the asset is important in credit risk mitigation.
- ▶ **Guarantee:** Guarantee of high net worth individuals/directors and corporate guarantee with good business standing usually provides credit enhancement. Cross default option plays a vital role because due to guarantee of an entity favoring a borrowing concern is also reflected in CIB report. Bank guarantee is also a prolific credit enhancement instrument.
- ▶ **Risk transfer:** Comprehensive Insurance against assets covering loan amount is a usual risk mitigation measure in the event of unforeseen event that may occur in future.
- ▶ **Exposure management:** Single borrower exposure limit and sectoral exposure limit are both used as risk management tools and in the credit policy both issues are addressed complying regulatory stipulations.
- ▶ **Risk-based pricing:** Risk based pricing method is being used for the customers where there is a probability that the borrower will default on the loan. A risk premium is added to the base price considering the risk profile. Different factors like Credit risk grading score, credit history, property use, property type, loan amount, loan purpose, income, and asset amounts, as well as documentation levels, property location, and others, are common risk based factors currently used.

Besides diversifying credit risk through extending small sized loan to numerous borrowers across different customer segments who are essentially unrelated with each other may be considered policy level credit risk diversification strategy.

9.6 Credit Monitoring and Portfolio Management

The Board and senior management get timely and appropriate information on the condition of the LBFL's asset portfolio, including classification of assets and the level of provisions and reserves. The information includes, at minimum, summary results of the portfolio review, comparative trends in the overall quality of problem assets, and measurements of existing or anticipated deterioration in asset quality and losses expected to be incurred on the portfolios. Significant concentration risk is also reported to the Board and senior management for review and deliberation. Stress tests is conducted regularly to assess the risk in a particular market segment under adverse conditions. Appropriate measures have been taken to mitigate undue concentration risks such as pricing for additional risk, unwinding of positions, increasing capital or reserves, securitisation etc.

10. Market Risk

LBFL defines market risk as the risks taken in relation to price fluctuations in the financial markets. Several types of risks may arise and LBFL manages and monitors these risks carefully.

Market risk arises when the fair value or future cash flows of financial instruments of the Company fluctuate due to changes in market variables, mainly interest rates and equity prices. The risk of exchange rate movements does not impact LBFL directly because as a NBFI, LBFL cannot deal with foreign currency. Interest rate risk, being a significant risk factor for the industry, is managed closely by the Company, to ensure there are no erosion of spreads and no impact to final profitability. Equity risk remains the other main market risk, considering the Company has an equity portfolio in excess of Taka 1 billion. This is managed at individual investment level, as well as on a portfolio basis, based on whether the portfolio is trading or non-trading or strategic investment. These two main market risks are discussed separately below:

10.1 Interest Rate Risk

Interest rate risk arises when changes in interest rates have an impact to the future cash flows of financial instruments' fair values. This remained a potential concern for the finance industry, as market interest rates continued to fall during the period. As LBFL deals in a number of interest bearing financial assets that are mainly grouped under loans and advances there was close focus on safeguarding core business interest spreads.

Downward movements in interest rates were continued both for lending and borrowing to be influenced by monetary policy changes whereas the decrease in lending rates remained at a relatively faster pace and resulting decreases in interest income too then the decrease in the borrowing rates. Apart from the resulting pressure exerted on our core margins, interest rate fluctuations continued to also influence;

- ▶ our ability to canvass deposits
- ▶ the fair values of financial assets and liabilities and
- ▶ Average duration of mortgage backed lease portfolios and other interest earning assets. To stay competitive, LBFL had to revise deposit rates during various times of the year through the ALCO committee.

ALCO is the main committee that regularly oversees the interest rate risk of the Company and initiate appropriate action to minimise overall interest risk exposure within the Company's risk appetite limits. Treasury division is responsible to manage funding and the market rates on an ongoing basis and uphold the optimal interest rate structure of all products of LBFL.

In maintaining an optimal level of return for our core business, average yield levels and cost of funding is monitored on a monthly basis and presented at ALCO meetings to decide on pricing matters. The ALCO evaluates any potential adverse effects that may arise from situations when the cost of funding rises at a relatively higher pace than the yield earned on lending and other investments. ALCO reviews current interest rate environment and monitors the movement of key interest rate indices and interest sensitive assets and liabilities maturity gap analysis. ALCO reviewed impact of interest rate change on the bottom line by carrying out sensitivity analysis/rate shock analysis taking

note of the continued decline in rates observed. LBFL by having a strict monitoring system maintains its interest rate risk at moderate levels despite volatility in rates in the market.

The Treasury Division was able to pursue cheaper sources of funding to bring down overall weighted average cost in the year under review. The division was able to seek optimal funding with the advice of ALCO, maintaining monthly overall-weighted average cost of funds at low levels throughout as depicted.

10.2 Equity Risk

It's the potential loss due to an adverse change in the stock price. NBFI can accept equity as collateral for loans and purchase ownership stakes in other companies as investments from free or investible cash. Any negative change in stock price either leads to a loss or diminution in investments' value.

LBFL needs to be cognisant of equity price risk as Company holds Taka 4.2 billion in trading and held-to-maturity share portfolios as at the balance sheet date. The Company's accounting policies ensure that we reflect share investments at fair value recognising any realised gains/losses through the profit and loss.

11. Operational Risk

Operational risk could arise from inadequate or failed internal processes, people and systems or risks arising from external events, leading to financial losses. LBFL has instilled various internal controls to detect possible human errors, fraud, faulty internal processes and systems, non-adherence to procedures and non-compliance to regulations. A company-wide effective internal control system is in place, requiring all staff to adhere to set policies and procedures. To ensure clarity in required practices, the Company has developed a comprehensive procedure manual, covering all key functions. Failure to manage operational risk can often result in other risks emerging such as reputational losses, which may also cause brand erosion and would raise regulatory penalties.

Operational risk management techniques adopted directly linked to people including segregation of staff duties, job rotation, staff training and development, employee operations, while inbuilt ICT controls, maintaining of documentation and keeping backup of documents and systems remain other forms of measures.

12. Liquidity Risk

Liquidity risk arises when a Company encounters difficulty in meeting its obligations associated with financial liabilities that require to be settled either through cash or any other financial asset. The sector assets and liability portfolio is such that there is a general vulnerability to liquidity problems resulting from assets and liability mismatches. Therefore, purpose of liquidity risk management is to assess the necessity of funds to meet financial obligations on time and to ensure adequacy of funding to fulfil short-term and long-term financial needs appropriately even under stressed conditions. LBFL has in place a comprehensive in-built liquidity monitoring process that has been enhanced in the past few years by embracing stringent liquidity review and safeguard measures imposed by regulator on the sector.

To strengthen liquidity management we have formed a Board approved Asset and Liability Management Committee (ALCO) to overlook the liquidity status of the Company. ALCO being the overall supervisory in managing liquidity risk of LBFL meets monthly to oversee adequacy of overall liquidity aspects from other obligations. The impact arising from all strategic and medium term decisions taken by the Board and the corporate management on liquidity is also ascertained by this high level committee comprising key divisional heads.

LBFL is a financially sound institution that has been strong in liquidity right-throughout. In meeting liquidity requirements, the Company resorts to an array of diversified funding sources in addition to its core deposit mobilisation business. Similarly, LBFL adopts a strict policy of managing its assets keeping liquidity as a vital focus and therefore monitors liquidity on a daily basis.

13. Other Risks



13.1 Legal Risk

Legal risk can arise due to several reasons such as

- ▶ A defective transaction or;
- ▶ A claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the Company or other loss (for example, as a result of a termination of a contract) or;
- ▶ Failing to take appropriate measures to protect assets (for example, intellectual property) owned by the Company or;
- ▶ Changes in law.

LBFL deals in financial transactions with higher scrutiny in a highly regulated finance industry. We understand that regulatory changes may result in additional cost of compliance, may limit the type of financial services and products that could be offered in the market and in certain instances increase chances of competitors capitalising on their own offerings. It is therefore essential that legal risk be managed appropriately to avoid undue impact to business financially and to avoid damage to reputation that could lead to loss of confidence.

13.2 ICT Risk

Risks arising due to system breakdown, non-availability of systems, errors and disruptions or not keeping pace with the technological changes. There was continuous monitoring of employees and users of ICT systems to ensure strict adherence to information security policies, pertaining to safeguard confidentiality of information and to secure accuracy of information. Company's ICT Division conducted a comprehensive staff training program on information system security awareness to all users.

Future technological needs of the Company were reviewed and identified as part of the strategic plan development process for next three financial years. ICT Division reviewed policies in relation to, hardware and software procurement and maintenance procedures, business contingency plan on ICT, system licensing procedures etc. Updates were done in accordance with best practices in the industry. Risk review of the ICT systems has already been done by the independent consultant KPMG and contingency plans incorporated as a part of the BCP for key ICT dependent processes in order to successfully face any unpredictable technological contingencies.

13.3 Reputation Risk

It is a threat or danger to the good name or standing of a business or entity. As an institution of financial services sector, it is key to maintain sound reputation for long-term organisational survival and success. Public is highly receptive to negative factors considering past experiences.

LBFL has implemented required corporate governance practices, risk assessment measures, departmental procedure manuals and carried out due compliance checking to ensure business is conducted in a professional, ethical and prudent manner. Suggestion boxes have been placed in all branches and customer survey carried out to obtain customer feedback to enhance customer relationship. Regardless of corporate hierarchy, all the employees are expected to live by core values of the Company. Deviation to LBFL's strict policies and procedure guidelines and rules result in strict disciplinary action for employees.

In sustaining company's vision providing a deep sense of social responsibility, a number of worthy projects were initiated for the benefit of the society and the environment as explained in the section on sustainability.

13.4 Human Resource Related Risk

Being a service organisation, there is high dependency on our human capital in driving our business forward and in meeting anticipated service standards. Lot depends on the performance of our workforce in the achievement of organisational objectives and other aspirations to remain successful. Hence attracting and retaining high calibre staff, who possesses the necessary experience and skills to perform duties is integral if LBFL is to continue on its path to success. This of course has become a challenge especially since the job market is flooded with numerous job opportunities for capable individuals both within and outside our sector. This risk is relevant especially because most of our staff have been with us for at least five years or more, who have gained enormous experience in their related fields. Losing services of these experienced personnel hence at any point in time can create a vacuum in meeting anticipated standards and

may disrupt smooth running of operations at least temporarily. We are mindful of the fact that finding suitable replacements in the short-term would not be easy. A proper employee succession plan is in place to mitigate the risk of loss key people.

13.5 Strategic Risk

Strategic risk is defined as the risk associated with existing strategy, future business plans and strategies, including plans on entering new business lines, expanding existing services through organic business growth, mergers and acquisitions or exposure loss resulting from a strategy that turned out to be defective or inappropriate. Management reviews performance against expected targets periodically, referring to devised strategies and success of their implementation.

13.6 Competitor Risk

Financing being a popular method of sufficing funding needs of people and institutions has gained momentum, with a large

number of institutions competing aggressively to secure relative market share. NBFIs cater to a wide customer audience through a broad product range that has expanded from mere financing and deposit taking to tailor-made product offerings that meet varying customer needs. It is therefore vital to be receptive to customer needs in a highly competitive market like ours if the organisation is to thrive and succeed. Number of finance companies were introduced during this financial year. Banking and NBFIs sector margins have narrowed while the market is set to widen exponentially with enhanced public perception towards the sector. Owing to the plethora of other investments and borrowing options available to customers in the market, competition remained high for the sector players. Our style of management attempts to secure employee morale and motivation most of the time as means of sustaining optimal productivity levels in all our operations. In meeting future challenges, we are fortunate to possess a strong capital structure that gives us the opportunity and the needed flexibility to make broad strategic decisions.

As one of the leading financial institutions in Bangladesh, managing risk is integral to our everyday activities. In 2018, the risk function played a vital role in working with the Group's businesses to navigate an extremely complex environment and manage the associated risks. This was done in a manner that balanced the interests of clients and other key stakeholders with protecting the safety and soundness of the Group. Key to LBFL's long-term sustainable growth and profitability is to manage risk on a consistent basis across the Group, and to ensure our risk appetite is clear and aligned to our strategy.

DISCLOSURE ON MARKET DISCIPLINE UNDER PILLAR-III OF BASEL-II

Background: These disclosures under Pillar III of Basel II are made following “Prudential Guidelines on Capital Adequacy and Market Discipline” (CAMD) for Financial Institutions (FIs) issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2011. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and Supervisory Review Process (SRP) under Pillar II of Basel II. The purpose of these disclosures is to present relevant information on adequacy of capital in relation to overall risk exposures of the FI so that the market participants can assess the position and direction of the FI in making economic decisions.

Consistency and Validation: The quantitative disclosures are made on the basis of consolidated audited financial statements of LankaBangla Finance Limited (LBFL) and its Subsidiaries as at and for the year ended 31 December 2018 prepared under relevant international accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time.

Information presented in the ‘Quantitative Disclosures’ section can easily be verified and validated with corresponding information presented in the consolidated audited financial statements for 2018 of LBFL and its Subsidiaries along with separate audited financial statements for 2018 of the FI available on the website of the Bank (www.lankabangla.com).

A. Scope of application

Qualitative Disclosures

(a) The framework applies to LankaBangla Finance Limited (LBFL) on ‘Consolidated Basis’ as there were three subsidiaries of the FI as on the reporting date i.e. 31 December 2018. However, ‘Solo Basis’ information has been presented beside those of ‘Consolidated Basis’ to facilitate comparison.

(b) The FI has three subsidiaries; all of them have been operational on the reporting date. These are LankaBangla Securities Limited (LBSL), LankaBangla Investments Limited (LBIL) and LankaBangla Asset Management Company Limited (LBAMCL).

LankaBangla Securities Ltd.: LankaBangla Securities Limited (LBSL) is a public limited company. As a member of Dhaka Stock Exchanges Ltd. and Chittagong Stock Exchange Ltd. the principal activities of the Company are buying, selling and settlement of securities on behalf of investors and in its own portfolio. LBFL holds 90.90% shares of LBSL. LBSL has two subsidiaries which were fully consolidated in the financial statements of LBSL. The subsidiaries are as under:

LankaBangla Information System Limited (LBISL): It is a private limited Company incorporated in May 2013. LBSL holds 99.8% shares of (LBISL).

BizBangla Media Limited: It is a private limited company incorporated in January 2011. The main objectives of the company are to carry on business of printing, publishing of newspaper, journals, magazines, periodicals, books, pamphlets and other literary and nonliterary works and undertakings, radio, television broadcastings. LBSL holds 80% shares of the Company.

LankaBangla Investments Ltd (LBIL): It is public limited Company although it was incorporated as private limited company in 2010. It obtained required license from BSEC in 2011 and started full-fledged operations of merchant banking, portfolio management, underwriting, etc. It is a fully owned subsidiary of LBFL.

LankaBangla Asset Management Company Ltd. (LBAMCL): It is incorporated as private limited company in 2007. It got license from BSEC in 2012 as an asset management company. It also received registration certificate from BSEC in 2016 to act as an Alternative Investment Fund Manager. It is a fully owned subsidiary of LBFL. The financials of all subsidiaries are fully consolidated and all intercompany transactions and balances are eliminated.

The rules and regulations of DFIM of Bangladesh Bank that govern ‘Single Borrower Exposure Limit’ for the customers are equally applicable for the LBFL in financing its own subsidiaries. LBFL is following latest Bangladesh Bank circular in determining maximum amount of finance to the subsidiaries of the Company.

Quantitative Disclosures

Not Applicable.

B. Capital Structure

Qualitative Disclosures

As per Basel II guidelines, regulatory capital consists of Tier-1 (Core) capital and Tier 2 (supplementary) capital. Core capital comprises of highest quality capital elements and supplementary capital represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of an FI.

Conditions for maintaining regulatory capital: The FI complied with all the required conditions for maintaining regulatory capital as stipulated in the Basel II guidelines as per the following details:

Particulars	Status of Compliance
The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital	Complied
50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities eligible for Tier 2 capital.	Complied
Revaluation reserve for equity instruments up to 10%	Complied
General provision up to a limit of 1.25% of risk weighted asset for credit risk may be included in Tier 2 capital	Complied
Subordinated bond in Tier 2 capital can be maximum 30% of Tier 1 Capital	Complied
Minimum capital to RWA Ratio (CAR) will be 10%	Complied

Figures in BDT Million

Particulars	2018		2017	
	Solo	Consolidated	Solo	Consolidated
Fully paid up Capital	5,132	5,132	3,183	3,183
Statutory Reserve	1,615	1,615	1,473	1,473
Non-repayable share premium account	-	1,091	-	1,091
General reserve	-	53	-	51
Retained earnings	2,298	1,932	2,452	2,369
Minority interest in subsidiaries	-	111	-	101
Share money deposit (for right share)	-	-	160	160
Less: Book value of Goodwill	-	(234)	-	(234)
Tier 1 Capital	8,718	9,700	7,268	8,194
Tier 2 Capital	2,049	2,376	534	534
Total Eligible Capital	10,768	12,076	7,802	8,728

C. Capital Adequacy

Qualitative Disclosures

Assessing regulatory capital in relation to overall risk exposures of an FI is an integrated and comprehensive process. LBFL follows the risk weighted asset-based approach (standardized Approach for credit risk & Market Risk and Basic Indicator Approach for Operational Risk) in assessing the adequacy of capital to support current and projected business activities. The LBFL focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. LBFL has been generating most of its incremental capital from retained profit (stock dividend and statutory reserve transfer etc.) and occasional issue of right shares to support incremental growth of Risk Weighted Assets (RWA). Besides meeting regulatory capital requirement, the FI maintains adequate capital to absorb material risks foreseen. Therefore, the Capital to Risk Weighted Assets Ratio (CRAR) remains consistently within the comfort zone during 2018. The surplus capital maintained by LBFL will act as buffer to absorb all material risks and to support the future activities. To ensure the adequacy of capital to support the future activities, the FI assesses capital requirements periodically considering future business growth. Risk Management Division (RMD) under guidance of the SRP team/RMC (Risk Management Committee), is taking active measures to identify, quantify, manage and monitor all risks to which the FI is exposed to.

Quantitative Disclosures as on 31st December

Figures in BDT Million

Particulars	2018		2017	
	Solo	Consolidated	Solo	Consolidated
Capital requirement for Credit Risk	6,072.88	5,928.15	5,957.40	5,817.80
Capital requirement for Market Risk	395.55	1,025.06	353.70	1,113.40
Capital requirement for Operational Risk	374.55	510.70	293.20	371.30
Minimum capital requirement (MCR)	6,842.98	7,463.91	6,604.30	7,302.5

Particulars	2018		2017	
	Solo	Consolidated	Solo	Consolidated
Core capital maintained	8,718	9,700	7,268	8,194
Supplementary Capital Maintained	2,049	2,376	534	534
Total Risk Weighted Asset	68,430	74,639	66,043	73,026
Common Equity Tier-1 Capital Ratio	12.74%	13.00%	11.00%	11.22%
Tier-2 Capital Ratio	2.99%	3.18%	0.81%	0.73%
Capital Adequacy Ratio	15.74%	16.18%	11.81%	11.95%

D. Credit Risk

Qualitative Disclosures

Credit risk is defined as the probability of failure of counterparty to meet its obligation as per agreed terms. FIs are very much prone to credit risk due to its core activities i.e. lending to corporate, Consumer, SME, another bank/FI. The main objective of credit risk management is to minimize negative impact through adopting proper mitigates and to limit credit risk exposures within acceptable limit.

Credit risk management has been independent of origination of business functions to establish better control and to reduce conflicts of interest. The Head of Credit Risk Management (Chief Credit Officer or CCO) has well-defined responsibility for management of credit risk. Final authority and responsibility for all activities that expose the FI to credit risk rests with the

Board of Directors. The Board however delegated authority to the Managing Director and CEO or other officers of the credit risk management division.

The Board of Directors (BoD) sets credit policies and delegates authority to the management for setting procedures, which together has structured the credit risk management framework in the FI. The Credit Policy Manual contains the core principles for identifying, measuring, approving, and managing credit risk in the FI and is designed to meet the organizational requirements that exist today as well as to provide flexibility for future. These policies represent the minimum standards for credit extension by the FI and are not a substitute of experience and good judgment.

Definitions of past due and impaired credit:

To define past due and impairment through classification and provisioning, the FI follows Bangladesh Bank Circulars and Guidelines. General provisions ranging from 0.25% to 5% on unclassified loans (standard/SMA) and specific provisions on classified loans (20% for substandard, 50% for doubtful and 100% for bad-loss) are made on the basis of quarter-end review by the management and instructions contained in DFIM Circular. Provisions and interest suspense are separately shown under other liabilities as per Fir DFIM Circular instead offsetting with loans.

Specific provisions for classified loans and general provisions for unclassified loans are measured following BB prescribed provisioning rates as mentioned below:

Particulars	Rates of provision
General provision on:	
Unclassified standard loans and advances (except SME)	1.00%
Unclassified standard loans to small and medium enterprises	0.25%
Unclassified SMA loans and advances	5.00%
Specific provision on:	
Substandard loans and advances	20.00%
Doubtful loans and advances	50.00%
Bad & loss loans and advances	100.00%

Quantitative Disclosures as on 31st December:

Total gross credit risk (risk weighted) exposures:

Figures in BDT Million

Particulars	2018		2017	
	Solo	Consolidated	Solo	Consolidated
Cash and cash equivalents	0	0	0	0
Claims on Bangladesh Govt. & Bangladesh Bank	0	0	0	0
Claims on NBFI and Banks	1,378	1,723	1,450	1,851
Claims on corporate (including OBS exposures)	23,923	23,923	15,545	15,545
Claims on Retail and SME (Including OBS exposures)	3,860	3,860	10,781	10,781
Consumer Finance	11,955	11,955	12,711	12,711
Claims fully secured by residential & Commercial Property	6,199	6,199	5,846	5,846
Past due claims	1,787	1,787	1,968	1,968
All other assets	11,627	9,835	11,273	9,476
Total	60,729	59,282	59,574	58,178

Geographical distribution of exposures (without netting eligible financial collateral) as on 31st December 2018:

Figures in BDT Million

Location	Solo	Consolidated
Dhaka	47,150	50,771
Chittagong	9,888	10,684
Sylhet	711	840
Jessore	1,387	1,387
Narshindi	378	552
Comilla	499	520
Bogra	861	861

Barisal	342	342
Khulna	449	545
Mymensingh	851	851
Others	1,267	1,323
Total	63,785	68,676

Industry or counterparty type distribution of exposure and NPL (without netting eligible financial collateral): Solo Basis:

Figures in BDT Million

Particulars	31 Dec 2018	Mix (%)	NPL	NPL % of Total Portfolio
Garments and Knitwear	2,138.69	3.35%	173.13	0.27%
Textile	1,820.80	2.85%	75.26	0.12%
Food Production and Processing Industries	4,008.56	6.28%	107.88	0.17%
Jute and Jute-Products	183.67	0.29%	0.00	0.00%
Leather and Leather-Goods	521.55	0.82%	0.00	0.00%
Iron, Steel and Engineering	2,101.06	3.29%	91.63	0.14%
Pharmaceuticals and Chemicals	933.98	1.46%	0.96	0.00%
Cement and Allied Industry	1,525.51	2.39%	27.40	0.04%
Telecommunication and IT	971.65	1.52%	0.00	0.00%
Paper, Printing and Packaging	601.38	0.94%	11.30	0.02%
Ship Manufacturing Industry	0.00	0.00%	0.00	0.00%
Glass, Glassware and Ceramic Industries	440.98	0.69%	14.02	0.02%
Power, Gas, Water & Sanitary Service	852.71	1.34%	21.68	0.03%
Transport and Aviation	1,049.67	1.65%	102.63	0.16%
Trade and Commerce	9,513.67	14.92%	414.99	0.65%
Agriculture	831.28	1.30%	47.34	0.07%

Particulars	31 Dec 2018	Mix (%)	NPL	NPL % of Total Portfolio
Housing	13,196.62	20.69%	456.99	0.72%
Brokerage & Securities	3,719.31	5.83%	0.00	0.00%
Others Loan	19,373.50	30.37%	753.26	1.18%
Total	63,784.58	100.00%	2,298.45	3.60%

Residual contractual maturity of credit exposure (without netting eligible financial collateral) as on 31-12-2018:

Figures in BDT Million

Particulars	Solo	Consolidated
On demand	2,722.74	2,931.54
In not more than three months	14,129.95	15,213.53
In more than three months but not more than one year	13,304.89	15,041.46
In more than one year but not more than five years	15,955.26	17,178.82
In more than five years	17,671.75	18,310.68
Total	63,784.58	68,676.03

Gross Non-Performing Assets (NPAs): Solo

On the reporting date i.e. 31 December 2018, Gross Non-Performing Assets stood at BDT 2,298.45 million.

Non-Performing Assets (NPAs) to Outstanding Loans & advances: Solo

On the reporting date i.e. 31 December 2018, Non-Performing Assets (NPAs) to Outstanding Loans & advances was 3.60%.

Movement of Non-Performing Assets (NPAs): Solo

Figures in BDT Million

Particulars	2018
Opening balance	1899.36
Additions during the year	888
Reductions during the year	488.91
Closing balance	2298.45

Movement of Specific Provisions for NPAs (Provisions for classified loans)

Figures in BDT Million

Particulars	2018
Opening balance	709.25
On fully provided debt written off during the year	(247.23)
Write back of excess provisions	(50.47)
Specific provision for the year	371.18
Provision held at the end of the year	782.73

E. Equities: Banking Book Positions

Qualitative Disclosures

Investment in equity securities by LBFL is broadly categorized into two types: Quoted securities (Ordinary shares, Mutual Funds) and Un-quoted securities. Unquoted securities are categorized as banking book exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future (i.e. held to maturity) and securities that are acquired under private placement or IPO or strategically held for a longer term and are going to be traded in the secondary market after completing required formalities or meeting some requirements.

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book:

Investment in Marketable securities: Investment 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.

Investment in Non-Marketable securities: Investment 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.

Investment in subsidiaries: Investments in subsidiaries are accounted for under the cost method of accounting in the Company's separate financial statements in accordance with IAS-27. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at cost, less impairment losses (if any).

- ▶ Provision for shares against unrealized loss (gain net off) has been made according to Bangladesh Bank (BB) circular.

Quantitative Disclosures as on 31st December 2018:

Figures in BDT Million

Particulars	Solo		Consolidated	
	At Cost	At Market Value	At Cost	At Market Value
Value of Quoted securities	2,085.7	1,977.7	5,283.1	5,125.2
Value of Unquoted securities	123.6	123.6	230.5	230.5

Particulars	Solo	Consolidated
The cumulative realized gains (losses) arising from sales and liquidations in the reporting period/ Net gain/(loss) on sale of quoted securities	80.4	352.64
Total unrealized gains (losses) / Provision for re-valuation of shares (net)	(108.02)	(342.29)
Total latent revaluation gains (losses)	-	-
Any amount of the above included in Tier 2 capital	-	-
Capital charge required for quoted securities:	395.54	1,025.04
Specific risk	197.77	512.52
General market risk	197.77	512.52

F. Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

(a) General Disclosure

Interest Rate Risk is the risk which affects the FI's financial condition due to changes of market interest rates. Changes in interest rates affect both the current earnings (earnings perspective) and also the net worth of the FI (economic value perspective). FI assesses the interest rate risk both in earning and economic value perspective.

The process of interest rate risk management by the FI involves determination of the business objectives, expectation about future macro-economic variables and understanding the money markets and debt market in which it operates. Interest rate risk management also includes quantifying the appetite for market risk to which FI is comfortable.

The FI uses the following approach to manage interest rate risks inherent in the Balance sheet:

Simple Gap Analysis: Traditional Gap analysis of on-balance sheet Asset Liability Management (ALM) involves careful allocations of assets and liabilities according to re-pricing/maturity buckets. This approach quantifies the potential change in net interest income using a specified shift in interest rates, e.g. 100 or 200 basis points, or a simulated future path of interest rates.

Assumptions: For Gap analysis, FI considers the following:

- ▶ For fixed-rate contract, remaining maturity is considered.
- ▶ For contracts with provision of re-pricing, time remaining for next re-pricing is considered.
- ▶ For assets and liabilities which lack definitive re-pricing interval or for which there is no stated maturity, FI determines the core and volatile portion. For assets, volatile portion is bucketed till 3 months using historical repayment behavior and stable portion is bucketed in 6-12 months' bucket. For liabilities, volatile portion is bucketed till 1 year using historical withdrawal behavior and stable portion is bucketed in over 1-year segment.

Also, following assumptions are met:

- ▶ The main assumption of gap analysis is that interest rate moves on a parallel fashion. In reality however, interest rate does not move parallelly.
- ▶ Contractual repayment schedule is met.
- ▶ Re-pricing of assets and liabilities takes place in the midpoint of time bucket.
- ▶ The expectation that loan payment will occur in schedule.

Quantitative Disclosures

Funding Gap Analysis:

Funding GAP Analysis attempts to determine the potential impact on net interest income (NII) due to changes in interest rate.

Result of Funding Gap analysis as on December 31, 2018:

Particulars	3 months	6 months
For 1% increase/decrease in interest rate, impact on NII	BDT ± 2.19 Million	BDT ± 2.48 Million
For 2% increase/decrease in interest rate, impact on NII	BDT ± 4.37 Million	BDT ± 4.97 Million

Duration GAP Analysis:

The focus of the Duration Analysis is to measure the level of a FI's exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements. Duration Gap can be used to evaluate the impact on the Market Value of Equity of the FI under different interest rate scenarios. ALCO monitors the Leveraged Liability Duration and duration gap of the total FI balance sheet on a quarterly basis to assess the impact of parallel shift of the assumed yield curve.

Particulars	31 December 2018
Duration of Asset	4.16
Duration of Liabilities	2.84

Duration Gap	1.32
Changes in equity for change in interest rate (1%)	1.20%
Changes in equity for change in interest rate (2%)	2.40%

G. Market Risk

Qualitative Disclosures

Market Risk: Market Risk is defined as the possibility of loss due to changes in the market variables. It is the risk that the value of on/off-balance sheet positions will be adversely affected by movements in equity price, interest rate and currency exchange rates. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements. The primary sources of market risk for the company are:

Interest rate risk: Arising from changes in yield curves, credit spreads and implied volatilities on interest rate options.

Equity price risk: Arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Company has a comprehensive Treasury Manual, Asset-Liability Management Policy, Investment Policy approved by the BoD to assess, monitor and manage all the above market risks. Various internal limits have been set to monitor market risk and capital requirement is assessed as per standardized approach of Basel II.

Methods used to measure Market Risk: FI applies maturity method in measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk exposure is computed under the standardized approach using the maturity method and in accordance with the guideline issued by Bangladesh Bank.

Market Risk Management System: To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Of the ratios, the key ratios that ALCO regularly monitors are Liquidity Coverage Ratio (LCR) and Maximum Cumulative Outflow (MCO), Liquid asset to total assets, Volatile liability dependency ratio, Snap liquidity ratio and Short term borrowing to Liquid assets ratio. ALCO also regularly monitors the interest rate sensitive gap and duration gap of total portfolio.

Quantitative Disclosures as on December 31:

Capital charge (Solo basis) for market risk:

Figures in BDT Million

Particulars	2018	2017
Interest rate risk	-	-
Equities	395.5	353.66
Foreign exchange risk	0.01	0.01
Commodity risk	-	-
Total	395.6	353.67

H. Operational Risk

Qualitative Disclosures

Operational Risk: Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. We seek to minimize exposure to operational risk, subject to cost benefit trade-offs. The FI captures some identified risk events associated with all functional departments of the FI through standard reporting format.

Views of Board on system to reduce Operational Risk: The policy for measuring and managing operational risks is approved by the Board in line with the relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Risk Management Division (Audit & Inspection Unit, Internal Control & Compliance Unit, Enterprise Risk Management Unit) to protect against all operational risks. As a part of continued surveillance, the management committee (MANCOM), Risk Management Committee and Risk Management Division regularly review different aspects of operational risks and suggest formulating appropriate policies, tools & techniques for mitigation of operational risk.

Performance gap of executives and staffs: LBFL is an equal opportunity employer. It recognizes the importance of having the right people at right positions to achieve organizational goals. Our recruitment and selection are governed by the philosophy of fairness, transparency and diversity. Understanding what is working well and what requires further improvement is essential to our performance management system. The performance management process aims to clarify what is expected from employees as well as how it is to be achieved.

Our learning and development strategy puts special focus on continuous professional development to strengthen individuals' skill set by removing weaknesses to perform the assigned job with perfection. We have a wide range of internal and external training programs to enhance capabilities as well as minimize performance gap that will contribute more to bottom line.

Peoples' performance is assessed on the basis of performance objectives and key performance indicators (KPI) set at the beginning of each year. Decisions related to rewards and recognitions for the employees are taken on the basis of how well the assigned KPIs are met.

Potential external events: The overall environment within which an FI operates creates certain externalities which could affect business performance directly such as:

Fraud Risk is the risk of incurring losses as a result of an intentional act or omission by a third party involving dishonesty, for personal and/or business gain, to avoid personal and/or business loss, or to conceal improper or unauthorized activity. This includes facilitation, misrepresentation, money laundering, terrorist financing, theft, forgery and cyber-crime.

Business Continuity Risk is the risk of incurring losses resulting from the interruption of normal business activities, i.e. interruptions to our infrastructure as well as to the infrastructure that supports our businesses.

Information Security Risk is the risk of an event which could result in

the compromise of organizational assets, including, but not limited to, unauthorized use, loss, damage, disclosure or modification of organization assets. It includes the risk of cyber threats on the organization.

Regulatory Compliance Risk is the risk of incurring regulatory sanctions (including restrictions on business activities, fines or enhanced reporting requirements), financial and/or reputational damage arising from our failure to comply with applicable laws, rules and regulations.

Vendor Risk arises from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor and other impacts to the vendor itself.

Policies and processes to mitigate operational risk: Enterprise Risk Management Unit is primarily responsible for risk identification, measurement, monitoring, control, and reporting of operational risk. This unit identifies risk issues primarily through review of Departmental Control Function Check List (DCFCL) and reports to Head of ICCD (Internal Control and Compliance Division). DCFCL is a self-assessment process for detecting 'high' risk areas and finding mitigation of those risks. The committee titled 'Risk Management Committee (BRMC)' also oversees the operational risk issues.

Approach for calculating capital charge for operational risk: The FI applies 'Basic Indicator Approach' of Basel II as prescribed by BB. Under this approach, FIs have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. Gross Income is the sum of 'Net Interest Income' and 'Net non-interest income' of a year or 'Total Operating Income' of the FI with some adjustments as noted below. Gross Income (GI) shall:

- ▶ Be gross of any provision (e.g. for unpaid interest),
- ▶ Be gross of operating expenses, including fees paid to outsourcing service providers,
- ▶ Include lost interest i.e. interest suspense on classified loans (SS, DF, BL).

Quantitative Disclosures as on 31st December:

Figures in BDT Million

Particulars	2018		2017	
	Solo	Consolidated	Solo	Consolidated
Capital charge for operational risk	374.5	510.7	293.20	371.34

STATEMENT ON NPL MANAGEMENT

1. Introduction

Non-Performing Loan (NPL) is a debt obligation where the borrower has not paid previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments. Therefore, managing NPL to keep it at the lowest possible level is at the core of our business priorities. We have embedded the essence of asset quality in our business values, therefore, instituted the best local as well as international industry practices throughout our business processes.

2. Business Processes and Structures to Facilitate NPL Management:

NPL management is one of the topmost priorities of the management. At LankaBangla, NPL management starts from the very beginning of our business process. Step by step NPL management flow is as under:

- ▶ We have developed credit policies in line with the best practices which are the guiding principles for sales and relationship teams which drive their business efforts towards quality business through systematic management of any potential risk of NPL.
- ▶ Credit Risk Management (CRM) division independently reviews the credit proposals, approves (as per approved delegated authority) or recommends for onward approval those cases which are screened off of potential risks ensuring adequate protection against any potential NPL. The reporting authority of CRM division is also independent of reporting line of business division.
- ▶ The credit proposals recommended by CRM are reviewed by Management Credit Committee (MCC) consisting of the Managing Director, Deputy Managing Director and Heads of business divisions, operations division and CRM division, who put into a wide variety of inputs from different aspects ensuring the least possibility of NPL.
- ▶ Thereafter, credit proposals recommended by MCC are reviewed and if found acceptable, approved by the concerned authority which may be the Managing Director, the Board Executive Committee (BEC) or the Board of Directors (BOD) independently.
- ▶ Even after approval of credit facilities, the post approval activities like credit facility documentations and executions are carried out by separate department namely Asset Operations Department and vetting of credit facility and collateral documentations are taken care of by separate department namely Legal Affairs Department under centralized Operations Division which are independent of reporting line of business departments and divisions to avoid conflict of interests.
- ▶ For post disbursement activities like monitoring, collection, early alerts, etc. sales and relationship teams hold prima-facie responsibility to ensure their accountability towards quality asset portfolio, However, to put into more and rigorous monitoring, separate department namely Asset Recovery & Monitoring Department continuously thrives for protection before assets turn into NPLs. Regular due date and overdue status reminders through SMS, e-mails, letters, telecommunications, meetings, discussions, visits, etc with the clients are consistently carried out by the department which facilitates managing NPL at the lowest possible level.
- ▶ For managing NPL cases arising out even after all the efforts as mentioned above, a dedicated department namely SAM (Special Asset Management) Department is in place to directly monitor, put into action and intensify recovery and settlement drives through dedicated internal recovery officers and also third party collection service providers, where necessary. Litigation Unit of Legal Affairs Department is well organized with the assistance of leading law firms of the country to ensure all out legal actions for collection.
- ▶ Risk Management Division and its Internal Control & Compliance (ICC) Unit, Enterprise Risk Management (ERM) Unit and Audit & Inspection (AI) Unit are consistently reviewing and monitoring the implementation and execution of the policies, procedures, and systems; blowing whistles where necessary; updating with approval of competent authority the policies, procedures, and systems with the assistance of the Information Technology (IT) Division and other stake-holding divisions;
- ▶ The senior management is vigilant to monitor and review all the relevant aspects; provides necessary directions and guidance time to time; all to ensure asset quality maintaining the NPL ratio towards its desired goals outperforming the industry ratio.
- ▶ On top of all, the Board of Directors periodically monitors and reviews the NPL movements and performance of the management in arresting NPL; provides necessary directions and guidance, thereby ensures highest quality of assets of the company to ensure a quality asset portfolio thereby maximize business and profitability growth.

3. Strategies for NPL Management

The recovery strategies are formulated based on analysis carried out through the following three sub-functions:

- ▶ Classification of loan portfolio
- ▶ Trend analysis of the overdue installments
- ▶ Processes of recovery

3.1 Classification of Loan Portfolio

Loans are classified into the following categories:

- ▶ Regular Regular payees
- ▶ One month overdue accounts
- ▶ Two months overdue accounts
- ▶ Three months overdue accounts
- ▶ Four months overdue accounts
- ▶ Five months overdue accounts
- ▶ Six months and above overdue accounts
- ▶ Written off accounts

The above mentioned classification is based on the age of the loan portfolio. The strategy of recovery is based on the age of overdue of the loan facility.

3.2 Trend Analysis of the Overdue Loans

The data of the outstanding loan portfolio is analyzed in two respects, namely, Sector-wise Age Analysis and Client-wise Age Analysis. From each of these two reports a trend analysis is carried out. The details are given below. External data are utilized to do the analysis:

3.2.1 Sector-wise Age Analysis

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

3.2.1.1 Industry Sales Analysis

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

3.2.1.2 Industry Profitability Analysis

This analysis is carried out in order to find out the fluctuation of the profit margin of the sectors. The causes of the fluctuations are also analyzed to uncover the nature of the fluctuations (temporary or permanent).

3.2.1.3 Industry Liquidity Analysis

This analysis is carried out in the context of national economic activity, monetary condition to find out the immediate liquidity situation of the industry and be prepared to face the reality of the business.

3.2.1.4 Industry Change Analysis

This analysis is carried out to find out changes in the industry in terms of technology, investment, development of substitute product, etc. The objectives of the sector-wise age analysis are following:

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

3.2.2 Client-wise Age Analysis

This analysis is carried out to discover the clients' integrity and sincerity to pay the loan installments, their business profitability, and affectivity of their business strategy in the context of present business situation. The objective is to adopt correct strategy to recover the investment.

4. Recovery Processes

The various recovery actions in order of intensity is given below:

- ▶ Phone Call/ SMS
- ▶ Letter/ E-mail
- ▶ Visit
- ▶ Reminder

- ▶ 2nd Reminder
- ▶ Visit conducted by higher level employee/s
- ▶ Letter to guarantor/s
- ▶ Final letter for legal notice
- ▶ Legal Notice
- ▶ Report to Central Bank and to other agencies
- ▶ Terminate the loan
- ▶ Ask the guarantor of payment/ encashment of security
- ▶ Litigation

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

- ▶ Immediately after overdue of one installment, telephonic communication/ SMS is initiated by monitoring officer. Upon failing to obtain positive result default letter is issued to the client after closure of the due month. If the letter does not bring in result an official visit is made by a collection officer to resolve the matter.
- ▶ If two installments are overdue, the case is analysed and necessary corrective action is taken by sending an overdue status and a claim letter; simultaneously telephone calls and/ or visits are made to give the continuous reminder.
- ▶ If the above actions fail a second reminder is given to the client through letter along with telephonic conversation.
- ▶ If consecutively three installments are overdue the client is taken as problem case. In this case a higher level management meeting is conducted, to take corrective action with respect to rescheduling, early realisation, etc.
- ▶ If the above measures fail a letter showing the details of overdue and a list of already taken corrective actions is sent to the client with C.C. to the guarantor and security provider.
- ▶ After six monthly installments overdue, or the account is overdue for six months, the case is taken as suspended case and legal notice, reporting to central bank, termination of loan, security encashment, final provisioning, litigation etc. are carried out chronologically.

5. NPL Status as on December 31, 2018:

During the year 2018, the NPL ratio of the Company slightly increased to 3.60% from previous year's 3.07%. The absolute figures show the increase in classified portfolio from BDT 1,899.36 million in 2017 to BDT 2,298.45 million in 2018. Special efforts were made during the course of the year, which were further intensified during last quarter of the year and it helped reduce the impact of stressful economy on NPL to a sizable extent comparing to the industry.

The movement in NPL accounts during the year 2018 has been depicted in following table:

Particulars	BDT Million
Opening Balance as on January 1, 2018	1,899.36
Add: Addition During the Year	888.00
Less: Collection During the Year*	172.00
Less: Write-offs	316.91
Closing Balance as on December 31, 2018	2,298.45

* The collections from NPL accounts figure is only from opening NPL accounts; total collections from all NPL accounts including those which were regularized/ settled during the year is BDT 472.39 million.

6. Write offs

During the year 2018, the movement in write-offs accounts is as under:

Particulars	BDT million
Opening Balance as on January 1, 2018	588.34
Add: Addition During the Year	316.91
Less: Collection During the Year	3.76
Closing Balance as on December 31, 2018	901.49

7. Sector-wise NPL Status

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

Sl.	Particulars	Total Credit Portfolio (in BDT mn)	Credit Portfolio (in %)	NPL Portfolio (in BDT mn)	NPL % of Total Portfolio
1.	Trade and commerce	9,268.20	14.53%	413.11	4.46%
2.	Industry				
a)	Garments and knitwear	2,240.67	3.51%	173.13	7.73%
b)	Textile	1,843.46	2.89%	76.14	4.13%
c)	Jute and jute -products	183.67	0.29%	-	0.00%
d)	Food production and processing industry	4,076.42	6.39%	107.99	2.65%
e)	Plastic industry	754.72	1.18%	0.79	0.10%
f)	Leather and leather goods	521.55	0.82%	-	0.00%
g)	Iron, steel and engineering	2,101.06	3.29%	91.63	4.36%
h)	Pharmaceuticals and chemicals	933.98	1.46%	0.96	0.10%
i)	Cement and allied industry	1,536.48	2.41%	27.40	1.78%
J)	Telecommunication and IT	971.65	1.52%	-	0.00%
k)	Paper, printing and packaging	607.72	0.95%	11.30	1.86%
l)	Glass, glassware and ceramic industry	440.98	0.69%	14.02	3.18%
m)	Ship manufacturing industry	-	0.00%	-	0.00%
n)	Electronics and electrical products	444.60	0.70%	-	0.00%
o)	Power, gas, water and sanitary service	852.71	1.34%	21.68	2.54%
p)	Transport and aviation	1,049.67	1.65%	102.63	9.78%
	Industry Total	18,559.34	29.10%	627.67	3.38%
3.	Agriculture	842.88	1.32%	47.34	5.62%
4.	Housing	13,320.15	20.88%	515.61	3.87%
5.	Others				
a)	Merchant Banking (Loan to LankaBangla Investments Limited)	2,009.70	3.15%	-	0.00%
b)	Margin Loan	1,709.60	2.68%	17.37	1.02%
c)	Others	18,074.71	28.34%	677.35	3.75%
	Others Total	21,794.01	34.17%	694.72	3.19%
	Grand Total	63,784.58	100.00%	2,298.45	3.60%

In order to arrest NPL our focus is not only reducing existing NPL portfolio, but also avoiding further NPL. In line with that we have strengthened our recovery & monitoring team, deployed external sources where found suitable, strengthened our legal team, thereby intensified recovery drive which brought in defaulting clients under negotiation and thereby sizable recovery was possible in year 2018 like-wise 2017. We hope further improvement in year 2019 in recovery of NPL accounts.

On the other hand, in order to check any further significant NPL, we have extensively reorganized our Organogram, strengthened pool of qualified human resources in the departments, enhanced lawyers' panel incorporating leading law firms, strengthened Risk management division, reengineered business and operational processes putting into a strong risk management framework in place which is expected to result in significant improvement in year 2019.

REPORT ON GOING CONCERN

The Board of Directors of LankaBangla has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. This assessment involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to Company's continuance as a going concern for the foreseeable future.

Financial Indications

Performance Growth

2018 was challenging year for financial sector. In this period the overall sector faces a liquidity crisis. Even in this period LankaBangla manages to attain some good which indicates its excellence in operating performance. The Company's Consolidated Total Asset grew by BDT 2,446 Million in 2018, from BDT 85,443 Million in 2017 to BDT 87,889 Million in 2018. Consolidated Earning Assets of LankaBangla reached BDT 81,947 Million from BDT 80,800 in 2017. Consolidated Operating Revenue shows a growth of 11% from last year; it amounted to BDT 11,061 Million in 2018 from BDT 9,981 Million in 2017. Consolidated Net Interest, which is one of the major performance indicators, amounted to BDT 2,490 Million for the year 2018 compared to BDT 2,237 Million of 2017. The Consolidated Net Interest Income grew by 11% in 2018 over the last year.

Credibility in Payment Obligations

LankaBangla has strong credibility in terms of payment of its obligations to the lenders and suppliers. The Company is very particular in fulfilling the terms of payment or repayment agreements without any exception. This has resultant from our effective liquidity management plan.

Cash Flow Analysis

LankaBangla's cash flow analysis represents its strengths about its ability to repay its obligations, ability to adapt in changing circumstances and generate sufficient cash and cash equivalents which will lead the organization to a sustainable future growth.

Consolidated Operating Cash Flow before changes in operating assets and liabilities generated in 2018 was BDT 2,126 Million. However, Net Operating Cash Flow after changes in operating assets and liabilities shows inflow of BDT 1,676 Million, whereas there was an outflow of BDT 1,549 million in the previous year.

Expansion of Business

LankaBangla continues to expand its segment geographically by opening new branches in different places considering the economic significance. In 2018 LankaBangla opened 2 new branches and initiatives have been taken to open 4 new branches in 2019 at different places across Bangladesh. As on 31 December 2018 LankaBangla has 26 Branches.

LankaBangla gives due importance on product diversification, a key strategy to achieve customer satisfaction by tailoring the need of customers. In 2018 Lease, Loans and Advances has increased by BDT 2,132 Million in 2018, from BDT 66,544 Million in 2017 to BDT 68,676 Million in 2018. and Term Deposit has increased by BDT 1,678 Million in 2018, from BDT 51,553 Million in 2017 to BDT 53,231 Million in 2018. In 2018 Lease, Loans and Advances disbursed BDT 38,754 Million and Term Deposit mobilized BDT 37,685 million. This is indicative of the impact of our sound organizational structure, skilled and dedicated work force and business strategies through which we were able to achieve such results. Fund under Management reached to BDT 153,419 Million in 2018. LankaBangla's Management has positive intent to maintain this growth in future years which represent Company's intention to perpetuity.

Consistent Payment of Dividends

LankaBangla has been paying consistent dividend to its shareholders

over many years, which reflects company's long term vision and firm commitment to its shareholders.

Corporate Environment and Employees' Satisfaction

LankaBangla is an excellent work place with a friendly working environment. Communication among the employees is admirable. The organization endeavours to be honest and practices fair treatment to all employees which ensures healthy corporate environment. The company pays a very competitive compensation package and there are a good number of employee benefits like provident fund, gratuity fund, Home and personal loan for employees at a reduced rate, employees' health insurance, incentive bonus, transport facility to the eligible employees. Pay scale are frequently revised to give effect of inflation as well as to align with the industry level. These factors are instrumental for employee satisfaction.

Maintenance of Sufficient Capital

As per BASEL-II, an NBFIs should maintain total capital of at least 10 percent of Risk Weighted Asset (RWA). LankaBangla maintains its capital well above the required level consistently even though growth of RWA is significant. As on 31 December 2018 Consolidated Capital Adequacy Ratio (CAR) is 16.18% and Separate Capital Adequacy Ratio (CAR) 15.74% which was in 2017 11.95% and 11.81% respectively.

Other Indications

Satisfactory Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 28 June 2018 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable. The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

Issuance of Subordinate Bond

"On 23 December 2018, the Company issued the first tranche of coupon bearing, nonconvertible, subordinated bond with face value of BDT 1,810,000,000 (approved face value of BDT 3,000 million) for 6 years. The coupon rate of the bond is floating with a floor of 8% and ceiling of 11%.

The acceptability of the Bond within the current economic condition is reflector of LankaBangla's sound credit worthiness.

Foreign Fund

LankaBangla manage to close a deal with Islamic Corporation for The Development (ICD) Of The Private Sector for a Foreign Loan of 20 Million Euro. The company passes through all the feasibility testing of ICD during the year 2018 and successfully got the Fund on 13 January 2019. The Fund will certainly strengthen the funding position of LankaBangla and will be a gateway for more foreign funds in future.

Changes in Government Policy

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

Based on the above mentioned indications, Directors feel it is appropriate to adopt going concern assumptions. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The primary role of LankaBangla is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value.

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REVIEW FROM THE MANAGING DIRECTOR & CEO

We have been able to bolster our capital base with diversified fund sources, build the image of a customer centric organization and provide full range of financial services maintaining good governance, transparency, credibility and advanced IT backbone inspite of the challenges from industry competitiveness, liquidity tightening and bearish capital market.



Khwaja Shahriar

Managing Director & CEO



Dear Stakeholders,

We have overcome a challenging year with the cooperation of all and become stronger as a Group. Year long liquidity tightening, sheer underperformance of capital market impacted the bottom-line results but last five years' impressive result will surely continue in coming days as we change ourselves in this dynamic business environment, intervene with strategies that conforms to sustainability and long-termism.

Issuing Right Share has increased our shareholders' consolidated equity by 18% from 2017, Alongside, subordinated bond of BDT 1,810 million has strengthen our supplementary tier 2 capital. These strategic initiatives improved our capital adequacy ratio (CAR) to 16.18 % on consolidated basis and 15.74% on standalone basis which are 35.4% and 33.24% higher than last year. We have successfully arranged BDT 1,676 million foreign fund which will be received in the start of 2019. All these implies our strong liquidity position and prospective growth.

Credit Rating Agency of Bangladesh (CRAB) has rated LBFL "AA3" for long term and "ST-2" for short. Achieving SAFA, ICAB, ICMAB Awards for best presented Annual Report and Corporate Governance for last few consecutive years proved our consistent accountability to stakeholders in terms of transparency and integrity.

In the year 2018, with 7.86% GDP growth Bangladesh broke the record of its highest ever GDP growth in recent years

exceeding last year record of 7.28%. GDP growth for financial intermediations was 7.90% in 2018. Although the political environment was very much stable for the year, tension developed at the later part of the year to the lead up to the election. The government has targeted to keep higher gear for investments in power and transport infrastructure and higher private sector credit growth. Given current trends, Bangladesh is clearly entering to another higher growth curve.

For us, 2019 is going to be an exciting year to utilize our financial and infrastructural strength to meet forthcoming challenges. We believe that the Government's ambitious infrastructure development program supported by a fast-track implementation will help our nation to achieve higher growth in the near future. In this backdrop, as a financier, we will enjoy higher credit growth to support private sector activities linked with those developments. Armed with sense of collective achievement we look forward to the next phase of our journey towards growth and prosperity that will be built on the good work done so far.

Year-end Highlights-2018

As on 31 December 2018, our SME portfolio stood at BDT 17,514 million, showing a growth of 9.81% from last year. In order to exploit the huge opportunities in SME sector, we deployed different strategies aimed to grow and achieve a diversified portfolio. These strategies are aligned with our endeavour of

increasing geographical footprint. We are planning to ensure our presence in the major SME business hubs all over the country.

In 2018, we focused heavily on both SME and Personal Financial Services. In contrast to last year, our credit card portfolio has shown significant growth of 25.37% in 2018 with its client base growing sharply. Card usage stands at BDT 8,228 million which was 33.35% higher than 2017 usages. Our Home Loan portfolio has grown by 7.42% from last year to BDT 13,159 million in 2018 from BDT 12,250 million in 2017.

Our prime vision for 2019 is to ensure that branches play a bigger role in promoting Retail and SME lending and driving medium term business goals. Our term deposit has grown by 3.3% in 2018. This is in line with reducing dependency on bank borrowing which is a major prerequisite for a NBFI to have sustainable future.

Financial Highlights

Despite in the fall of overall profitability due to reducing spread, bearish Capital market, tightened liquidity, we have been able to keep the confidence of our stakeholders with strong balance sheet. Our endeavour reflected in equity growth of 18% and 24% in terms of consolidated and standalone basis, 5% and 11% NAV growth in both consolidated and standalone basis respectively, 3% growth of asset portfolio, 15% increase in public deposit, 14% standalone growth in net interest income as on 31st December 2018. Our separate earning asset has reached at BDT 76,656 million which indicates a growth of 2.3% from last year. As the industry passed a dry season in the year, LBFL faced tightened liquidity which reduced overall loan disbursement to BDT 38,754 million with a negative growth of 31.7% from last year.

Other major highlights are shown below

Revenue

Consolidated revenue for 2018 has been BDT 11,061 million which shows a growth rate of 10.82% from the previous year, of which 82% was from interest earning products, 4% from investment income, 6% from commission & brokerage income and rest 8% from other income sources.

Profitability

As the capital market was bearish and financial industry suffered liquidity crisis LBFL experienced 68.68% negative growth of group profitability. Consolidated Pre-tax profit was recorded at BDT 709 million for the year 2018, which was BDT 2,265 million in the previous year.

Portfolio

Lease, Loans & Advances Portfolio of LBFL shows a growth of 3% from BDT 61,914 million in 2017 to BDT 63,785 million in 2018. Retail portfolio grew 1.85% and now stands at BDT 27,550 million, whereas Corporate portfolio has reduced by 1.02% from BDT 18,915 to BDT 18,721 million. SME financial services division shows a good growth of 9.8% from BDT 15,949 million in 2017 to BDT 17,514 million in 2018.

Credit Quality and NPL

Despite mid quarters of the year posed challenges for the Company to keep NPL ratio at tolerable limit, eventually we have been successful in keeping our stand alone NPL ratio at 3.60% in 2018. Overall NPL ratio of the Group reached to 3.35%.

Liquidity and Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) at the end of 2018 stood at 15.74% on separate basis and 16.18% on consolidated basis against the Bangladesh Bank's stipulation of 10% which was 11.81% and 11.95% respectively in 2017. This shows the strength of Capital and the level of compliance of LankaBangla with the regulatory requirements and to ensure a sustainable growth.

Share Performance

Market price of our share had shown fluctuation throughout the year in between BDT 22 and BDT 38.5 and finally settled at BDT 22.9 at the end of 2018.

ROA

For the year 2018, our Consolidated Return on Assets (ROA) was 0.51% compared to 2.58% of 2017.

ROE

LBFL's individual Return on Equity (ROE) was 8.76% in 2018. Consolidated Return on Equity (ROE) for the year 2018 was 4.90% and its five-years cumulative average growth rate was 11.16%. As capital market did not provide return as per expectation, LBIL and LBAMCL contributed negatively to a reduced consolidated ROE over the year.

EPS

Consolidated Earnings per Share (EPS) for 2018 stood at BDT 0.85 compared to BDT 4.15 in 2017. Due to political uncertainty in an election year, liquidity crunch in banking sector and continued bearish capital market throughout 2018, our bottom line result has been greatly affected. As profitability decreased and number of shares increased with Right Issue EPS stood significantly low.

Fund Under Management

Fund Under Management has risen to BDT 144,425 million in 2018 which was BDT 142,825 million in 2017. Our targeted FUM is BDT 197,414 million with 32% growth in 2019.

Activities of Subsidiaries

With the launching of fund management service through LankaBangla Asset Management Company Limited, LankaBangla is the pioneer financial institution in Bangladesh to operate at full capacity in Capital market of Bangladesh.

LankaBangla Securities Limited (LBSL) maintained its leadership in

both of the exchanges (DSE & CSE) in terms of transaction value for the last 13 years and 14 years respectively. Despite daily turnover in both the bourses decreased significantly in 2018, LBSL was able to register 8.30% market share in major exchanges which is so far the highest market share retention in LBSL's history and eyes to capture 8.93% market share in 2019. We expected to secure 30% market share in foreign trade in 2019 following 27% market share in 2018. Decreasing transaction volume reduced 38% brokerage revenue in 2018 which had touched billion land mark last year. The company's drive to increase retail client base resulted in 10,924 new BO Accounts in 2018.

LankaBangla Investments Limited (LBIL) maintaining its leading position in primary market operations by arranging BDT 7,971 million for its clients through primary market services, successfully arranged IPO sized BDT 4,250 million, signed some major contract to provide corporate advisory and issue management services. Gradually this merchant banking wing of LankaBangla Finance Limited is focusing non-funded earning sources more than fund based earning sources.

LankaBangla Asset Management Company Limited (LBAMCL) has passed only its second year in the Asset Management industry with wealth management products gaining increasing popularity amongst the investor community.

Despite a predominantly bearish market trend in 2018, LBAMCL declared 5% Cash dividend for holders of its first unit fund named, LankaBangla 1st Balanced Unit Fund (LB1stBUF) which outperformed the market. In order to cater to the growing demand for Shariah based investment products, LBAMCL launched a Shariah based unit fund named, LankaBangla Al-Arafah Shariah Unit Fund in April 2018. This fund also outperformed the market and declared 4% Cash dividend for its shareholders.

2019 promises to be another exciting year for LBAMCL with two more unit funds sized total BDT 300 million expected to be launched in the capital market of Bangladesh. LBAMCL's First Private Equity Fund is expected to be launched with fund size of BDT 250mn.

Following the historic strategic partnership between Dhaka Stock Exchange and Chinese Consortium comprised of the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) in 2018, it is obvious that Bangladesh Capital market has entered a new era which will take shape with new product proliferation (e.g. ETF, Derivatives etc), technological advancement and automation. LBAMCL is fully prepared to embrace the upcoming developments and changes to better serve its investors and take its service to the next level.

Advancement in utilization of technology

As we are ambitious to provide optimum customer service with the help of latest technology we have continued to upgrade our IT backbone in 2018. We have implemented Tranzware Project for credit card operation, IFS (ERP) project are to Go Live in early 2019.

LBSL updated i-Broker apps to provide Real-time Portfolio Status, Stock Watch list, Online Payment facility through Internet & Mobile Banking which is now available in IOS devices. We have designed new portal to replace old LankaBangla Financial Portal which will reduce Fixed Cost considerably. In the year we have established fully operational call center for stock brokerage services.

Economic Outlook and Competitive Challenges for 2019

The private sector credit recorded 13.33% growth in December 2018 which is significantly lower than that of last year. We are expecting GDP growth of 7.80% in 2019. Bangladesh Bank mulls to tighten credit supply and curb excessive lending due to prospective

inflationary pressure on economy. The ADR of all banks has been re-fixed by Bangladesh Bank at 83.50% for conventional banks from June 2018 to check any possible liquidity pressure. This directive has put pressure on banks to attract more deposits in 2018 and expected to continue in 2019.

The current account registered a deficit of USD 9.78 billion in 2018, which is the largest deficit in the country's history and 3.6% of GDP. So, it will be usual to have a deficit in the current account balance in FY19 with a bit of a lower figure as we expect lower imports of food grains in 2019, which contributed a large part to the current account deficit in FY18.

As the competition in collecting fund rises in the financial industry, borrowing cost has risen gradually in 2018 which will be continued in 2019. So, NIM would be under pressure throughout the year 2019. Political condition is expected to be stable as we have held the National Election in late 2018. We will continue to search new and cheap sources of fund, would remain cautious in lending and will rebalance our portfolio to higher yield segments as a measure to maintain our desired margin.

While we are investing more on technology to ensure seamless operations and customer service, innovation would remain a top priority in 2019. With few other new branches, we will continue to reach to customer doorsteps with higher concentration in personal financial services and SME financial services. Alongside, we will not lose our eyes from corporate sector.

Our Footprint

In expanding our footprint, our aim is to ensure our presence selectively in strategically important places for SME & Personal Financial Services. We envisage that all our branches will be equipped with advanced state-of-the-art technology and deliver superior client service. We are conscious of the immense potential in the new growth areas of the Bangladesh economy, and will invest in preparing our human resources to cater to these specific market segments. Our branch network already comprises of 27 locations country-wide. As we grow in geographical presence and strength, we are committed to be most preferred financial service provider of the country.

Appreciations

Contributions from all of our stakeholders puts us to the path of durable growth making us even more confident in achieving long sustainable and superior return. I sincerely thank the Board of Directors, members of Management Committee and all members of our staff for their contribution.

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

Thank you!



Khwaja Shahriar

Managing Director & CEO

CFO's STATEMENT ON PERFORMANCE

This Year, LankaBangla group consolidates its strength to weather subdued performance of financial sector. Last year financial sector of Bangladesh experienced the scarcity of liquidity stemmed from widening savings-investment gap amid robust demand for capital, current and balance of payment deficits. Regulators remains careful in maintaining macroeconomic stability that results into controlled inflation at the end of the year and sense of austerity in excessive credit expansion. In FY 2018, we have achieved BDT 444 million net profit after tax from consolidated operations of the group and BDT 714 million from standalone operation of LankaBangla Finance Ltd. The underperformance of capital market curtailed 39% turnover volume along with 13.8% of general index of Dhaka Stock Exchange compared to last year that has affected the yield on investments and income from subsidiaries engaged in capital market operation eventually reducing our group earnings. In this rapidly changing economy, we have changed ourselves by enhancing our capacity and strengthened our capital base for our customer's betterment. As we graduate from low to middle income country, we focus on increasing productivity and efficient deployment of assets under LBFL's management.



Shamim Al Mamun, FCA
Chief Financial Officer

Financial position

Capital

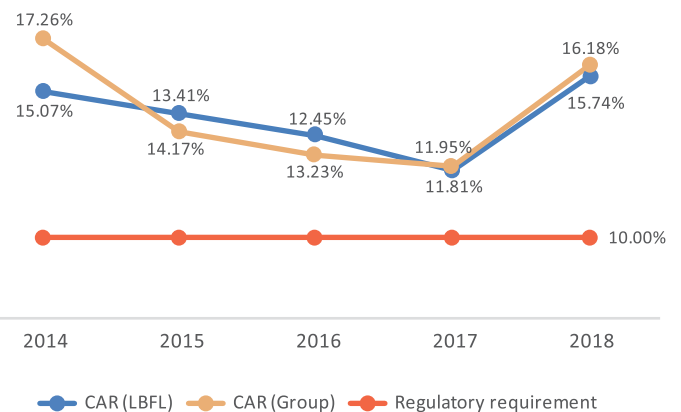
Despite a challenging year, LankaBangla Group remains well capitalized, as capital adequacy ratio remains well above the Basel II minimum regulatory capital requirements. Group's Capital Adequacy Ratio reached to 16.18% in 2018 from 11.95% in 2017 and LankaBangla Finance Limited (LBFL)'s CAR reached to 15.74% in 2018 from 11.81% in 2017. At LankaBangla, Capital Management policy sets out the principles and guidelines for effective and prudent capital planning, usage and management.

Tier I Core Capital of LBFL Group and LBFL as at 31 December 2018 were BDT 9,700 million and BDT 8,718 million respectively. On solo basis, LBFL's core capital increased by 20% in 2018 compared to that of 2017 boosted by the rise of paid-up capital of BDT 1,591 million through rights issue and by modest financial performance by means of Net Profit after tax of BDT 714.0 million. Group's equity increased by 18% to BDT 9,823 million from BDT 8,237 million.

Tier II Supplementary capital of the Group and LBFL comprises of General Provision for leases and loans and subordinated bond issued during the year as a part of Tier II capital. Supplementary capital of the Group increased by 345% in 2018 to BDT 2,049 million from BDT 534 million of 2017 and supplementary capital of LBFL increased by 284% to BDT 2,376 million from BDT 534 of 2017 million.

Total eligible capital of the group stood at BDT 12,076 million in 2018 which is 38% higher than that of BDT 8,729 million of

previous year. LBFL's total eligible capital also increased by 38% to BDT 10,768 million in 2018 compared to BDT 7,802 million of 2017.



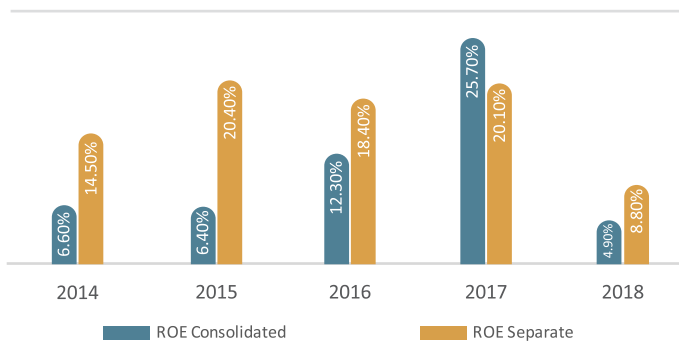
Compared to 2017, consolidated risk weighted assets grew by 2% in 2018 and so does our capital requirement. We not only maintained the required level of capital, we had a good surplus. The surplus eligible capital of the Group and the Company at the close of business on 31 December 2018 were BDT 4,612 million and BDT 3,925 million respectively.

Our strong capital base created opportunity for us to grow further in coming days.

Return on Capital:

In FY 2018 standalone and consolidated ROE was 8.8% and 4.9% respectively. Under performance of capital market and yearlong liquidity shortage has affected both of our standalone and consolidated ROE in FY 2018. The historical ROE of core operation of LankaBangla Finance Ltd. was less variable in nature. Over the years, we have been building our balance sheet in such a way so that the earning volatility is reduced and risk diversified.

Return on Equity (ROE)



Loans and Advances

Despite the liquidity crunch in 2018 Leases, Loans and Advances portfolio grew by 3.20% to BDT 68,676 million from BDT 66,544.36 in 2017 as the liquidity shortage was easing from the last quarter of 2018.

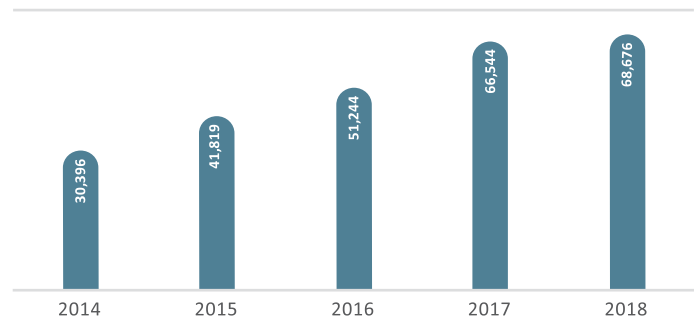
Corporate portfolio reached to BDT 16,538 million in 2018 compared to BDT 16,316 million in 2017. Besides, Term loans LBFL offers factoring, syndicated financing arrangements and short term financing also to accomplish the motive of providing corporate bodies need based services.

Retail loans and advances portfolio grew by 1.85% to BDT 27,592 million in 2018 which was BDT 27,095 million in 2017. Retail portfolio is comprised of Auto loans, Home loans, Personal loans and Credit Cards. Auto loan portfolio de-grew by 11% to BDT 5,509 from BDT 6,164 million. Home loan portfolio grew by 7% to BDT 13,159 million in 2018 compared to BDT 12,250 million in 2017. At the end of FY 2018, personal loan portfolio

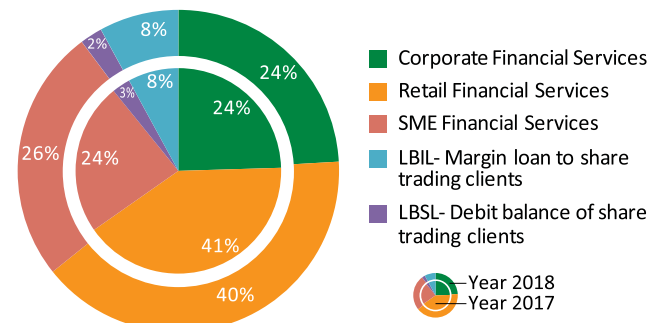
BDT Billion

Loans and Advances (Portfolio)	2018	2017	Y-O-Y Growth	
			Amount	%
Corporate Financial Services	16,537.85	16,316.44	221.41	1%
Retail Financial Services	27,591.91	27,094.87	497.05	2%
Auto Loan	5,508.87	6,164.33	(655.45)	-11%
Home Loan	13,159.05	12,249.99	909.06	7%
Personal Loan	5,315.38	5,802.19	(486.81)	-8%
Credit Card	3,608.61	2,878.36	730.25	25%
SME Financial Services	17,513.71	15,948.71	1,565.00	10%
LBIL- Margin loan to share trading clients	1,538.26	1,915.46	(377.20)	-20%
LBSL- Debit balance of share trading clients	5,494.30	5,268.88	225.42	4%
Total portfolio	68,676.03	66,544.36	2,131.68	3.20%

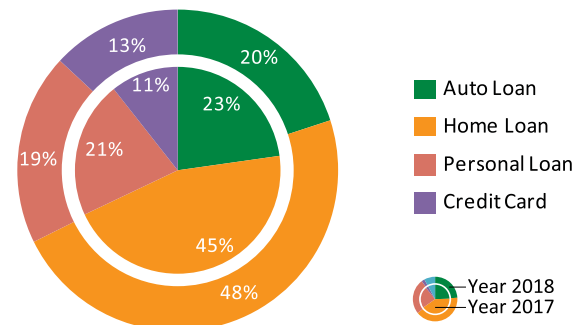
Cosolidated Leases, Loans and Advances



Consolidated ASSET PORTFOLIO COMPOSITION 2017-18



RETAIL ASSET COMPOSITION 2017-2018



reached to BDT 5,315 million experiencing 8% lower than BDT 5,802 million of 2017.

Credit Card is one of the strength of LankaBangla Finance Ltd. as we are the only NBF to deal with Credit Card Business. Credit card portfolio increased by 25% to BDT 3,609 million in 2018 from BDT 2,878 million in 2017. Credit Card usage boosted by 33% in 2018. During the year, LankaBangla Master and Visa Card usage reached the milestone of BDT 8,228 million which was BDT 6,170 million during 2017. SME portfolio grew at a rate of 10% in 2018 to BDT 17,514 million compared to BDT 15,949 million in 2017. The exposure to capital market reduced in FY 2018 from that of FY 2017.

Funding and Liquidity

Although FY 2018 was very tight from liquidity perspective, LBFL has shown its strength in growing its deposit portfolio at the same time reducing bank borrowing. Due to high attrition rate of corporate and Institutional deposit, LankaBangla Finance Ltd. focused and successfully increased its retail deposit base.

Portfolio of Corporate TDR, Bank & FI TDR and borrowings decreased by total BDT 10,521 million in 2018. On the other hand, portfolio of Retail TDR and SME TDR increased by total BDT 9,899 million as we have focused on these particular segments. Retail and SME deposit grew by 77% and 2328% respectively. SME TDR was introduced in 2017, which performed very well. Overall term deposits grew by 3% in 2018 to BDT 53,231 million from BDT 51,553 million in 2017. Corporate TDR experienced decrease by 19% in 2018. Overall Bank Borrowings decreased by 12% in 2018 compared to that of 2017. In contrast, equity increased by 18% which supported our liquidity position.

We were also focusing on alternative source of fund and by the end of 2018 LBFL successfully issued first tranche of non-

	2018	2017	Y-O-Y Growth	
			Amount	%
Term Deposit	53,231	51,553	1,678	3%
Corporate TDR	19,407	24,027	(4,620)	-19%
Retail TDR	18,757	10,610	8,147	77%
SME TDR	1,827	75	1,752	2328%
Bank & FI	13,240	16,840	(3,600)	-21%
Bank Borrowing	16,263	18,564	(2,300)	-12%
Bank overdraft	1,227	1,484	(257)	-17%
Long term loan	3,887	3,205	682	21%
Call loans	1,140	1,280	(140)	-11%
Short term borrowings	7,503	11,153	(3,650)	-33%
Zero Coupon Bond	713	942	(229)	-24%
Subordinated Bond	1,794	-	1,794	100%
Commercial Paper	-	500	(500)	-100%
Total Deposit and Borrowings	69,494	70,116	(622)	-0.89%

convertible subordinate bond with face value of BDT 1,810 million with 6 years of maturity. Approved amount of the bond is BDT 3,000 million and remaining amount is likely to be issued within first half of 2019. The Bond will also provide support as Tier II Capital and will further strengthen our Capital Adequacy Ratio.

Despite the liquidity shortage in 2018, we have been able to maintain our liquidity position well in excess of prudential liquidity requirements.

Financial Performance

Profitability Position:

LankaBangla Group went through a challenging phase during 2018. Performances of the Group and the Company faced a plunge in profitability in 2018. Reduction in investment income, brokerage commission & increase in provision for diminution in investment of shares and provision for leases, loans and advances affected the bottom line of the Group and the Company. Consolidated and separate net profit before tax was BDT 709 million and BDT 816 million compared to BDT 2,264 and BDT 1,397 million respectively in 2017. Consolidated and separate net profit after tax were BDT 444 million and BDT 714 million compared to BDT 1,926 and BDT 1,353 million respectively in 2017.

BDT Billion

Group	BDT in million		Y-O-Y Growth	
Year	2018	2017	Amount	%
Net profit before tax	709.07	2,263.81	(1,554.74)	-69%
Net profit after tax	44.44	1,926.29	(1,481.85)	-77%

Group	BDT in million		Y-O-Y Growth	
Year	2018	2017	Amount	%
Net profit before tax	815.73	1,397.39	(581.66)	-42%
Net profit after tax	714.16	1,352.79	(638.63)	-47%

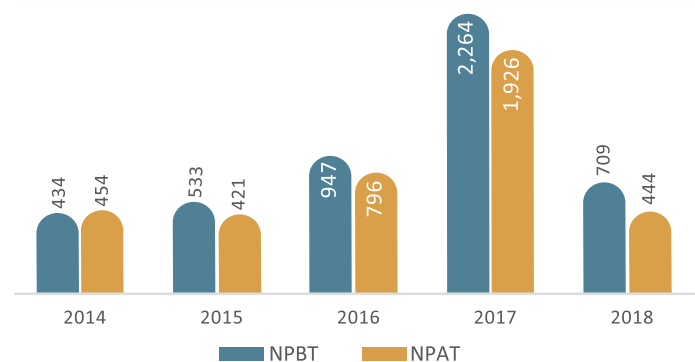
We were focusing more on our primary line of business and 2018's financial result is the evidence of the outcome. Although, throughout FY 2018 our cost of fund was in increasing trend, net interest margin of the Group and LBFL increased by 11% and 14% respectively due to increasing yield to keep a healthy margin.

BDT Billion

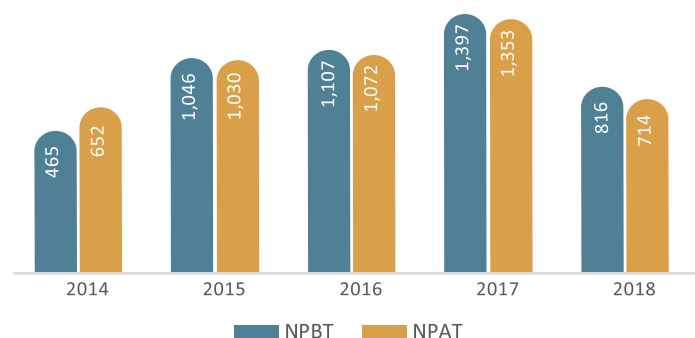
Group	BDT in million		Y-O-Y Growth	
Year	2018	2017	Amount	%
Net interest income	2,489.51	2,237.29	252.26	11%

Group	BDT in million		Y-O-Y Growth	
Year	2018	2017	Amount	%
Net interest income	2,377.44	2,081.11	296.33	14%

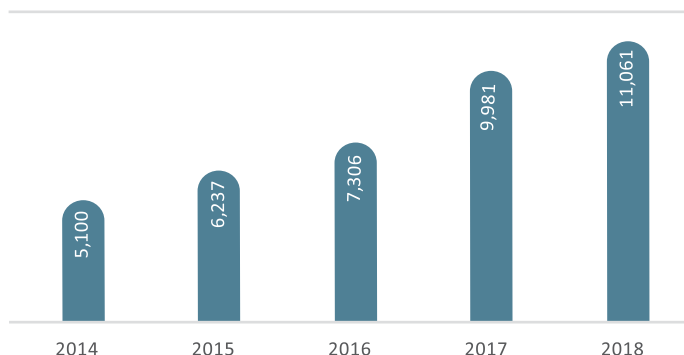
GROUP'S PROFITABILITY



LBFL'S PROFITABILITY



CONSOLIDATED GROSS REVENUE



Our group revenue lines were able to reach to BDT 11,061 million achieving 11% growth over last year's BDT 9,981 million. Revenue of core financing business saw a growth of 26% over 2017. On the other hand, revenue of our Money and Capital Market Segment experienced a significant plunge due to weak capital market performance.

BDT Billion

Gross Revenue	BDT in million		Y-O-Y Growth	
	2018	2017	Amount	%
Core lending Business Segments	8,325.55	6,604.38	1,721.18	26%
Treasury	600.65	677.61	(76.95)	-11%
LankaBangla Securities	1,999.44	2,273.46	(274.02)	-12%
LankaBangla Investments	130.05	375.56	(245.51)	-65%
LankaBangla Asset Management	5.46	49.78	(44.32)	-89%
Total Group Revenue	11,061.16	9,980.78	1,080.38	11%

Core lending portfolio increased by 26% in FY 2018. Retail segment is the highest contributor to the LBFL Group's revenue in 2018, which was same in 2017. In 2018, 40% of the gross revenue came from retail. In this segment, LBFL is the aspiring market leader in the industry. Even in the extreme competitive and tight interest rate regime retail segment, nearly earn BDT 4.5 billion of revenue in the year 2018, which is 32% higher than that of previous year. These signify the strategic focus of LBFL and rapid growth in this segment. Besides, our continuous focus on SME business segment has been a key strategic area.

In 2018 revenue from treasury operations decreased by 11% as the money market of the country observed a significant shift over as excess liquidity quickly disappeared in FY 2018 rather created shortage after the high credit growth earlier.

After experiencing growth in last two years, our subsidiaries' (LBSL and LBIL) revenue decreased by 12% and 65% due to the bearish capital market performance. In 2018, LBIL incurred a loss of BDT 510 million due to a reduction in investment income by BDT 159 million and a rise of provision for margin loans by BDT 261 million. Being the Market Leader for many years LBSL is expecting growth in revenue and profit in coming years as with the uptick in capital market expectations.

LBAMCL experienced a loss of BDT 44 million in 2018 due to a decline of investment income from share market by BDT 52 million. In coming years, we are expecting more volume growth as the market is very responsive towards the new products and services of LBAMCL.

Elements	Gross Revenue		Y-O-Y Growth	
	2018	2017	Amount	%
Interest income	9,095.25	7,076.09	2,019.16	29%
Income from investment	434.03	914.22	(480.19)	-53%
Commission and brokerage income	707.63	1,136.00	(428.37)	-38%
Other operational income	824.25	854.47	(30.21)	-4%
Total Revenue	11,061.16	9,980.78	1,080.38	11%

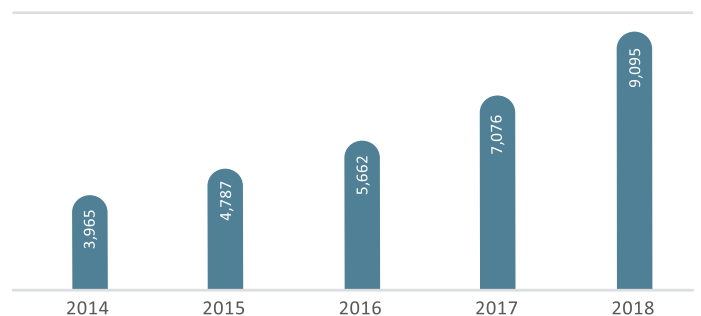
In 2018, interest income contributed 82% in the total revenue where investment income, commission & brokerage income and other income contributed 4%, 6% and 7% respectively. Commission and brokerage income experienced a reduction of 38% compared to 2017 due to bearish capital market impact in 2018.

Interest Income

Interest income is the core component of revenue for LBFL group. Though loan portfolio of the Group grew by 3.20% in 2018, interest income grew by 29% to BDT 9,095.25 million in 2018, which was BDT 7,076 million for the year 2017. 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 2018.

Though interest suspense increased by 17% at the end of the year 2018, our relentless and continuous efforts with rigorous monitoring has contributed greatly in keeping this rate as lowest as possible.

COSOLIDATED INTEREST INCOME



BDT Million

Interest income	2018	2017	Y-O-Y Growth	
			Amount	%
Core lending Business Segments	7,777.30	6,051.72	1,725.59	28.5%
Treasury	571.40	401.54	169.86	42%
Debit balance of share clients	662.46	495.89	166.56	34%
Margin loan	84.09	126.94	(42.84)	-34%
Total Interest Income	9,095.25	7,076.09	2,019.16	29%

Giving more emphasis on Retail and SME Finance Division was one of the major strategies following from the year 2016. Our planned strategy resulted in 28.5% growth in interest income in FY 2018 from that of FY 2017.

Interest Expenses

In the year 2018 consolidated interest expenses increased by 37% to BDT 6,605.75 million from BDT 4,838.84 million of 2017. Though total deposit and borrowings experienced a negative growth of 0.89%, growth of interest expenses is higher than last year. Liquidity crunch and its effect in money market escalated the cost of fund to 9.92% in 2018 from 7.82% in 2017.

BDT Million

Interest Expenses	2017	2016	Y-O-Y Growth	
			Amount	%
Term deposits	5,047.65	3,662.13	1,385.52	76%
Term loan-commercial bank	528.12	309.70	218.42	8%
Zero Coupon Bond	52.68	82.31	(29.63)	1%
Short term loan	701.55	503.64	197.92	11%
Bank overdraft	137.17	106.08	31.08	2%
Call loan	45.70	58.80	(13.11)	1%
Term loan-Bangladesh Bank	84.59	54.31	30.29	1%
Commercial paper	4.14	61.87	(57.74)	0.06%
Subordinate bond	4.15	-	4.15	0.06%
Total Interest Expenses	6,605.75	4,838.84	1,766.91	37%

Investment Income

It was a difficult year for the capital market due to bearish capital market condition. Transaction volume in DSE decreased by nearly 39% and DSE general index decreased by 13.8% compared to last year. On the other hand, liquidity shortage of money market also affected the capital market. As a result, group investment income experienced a significant reduction of 53% compared to 2017. Out of investment income, income from investment in share reduced by 54% and group dividend income reduced by 30%. In contrast, LBFL's investment income reduced by 75% and dividend income reduced by 91%. In 2017, LBFL earned cash dividend of BDT 245 million from one of its subsidiaries (LankaBangla Securities Limited) but in 2018, there was no dividend from subsidiaries. Moreover, provision for diminution in value of investment has increased by BDT 108 million for 2018. Income from Commercial Paper reduced by 82% as investment in Commercial Paper of BDT 450 million was realized and at the end of the year, BDT 200 million was invested in Commercial Paper.

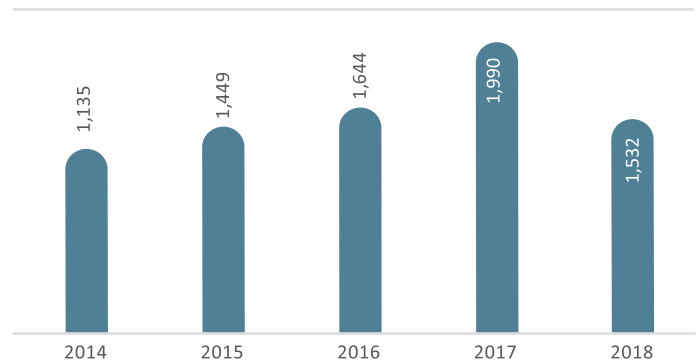
BDT Million

Income from investment	2018	2017	Y-O-Y Growth	
			Amount	%
Income from investment in share	352.64	770.75	(418.12)	-54%
Dividend income	74.86	107.10	(32.25)	-30%
Commercial paper	6.53	36.36	(29.83)	-82%
Total Investment Income	434.03	914.22	(480.19)	-53%

Non-Interest Revenue (NIR)

Overall Non-Interest Revenue (NIR) decreased by 23% to BDT 1,532 million in 2018 from BDT 1,990 million of 2017. Brokerage income and portfolio and issue management fees significantly reduced by 38% and 44% respectively during the year compared to 2017. Fees and documentation income decreased by 19% in 2018 to BDT 319 million from BDT 392 million in 2017 due to decrease in disbursement of leases, loans and advances in 2018. Membership fee and other income from Credit Cards increased by 45% to BDT 219 million in 2018 from BDT 151 million in 2017 as credit card usage boosted by 33% over 2017. Other income reduced by 3% compared to 2017.

CONSOLIDATE NON-INTEREST REVENUE (NIR)



BDT Million

Non-Interest Revenue	2018	2017	Y-O-Y Growth	
			Amount	%
Commission, exchange and brokerage income	707.63	1,136.00	(428.37)	-38%
Portfolio and issue management fees	23.30	41.60	(18.30)	-44%
Fees and documentations income	319.35	392.23	(72.88)	-19%
Membership and other Credit Card Income	219.28	151.16	68.12	45%
Other income	262.33	269.48	(7.15)	-3%
Total Non-Interest Revenue	1,531.88	1,990.47	(458.59)	-23%

Operating Expenses

Efficient control over operating expenses has kept the growth to 4% from 2017. Group's growth in salary and allowances of 5% and LBFL's growth in salary and allowance around 10% reflect the 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 reach to more Retail and SME clients.

BDT Million

Operating Expenses	2018	2017	Y-O-Y Growth	
			Amount	%
Salary and allowances	1,382.35	1,310.87	71.48	5%
Rent, taxes, insurance, electricity etc.	251.07	220.56	30.51	14%

BDT Million

Operating Expenses	2018	2017	Y-O-Y Growth	
			Amount	%
Legal and professional fees	27.86	33.42	(5.56)	-17%
Postage, stamp, telecommunication etc.	26.77	28.82	(2.05)	-7%
Stationery, printing, advertisement	51.79	66.04	(14.25)	-22%
Repairs, maintenance and depreciation	209.09	183.40	25.69	14%
Other expenses	821.06	828.07	(7.00)	-1%
Total Operating Expenses	2,770.01	2,671.18	98.83	4%

The main expense growth contributors were:

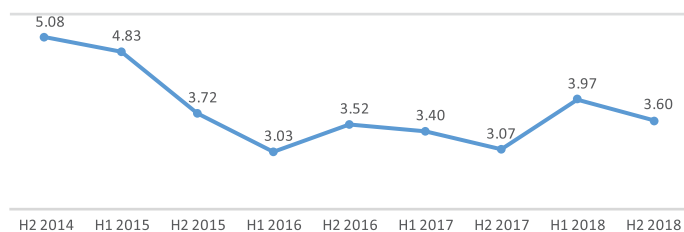
- ▶ Staff related cost increased by 5%, comprising-
 - ▶ Growth in number of employees to 896 by the end of 2018 from 832 at the same time in 2017.
 - ▶ Growth in remuneration and other staff costs
 - ▶ Increase in incentives provided to employees in line with strong financial performance for the year 2017.
- ▶ Rent, insurance and electricity expenses increased by 14% as two new branches were opened in 2018 along with the effect of general inflation
- ▶ Repairs, maintenance and depreciation grew by 14% due to expansion of branch distribution network and restructuring and extension of head office premises
- ▶ Other expenses decreased by 1% in the year 2018 compared to 2017. Efficient control over other expenses has reduced expenses in 2018.

NPL and Provision charges on Loans and Investments

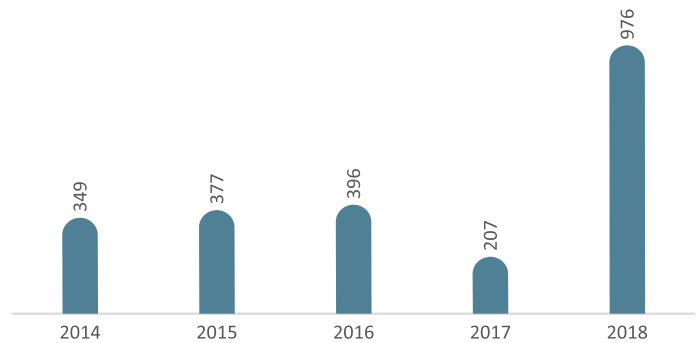
LankaBangla Group focus on quality of asset with great consciousness. Because of our rigorous before and after sales monitoring, NPL remained at 3.60 at the end of 2018, which was 3.07% in 2017, and 5.08% in 2014. At the same time industry's NPL was 9.11%. Provision charges for leases, loans and advances for the year 2018 was BDT 369 million that was BDT 248 million in 2017 caused by the decline in asset quality. Moreover, LBFL has written off loans amounted to BDT 317 million compared to BDT 92 million write off in 2017.

Provision charge for diminishing value of investments was BDT 342 million in 2018, which was negative BDT 76 million for 2017. Provision for Margin Loan was BDT 261 million that was BDT 37 million in 2017. Slump and volatility in the capital market caused higher provision for investment and margin loans.

LBFL NPL %



COSOLIDATED CHARGES ON LOANS AND INVESTMENTS



LBFL's Performance in the Industry

FY 2018 was a challenging year for the financial sector. Liquidity shortage in the money market, tightening up A/D ratio by the Central Bank, bearish capital market as well as uncertainty in the economy on the occasion of national election affected the industry as well as our company. Industry experienced weak results in terms of various performance measures compared to previous year and so did our company.

Total Asset

In terms of Asset Growth, LankaBangla's total assets grew faster than the industry average from 2014 to 2018. From the year 2014 to 2018 asset base of NBF Industry grew at a Cumulative Average Growth Rate (CAGR) of 14.71%. At the same time LBFL's asset base grew at a CAGR of 25.66%. Out of 34 NBFIs LankaBangla holds 8.96% market share in terms of Total Assets.

Total Deposit

Total Deposit of NBF Industry mainly sourced through Term Deposits. LBFL maintains a well-diversified term deposit portfolio with a good number of products depending on depositors' preference. CAGR of 33.60% against industry CAGR of 19.88% over the last five years describes the depositors' confidence in LBFL. In 2014 LBFL's market share in terms of Total Deposit in the industry was only 7.01% in FY 2017 but at the end of 2018 it reached to a position holding 10.81%.

Leases, Loans and Advances

LBFL offers well-diversified and need-based loan products for its valuable clients. In case of growth in leases, loans and advances portfolio LBFL outperformed Industry in the last five years. From 2014 to 2018 NBF Industry grew at a CAGR of 15.31% and in comparison LBFL's CAGR was 27.32% for the same duration. LBFL's market share for leases, loans and advances grew to 9.68% by the end of 2018 which was 6.51% in the year 2014.

Asset Quality

Maintaining the soundness of the asset quality is one of the major strategic priorities of LBFL. At the end of 2018, LBFL's stand-alone NPL ratio placed at 3.60% against the Industry figure of 9.11%. By the end of 2018 LBFL holds only 3.55% of the total non-performing assets of the industry, whereas it holds 8.98% of the total loan portfolio of the Industry.

Return on Asset (ROA)

LBFL's ROA for the year 2018 was 0.90% compared to Industry's ROA 0.64%. Despite of a modest growth of its asset base, LBFL maintained average ROA above the industry ROA for the last five years. LankaBangla's consolidated ROA for the year 2018 was 0.51%

Return on Equity (ROE)

LBFL's ROE for 2018 was 8.76% against the Industry ROE of 5.00%. LBFL has been maintaining an above average ROE compared to the Industry for each of the last five years along with maintaining a stable equity growth. LankaBangla's consolidated ROE for 2018 was 4.90%.

Overall, LankaBangla Finance Limited (LBFL) achieved good results in core financing business in 2018. This was evident with a growth of 11.3% consolidated Net Interest Income and 14.2% of standalone Net Interest Income through a diversified set of portfolio in different sectors.

Due to political uncertainty in an election year, liquidity crunch in banking sector and continued bearish capital market throughout 2018, our bottom line result has been greatly affected. As profitability decreased and number of share increased through rights issue EPS stood significantly low. Consolidated Earnings per Share (EPS) have been decreased to BDT 0.85 per share in 2018 compared to BDT 4.15 per share in

2017 and LBFL's Earnings per Share stood at BDT 1.40 for the year 2018 compared to BDT 2.95 of 2017.

Net Asset Value (NAV) per share of the Group and the Company stood at BDT 19.14 and BDT 17.62 that were BDT 18.19 and BDT 15.87 in 2017 respectively.

Group Net Operating Cash Flows per share (NOCFPS) was BDT 3.30 compared to a negative BDT 3.38 in 2017 and standalone Net Operating Cash Flows per share (NOCFPS) was BDT 3.36 compared to a negative BDT 2.58 in 2017.

As a part of further growth two new branches was opened— one in Gulshan and other one in Habiganjin 2018. Kushtia branch commences in early 2019 and another four new branches will start operation in 2019.

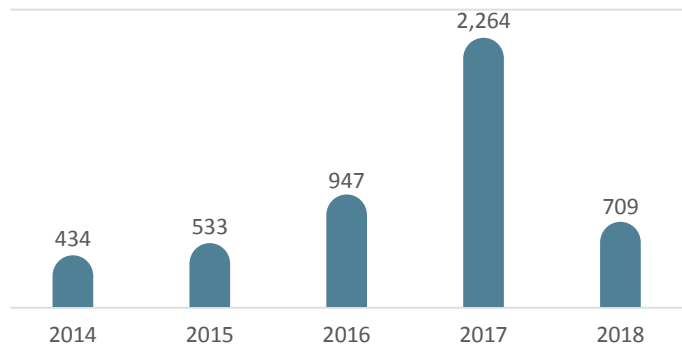
To support the expansion plan in the coming days, we will focus more on Retail Deposits, which are sticky in nature, and other funding arrangements like Foreign Funds and Subordinated Bonds. By the end of 2018, BDT 1,810 million was collected from issuing sub-ordinated bond. In early 2019, LankaBangla has availed USD 20 million Murabaha facility from ICD (Member of Islamic Development Bank Group) as the first NBF in Bangladesh to secure Shariah-compliant foreign currency financing.

FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

All figures in BDT million except (%)

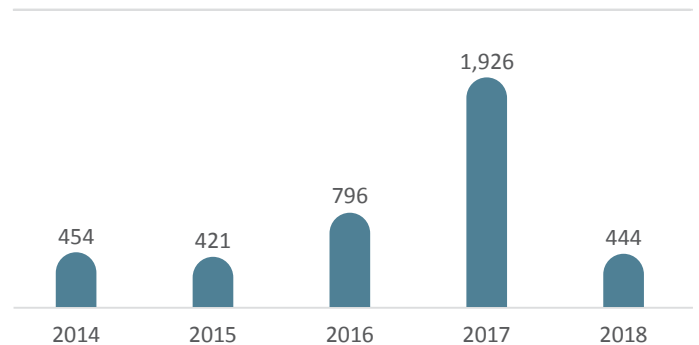
Financial Position	2014	2015	2016	2017	2018	Growth of 2018 over 2017	5 Year CAGR (%) / Average*
Total Assets	39,129	50,448	63,935	85,443	87,889	2.86%	22.42%
Total Liabilities	31,997	44,099	57,164	77,014	77,954	1.22%	24.93%
Business Disbursement	19,750	35,770	45,539	56,726	38,754	-31.68%	18.35%
Property Plant and Equipment	311	1,292	1,430	1,803	2,406	33.44%	66.77%
Current Assets	13,316	19,146	33,088	35,318	44,980	27.36%	35.57%
Current Liabilities	9,381	17,301	29,043	31,959	41,741	30.61%	45.24%
Net current assets	3,935	1,845	4,045	3,359	3,239	-3.58%	-4.75%
Non Current Assets	25,813	37,132	30,847	50,124	42,909	-14.40%	13.55%
Long Term Liabilities	22,616	26,798	28,121	45,055	36,213	-19.63%	12.49%
Loans and Advances	30,396	41,819	51,244	66,544	68,676	3.20%	22.60%
Term Deposits	16,683	29,992	40,033	51,553	53,231	3.26%	33.65%
Total Investment Portfolio	37,217	47,605	60,595	80,800	81,946	1.42%	21.81%
Operational Performance							
Operating Revenue	5,100	6,237	7,306	9,981	11,061	10.82%	21.35%
Operating Expenses	1,285	1,612	1,999	2,671	2,770	3.70%	21.17%
Financial Expenses	3,033	3,715	3,964	4,839	6,606	36.52%	21.48%
Non Interest Revenue	1,135	1,449	1,644	2,905	1,966	-32.32%	14.73%
Net Profit Before Tax	434	533	947	2,264	709	-68.68%	13.08%
Net Profit After Tax	454	421	796	1,926	444	-76.93%	-0.53%
EBITDA	3,909	4,340	5,008	7,256	7,315	0.82%	16.96%
Turnover of Share Trading by LBSL	181,674	148,645	166,902	363,646	235,595	-35.21%	6.71%
Financial Ratios							
Gross Profit Ratio	59.47%	59.57%	54.26%	48.48%	59.72%	23.18%	56.30%
Operating Profit Ratio	15.34%	14.59%	18.37%	24.76%	15.24%	-38.45%	17.66%
Return on Capital Employed	1.41%	1.04%	1.55%	2.83%	0.56%	-80.10%	1.48%
Cash reserve ratio/ liquidity asset ratio (Required 2.5%)	2.64%	2.51%	2.52%	2.92%	2.57%	-11.97%	2.63%
Statutory Liquidity Reserve (Required 5%)	6.00%	5.05%	5.08%	5.10%	5.03%	-1.38%	5.25%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	17.26%	13.41%	12.45%	11.95%	16.18%	35.40%	14.25%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	4.05%	3.20%	3.22%	2.85%	3.35%	17.26%	3.33%
Cost to Income Ratio	62.16%	63.92%	59.83%	51.95%	62.17%	19.68%	60.01%
Current Ratio	1.42	1.11	1.14	1.11	1.08	-2.49%	1.17
Debt Equity Ratio	4.09	6.23	7.61	8.42	7.07	-15.98%	6.68
Financial Expense Coverage Ratio	1.26	1.24	1.34	1.51	1.26	-16.91%	1.32
Return on Equity (%)	6.59%	6.37%	12.29%	25.66%	4.90%	-80.91%	11.16%
Return on Assets (%)	1.26%	0.94%	1.39%	2.58%	0.51%	-80.12%	1.34%
Equity Parameters							
Authorized Capital	3,000	3,000	3,000	10,000	10,000	0.00%	35.12%
Paid-up Capital	2,188	2,406	2,767	3,183	5,132	61.25%	23.76%
Shareholders' Equity	6,947	6,262	6,687	8,327	9,823	17.97%	9.05%
No. of Share Outstanding	219	241	277	318	513	61.25%	23.76%
Net Asset Value (NAV) Per Share*	21.83	19.68	21.01	18.19	19.14	5.26%	-3.23%
Earnings Per Share (EPS)*	1.39	1.33	2.50	4.15	0.85	-79.40%	-11.45%
Market Price Per Share (Closing)	40.00	29.00	34.80	47.80	22.90	-52.09%	-13.02%
Price Earnings Ratio (Times) *	28.79	21.74	13.92	11.53	26.81	132.60%	20.56
Dividend Payment (C- cash & B- bonus)	10% B	15% B	15% B	7.5% B	-	-	-
	10% C	15% C	15% C	7.5% C	15% C	-	-
Profit Per Employee (mn)	0.59	0.55	0.84	1.60	0.37	-76.93%	-11.20%
Credit Ratings							
	Long Term	A1	AA3	AA3	AA3	AA3	-
	Short Term	ST-3	ST-2	ST-2	ST-2	ST-2	-

Net Profit Before Tax



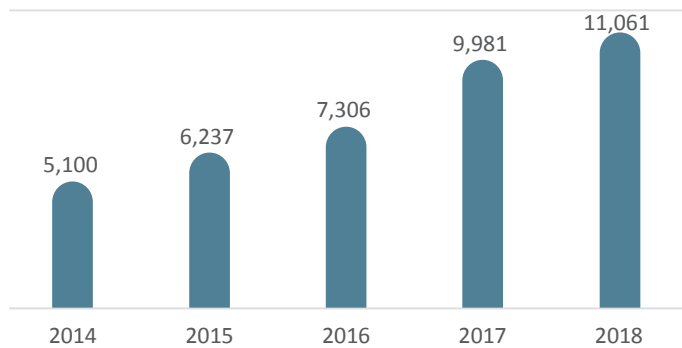
Net Profit before Tax (NPBT) decreased in 2018 due to increase in provision for leases, loans and advances and decrease in investment income. NPBT increased over the five year period at an average of 13.08%.

Net Profit After Tax



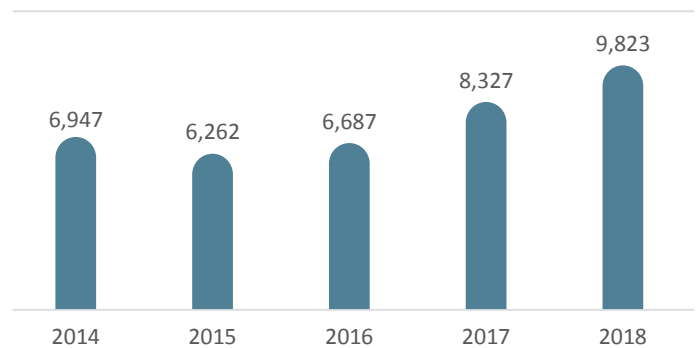
Net Profit after Tax (NPAT) decreased in 2018 due to increase in provision for leases, loans and advances and decrease in brokerage & investment income in 2018.

Operating Revenue



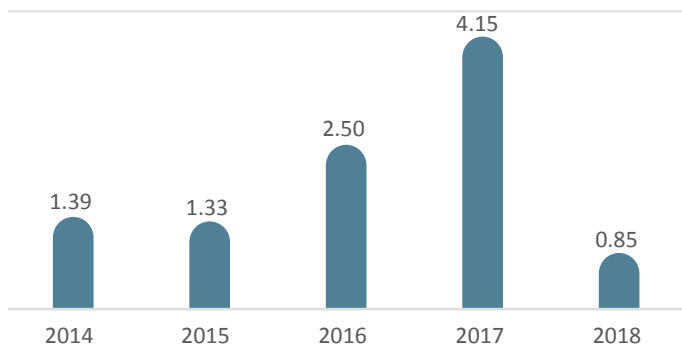
Growth in Operating Revenue in 2018 has been commendable as 2017. Operating revenue grew by 21.35% in 2018 triggered by interest income.

Shareholders' Equity



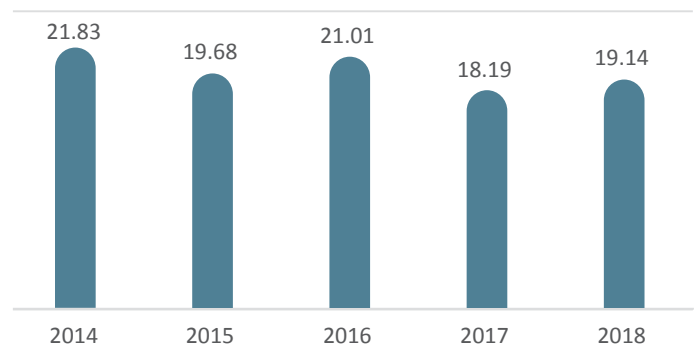
Shareholders' Equity rose by 17.97% in 2018 to reach BDT 9,823 million. Raising paid-up capital contributed to the rise in equity.

Earnings Per Share (EPS)



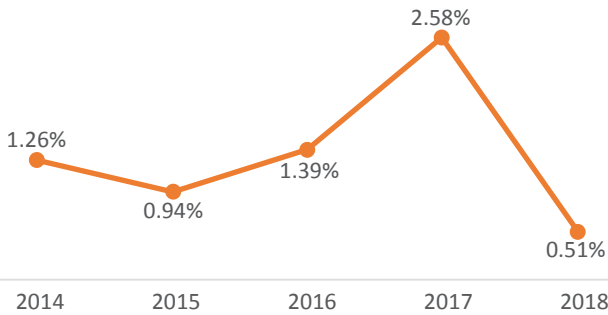
EPS decreased by 79.40% in 2018. Reduction in net profit after tax and issuance of rights shares combinedly affected EPS to decrease.

Net Asset Value (NAV) Per Share



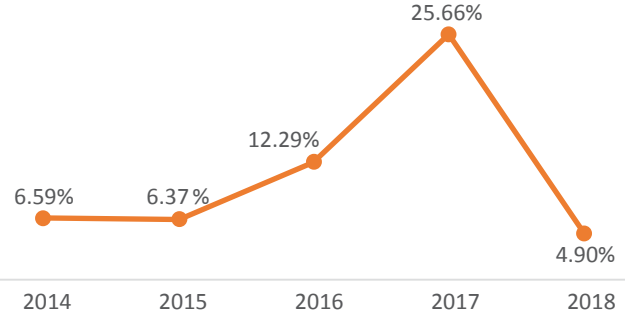
NAV increased by 5.26% in 2018 to reach a figure of 19.14. The increase is caused by the high increase in net assets of the Company indicating effective management of resources thereby contributing to value creation.

Return on Assets (%)



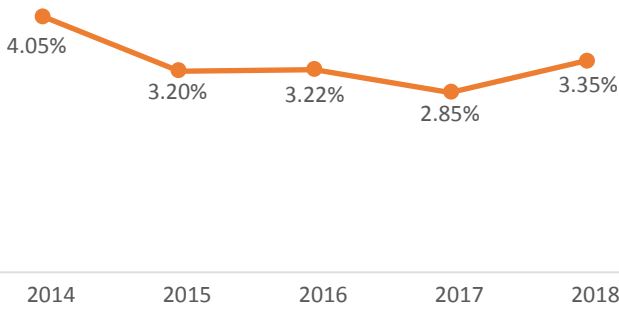
Return on Assets (ROA) also registered a decrease in 2018 by 1.19 percentage points due to reduction in net profit after tax (NPAT) during the year.

Return on Equity (%)



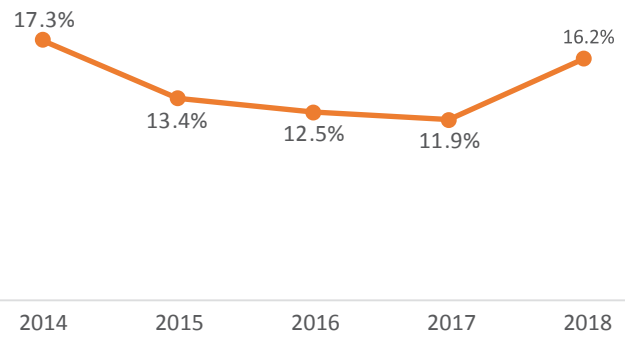
Return on Equity (ROE) in 2018 decreased in 2018 due to reduction in Net Profit after Tax and rise of paid-up capital during the year.

NPL Ratio



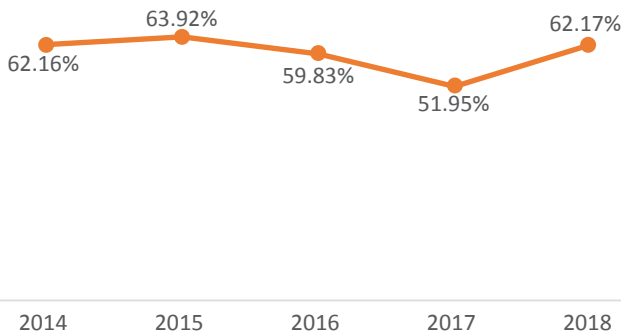
Though NPL slightly increased by 0.50 percentage points compared to 2017, continuous effort in credit risk management helped the Company manage the quality portfolio management.

Capital Adequacy Ratio (2011: Test Run. Effect. From 2012)



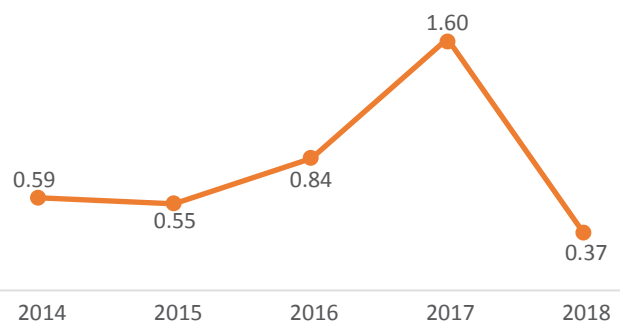
The CAR has rose to 16.2% in 2018 compared to 11.9% in 2017. This is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken.

Cost/Income Ratio



Costs to income ratio increased in 2018 by 10.22 percentage points due to decrease in operating income during the year while the operating expenses was under tight control.

Profit Per Employee (Million)



Profit per employee decreased in 2018 from 2017 due to reduction in net profit after tax (NPAT) compared to 2017.

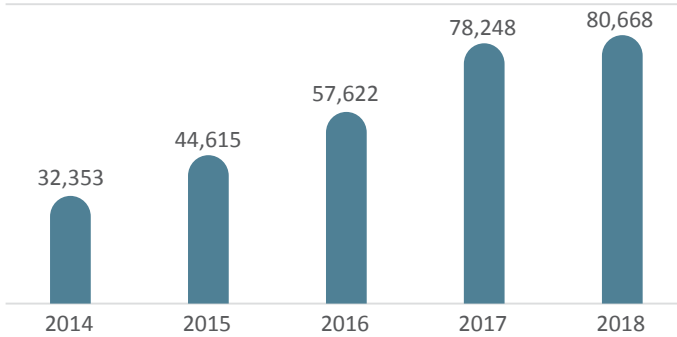
FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

All figures in BDT million except (%)

Financial Position	2014	2015	2016	2017	2018	Growth of 2018 over 2017	5 Year CAGR (%) / Average
Total Assets	32,353	44,615	57,622	78,248	80,668	3.09%	25.66%
Total Liabilities	27,705	39,156	51,453	70,980	71,623	0.91%	26.80%
Business Disbursement	19,750	35,770	45,539	56,726	38,754	-31.68%	18.35%
Property Plant and Equipment	129	878	999	1,114	1,358	21.92%	80.22%
Deposits	16,717	30,081	40,033	51,553	53,252	3.30%	33.60%
Total Investment Portfolio	31,228	42,600	55,176	74,966	76,656	2.25%	25.17%
Operational Performance							
Operating Revenue	4,090	5,298	5,997	7,819	9,233	18.08%	22.57%
Operating Expenses	718	957	1,248	1,634	1,750	7.10%	24.96%
Financial Expenses	2,631	3,219	3,565	4,542	6,190	36.27%	23.85%
Net Profit Before Tax	465	1,046	1,107	1,397	816	-41.62%	15.08%
Net Profit After Tax	652	1,030	1,072	1,353	714	-47.21%	2.31%
EBITDA	3,415	4,310	4,737	6,048	7,129	17.86%	20.20%
Financial Ratios							
Gross Profit Ratio	35.69%	39.25%	40.55%	41.91%	32.96%	-21.35%	38.07%
Operating Profit Ratio	18.14%	21.19%	19.73%	21.01%	14.01%	-33.34%	18.81%
Return on Capital Employed	2.36%	2.85%	2.22%	2.10%	0.96%	-54.36%	2.10%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	15.07%	14.17%	13.23%	11.81%	15.74%	33.24%	14.00%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	5.08%	3.72%	3.51%	3.07%	3.60%	17.38%	3.80%
Cost to Income Ratio	49.18%	46.01%	51.35%	49.86%	57.51%	15.33%	50.78%
Debt Equity Ratio	5.53	6.67	7.86	9.18	7.29	-20.66%	7.31
Financial Expense Coverage Ratio	1.28	1.35	1.33	1.36	1.21	-11.22%	1.31
Return on Equity (%)	14.54%	20.38%	18.44%	20.13%	8.76%	-56.51%	16.45%
Return on Assets (%)	2.21%	2.68%	2.10%	1.99%	0.90%	-54.86%	1.97%
Equity Parameters							
Authorized Capital	3,000	3,000	10,000	10,000	10,000	0.00%	35.12%
Paid-up Capital	2,188	2,406	2,767	3,183	5,132	61.25%	23.76%
Shareholders' Equity	4,647	5,459	6,170	7,268	9,045	24.45%	18.11%
No. of Share Outstanding	218.77	240.64	276.74	318.25	513.18	61.25%	23.76%
Net Asset Value (NAV) Per Share *	14.60	17.15	19.39	15.87	17.62	11.04%	4.81%
Earnings Per Share (EPS) *	2.05	3.24	3.37	2.95	1.40	-52.46%	-9.00%
Market Price Per Share (Closing)	40.00	29.00	34.80	47.80	22.90	-52.09%	-13.02%
Price Earnings Ratio (Times) *	19.53	8.96	10.33	16.18	16.30	0.78%	14.26
Dividend Payment (C-cash & B- bonus)	10% B 10% C	15% B 15% C	15% B 15% C	7.5% B 7.5% C	- 15% C	- -	- -
Dividend Payout Ratio (%)	97.67%	61.80%	89.06%	101.54%	106.80%	5.18%	2.26%
Dividend Coverage (Times)	1.49	1.43	1.29	1.97	0.94	-52.46%	-10.97%
Dividend Yield (%)	3.01%	4.55%	10.34%	6.28%	6.55%	4.37%	6.14%
Profit Per Employee (mn)	1.38	1.98	1.59	1.63	0.80	-50.98%	1.47
"Credit Ratings"							
Long Term	A2	A1	AA3	AA3	AA3	-	-
Short Term	ST-3	ST-3	ST-2	ST-2	ST-2	-	-

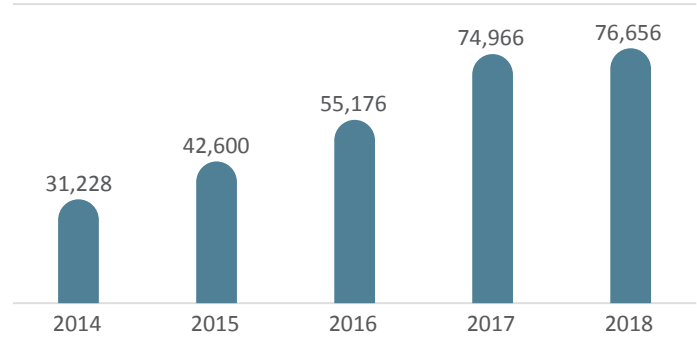
*restated

Total Assets



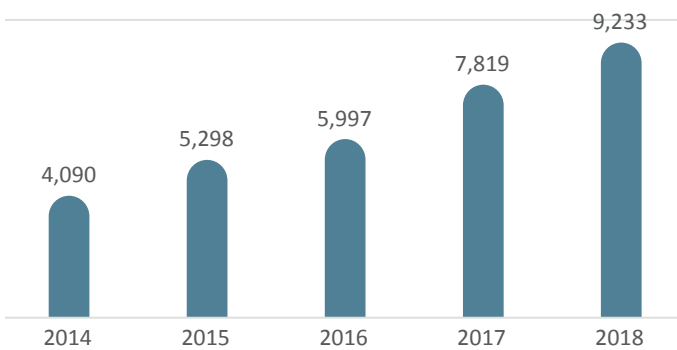
In 2018 Total Assets grew by 3.09% compared to 2017 maintaining an average growth of 25.66% over the last 5 years. It is a result of company's relentless effort to disburse quality loans and planned expansion of LBFL network.

Total Investment Portfolio



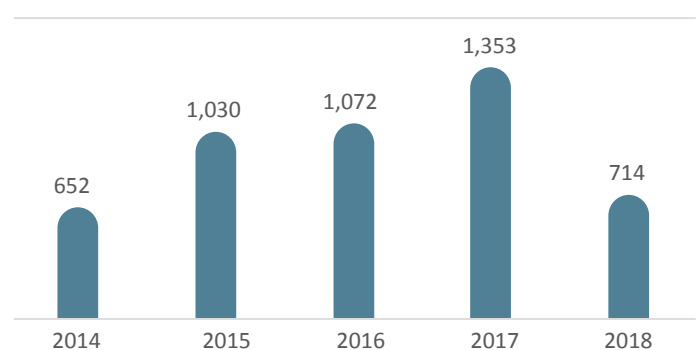
Investment portfolio has been growing at a rapid pace due to excellent growth in loan disbursement and vigilant investment decisions. Total Investment portfolio grows by 2.25% in 2018 from that of 2017 registering an average growth of 25.17% in last 5 years.

Operating Revenue



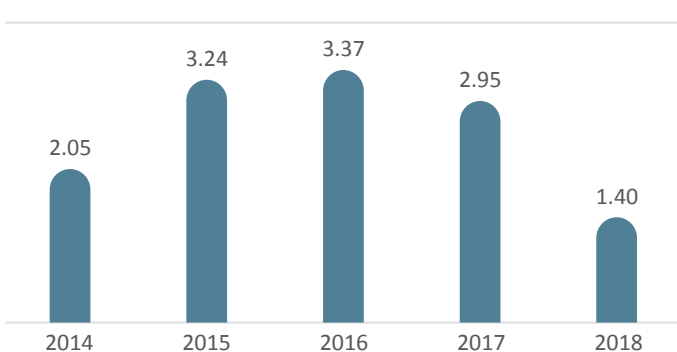
18.08% growth of operating revenue in 2018 over 2017 is evident of a sound operating activities. Income has been boosted as a result of good quality assets and effective management of PAR.

Net Profit After Tax



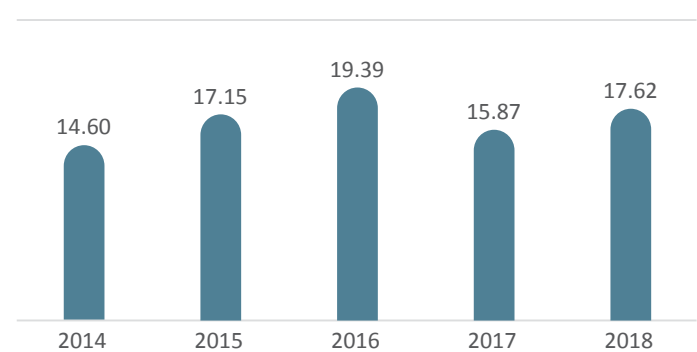
Net Profit after Tax (NPAT) decreased in 2018 due to increase in provision for leases, loans and advances and decrease in investment income in 2018.

Earnings Per Share (EPS)



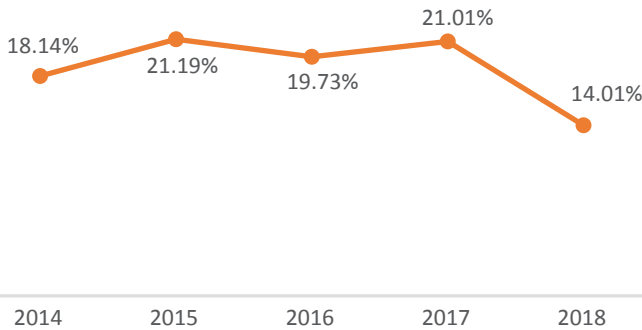
Reduction in net profit after tax (NPAT) and issuance of rights shares has resulted in the decrease EPS in 2018 compared to 2017.

Net Asset Value (NAV) Per Share



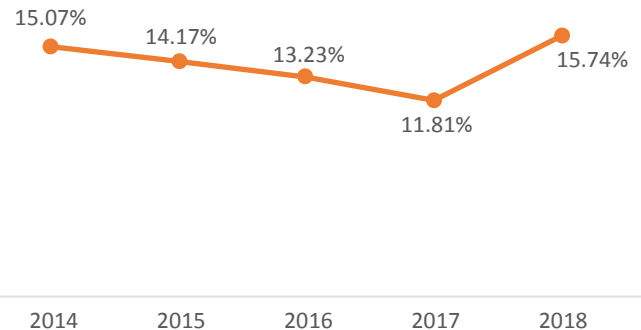
NAV increased to 17.62 compared to 15.84 in 2018 indicating a growth of 11.04% and an average growth of 4.81% over the 5 year period. Value per share increases and it is evident that the company is managing its resources effectively and efficiently to create value towards the investors.

Operating Profit Ratio



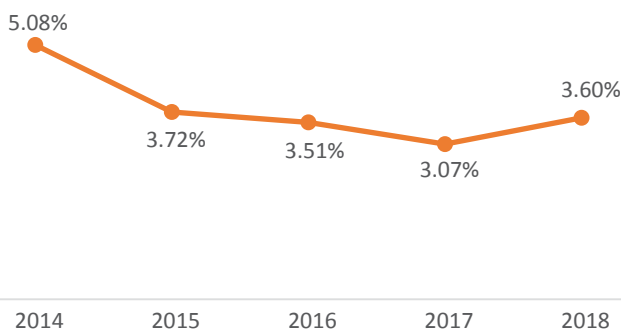
Increase in provisions for leases, loans and advances and decrease in investment income in 2018 resulted in reduction of operating margin by 7 percentage points from 2017.

Capital Adequacy Ratio



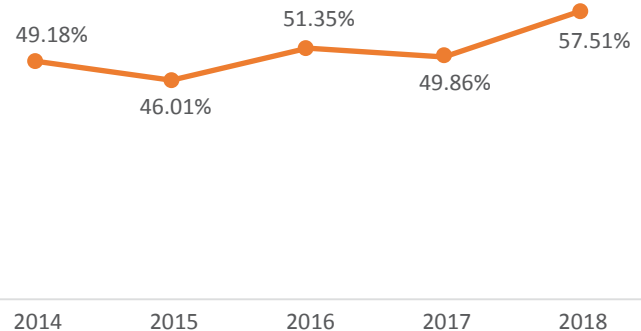
The CAR has risen to 15.74% in 2018 compared to 11.81% in 2017. This is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken.

NPL Ratio



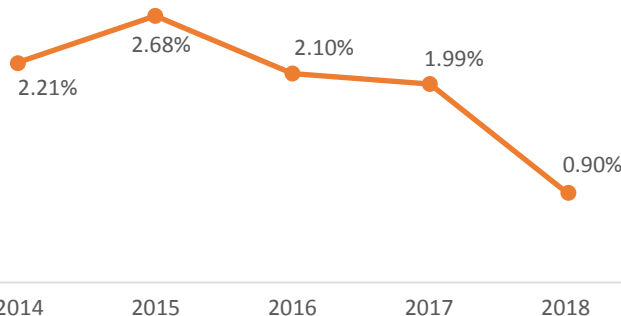
Though NPL slightly increased by 0.53 percentage points compared to 2017, continuous effort in credit risk management helped the Company manage the quality portfolio management.

Cost to Income Ratio



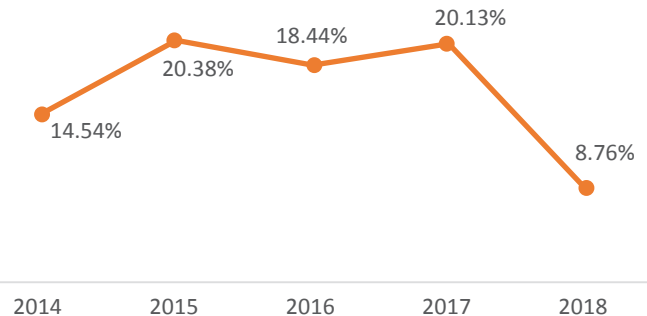
Costs to income ratio increased to 57.51% in 2018 compared to 49.86% in 2017. The upward is mostly triggered by the decrease in investment in 2018. In comparison, operating revenue grew by a higher percentage in 2018.

Return on Assets (%)



Return on Average Assets declined to 0.90% at the end of 2018 which was 1.99% in 2017. Decrease in ROA is caused by the reduction in net profit after tax (NPAT) in 2018.

Return on Equity (%)



In 2018 ROE experienced a reduction to reach a figure of 8.76% compared to 20.13% in 2017. Reduction in net profit after tax (NPAT) and issuance of rights shares during the year resulted in decrease in EPS.

HORIZONTAL ANALYSIS

For the last 5 years

Consolidated Profit and Loss Account

	2018	2017	2016	2015	2014
Operating Income					
Interest income	229%	178%	143%	121%	100%
Less : Interest expenses on deposits & borrowings	218%	160%	131%	122%	100%
Net interest income	267%	240%	182%	115%	100%
Income from investment	218%	460%	243%	220%	100%
Commission, exchange and brokerage income	105%	168%	83%	83%	100%
Other operational income	319%	330%	232%	174%	100%
Total operating income	216%	249%	162%	122%	100%
Operating Expenses					
Salary and allowances	203%	193%	147%	122%	100%
Rent, taxes, insurance, electricity etc.	218%	192%	163%	139%	100%
Legal and professional fees	110%	132%	118%	78%	100%
Postage, stamp, telecommunication etc.	153%	165%	118%	97%	100%
Stationery, printing, advertisement	150%	191%	137%	116%	100%
Managing director's salary and allowance	110%	76%	124%	119%	100%
Director fees and expenses	146%	153%	167%	117%	100%
Audit fees	85%	80%	90%	49%	100%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	223%	196%	132%	117%	100%
Other expenses	265%	267%	188%	138%	100%
Total operating expenses	216%	208%	156%	125%	100%
Net Operating Income	215%	316%	172%	116%	100%
Provisions for loans / investments	280%	59%	113%	108%	100%
Provisions for leases and loans	221%	149%	120%	80%	100%
Provision for margin loan	985%	139%	1183%	1057%	100%
Provision for diminution in value of investments	224%	-50%	-77%	-18%	100%
General provision for other assets	154%	-79%	0%	-328%	100%
Profit before tax and reserve	164%	522%	218%	123%	100%
Provision for tax	1299%	1656%	741%	549%	100%
Provision for tax made during the year	1797%	2287%	1070%	833%	100%
Deferred tax expense or (Income)	205%	164%	153%	2%	100%
Net profit after tax	98%	424%	175%	93%	100%
Earnings Per Share (EPS)	61%	299%	180%	96%	100%

	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
PROPERTY AND ASSETS					
Cash	297%	342%	207%	153%	100%
Cash in hand	562%	296%	489%	208%	100%
Balance with Bangladesh Bank	297%	342%	207%	153%	100%
Balance with other banks and financial institutions	443%	466%	228%	75%	100%
Inside Bangladesh	443%	466%	228%	75%	100%
Outside Bangladesh	0%	0%	0%	0%	0%
Money at call and short notice					
Investment	118%	113%	104%	90%	100%
Government securities	0%	0%	0%	0%	100%
Other investments	149%	143%	131%	114%	100%
Leases, loans and advances					
Lease portfolio, term finance, short term loan, etc.	226%	219%	169%	138%	100%
Fixed assets including land, building, furniture and fixtures	774%	580%	460%	415%	100%
Other assets	134%	129%	104%	82%	100%
TOTAL PROPERTY AND ASSETS	225%	219%	164%	129%	100%
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities					
Borrowings from Bangladesh Bank, other banks and financial institutions	139%	159%	93%	77%	100%
Deposits and other accounts	319%	308%	240%	180%	100%
Term deposits	319%	309%	240%	180%	100%
Other deposit	224%	158%	149%	148%	100%
Other liabilities	191%	156%	144%	115%	100%
TOTAL LIABILITIES	238%	235%	175%	134%	100%
Shareholders' Equity	161%	137%	110%	103%	100%
Paid up capital	235%	145%	126%	110%	100%
Share money deposit for right issue	0%	'-'	0%	0%	100%
Share premium	100%	100%	100%	100%	100%
Statutory reserve	207%	188%	154%	126%	100%
General reserve	101%	96%	89%	102%	100%
Retained earnings	97%	119%	80%	87%	100%
Non controlling interest	88%	80%	67%	69%	100%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	225%	219%	164%	129%	100%

VERTICAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2018	2017	2016	2015	2014
Operating Income					
Interest income	82.23%	70.90%	77.50%	76.76%	77.75%
Less : Interest expenses on deposits & borrowings	59.72%	48.48%	54.26%	59.57%	59.47%
Net interest income	22.51%	22.42%	23.24%	17.19%	18.29%
Income from investment	3.92%	9.16%	6.62%	7.00%	3.90%
Commission, exchange and brokerage income	6.40%	11.38%	7.68%	9.01%	13.28%
Other operational income	7.45%	8.56%	8.21%	7.23%	5.07%
Total operating income	40.28%	51.52%	45.74%	40.43%	40.53%
Operating Expenses					
Salary and allowances	12.36%	13.03%	13.52%	13.17%	13.20%
Rent, taxes, insurance, electricity etc.	2.27%	2.21%	2.56%	2.56%	2.25%
Legal and professional fees	0.25%	0.33%	0.41%	0.32%	0.50%
Postage, stamp, telecommunication etc.	0.24%	0.29%	0.28%	0.27%	0.34%
Stationery, printing, advertisement	0.47%	0.66%	0.65%	0.64%	0.68%
Managing director's salary and allowance	0.14%	0.11%	0.24%	0.27%	0.28%
Director fees and expenses	0.02%	0.02%	0.04%	0.03%	0.03%
Audit fees	0.01%	0.01%	0.02%	0.01%	0.03%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	1.89%	1.84%	1.69%	1.76%	1.84%
Other expenses	7.39%	8.26%	7.96%	6.81%	6.05%
Total operating expenses	25.04%	26.76%	27.37%	25.85%	25.19%
Net Operating Income	15.24%	24.76%	18.37%	14.59%	15.34%
Provisions for loans / investments	8.83%	2.07%	5.42%	6.04%	6.84%
Provisions for leases and loans	3.33%	2.49%	2.73%	2.13%	3.27%
Provision for margin loan	2.36%	0.37%	4.29%	4.49%	0.52%
Provision for diminution in value of investments	3.09%	-0.76%	-1.60%	-0.44%	3.00%
General provision for other assets	0.04%	-0.02%	0.00%	-0.14%	0.05%
Profit before tax and reserve	6.41%	22.68%	12.96%	8.54%	8.50%
Provision for tax	2.39%	3.38%	2.07%	1.79%	-0.40%
Provision for tax made during the year	2.34%	3.35%	2.03%	1.80%	-0.30%
Deferred tax expense or (Income)	0.05%	0.03%	0.04%	0.00%	-0.10%
Net profit after tax	4.02%	19.30%	10.89%	6.75%	8.90%

	2018	2017	2016	2015	2014
PROPERTY AND ASSETS					
Cash	1.14%	1.35%	1.09%	1.02%	0.86%
Cash in hand	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank	1.14%	1.35%	1.09%	1.02%	0.86%
Balance with other banks and financial institutions	9.59%	10.39%	6.78%	2.83%	4.88%
Inside Bangladesh	9.59%	10.39%	6.78%	2.83%	4.88%
Outside Bangladesh	0%	0%	0%	0%	0%
Money at call and short notice					
Investment	6.50%	6.40%	7.86%	8.67%	12.40%
Government securities	0.00%	0.00%	0.00%	0.00%	2.59%
Other investments	6.50%	6.40%	7.86%	8.67%	9.82%
Leases, loans and advances	78.14%	77.88%	80.01%	82.90%	77.88%
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	2.74%	2.11%	2.23%	2.56%	0.80%
Other assets	1.89%	1.87%	2.01%	2.02%	3.18%
TOTAL PROPERTY AND ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities					
Borrowings from Bangladesh Bank, other banks and financial institutions	18.50%	21.73%	16.98%	17.85%	30.01%
Deposits and other accounts	60.76%	60.48%	62.69%	59.68%	42.94%
Term deposits	60.57%	60.34%	62.51%	59.45%	42.74%
Other deposit	0.20%	0.14%	0.18%	0.23%	0.20%
Other liabilities	9.43%	7.93%	9.76%	9.88%	11.11%
TOTAL LIABILITIES	88.70%	90.14%	89.43%	87.41%	84.06%
Shareholders' Equity	11.18%	9.75%	10.44%	12.41%	15.62%
Paid up capital	5.84%	3.72%	4.32%	4.77%	5.61%
Share money deposit for right issue	0.00%	0.19%	0.00%	0.00%	0.00%
Share premium	1.24%	1.28%	1.70%	2.16%	2.79%
Statutory reserve	1.84%	1.72%	1.88%	1.96%	2.00%
General reserve	0.06%	0.06%	0.07%	0.11%	0.14%
Retained earnings	2.20%	2.77%	2.47%	3.42%	5.08%
Non controlling interest	0.13%	0.12%	0.13%	0.17%	0.32%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%

VALUE CREATION STRUCTURE

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

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

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

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

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

Complexities, interdependencies and tradeoffs

Inputs:



Financial Capital (page no. 161)

- ▶ Equity
- ▶ Deposits & Borrowings
- ▶ Profitability



Manufactured Capital (page no. 162)

- ▶ Branches
- ▶ Call Centers
- ▶ IT Infrastructure



Intellectual Capital (page no. 163)

- ▶ Processes
- ▶ Culture
- ▶ Knowledge
- ▶ In House Software
- ▶ eLearning



Human Capital (page no. 161)

- ▶ Experienced and competent human resources
- ▶ Technical and managerial skills



Social & Relationship Capital (page no. 163)

- ▶ Investment in brand awareness
- ▶ service assurance
- ▶ Uncompromised customer service
- ▶ CSR Activities



Natural Capital (page no. 164)

- ▶ Utilities
- ▶ Policy inputs and initiatives from the company

Useful references:



Business Model
page no. 154



How we create
value
page no. 156



Key Resources
of LBFL
page no. 160



Economic
Outlook
page no. 173



Business Environment
Analysis
page no. 177



Strategic Focus
Areas
page no. 186

**Operating environment and competitive landscape
(page no. 180 - 182)**

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

Governance Structure (page no. 68)

Risks and opportunities
(page no. 177 - 180)

Strategic focus
(page no. 186)

Business Model (page no. 156)

Activities (page no.156) → Outputs (page no.156)

Performance
(page no. 135 - 148)

Outlook
(page no. 173 - 176)

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

Outcomes:



Financial Capital

- ▶ 4.90% Consolidated Return on Equity
- ▶ 77% de-growth in Consolidated NPAT
- ▶ -0.53% 5-year CAGR in NPAT growth
- ▶ 2260% 5-year CAGR in portfolio growth
- ▶ Quality of Asset Portfolio maintained



Manufactured Capital

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



Intellectual Capital

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



Human Capital

- ▶ BDT 1,367 million paid for Employee Benefit
- ▶ 16,505 hours of training
- ▶ Incentive bonus as 8% of NPBT
- ▶ Rise in employee productivity
- ▶ Career Advancement



Social & Relationship Capital

- ▶ Dividends paid to shareholders
- ▶ Paid Internship opportunities for Fresh Graduates
- ▶ Support for the underprivileged
- ▶ Rehabilitation programs



Natural Capital

- ▶ LEED Certified LankaBangla Tower
- ▶ Green Branch
- ▶ Growth in Green Financing

BUSINESS MODEL

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



Key Stakeholders

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



Stakeholders Analysis
page no. 165



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



Subsidiaries
of LBFL
page no. 23



How We
Create Value
page no. 156



Business
Divisions
of LBFL
page no. 19



Key Resources

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



Key Resources of LBFL
page no. 160



Cost Structure

- ▶ Interest Expenses
- ▶ Personnel Expenses
- ▶ Operating Expenses
- ▶ Tax



How We Create Value
page no. 156



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



Delivering Value through Our Business
page no. 158



Value Added Statements
page no. 210



HR Accounting
page no. 189



CSR
page no. 206



Contribution to Government Exchequer
page no. 214



Green Banking
page no. 203



Customer Relationships

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



Stakeholders Analysis
page no. 165



Product Portfolio
page no. 30



Customers Segments

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



Business Divisions of LBFL
page no. 19



Subsidiaries of LBFL
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Product Portfolio
page no. 30



Channels

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



Manufactured Capital
page no. 162



Branches and Subsidiaries
page no. 14



Revenue Streams

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



How We Create Value
page no. 156

HOW WE CREATE VALUE

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

1

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

2

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

3

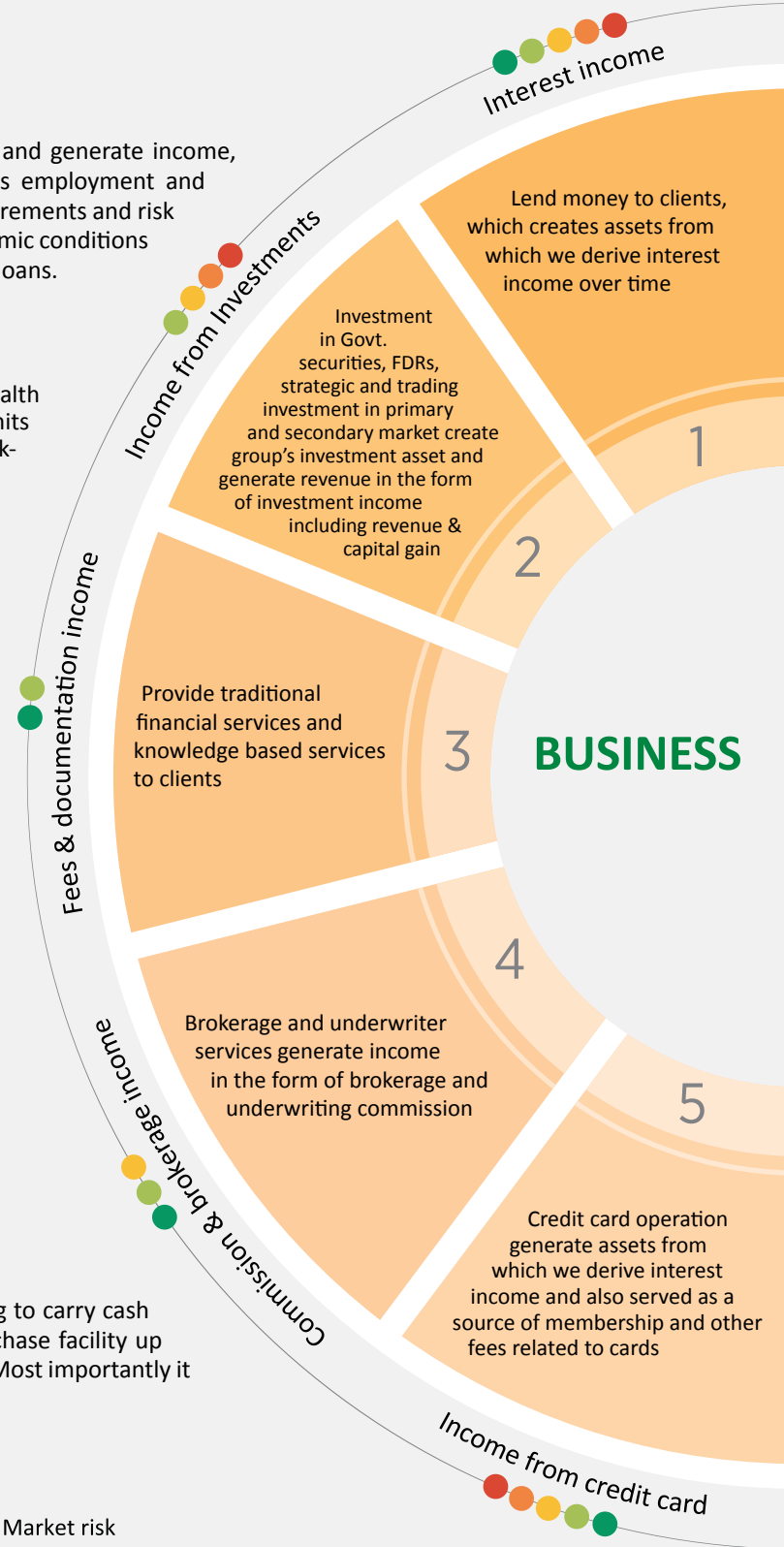
Through traditional financial services we attempt to connect the lives of our clients with progress and happiness. Our knowledge-based services, which include corporate advisory and loan structuring services, allow our clients to benefit from our experience and track record on the country.

4

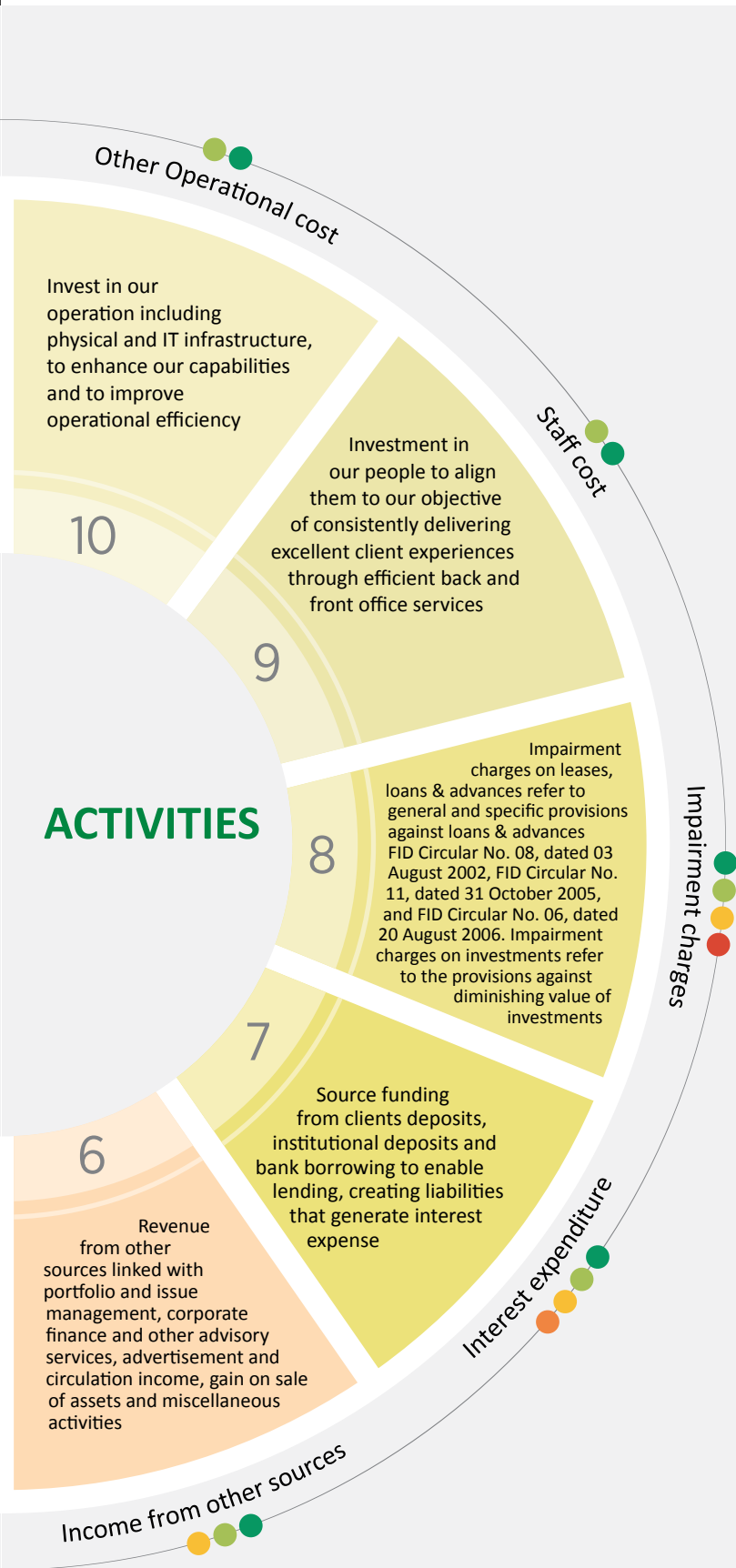
Through our brokerage services we offer clients with hassle free online trading facilities, offer guidance and advice, provide access to our valuable research and help them to achieve their business objectives.

5

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



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



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

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

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

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

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

DELIVERING VALUE THROUGH OUR BUSINESS



Operation Overview



Group

Uncompromised and well diversified array of financial services

Brokerage Services
Asset Management
Research based
Advisory services



LBFL

Country's leading provider of integrated financial services. LankaBangla is the lone Financial Institute that offers 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.



LBSL

Number one brokerage house in the country. LBSL is crowned as the largest in terms of transaction value for the 13th consecutive time in DSE and 14th in CSE in 2018. It has a fully phased research unit which is engaged in both macroeconomic and microeconomic research. LBSL published a monthly research paper namely "Market Pulse" which is considered the only research based capital market journal of the county. LBSL is the first brokerage house of the county offering Bloomberg services to its client.

LBSL has two subsidiaries:
* LankaBangla Information Systems Limited and

*BizBangla Media Limited



LBIL

Premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services, Investment Banking Services and Portfolio Management Services.



LBAMCL

Official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. LBAMCL is focused to meet the professional investment management demand of a wide range of Investors.



Staff

2,218

1,916

234

53

15



Total Assets

100%

84.42%

11.65%

2.83%

1.10%



Revenue

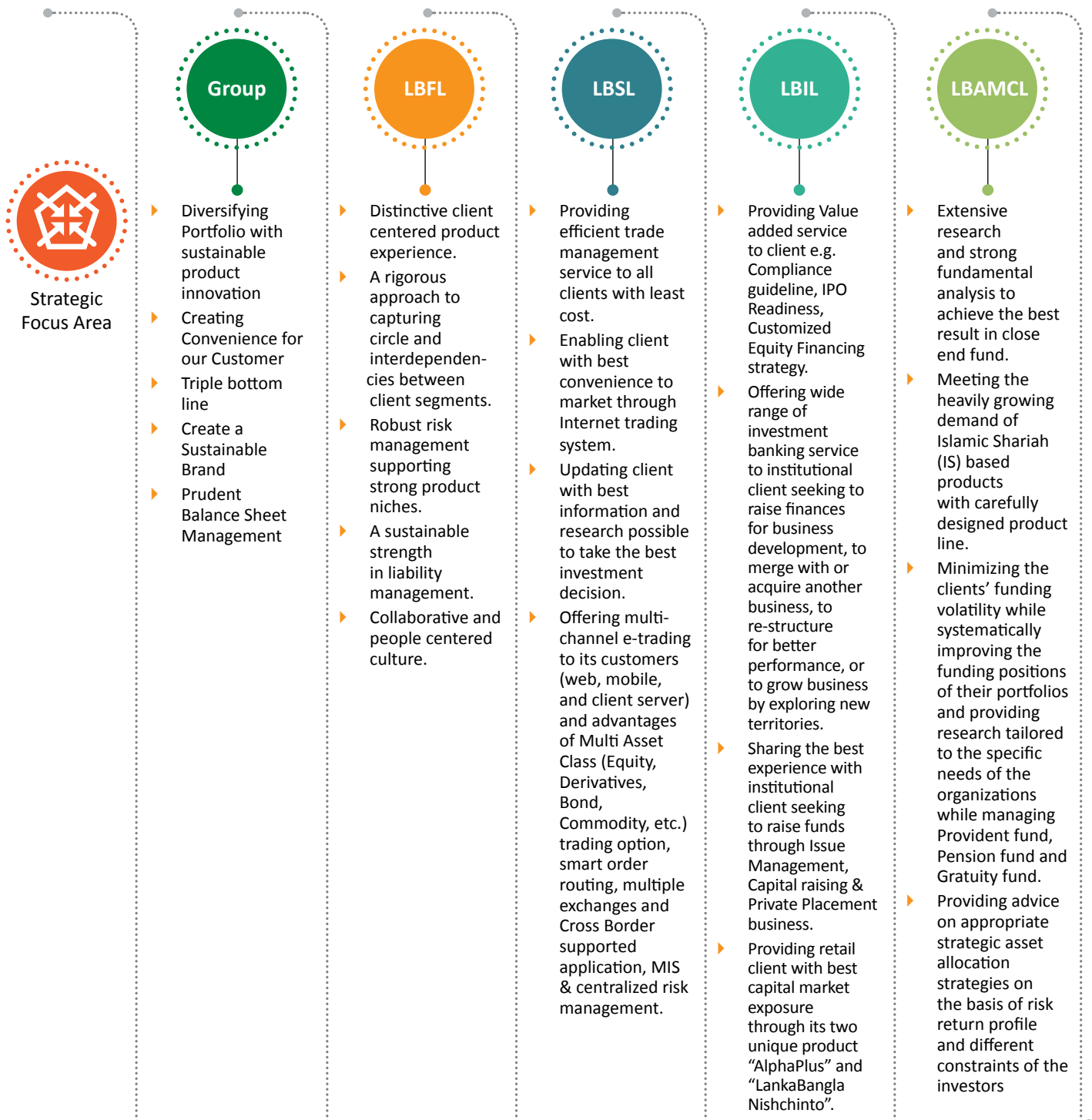
100%

81.13%

17.66%

1.16%

0.05%



ROA

0.51% 0.90% 2.60% (17.98%) (4.21%)



ROE

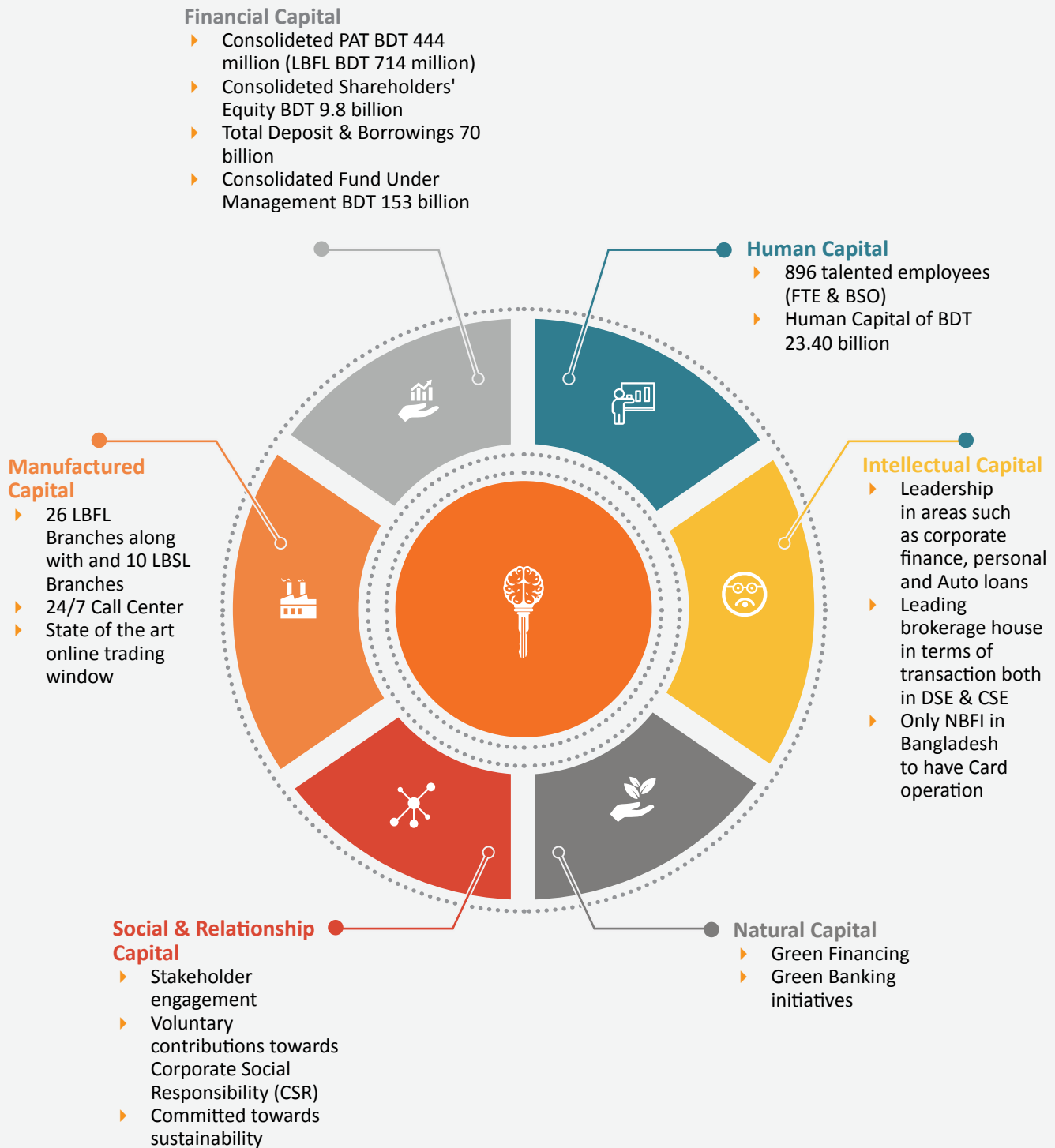
4.90% 8.76% 5.89% (117.76%) (4.41%)



NAV

26.16 17.62 18.51 1.19 19.53

KEY RESOURCES OF LANKABANGLA



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

	2018	2017	Growth	
			Amount	%
Shareholders' Equity	9,823	8,327	1,496	18%

Net Profit After Tax	2018	2017	Growth	
			Amount	%
LBFL	714.16	1,352.79	-638.63	-47%
Group	444.44	1,926.29	-1,481.85	-77%

	2018	2017	Growth	
			Amount	%
Term Deposit	53,231	51,553	1,678	3%
Borrowing from BB and other Banks & FIs	16,263	18,564	-2,300	-12%
Total Deposit and Borrowing	69,494	70,117	-622	-1%

	2018	2017	Growth	
			Amount	%
Cash & cash equivalents	9,433	10,030	-597	-6%
Investments	5,714	5,469	244	4%
Lease, loans & advances	68,676	66,544	2,132	3%
Total deposit & borrowings	69,494	70,116	-622	-1%
Fund Under Management	153,317	152,160	1,157	1%

HUMAN CAPITAL

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

BDT Million

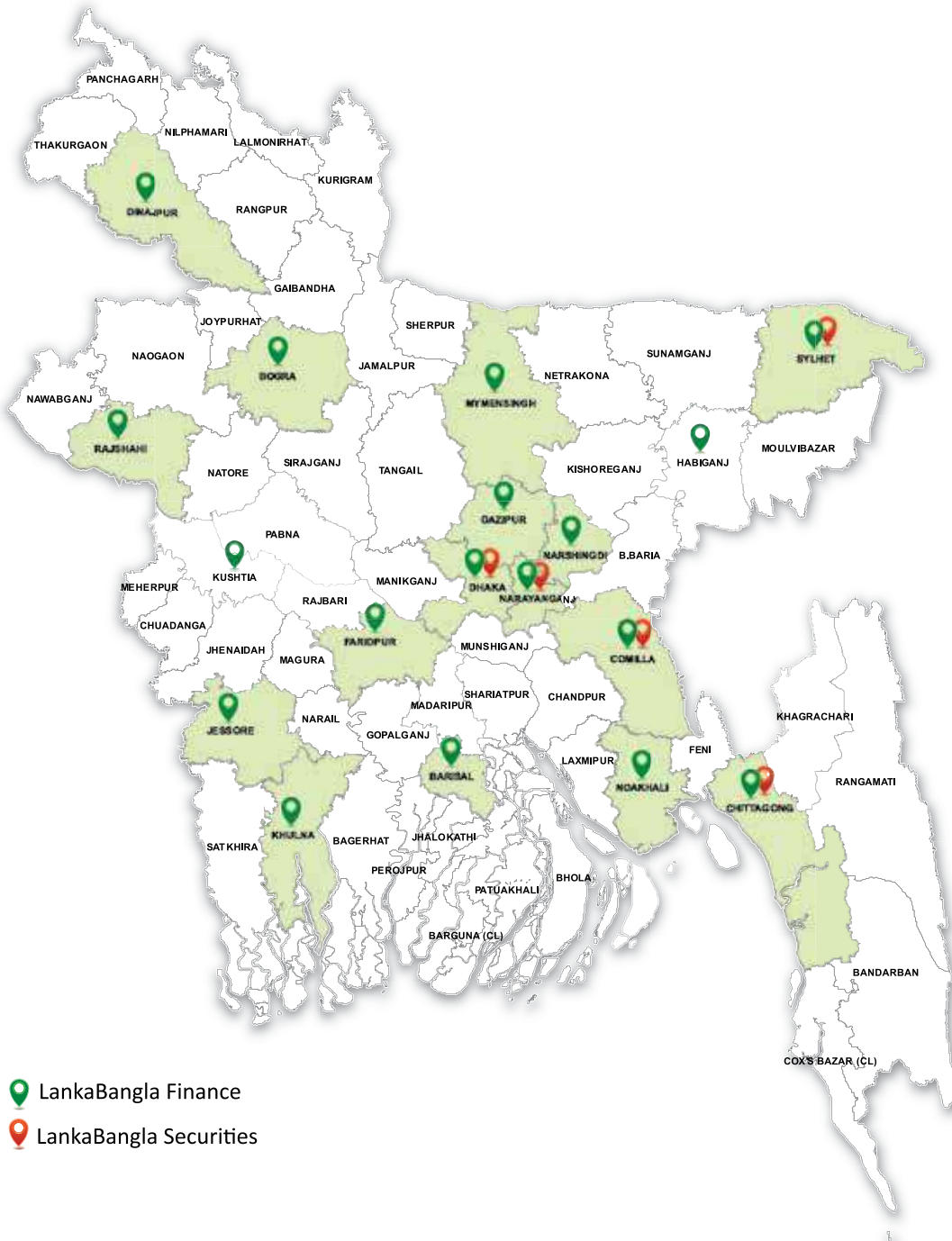
	2018	2017
Total employee benefits	886.98	806.28
Training Cost	11.78	12.74
Employee Benefit Per Employees	0.99	0.96
Training Cost per Employees	0.019	0.022
Gross Revenue per employee	11.03	9.34
Total Expenses per employees	9.49	7.38
Operating cost per employee	2.09	1.95
Operating profit per employees	1.55	1.96

MANUFACTURED CAPITAL

The tangible and intangible infrastructure that we use to conduct our business activities, including our infrastructure, network, information technology (IT) assets, and the national infrastructure of the country in which we operate.

Our parent company LBFL has 26 Branches and our major subsidiary LBSL has 10 branches distributed all over Bangladesh to cover more horizon and to serve greater number of people with our valued services. We invested substantial amount in Information Technology to get better efficiency in operation that resulted in more comfortable services for our valued clients. Online trading window of LBSL provides its clients with easy access to the stock market from remote places and facilitate them with hassle-free trading services.

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



INTELLECTUAL CAPITAL

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



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

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

- ▶ LBSL is the leading brokerage house of the country in terms of transaction both in DSE and CSE. LBSL transacted 8.14% and 10.73% of total transaction of DSE and CSE respectively. Transaction volume of LBSL for the year 2018 in DSE and CSE was BDT 217 billion and BDT 18.5 billion respectively.
- ▶ LBFL is the only NBFI in Bangladesh having Credit Card operation. We are one of the leading market players in credit card business. Our credit card usage in the year 2018 was BDT 8,228 million including both MasterCard and VISA. Interest income from credit card was BDT 641

million in 2018 which was 7% of the total interest income of LBFL group for the year

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 towards a sustainable society. LankaBangla through its Foundation extends its support for underprivileged people of the community in particular to ensure their education, health and living.

Followings are some of the CSR activities we performed in the year 2018:

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

NATURAL CAPITAL

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

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

- ▶ Assisting the green bricks manufacturer avail the ADB funded refinance from Bangladesh Bank under the 'Refinance Scheme of Brick Kiln Efficiency Improvement.

- ▶ Assisting the entrepreneurs of the relevant businesses avail the Bangladesh Bank own funded refinance in the specified sectors as per the BB guidelines.

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





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






STAKEHOLDERS ANALYSIS

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

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



Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Investors/ Shareholders	Investors remain LBFL's key stakeholder, who having invested capital, requires information on a continuous basis to track LBFL's performance and achievements in enhancing shareholder wealth.	High	High
	Customers	We consider customers as the bread and butter of LBFL's business, who remain interested as they transact with LBFL on an ongoing basis. It is important for LBFL to sustain business and build bonds with them and also to attract new customers.	High	High
	Employees	Employees are considered LBFL's most valuable asset and key to LBFL's continued success. Employees are deemed key stakeholders as they drive LBFL's business forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.	High	High
	Suppliers & Business partners	Material suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies.	Medium	Medium

Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Lenders	Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.	High	Medium
	Regulators	As a listed Finance Company and a holder of public deposits, various regulatory bodies continue to be interested to know LBFL's progress, to establish level of safety, soundness and compliance status.	High	Medium
	Society	Society has varying expectations of LBFL especially from a broader sustainability perspective. Apart from financial needs, they require corporates to act in a socially responsible manner, for societal benefit.	Medium	Medium
	Environmental Groups	In an era where protection of environment and its resources has become vital, LBFL considers environment aspects of high importance, particularly when LBFL continues to build greater presence across the country.	Medium	Low
	Board Members	Board members are part of the investors/shareholders. But for the roles and responsibilities, Board members remain vital for LBFL's success.	High	High

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

Influence by LBFL on Stakeholder	High		<ul style="list-style-type: none"> ▶ Investors/ Shareholders ▶ Customers ▶ Employees ▶ Board Members
	Medium	<ul style="list-style-type: none"> ▶ Suppliers & Business partners ▶ Society 	<ul style="list-style-type: none"> ▶ Lenders ▶ Regulators
	Low	<ul style="list-style-type: none"> ▶ Environmental Groups 	
		Low	Medium
	Influence by Stakeholder on LBFL		

Investors/Shareholders

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

We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will

remain fully transparent in our communication and disclosure with the investment community.

LBFL has a total 23,677 shareholders with 85.09% domestic holding and 14.91% foreign holding. Details of shareholding structure is provided in page no 39 of this report.

Shareholders needs and expectation

The core needs of our shareholders are as follows:

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

How did we deliver value to our shareholders in 2018

- ▶ Achieved economic value addition of BDT 619 million in 2018
- ▶ Consolidated Net profit was BDT 444 million
- ▶ LBFL achieved net profit after tax of BDT 714 million in solo basis
- ▶ Paid a full-year dividend of BDT 1.50 per share, 15% cash dividend.
- ▶ Maintained world-class transparent reporting and increased our disclosure related to financial statements.
- ▶ Experienced smooth leadership transitions, with one of the most experienced management teams in the NBF industry of Bangladesh

Customers

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

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

Our Customers

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

Needs and expectations of our customers

- ▶ Offering innovative solutions and services.
- ▶ Growing and protecting client investments and wealth.

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

How did we deliver value to our customers in 2018

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 3.3% in Term deposit in 2018 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 525 new home loans and 455 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 2 new branches in the year 2018. All LBFL employees are well trained to deliver uncompromised client services. 24/7 helpline service is there to help our valued clients as and when required. FinSmart, LankaBangla mobile application has been launched to reach the services of LankaBangla to the fingertips of the valued customers.
- ▶ Protecting clients and their assets through secured IT systems and infrastructure. LBFL invested meticulously in its IT structure and committed to invest more in upcoming years to align with latest state of the art technology for the smoothness of its operation, strengthen data security and ensure protection for clients assets.
- ▶ Providing competitive and transparent pricing and giving value back to clients We always strive to ensure best value for money for our clients by means of competitive pricing of our products and services. We not only charge competitive

interest to our asset clients but also ensure transparent and reasonable pricing for documentation and other fees.

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

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

▶ Providing sound financial advice and financial education

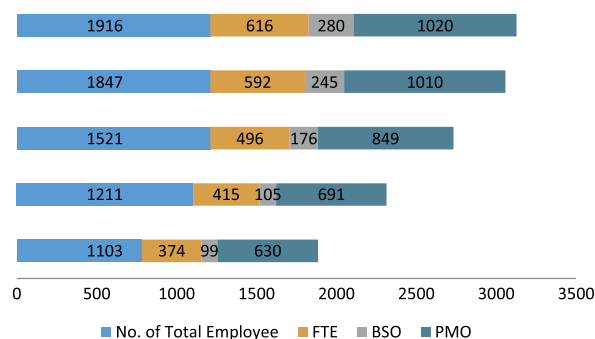
LBFL along with its subsidiaries provide financial advice and financial education to the valued clients by means of interactive consultation and professional investment advices.

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

Employees

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

EMPLOYEE COMPOSITION



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

Needs and expectations of our staff

A central component of the achievement of our vision to be the most preferred financial service provider is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees. In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2018, 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 2018. 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 2018.

Our Investment on Training

To further strengthen the staff development process, the company increased its concentration on training and development of employees. This concentration will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the company. In 2018, 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 16,505 man-hours of training during the year on various knowledge-building programs compared to 32,334 man-hours of the year 2017.

Effective performance management and recognition

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

Effective employee relations

LBFL always value its employees through maintaining effective employee relations from top to bottom. Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association. LBFL follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, management has taken further steps to enhance the facilities and benefits afforded to its staff:

- ▶ Festival Bonus
- ▶ Provident Fund
- ▶ Gratuity

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

A healthy and safe work environment

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

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

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

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

Suppliers and business partners

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

Needs and expectations of our suppliers

- ▶ Compliance to contractual terms

How we deliver value to our suppliers

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

Lenders

Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.

Needs and expectations of our lenders

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

How we deliver value to our lenders

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

- ▶ Providing them with market competitive interest rate on their invested fund
- ▶ Meticulously comply with all the contractual term and conditions
- ▶ Our treasury division is always keen to build and maintain long term relationship with our lenders. In 2017 Treasury division organized a successful treasury night to promote and value such relations.

Regulators

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

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

Needs and expectations of our regulators

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

How we deliver value to our regulators

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

Ensure effective corporate governance

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

Compliance with rules and regulations

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

On time regulatory reporting

As a public limited financial institution LBFL has to submit a good number of regulatory reporting on regular basis. In LBFL our regulatory reporting responsibilities are decentralized. It is designed 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 2018, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 948 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 1,030 million in 2017, reflecting its fair and consistent commitment towards national contribution.

Ensure value for the general shareholders

Transparent and fair reporting of its financial information is backbone of LankaBangla's success stories so far. Our financials show our growing picture that we are consistently increasing the value of our shareholders with all our efforts. Our Transparency and fair reporting was not only recognized in national level but also in International level. For the last consecutive three year we have been awarded SAFA Best presented Annual Report Award.

Society



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

Needs and expectations of the society

- ▶ To act in a socially responsible manner

How we deliver value to the society

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

In 2018 we performed following CSR activities:

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

Environmental Groups



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

Needs and expectations of the environmental groups

- ▶ Protection of environmental and ecological balance

How we deliver value to the environmental groups

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

Board Members



LBFL has a group of experienced and professional Board members in its Board. With immense experience and professionalism the Board of LankaBangla is conducting its Business for the last 21 years and ensuring proper corporate governance since then.

Our Board members are as follows:

Name	Designation
Mr. Mohammad A. Moyeen	Chairman
Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director
Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director
Mr. B. W. Kundanmal (Alternate of Mrs. Aneesha Mahial Kundanmal)	Director
Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director
Mr. Mahbubul Anam	Director
Dr. M. Mahbubul Huque (Alternate of Mr. Tahsinul Huque)	Director
Mrs. Zaitun Sayef	Independent Director
Mr. Abdul Malek Shamsher	Independent Director
Mr. Khwaja Shahriar	Managing Director

Needs and expectations of the Board

- ▶ Sound Financial position
- ▶ Efficient Financial performance
- ▶ Effective Corporate Governance


▶ Protecting shareholders wealth

How we deliver value to the Board

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

Based on the financial position and data with explanation presented by the management the board guide the management for the future courses of action. Management adherence with the guidance operate the business to get desired result and hence strive towards increasing the wealth of the shareholders.

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

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
 Investors/ Shareholders	Annual General Meeting (AGM)	Annual	<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 finish the branch expansion activity though the cost to income ratio is reduced to 59.89% from 63.92% - LBFL will give best effort to reduce the fund cost
	Annual Report	Annual	Overall Financial Performance of the Company	- Sustainable business growth.	The Company presents annually a comprehensive Annual Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders wealth created.
	Integrated report	Annual	The value creation and value distribution		For the first time LBFL is presenting a comprehensive Integrated Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders value created. LBFL is committed to continue with annual integrated report for upcoming years.
	Announcements to Shareholders	Ad hoc as necessary (Interim accounts – quarterly)	Financial Performance of the Company		
	Extraordinary General meetings	Ad hoc as and when necessary	Appraising plans, future prospects, in relation to core business growth.		
	One-to-One Meetings	As necessary	Improvements in relation to LBFL operations.		
	LBFL website information updates	On a regular basis	Strengthening governance and risk management mechanisms.		
	Press releases and articles in magazines	At least one release per quarter	Financial Performance of the Company		

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
 Customers	Customers awareness programs	Annually in every branch	<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.	<ul style="list-style-type: none"> - 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			
 Employees	LBFL corporate Website	On a regular basis			Through the Risk and Compliance function, risk management and compliance is strengthened constantly.
	Inculcating an 'open door policy' for employees to freely interact one -on-one with MD, other senior officers.	On a regular basis	Professionalism and diligence level expected in executing duties.	Having clear understanding of individual performance goals, for its achievement.	LBFL upholds a strict performance based culture across all job functions. Employees are evaluated by their superiors based on a formal evaluation process, and high performers rewarded biannually.
	Management Meetings	As and when necessary			
	Performance appraisal and individual review meetings	Annual	Sustaining a creative and innovative culture.		
	Town hall Meeting	Biannual	Bi Annual performance of the company and to recognise the best performers for the period		Ability to express ideas, concerns and grievances freely.
	Internal Newsletter communiqués	Monthly	Sustaining a creative and innovative culture.		
	Corporate communiqués via circulars, memos and e-mails	Regular	Knowledge-based environment and career development.		

ECONOMIC OUTLOOK

Global Outlook

The steady expansion of the world economy since mid-2016 continued in 2018, but signs of weakening growth have become evident. New fuel emission standards in Germany and natural disasters in Japan slowed down growth among developed economies while financial market sentiment continued to weaken amid trade policy uncertainty and a weakening China growth outlook. Global growth in 2018 is estimated by the IMF to be 3.7%, unchanged from previous projection, but signs of an economic slowdown in the second half of 2018 have led to downward revisions for several economies. The weakness experienced in the second half of 2018 is expected to continue into the future, and therefore global growth is projected to decline to 3.5% in 2019. The lower growth forecasts reflect a persistent decline in growth rate of advanced economies. Emerging market and developing economies have also experienced a decline in forecast growth rates in 2019, reflecting economic shocks in Argentina and Turkey, as well as the impact of the trade war between the US and China. Global growth for 2018-19 is projected to remain steady at its 2017 level of 3.7 percent, but its pace is less vigorous than projected in April and it has become less balanced. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded.

The downward revision reflects surprises that suppressed activity in early 2018 in some major advanced economies, the negative effects of the trade measures implemented or approved between April and mid-September as well as a weaker outlook for some key emerging market and developing economies arising from country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. Beyond the next couple of years, as output gaps close and monetary policy settings begin to normalize, growth in most advanced economies is expected to decline to potential rates well below the averages reached before the global financial crisis of a decade ago. Medium-term prospects remain generally strong in emerging Asia but subpar in some emerging market and developing economies, especially for per capita growth, including in commodity exporters that continue to face substantial fiscal consolidation needs or are mired in war and conflict.

	Actual		Projection	
	2016	2017	2018	2019
Real GDP (Percent change from previous year)				
World Output	3.3	3.7	3.7	3.7
Advanced economies	1.7	2.3	2.4	2.1
USA	1.6	2.2	2.9	2.5
Euro Area	1.9	2.4	2	1.9
Japan	1	1.7	1.1	0.9
Emerging market and developing economies:	4.4	4.7	4.7	4.7
Emerging and Developing Asia	6.5	6.5	6.5	6.3
China	6.7	6.9	6.6	6.2
India	7.1	6.7	7.3	7.4

Source: World Economic Outlook, October 2018, IMF.

Aggregate growth in the emerging market and developing economy group stabilized in the first half of 2018. Emerging Asia continued to register strong growth, supported by a domestic demand-led pickup in the Indian economy from a four-year-low

pace of expansion in 2017, even as activity in China moderated in the second quarter in response to regulatory tightening of the property sector and nonbank financial intermediation.

Higher energy prices have lifted headline year-over-year inflation rates in advanced and emerging market and developing economies over the past six months. Core inflation—that is, excluding food and energy—remains below central banks' targets in most advanced economies. Among emerging market and developing economies, excluding Venezuela's hyperinflation, core inflation remains below the average of recent years but has inched up in recent months. Among advanced economies, core annual consumer price inflation in the United States, where unemployment hovers around multi-decade lows, has exceeded 2 percent since March. Core inflation in the United Kingdom averaged slightly more than 2 percent in the first half of 2018, lower than last year, as the effects of the large sterling depreciation of 2016–17 on domestic prices have gradually faded.

In the euro area and Japan, core inflation remains weak at about 1 percent in the euro area and 0.3 percent in Japan. In the emerging market and developing economy group, core inflation remains contained at about 2 percent in China, where domestic demand has slowed in response to financial regulatory tightening. In India, core inflation (excluding all food and energy items) has risen to about 6 percent as a result of a narrowing output gap and pass-through effects from higher energy prices and exchange rate depreciation.

Bangladesh Economy

According to the final estimate of BBS, GDP growth for FY2017-18 reached 7.86 percent, significantly higher than the growth of 7.28 percent in the preceding fiscal year. Among the broad sectors of GDP, the contribution of agriculture and service sector to GDP slid down by 0.51 percentage point to 14.23 percent and by 0.74 percentage point to 52.11 percent which was offset by an increased share of industry by 1.24 percentage point to 33.66 percent in relation to the preceding year.

During the period broad agriculture sector registered a growth of 4.19 percent, up by 1.22 percentage point compared to the previous year due to the better performance of most of its sectors and sub-sectors. Crop and horticulture grew to 3.06 percent, 2.10 percentage point higher than the previous year. Animal farming's sub-sector progressed than the year before, but 'forest and related services' sub-sector declined. Fishing sector similarly grew at a rate of 6.37 percent, 0.14 percentage point higher than the previous year.

In FY2017-18, broad industry sector grew by 12.06 percent, higher than the growth of 10.22 percent in the previous year. In broad industry sector, the growth of mining and quarrying sector declined to 7.00 percent in FY2017-18 from 8.89 percent in FY2016-17. In contrast, manufacturing sector, 'electricity, gas and water supply' sector and construction sector experienced a growth of 13.40 percent, 9.19 percent and 9.92 percent respectively. Of the manufacturing sector, large and medium-scale manufacturing sector grew at a pace of 14.26 percent compared to the growth of 11.20 percent in the preceding year but small scale manufacturing sector exhibited a growth of 9.25 percent, slightly lower than FY2016-17. Of the 'electricity, gas and water supply' sector electricity and gas sub-sector registered a faster growth in relation to the previous year.

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

Bangladesh Macroeconomic Indicators	Actual				Budgeted	Projection		
	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Real GDP growth (%)	6.1	6.6	7.1	7.3	7.7	7.8	8	8.2
CPI Inflation (%)	7.4	6.4	5.9	6.3	5.8	5.6	5.6	5.5
Investment (% GDP)	28.6	28.9	29.7	30.5	31.5	33.5	34.4	35.3
Credit to the Private sector	12.3	13.2	16.8	16.5	16.8	16.5	16.7	16.9
Current Account Balance	0.8	0.2	1.9	-0.6	-1.8	-2	-2.3	-2.4

Source: Finance Division, Ministry of Finance.

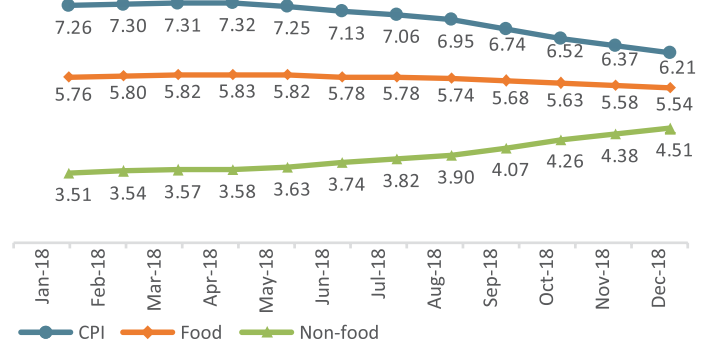
In FY2017-18 broad service sector grew by 6.39 percent, down by 0.30 percentage point a year earlier. Among the broad service sector, wholesale and retail trade, hotel and restaurants, real estate, renting and business activities and community, social and personal services performed better than the year before, but some other sectors such as transport, storage and communication, financial intermediation, public administration and defense, education, health and social works exhibited slightly lower pace of progress.

Continuing the upward trend per capita GDP of Bangladesh reached US\$1,675 in FY2017-18 from US\$1,544 a year earlier. Likewise, per capita national income increased to US\$1,751 in FY2017-18, US\$141 higher than the previous year as per the final estimates of BBS

Inflationary Outlook

Bangladesh has been adopting cautious monetary policy in view to maintain macroeconomic stability and to keep inflation in check. Inflation showed declining trend since FY2013-14 year-on-year inflation in FY2017-18 slid down to 5.78 percent. Various factors helping the trend such as, prudent monetary policy, favorable domestic environment, low budget deficit and low fuel & commodity price in global markets leading to the sliding of overall inflation. Besides, it is expected that through consistent increase in food production, uninterrupted supply of essential commodities, adequate monitoring of the market system and ensuring food security will help the government to keep inflation under control. In FY2016-17 and FY2017-18, food inflation shifted to the upturned direction to 6.02 percent and 7.13 percent respectively, which is in declined on FY2013-14. On the other hand, with an upward tendency since FY2013-14, non-food inflation shot up but afterward it came down to 4.61 percent in FY2016-17 and 3.74 percent in FY2017-18. In December 2018, average general inflation decreased due to downward in food inflation and it is offsetting the rise in non-food inflation. Monetary policy formulated with the target of keeping inflation below 6 percent.

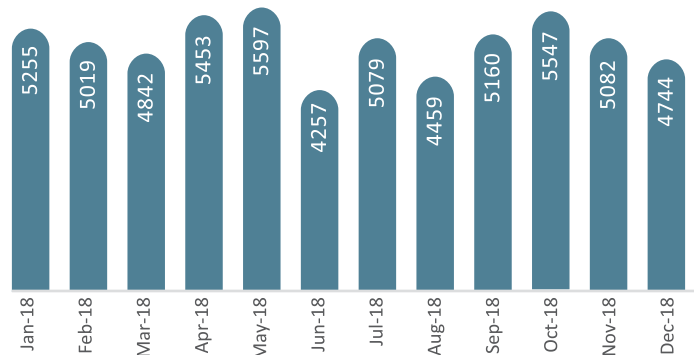
INFLATION



Import

Country's import increased by 25.23 percent in FY2017-18 than previous year. Total import payments stood at US\$58,865 million in FY2017-18, which is 25.23 percent higher than the import payments of US\$47,005 million of the preceding year. In the duration of FY2017-18, China has secured the first position for our import in terms of value of total imported commodities. Throughout this period 27.07 percent of the total imported commodities came from China. India was the second largest source of import (15.19%) while Japan held the third position (4.11%). Bangladesh imports mostly petroleum and oil (11 percent of the total imports); textile (10 percent) and food items (9 percent). Others include: iron and steel (7 percent), edible oil (4 percent), chemicals (4 percent), yarn and plastic and rubber articles (4 percent). In 2018, imports of rice grains decreased substantially mainly due to adequate domestic supply.

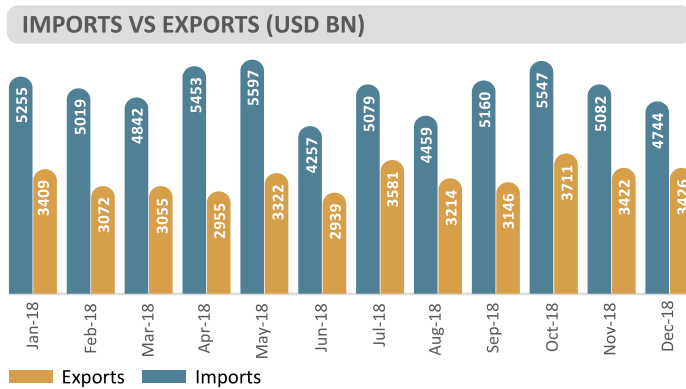
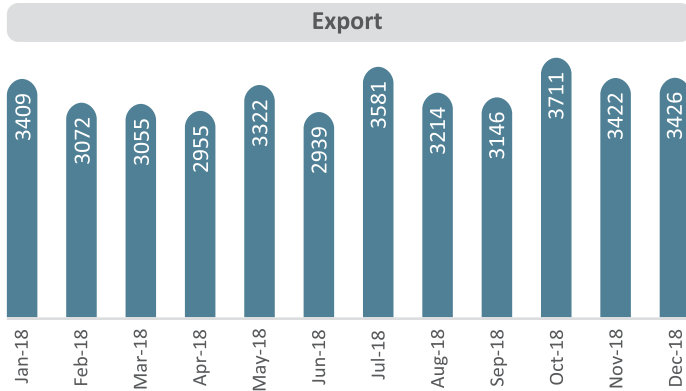
IMPORTS (USD BN)



Export

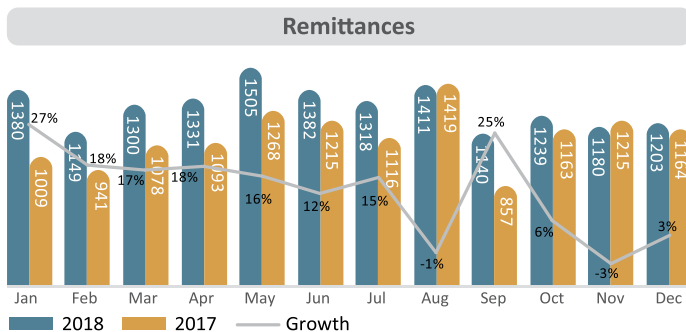
Bangladesh's merchandise export earnings showing an optimistic upward trend in FY2017-18 stood at US\$ 36,668 million in FY2017-18. It is 5.81 percent higher than the export earnings (US\$ 34,656 million) of FY2016-17. Category-wise exports earnings in FY2017-18 shows that export earnings from agricultural product and ceramic products have increased by 38.55 percent and 32.70 percent respectively over the last fiscal year. Moreover, increasing trend of export earnings fueled by some factors such as increase of export of agricultural product, ceramic products, handicraft, cotton and cotton products, knitwear, home textile, jute goods, chemical products, woven garments etc. On the other hand,

mainly in terms of petroleum by product, engineering products tea, plastic product, leather and leather goods, raw jute and frozen food showed decreasing export earnings.



Remittances

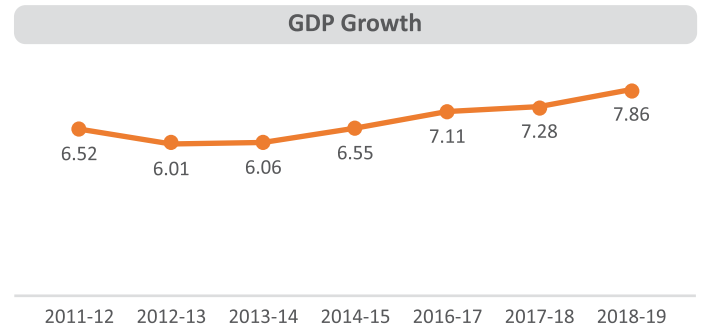
A significant portion of domestic labor force is employed in the Middle-East and many other countries of the world. In spite of decreasing the migration rate, Bangladesh has earned huge amount of remittances in FY2017-18. About 8.8 lakh Bangladeshi employees went abroad in quest of jobs in FY2017-18, which was 2.8 percent lower than the previous year. Bangladesh achieved remittances of US\$14,981.69 million in the FY2017-18 which was 17.32 percent higher than US\$12,769.5 million in the FY2016-17.



Gross Domestic Product (GDP)

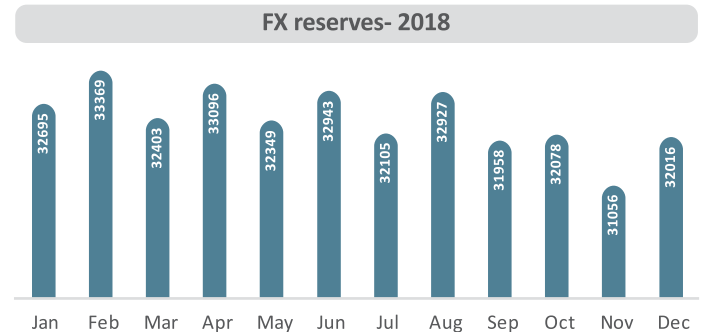
GDP growth reached 7.86 percent, significantly higher than the growth of 7.28 percent in the preceding fiscal year. It is happened on back of huge government spending and investment in mega

projects. Among the broad sectors of GDP, the contribution of agriculture and service sector to GDP slipped down by 0.51 percentage point to 14.23 percent and by 0.74 percentage point to 52.11 percent which was offset by an increased share of industry by 1.24 percentage point to 33.66 percent in relation to the preceding year.



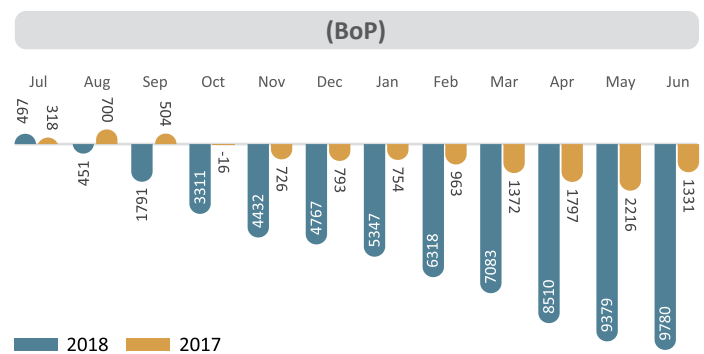
Foreign Exchange Reserve

Foreign exchange reserves have stayed largely stable in FY18 at the USD 32 bn level, equivalent to 5.9 months of import payments. The gross foreign exchange reserves of Bangladesh Bank had reached US\$32,916 million at the end of June 2018 mainly due to higher growth of import payment. Foreign exchange reserves reached to 32,078.6 million US\$ on July 2018.



Balance of Payments (BoP)

Trade Deficit has increased significantly at US\$18,258 million in the FY2017-18 compared to US\$9,472 million in FY2016-17 due



to high import payments. In addition, Service account and Primary income account deficit also increased significantly by 39.11 percent and 27.91 percent respectively. But the Secondary income account surplus increased by 16.13 percent in FY2017-18 compared to previous year due to the high growth of workers' remittances. The financial account achieved a surplus of US\$9,076 million as compared to US\$4,247 million in FY2016-17. The overall balance recorded the deficit of US\$885 million in FY2017-18 due to higher deficit of US\$9,780 million of current account balance.

Capital Market

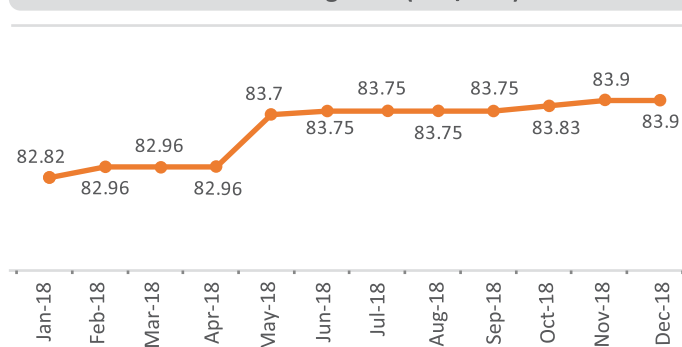
The total number of listed securities in Dhaka Stock Exchange has increased from 563 in June 2017 to 572 in June 2018. Total issued capital of all listed securities stand at Tk.1,21,966.51 Crore, which was Tk.1,16,551.08 Crore, which is registering 4.65 percent growth. Total Market Capitalization of all listed securities was Tk.3,80,100.10 Crore in June 2017, which stands at Tk.3,84,734.78 Crore in June

Exchange Rate

The BDT depreciated against the USD by 3.88% in FY18. The main factor responsible was the current account deficit. Bangladesh Bank, the central bank – injected USD 2.3 bn in FY18 to stabilize the BDT, however, this cannot continue indefinitely given shrinking forex reserves. Looking forward, we expect the BDT to depreciate further in FY19 until the current account deficit is brought under control.

Foreign exchange reserves reached USD 32.94 bn in FY18, down from USD 33.5 bn in FY17. The current account deficit was the largest factor behind the widening gap. The current level of foreign exchange reserves is adequate to cover 5.3 months of imports of goods and services. Looking forward, we expect the foreign exchange reserves to stay at their current levels or to reduce slightly, as imports are balanced by growth in exports and remittance.

Chart: Exchange rate (BDT/USD)



Domestic Credit

The growth of domestic credit stood at 14.71 percent in FY2017-18 compared to 11.16 percent in FY2016-17. Of which private sector credit growth stood at 16.95 percent in FY2017-18 against 15.66 percent of the previous fiscal year. Net credit to the government decreased by 2.52 percent at the end of June 2018 compared to 14.78 percent decrease in the previous year. In FY2017-18, the share of government (excluding others public sector) and private sector credit to total domestic credit stood

at 9.29 percent and 88.83 percent respectively.

Interest Rate

The weighted average lending rate of commercial banks increased to 9.95 percent at the end of June 2018 from 9.56 percent of end June 2017. Similarly, the deposit rate increased to 5.50 percent in June 2018 from 4.84 percent in the same period of previous year. The interest rate spread slightly decreased to 4.45 percent at the end of June 2018 from 4.72 percent of June 2017 as well.

Savings and Investment

During FY2017-18, domestic savings reached 22.83 percent of GDP, down by 2.50 percentage points from the previous year. During the same period, national savings as percent of GDP declined to 27.42 percent from 29.64 percent. On the other hand, investment in FY2017-18 increased to 31.23 percent of GDP, up by 0.72 percentage point from the preceding fiscal year. Of this, the share of private investment stood at 23.26 percent of GDP, slightly higher than the previous year and that of public investment augmented to 7.97 percent of GDP, moderately higher than the previous fiscal year (7.41% of GDP).

Government Expenditure

As per the revised budget, the expenditure for FY2017-18 has been targeted at Tk.3, 71,495 crore (16.51% of GDP) of which recurrent expenditure has been set at Tk.2,23,114 crore (9.91% of GDP) and Annual Development Programme (ADP) expenditure has been fixed at Tk.1,48,381 crore (6.59% of GDP). As per the iBAS++ provisional data, the total expenditure in the reporting year rose by 19.49 percent to Tk.3,21,107 crore (14.27 percent of GDP) over the previous year outturn. The total expenditure under recurrent budget (including development capital expenditure and development programme) increased by 19.32 percent to Tk.2,21,014 crore in FY2017-18 from Tk.1,85,230 crore in FY2016-17. However, according to IMED ADP expenditure increased by 40.91 percent to Tk.1,41,492 crore in FY2017-18 from Tk.1,00,414 crore in FY2016-17.

Budget Balance and Financing

In the revised budget of FY2017-18, budget deficit has been estimated at Tk.1,07,584 crore which is 4.78 percent of GDP. Of this deficit, Tk.41,567 crore will be financed from external sources (including foreign grant) and Tk.66,017 crore will be backed by domestic sources. As per preliminary data of iBAS++, the budget deficit stood at 3.96 percent of GDP (excluding grants) in FY2017-18, of which 3.68 percent was financed from domestic sources and the remaining 0.28 percent from external sources.

Sources: Bangladesh Economic Outlook 2018 (Finance Division, Ministry of Finance Government of the People's Republic of Bangladesh), World Economic outlook 2018(October,2018 IMF) & Major Economic Indicators: Monthly Update(Monetary Policy Department-BANGLADESH BANK-January 2019)

BUSINESS ENVIRONMENT ANALYSIS

1. SWOT Analysis for LBFL

Sl. No.	LBFL's Key Strengths	Outlook on Key Strengths	Key actions taken to build on Strengths
1	Nursing a culture of embracing changes	LBFL Nurtures strategy to embrace changing environment in terms of market, technology, demand etc which give it strength to sustain in rapid and diversified challenges.	<ul style="list-style-type: none"> ▶ LBFL tailored its services to meet customer new demands. ▶ Adopt new IT environment to provide out of trend customer services. ▶ Shuffling operational structure to meet demand of swiftness.
2	Having the broadest umbrella of products and service offerings	We analyze different financial need of people and focus on new product development. It has diversified the revenue stream and improve the strength of sustainability.	<ul style="list-style-type: none"> ▶ Continuous analysis on industry trend and demand. ▶ LBFL has well diversified financial products to serve its diverse customers. ▶ More focus on segmented approach with dedicated team to strengthen the product line ▶ LBFL is the only NBFIs having the credit card business in Bangladesh.
3	Offering highest loan ceilings and LTV ratio	High loan ceilings and LTV ratio can attract and serve people with immediate solutions to their financial needs. It ensures portfolio growth and healthy revenue streams as well as a competitive edge over peer organizations, like commercial banks.	<ul style="list-style-type: none"> ▶ LBFL offers highest credit ceiling to their retail and SME clients. A ceiling of BDT 2 million for unsecured credit facility is the highest in the market. ▶ Besides, LBFL offers lease facility with the maximum Loan to Value ratio, which is up to 100% ▶ To attract home loan and SME clients, LBFL facilitates them with the maximum limit of BDT 100 and 200 million respectively.
4	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.	<ul style="list-style-type: none"> ▶ Attracting customers from other investment options ▶ Enhanced financial, governance and operational reporting to make public more aware of LBFL's financial stability ▶ Introducing Integrated Reporting ▶ Keep improving on regulatory compliances ▶ Keep investing on building a reputed brand value ▶ Actively participating in the CSR activities through LankaBangla Foundation
5	Strong capital base with a sound capital adequacy ratio position	15.74% CAR implies strength of balance sheet of LBFL.	<ul style="list-style-type: none"> ▶ New Capital issue in the form of rights share (2:1) ▶ Issuing subordinate bond of BDT 1,810 Million ▶ Planning for healthy profitability growth ▶ More focus on Retail and SME business ▶ Focus on lending to good rated corporate houses ▶ Developed a Capital planning for next five years for anticipating business growth
6	Having a skilled human resource base with the lowest average age of employees	To hire and retain skilled human resource will be key to succeed in the coming years as there are few new Banks and NBFIs in the market.	<ul style="list-style-type: none"> ▶ Investing more on training key skills and soft skills ▶ Planning for an in-house training institute to train the employees ▶ Introduce a reward recognition policy under which the most performing employees are being awarded twice in every year. ▶ For improvement of the performance, LBFL also introduce different programs like HEROES @ WORK, DINE WITH MD in every two months ▶ Organize different events for the employees like Annual Football, Annual Badminton, Family day, New year celebration, women's day, mother's day etc. to motivate the employees.

7	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.	<ul style="list-style-type: none"> ▶ LBFL will look forward to expand its delivery channel to cater new more people. ▶ Where there are no branch networks LBFL will use Hub and Spoke model and will employ mobile lending officers with state of the art technology.
8	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.	<ul style="list-style-type: none"> ▶ Implemented transware project for credit card operation. ▶ Made IFS (ERP) project to go live in the start of 2019 ▶ Investing more on to update IT hardware ▶ Improving the Call center ▶ Enhanced certain core system features ▶ Training users on effective use of these IT tools across the branch network.
9	Online presence through user-friendly website and mobile application	Online presence can be as much about customer service as it is about selling products and services. A dynamic website or application can create a good impression about the organization, as well as ensuring faster services and accessibility	<ul style="list-style-type: none"> ▶ LBFL maintains its web presence through website, financial portals, social networking sites and its unique mobile application "Finsmart". ▶ Clients can reach LBFL through these channels and the Alternative Delivery Channel (ADC) division of LBFL facilitates the requests received from these sources. ▶ LBFL's clients can avail different services like balanced information, card-check processing requests, form filling, etc. through its mobile application "Finsmart".
10	Discount and Ezipay Privileges for Credit Card clients	To attract new and retain existing clients, promotional offers like discounts, cash-back, reward point etc. can play a vital role. Moreover, Ezipay or EMI facilities can release clients from their immediate payment burden.	<ul style="list-style-type: none"> ▶ LBFL has agreement with more than 2000 merchants across the country to offer discount facilities to its clients. ▶ EMI scheme allows clients to convert the big-ticket retail purchases made by their LankaBangla Credit Card and LankaBangla Card Cheque into an installment scheme. ▶ LBFL clients can enjoy 0% interest per month on their EMI purchases (BDT 10,000 and above) from its 0% merchant partners in different product and service sectors.
11	Having a knowledgeable and prudent Board of Directors	A visionary and knowledgeable Board will guide the company to a sustainable growth over the period	<ul style="list-style-type: none"> ▶ The Board will keep guiding the company with all their valuable knowledge

Sl. No.	LBFL's Key Weaknesses	Outlook on Key Weaknesses	Key actions taken to counter Weaknesses
1	Asset quality	High percentage of non-earning asset abates the profitability of the Company	<ul style="list-style-type: none"> ▶ Established reliable client base with sound credibility. ▶ Ensure implementation of rigorous collection strategy.
2	Comparatively high cost of fund	Absence of CASA deposits increases bank dependency and reduces bargaining power to bring public deposits resulting high cost of fund and low spread	<ul style="list-style-type: none"> ▶ We have focused to diversify sources of fund. Managing foreign fund with low rate, achieving refinance facility from Bangladesh Bank, issuing subordinate bond helps to address the weakness. ▶ Increased focus placed on long term public deposit, especially scheme deposits.
3	Strong Presence in the Capital Market	Exposed to highly sensitive and volatile income which depends on market conditions.	<ul style="list-style-type: none"> ▶ To reduce the dependency on the capital markets, more focus was given to the core products of the company.

4	Lowering Yields on traditional lending products.	In churning higher income, the need for more innovative products and wider customer choice will be pivotal in the years to come.	<ul style="list-style-type: none"> ▶ To retain the profitability, LBFL focus on the increased volume of business in Retail and SME. ▶ Focus on the higher margin products
5	Less flexibility in the money market	Banks affording very competitive Cost of Borrowing as well as interest rates for fixed deposits will continue to add pressure to the NBFIs sector.	<ul style="list-style-type: none"> ▶ Reduce dependency on bank borrowing ▶ More focus on the term deposits from the retail customers ▶ Introduced new deposit products for senior citizen, female and other niche market. ▶ Quick decision making to respond the Market situation
6	Below one year asset and liability mismatch (any interest rate hike would impact core spreads as funding cost will tend to go up in such a situation)	The possibility of interest rates moving upward again is high in the medium to long-term and hence it is vital to pursue long-term funding for sustaining healthy margins.	<ul style="list-style-type: none"> ▶ In accordance with ALCO recommendations, the Liability Division was able to offer attractive rates to secure greater level of one year and longer deposits during the period. ▶ Managed to secure long-term borrowings between two to three years at fixed rates

Sl. No.	LBFL's Key Opportunities	Outlook on Key Opportunities	Key actions taken to build on Opportunities
1	Growing middle income group and increase in purchasing capability	More than 10% people are moving from the low income group to middle income group	<ul style="list-style-type: none"> ▶ More focused on the Retail and SME business. ▶ Increased distribution channels to reach out to more people. ▶ Required ICT environment is in place
2	Reducing deposit rates in commercial banks	Due to the presence of excess liquidity, commercial banks are reducing deposit rates, which could be LBFL's way of lowering its cost of fund	<ul style="list-style-type: none"> ▶ More focus on public deposit collection with varieties of deposit products with attractive rates
3	Introduction of dual Currency credit cards and online transaction facilities	Services like dual currency and online transaction facilities will attract more customers from different market niches	<ul style="list-style-type: none"> ▶ Focus on dual currency credit card and offering online transactional facilities to enhance brand image, attract new customers, and avoid losing existing customers.
4	Introduction of Mobile banking services	Current trend and success of mobile banking in grass root level indicates the huge growth potential in this segment	<ul style="list-style-type: none"> ▶ Steps have been taken to allow our deposit clients to pay their installments through different mobile banking service vendors, and few more services will be up and running by 2018
5	Expected sound GDP growth levels and improved infrastructure would continue to give impetus to financial products.	7.86% GDP growth is highest ever GDP growth for Bangladesh. We can enjoy higher credit growth to support private sector activities linked with development activities of government.	<ul style="list-style-type: none"> ▶ Focus on to utilize financing opportunity in development projects ▶ Update infrastructure and technology to cope with market demand in rapidly changing developed society. ▶ Maintaining commendable core business growth, taking advantage of the positive business conditions and steady economic growth trajectory.
6	People prefer fixed income Term Deposit products as opposed to risky investments in the Stock Market	The stock market remains volatile and property value is declining. These two trends should continue to boost investment in fixed income securities.	<ul style="list-style-type: none"> ▶ Management continued to implement successfully planned deposit mobilization strategy which sustained envisaged growth levels. ▶ Our branch network played a more significant role in mobilizing deposits, taking advantage of the expanded reach taken place within the last three years.
7	More funding opportunities from the foreign market	We could expect greater number of international deals to be struck by the sector in terms of funding. Rating will play a significant part.	<ul style="list-style-type: none"> ▶ International funding sources remain a viable option and the company will look into these sources when optimal pricing can be obtained.

Sl. No.	LBFL's Key Threats	Outlook on Key Threats	Key actions taken to counter Threats
1	Wide range of product choice for the depositors to invest, such as Government Sanchaya Patra, the share market, real estate and other fixed income securities.	We could expect real estate prices to move upward and the stock market to remain attractive with better foreign investments.	<ul style="list-style-type: none"> ▶ Sustained an aggressive deposit mobilization drive with attractive returns to investors throughout the year, supported by continuous advertising and promotion.
2	Growing competitive pressures	More fierce competition is expected from the competitors. Quality and timeliness of services offered would be key in attracting business and retaining existing portfolios.	<ul style="list-style-type: none"> ▶ Customer oriented services should be in place. ▶ Intensive customer awareness campaigns in key operating locations should be undertaken.
3	Shrinking margins due to heavy price competition	In gaining strategic advantage, the sector would continue to pursue low cost funding options and high yield lending avenues to improve margins.	<ul style="list-style-type: none"> ▶ More focus on high yield generating lending products such as personal loan, credit cards, mortgage loan, auto loan, etc.
4	Newly licensed NBFIs and Banks	More fierce competition in acquiring clients	<ul style="list-style-type: none"> ▶ More focus on building a stronger client base through uncompromised quality to retain and attract new business.
5	Turnover of skilled employees	Due to the skills and learning obtained through quality training in LBFL, the employees attract employers in the same industry.	<ul style="list-style-type: none"> ▶ Regular reward campaigns, motivational and other non-financial programs are conducted throughout the year to retain skilled employees.

2. PESTEL Analysis

	Influencing Factor	Impact on LBFL	LBFL's Approach
POLITICAL	<ul style="list-style-type: none"> ▶ Political Stability ▶ Annual Budget 	<ul style="list-style-type: none"> ▶ Stable political situation has a positive impact on LBFL and unstable political situation has negative impact on LBFL ▶ Change in different components of yearly budget like tax rates, interest waivers, refinancing facilities has impact on different products and projections of LBFL 	<ul style="list-style-type: none"> ▶ LBFL always try to negate the unstable political situation by taking prompt strategic action on interest rates, business volume, strategic shift on business focus etc to generate the business and achieve lending target. ▶ In the stable situation try to generate a synergy. ▶ LBFL always adjusts their internal guidelines and projections as per the directives provided by Bangladesh Bank
ECONOMIC	<ul style="list-style-type: none"> ▶ Around 7.86% stable GDP growth ▶ Growing economic development activities ▶ Lowering interest rate regime ▶ Inflation control ▶ Increasing income level ▶ Fluctuations in capital market indices 	<ul style="list-style-type: none"> ▶ Due to subdued inflationary level and increasing income level, retail business will enjoy above average business growth. ▶ Corporate and deposit business remain very competitive as interest rates falling to one digit level. ▶ Rise in overall NPL of the country as some of the regional clients find it difficult to repay. ▶ Rise in capital market indices might encourage people to choose investment options over safe saving instruments, which in result, could cause liquidity crisis and vice versa 	<ul style="list-style-type: none"> ▶ LBFL pursues core business growth in Retail and SME capitalizing on emerging opportunities, supported by our increased presence across the country. ▶ Initiating prompt recovery action on overdue contracts through close supervision and effective recovery strategy. ▶ Expand delivery channels ▶ As a highly customer receptive organization, we continued to identify ways of expanding our product offerings and services to cater to wider customer requests. ▶ Generate a strong MIS system to gather and disseminate economic and business information. ▶ Make quick decisions on product pricing through ALCO responsive to the market need.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">SOCIAL</p>	<ul style="list-style-type: none"> ▶ Increased Income level improved the standard of living. ▶ Growing competition ▶ Improved access to financial services ▶ Financial Inclusion ▶ Customer sophistication ▶ Changing Lifestyle ▶ Non-Regulated lending authorities ▶ Population and literacy rate 	<ul style="list-style-type: none"> ▶ Growing GDP and per capita income driven by the economic progress have paved the way for better social conditions and quality of life for society. ▶ LBFL can be the substitute for region or community-based lending authorities who charge very high interest rates 	<ul style="list-style-type: none"> ▶ We emphasized the importance of creating customer awareness and building customer relationships. ▶ We revisited our internal core operational processes, for purpose of streamlining parts of our work process to cut down on lead times and to afford a more effective service to our customers. ▶ We afforded greater autonomy to branches to handle deposits affording them full technology support and manpower to cater to wide ranging customer requests. ▶ Being a people-oriented Company, we remained receptive to people’s needs as a socially responsible corporate and a caring employer. ▶ Numerous CSR initiatives were initiated for the betterment of society beyond commercial boundaries. Internally, we continued to adopt sound human resource practices to nurture our valued staff. ▶ LBFL has shifted its focus towards retail business and introduced products like Titanium Credit cards et. to meet growing customer needs efficiently ▶ LBFL has 26 operational branches all over the country and our Mobile lending officers working in different areas are paving the way for future branches ▶ We emphasized the importance of creating customer awareness and building customer relationships. So, we always consider areas with high population and literacy rate as potential business operation region
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">TECHNOLOGICAL</p>	<ul style="list-style-type: none"> ▶ Rapid technological advancement. ▶ Decisive factor to gain competitive advantage ▶ Growing demand for mobile banking services 	<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>Ways through which LBFL can use this trend in its best interest</p>	<ul style="list-style-type: none"> ▶ We have implemented Trazware Project to outperform credit card operation. ▶ IFS (ERP) project is ready to go live. ▶ Required updates were made to the core ICT system to make it more effective and meet user requirements and also to accommodate rapidly changing demands of the industry. ▶ Additional MIS reports were developed on a periodic basis to cater to information needs of key divisions, for decision-making. ▶ We have already introduced mobile banking services for our deposit clients in collaboration with Bkash and Surecash and going to expand these services in near future
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ENVIRONMENTAL</p>	<p>Green Banking initiatives</p>	<p>Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well</p>	<p>Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">LEGAL</p>	<p>Highly regulated business environment</p>	<p>LBFL is regulated by the FI act 1993 and other periodic guidelines provided by Bangladesh Bank from time to time</p>	<p>Apart from FI act 1993 and other prescribed guidelines, LBFL also follows the instructions regarding bank rates, repo & reverse repo and statutory reserve requirements mentioned in monetary policy statements published semi-annually by Bangladesh Bank</p>

3. Industry Forces Analysis

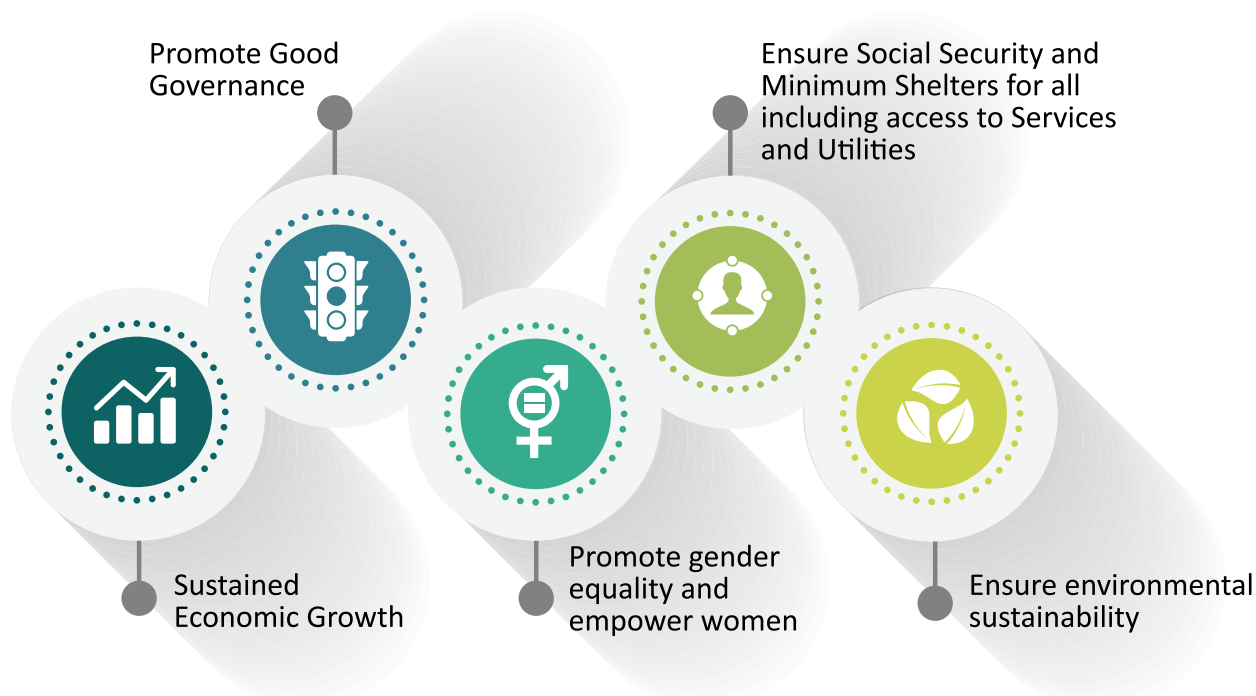
	Influencing Factor	Influence on LBFL	LBFL's Approach
Customers	<ul style="list-style-type: none"> ▶ Customer perceptions of LBFL brand. ▶ Switching of customers. ▶ Brand loyalty. ▶ Customer relationship. 	<ul style="list-style-type: none"> ▶ Effect on customer relationships thereby impacting long term revenue. 	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ Supply of funds (deposits and borrowings) ▶ Interest rates on borrowings and deposits ▶ Supply of materials 	<ul style="list-style-type: none"> ▶ Impacts on interest rate ▶ Effect on revenue and margin. ▶ Operational efficiency 	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ Number of players in the industry ▶ Strategic directions of competitors ▶ Generic strategies followed-Focus/Differentiation/Cost leadership 	<ul style="list-style-type: none"> ▶ Impact on the market share ▶ Loss of revenue to competitors ▶ Customer switching 	<ul style="list-style-type: none"> ▶ Engage in competitor analysis to understand the competitors' strategies and respond accordingly. ▶ Develop or revise short and long term strategies in relation to competitors' movement and impact on market share. ▶ Give emphasis on innovative value creation ideas to outplay the competitors
Substitute	<ul style="list-style-type: none"> ▶ Availability of substitute products ▶ Aptness of substitute products. ▶ Relationship Management. ▶ High number of commercial bank and FIs 	<ul style="list-style-type: none"> ▶ Threat of loss of market share with increasing substitutes in the industry. ▶ Impacts of service quality leading to customers switch brands. ▶ Loss of revenue to substitute products ▶ Fierce competition among banks and FIs. 	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ Emergence of new Banks and NBFIs in the industry licencing through Bangladesh Bank ▶ Patents and protection of intellectual property 	<ul style="list-style-type: none"> ▶ Threat on market share and possible reduction in industry dominance. ▶ Employee poaching 	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ Government regulations for the financial sector. ▶ Local and Foreign investment limits. ▶ Taxation policies. ▶ Government stability. ▶ Frequency of changing laws and regulations. 	<ul style="list-style-type: none"> ▶ Regulations affecting operations- source of funds and channelling of funds. ▶ Taxation policies impacting profits. ▶ Laws and regulations limiting businessoperation and revenue streams. 	<ul style="list-style-type: none"> ▶ Thorough compliance of laws and regulations as per Bangladesh Bank and other Government Bodies. ▶ Maintaining good and professional relationships with Government representatives to lobby for policy implementation which is beneficial to the company and the industry. <ul style="list-style-type: none"> - Policy includes taxation rules, capital limits, FDI limits, government subsidies, etc.

DRIVERS GUIDING OUR STRATEGY

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

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

Long Term Goals



KEY INPUTS

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

- Major Macro Trends
- Lankabangla's Unique Strategic Orientation
- Needs of Our Stakeholders

MATERIAL MATTERS

- Credit Growth in Banking Industry
- Capital Market Condition
- Understanding Our Clients
- Motivating Our People
- Embracing Innovation
- Leveraging Our Investments in Information Technology
- Increased Demand on Governance and Risk Management
- Growth Opportunities in Retail and SME Segment



Material Matters that Affect Our Strategies
page no. 184

STRATEGIC FOCUS AREAS

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



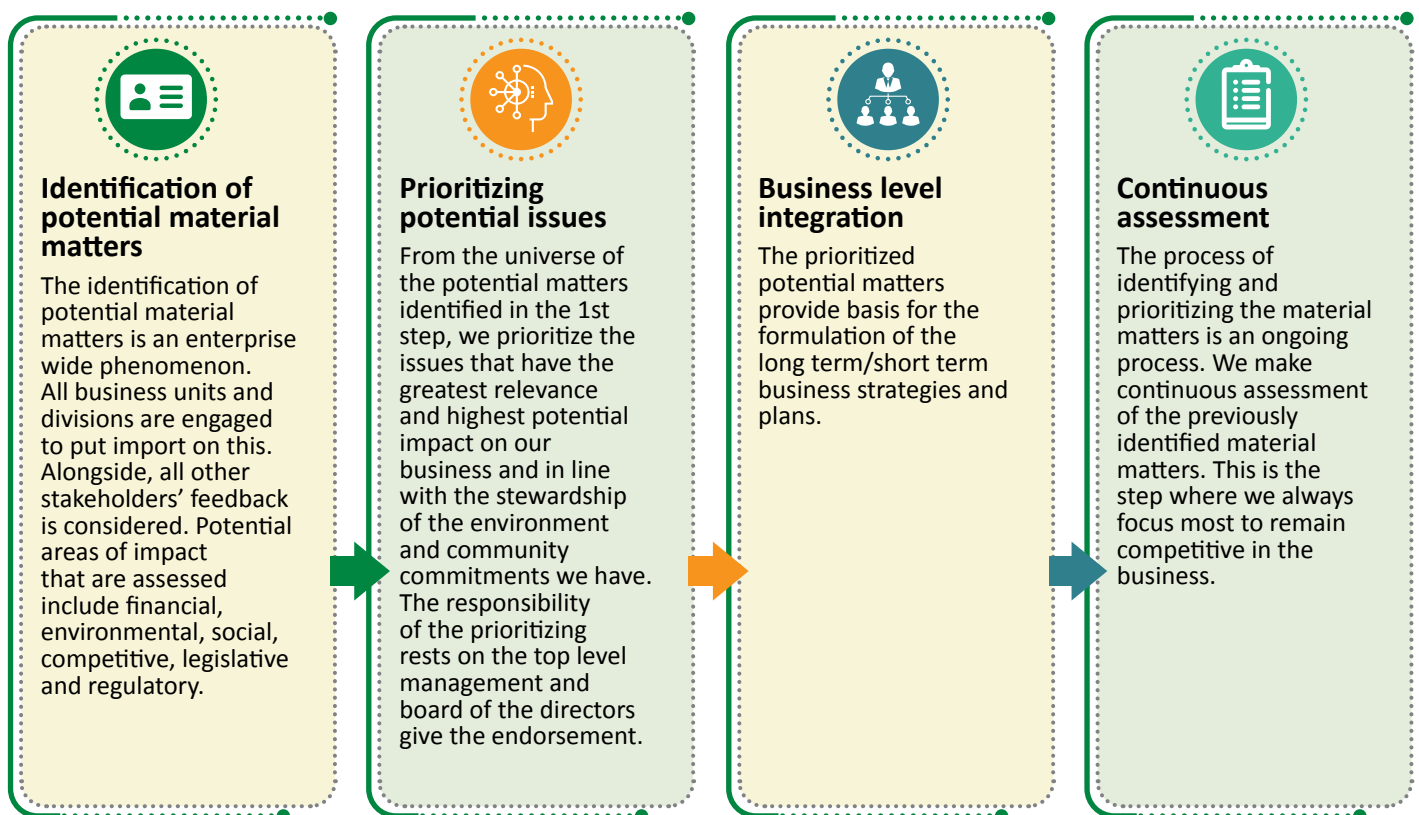
Strategic Focus Areas
page no. 186

MATERIAL MATTERS THAT AFFECT OUR STRATEGIES

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the group and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders' expectations.

Materiality Determination Process:

The materiality determination process complemented our day-to-day stakeholder engagements, going beyond these engagements to place particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material matters are our primary risks and opportunities. These have been the key factors that have significant impact on our ability to deliver sustainable value to our stakeholders. Our approach in identifying and evaluating material matters is very comprehensive. Below is our approach of chalking out material matters that guides our strategic priorities and our future.



Material Issues and Strategic Response:

Following engagement with certain internal and external stakeholders, we have determined our material issues into the following matters.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Credit Growth	Private sector credit growth, which is often believed to be one of the most important leading indicators for macroeconomic growth, is projected to edge up marginally in FY18 at 13.3% and gradually consolidated at 16.5% in FY19 as targeted in the national budget. The gradual acceleration in private sector credit is a good indicator for the economy.	<ul style="list-style-type: none"> ▶ Private sector credit growth momentum in 2018 proved to be very beneficial for LankaBangla as we have already laid foundation for SME and Retail business in the preceding years. ▶ The declining interest rate environment would be helping in tapping good SME Clients. ▶ LankaBangla has the strength to go for retail financing business more aggressively.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Understanding Our Clients	Our clients are the reason we are in business. To provide them with the products and services they need, we must understand the environments in which they live and work, their immediate needs, and their long-term plans in respect of their careers, their businesses, their personal lives and their families.	<ul style="list-style-type: none"> ▶ Instill a culture that values excellent client experiences, ethical and fair conduct and market integrity. ▶ Constantly leverage new technologies to meet changing client expectations and enter partnerships to drive innovation. ▶ Ensure appropriate technical capability and skill to prevent our clients from being exploited.
Motivating Our People	Our ability to meet our objectives, deliver value to our clients, comply with our regulatory obligations and create shareholder value depends on our people. We strive to work with people who share our passion for Lankabangla, who see the opportunities inherent in the diversity and its people, and who are committed to putting the client at the center of everything we do.	<ul style="list-style-type: none"> ▶ Ensure that we have a diverse workforce with the right skills and capabilities to successfully execute our strategy. ▶ Maintain an ethical and risk-aware culture that upholds our principles and values. ▶ Capacitate our people to perform in a world of rapidly changing client expectations, technology and ways of working.
Embracing Innovation	In a world of constant technological evolution, we need to be at the forefront of new ideas and leverage technology to provide exceptional client experiences and gain competitive advantage. Innovation extends beyond our products and services to how we operate by way of our internal processes and systems. These must all fulfill the ultimate objective of placing our clients at the center of everything we do.	<ul style="list-style-type: none"> ▶ Deliver new products and services to market quickly without compromising system stability. ▶ Develop a culture that encourages innovation and challenges established processes, with a view to delivering excellent client experiences that differentiate us in a low-cost competitive environment. ▶ Build resilience to change among our people. ▶ Find ways to address social challenges through innovation.
Leveraging Our Investments in Information Technology	IT enables us to serve our clients in a way that is more convenient and that makes their financial transactions more reliable and secure. In addition to being an enabler of our strategy, IT is also a competitive advantage. We use our understanding of our clients to provide them with value-added, uninterrupted IT products and services. Many of the Bangladesh's people still live in remote areas, where IT can be used to overcome challenges in delivering services.	<ul style="list-style-type: none"> ▶ Balance client expectation for innovation against maintaining system stability. ▶ Constantly monitor and anticipate criminal exploitation of our systems and cyber-attacks on cloud services, and deploy prevention and mitigation measures. ▶ Ensure that our systems maintain the privacy of client information and put additional measures in place to protect our data stores.
Increased Demand on Governance and Risk Management	The latest loan scams in the financial sector brought the onset of increased regulation to ensure the soundness of the financial sector. The increased reporting to central bank, offsite supervision and regulatory requirements like Basel III would justify for more disciplined financing, more compliance and more efforts to avoid reputational risk.	<ul style="list-style-type: none"> ▶ Focus on risk management on enterprise level. ▶ Ensure closer working relations and partnerships with regulators. ▶ Implement capital adequacy and liquidity requirements. ▶ Focus not only on returns but also on the risk and capital requirements of these returns.

STRATEGIC FOCUS AREAS



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

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

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

1. Diversifying Portfolio with sustainable innovation

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

1.1 Momentum in SME

SME, the heart of growth of economies worldwide, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance is also noteworthy. In 2018, SME loan disbursement of BDT 4,495 million which is around 12% of total disbursement. At the end of 2018, SME portfolio stood at BDT 17,514 million compared to BDT 15,949 million in 2017 resulting in 10% growth in portfolio. Management has taken a series of strategies to foster more disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

1.2 Extended focus in Emerging and Retail Business

In 2018 even after dealing with liquidity crisis, LankaBangla managed to kept its focus on extending both corporate and retail Business segment. A total of BDT 21,052 million

Corporate loan has been disbursed in the year compare to BDT 26,211 million of 2017. Total corporate portfolio stands BDT 18,721 million which was BDT 18,914 million in 2017.

Credit card kept the momentum of growth in 2018 with 33% growth in usage amounting BDT 8,228. Card portfolio reached BDT 3,609 Million with 25% growth During the year 2018. Retail portfolio reached at 27,550 million as at the end of 2018 experiencing 2% Y-O-Y growth in extreme dry market situation. The Company has continued to concentrate more on Retail segment by expanding several branches and increasing manpower in retail financial activities. Retail disbursement for the year 2018 was BDT 13,207 million compared to BDT 23,442 million of previous year.

1.3 "Super shop" service in Capital Market

LankaBangla through its market leader subsidiary LankaBangla Securities Ltd. provide one stop Brokerage services, NITA and Internet Trading Services, Foreign Trading Services, CDBL Services etc. We have established Fully Operational Call Centre for Stock Brokerage 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 of the important functions of us is to carry out capital market research for ourselves and our valued customers. Our Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. A competent Publication Department publishes the monthly magazine Market Pulse on regular basis that provides a thorough overview of the current state of economy and stock market. Our another hand LankaBangla Investment is the market leader in supply creation of primary market in capital market. It completed price discovery of 1st issue under revised Book- building Method in 2013 and Launched AlphaPlus-Initial Received Consent for Public Subscription of UPGDCL under Revised Book Building Method.

2. Creating Convenience for our Customer

LankaBangla Finance Limited has reached to the major cities and townships of the country by this time. We have 26 branches across the country to serve even retail businesses/clients with a close proximity. LankaBangla Securities has another 10 branches around the country.

2.1 Doing Business with Smart Phone

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

LBSL added new features in i-Broker like Real-time Portfolio Status, Online Payment through Internet & Mobile Banking, Stock Watch list. Online Payment facility in i-Broker App now available in IOS devices.

2.2 The Portal

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

2.3 I Frame

LankaBangla Financial Portal proudly presents “Investor Relationship Pages” so that anyone can add value to his/her

company website by strengthening the investor relationship section. We will provide the solution and maintain it for clients. Complex financial data and news, delivered correctly and consistently, equally to all stakeholders at the same time. How important are your existing shareholders and new potential investors to your Listed Company? Presenting a fast and cost effective way for you to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation.

3. People are the business

Our executive leadership team, led by our CEO, champions in terms of diversity and excellence. To enable us to work together effectively across the Company, the leadership team and human resources processes plays vital role.

3.1 Nurture High skilled talent pool

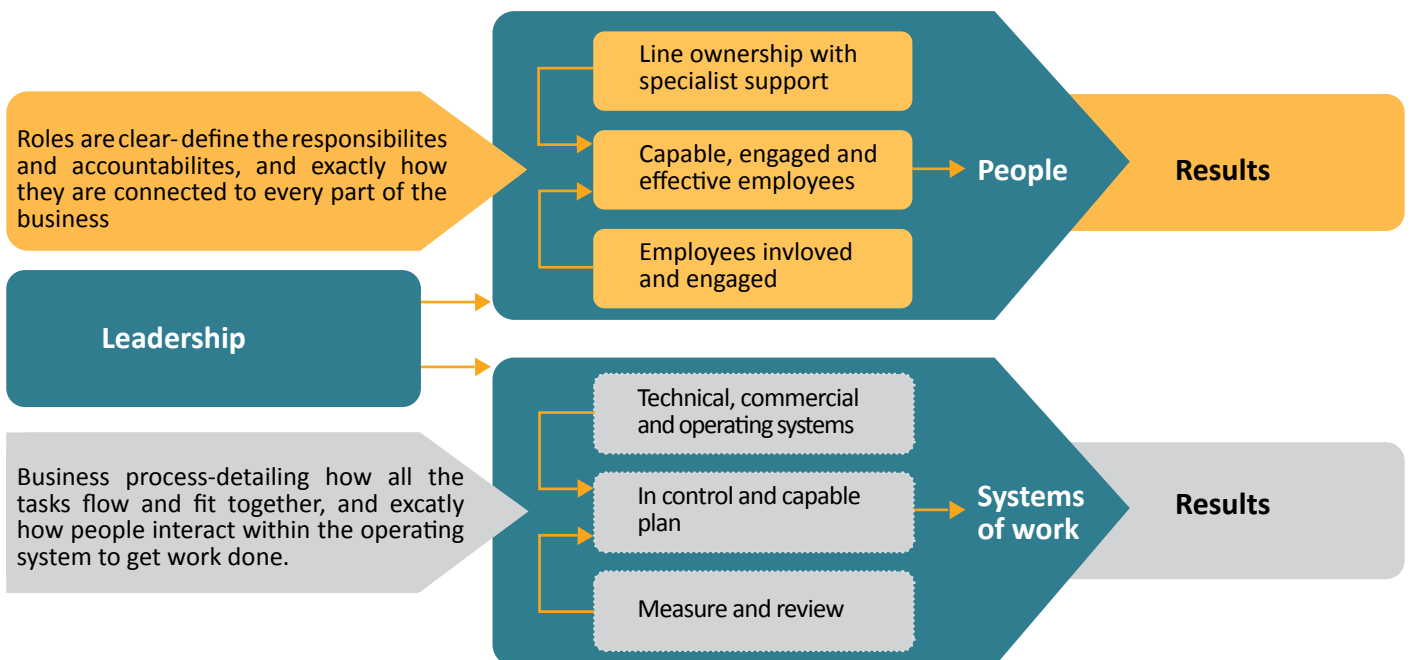
At LankaBangla, we are powered by talent. We consider our human resources as the most important asset and mobilize people and teams by engaging them in cutting-edge financial industry practices. An attractive employer, we offer a broad spectrum of opportunities for both professional and personal development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

3.2 Work life Integration

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

3.3 Creating Satisfaction at resources end

LankaBangla has always been passionate about Human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices



that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results. LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and report investment made in human resources.

4. Create a Sustainable Brand

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

4.1 Investment in Brand

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

4.2 Assume Environment Stewardship

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

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

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

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

- ▶ Only allow rational use of energy and promote the spirit of environment friendly action plans
- ▶ Use ISO certified paints while furnishing our office premises.
- ▶ Introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh.

- ▶ Launch of e-mail based Customer Statement Delivery System to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation.

4.3 Support to underprivileged

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

5. Prudent Balance Sheet Management

5.1 Strengthening our Capital Base and Improve Our Funding positions

At LankaBangla Finance Ltd, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. At LBFL, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders. These intense acumens upsurge our capital adequacy ratio (CAR) to 16.18 % on consolidated basis and 15.74% on standalone basis in 2018

5.2 Diversify our Funding Sources

As per our plan to become self-reliant and reduce the pie of bank intermediary financing, Liability division has been encouraged to increase the Term deposit portfolio in last couple of years. Public deposit to back up the aggressive business growth was our key strength in last few years. It helps us to reduce our cost of fund significantly and make our borrowing side less sensitive to interest rate change. To meet requirement of sustainable fund we have issued subordinated bond of BDT 1,793 million. As mark of sourcing diversified fund we have managed to collect BDT 1,810 Million foreign fund which will be received in the start of 2019.

LankaBangla is the most active money market player with different short term instruments in the country.

HUMAN RESOURCE ACCOUNTING

Key performance indicators of HR practices and decent work responsibility

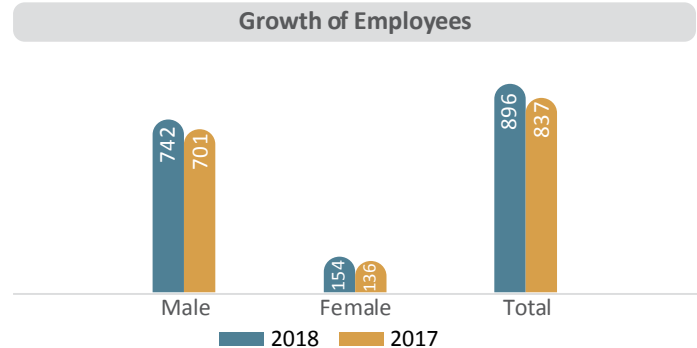
Employment: Total by Employee type, Region and Gender

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

LankaBangla has opened 02 new branches in 2018 to serve the countrymen. These new branches are in Gulshan and Habiganj. Now the total number of branches stood 27 including Head Office in Dhaka. Few new branches are in pipe line for opening in 2019 as we are planning to reach every divisions of the country.

Division-Wise Breakdown of Human Capital as at December 31

Divisions	2018				2017			
	No. of Branches	No. of Employees			No. of Branches	No. of Employees		
		Male	Female	Total		Male	Female	Total
Dhaka	14	565	134	699	13	535	115	650
Chittagong	4	74	8	82	4	73	8	81
Sylhet	2	15	2	17	1	16	2	18
Khulna	2	31	3	34	2	30	4	34
Rajshahi	2	24	3	27	2	22	3	25
Barisal	1	14	2	16	1	11	2	13
Mymensingh	1	12	1	13	1	10	1	11
Rangpur	1	7	1	8	1	4	1	5
TOTAL	27	742	154	896	25	701	136	837



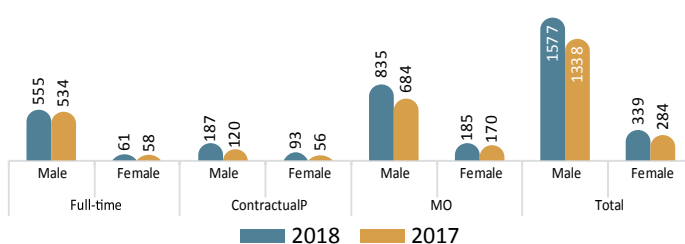
Employment Type: Full-Time, Contractual and PMO

As we have opened 02 new branches, to boost-up the liability sales and sales of personal and corporate products and to explore the lending opportunity in the market, we have recruited new employees in 2018 as well. The percentage of full-time, contractual and PMO has increased by 18.13% in 2018 comparing to 21.04% in 2017. There is a growth of 59.09% in contractual employment and 19.44% in PMO in 2018. There is only 4.05% growth in full time employment in 2018. This full time employment growth is due to opening of new branches. LBFL provides equal employment opportunity to both male and female. There is a significant growth in female employees in full-time and contractual positions which is 5.17% and 66.07% respectively. Overall the number of female employee has increased by 19.37% in 2018 compared to 15.44% in 2017.

Employment Type: Full-Time, Contractual and PMO

Employment Type	No. of Employees		Composition in %		Growth %	
Full-Time	2018	2017	2018	2017	2018	
	Male	555	534	90%	90%	3.93%
	Female	61	58	10%	10%	5.17%
Total	616	592	100%	100%	4.05%	
Contractual	2018	2017	2018	2017	2018	
	Male	187	120	67%	68%	55.83%
	Female	93	56	33%	32%	66.07%
Total	280	176	100%	100%	59.09%	
PMO	2018	2017	2018	2017	2018	
	Male	835	684	82%	80%	22.08%
	Female	185	170	18%	20%	8.82%
Total	1020	854	100%	100%	19.44%	
All Employees of LBFL	2018	2017	2018	2017	2018	
	Male	1577	1338	82%	82%	17.86%
	Female	339	284	18%	18%	19.37%
Grand Total	1916	1622	100%	100%	18.13%	

Employee by the Type and Gender 2017-2018



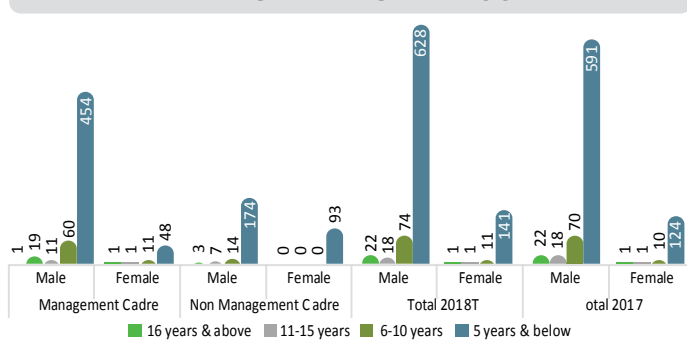
Age Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2018		Total 2017	
	Male	Female	Male	Female	Male	Female	Male	Female
51-60 years	5	0	0	0	5	0	4	0
41-50 years	69	5	10	0	79	5	71	5
31-40 years	324	32	43	26	367	58	375	48
21-30 years	146	24	145	67	291	91	251	83
20 years & below	0	0	0	0	0	0	0	0
TOTAL	544	61	198	93	742	154	701	136

Service Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2018		Total 2017	
	Male	Female	Male	Female	Male	Female	Male	Female
16 years & above	19	1	3	0	22	1	22	1
11-15 years	11	1	7	0	18	1	18	1
6-10 years	60	11	14	0	74	11	70	10
5 years & below	454	48	174	93	628	141	591	124
Total	544	61	198	93	742	154	701	136

EMPLOYMENT AGE ANALYSIS



Employees by Grade

We have only two grades; Management Cadre and Non-Management Cadre. Number of Management Cadre has decreased by 4.13% in 2018 compare to 17.14% in 2017 and Non-Management Cadre by 13.67% compare to 45.45% in 2017. Now Management Cadre accounting around 68% of the total staff strength and Non-Management Cadre accounting for 32%. The number of employees of all grades increased over the previous year with the expansion of new branches. This growth in Non-Management Cadre helps us to reduce the staff cost in 2019.

Category	2018		2017	
	No. of Employees	Percentage	No. of Employees	Percentage
Management Cadre	605	68%	581	69%
Non-Management Cadre	291	32%	256	31%
Total	896	100%	837	100%

Employment Status

Number of confirmed employees have increased by 16.63% compare to 15.68% in last year and employees under probation have decreased to 54.29% in 2018 compare to 102.70% in 2017. Percentage of contractual employees have decreased by 14.29% compare to 39.20% in 2018. This decline in growth is the impact of learning curve that helps us to increase the market share without acquiring additional headcount.

Status of Employment as at December 31	No. of Employees		Composition in %	
	2018	2017	2018	2017
Confirmed in Service	568	487	63%	58%
Undergoing Training or on Probation	48	105	5%	13%
Contractual	280	245	31%	29%
Total	896	837	100%	100%

New Employees Hired

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 2018, we hired 260 new employees which is 88% growth comparing to 2017. Although we have opened new branches as well as we had high achievement targets but the rate clearly indicates our performance driven culture. Details of which by employee grade are given below:

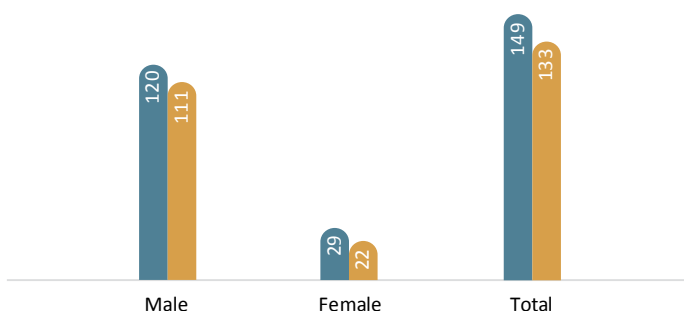
Category	No. of Employees Hired	
	2018	2017
Management Cadre	115	165
Non-Management Cadre	145	131
Total	260	296

Employees Attrition

Though the financial market is very competitive and there is good employment opportunity for business and back office employees in the market, attrition rate has increased marginally compared to last year. A total of 149 nos. of employees have resigned from service during the year under review which includes both full time employee and contractual employee comparing to 133 nos. of resignations in 2017. There are 44 total number of employees who have been absorbed as Full-Time employee from the contractual positions which have not been considered in the overall attrition rate. So we can say that attrition rate for the year 2018 is 16.63% comparing to 15.89% in 2017. Of the total employees resigned, 81% were male and 19% were female.

Category	Gender-Wise Turnover		Percentage of Employees		Gender-Wise Percentage of Attrition	
	2018	2017	2018	2017	2018	2017
Male	120	111	81%	83%	16%	16%
Female	29	22	19%	17%	19%	16%
Total	149	133	100%	100%	17%	16%

GENDER-WISE EMPLOYEE TURNOVER



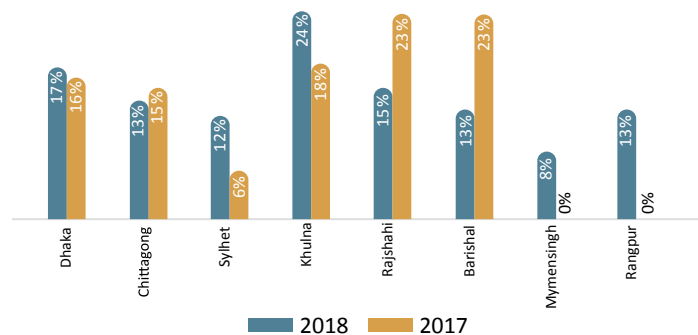
Employee Attrition Rate by Age Group:

Category	No. of Employees Left	
	2018	2017
51-60 years	0	0
41-50 years	4	5
31-40 years	52	60
21-30 years	93	68
20 years & below	0	0
Total	149	133

Geography-wise Employee Turnover:

Category	Turnover (No.)		Turnover %	
	2018	2017	2018	2017
Dhaka	120	104	17%	16%
Chittagong	11	12	13%	15%
Sylhet	2	1	12%	6%
Khulna	8	6	24%	18%
Rajshahi	4	7	15%	23%
Barishal	2	3	13%	23%
Mymensingh	1	0	8%	0%
Rangpur	1	0	13%	0%
Total	149	133	17%	16%

DISTRICT-WISE EMPLOYEE TURNOVER



Benefits Policy and Regime

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

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

- and business requirement
- ▶ E-Learning for all Management Cadres
- ▶ Health insurance for parents of the employees

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

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

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

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

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

Learning & Development: Learning and Professional Development

LankaBangla Finance Limited is dedicated in improving the professional competencies and performance of all its employees. In the year under review, the company spent a total of BDT 12.92 million on training and education programs for employees which is 9.99% less than the last year. All employees are subject to an annual performance review, at which they receive feedback on their performance and their development needs and potential as identified by the reviewers.

Since 2011, the company has followed a systematic approach to the identification of high performers among its employees. Through training, leadership competencies are identified and a pool of talent is created to serve the long term needs of the company.

A total of 110 training programs, involving 1,651 nos. of participants, 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, it is pertinent to note that employees underwent a total of 16,505 man-hours of training during the year on various knowledge building programs. It is to be noted that we are also focusing on providing

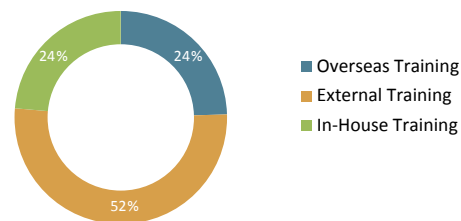
trainings to our PMOs and HRCs as well. Of the total training hours in 2017, 38% contribution was attained by the e-learning training programs initiated. In 2018, the company has focused more on attaining knowledge and skills from outer horizon to attain competitive advantage in the market.

Training Type	2018			2017		
	No. of Programs	No. of Participants	Person Hours	No. of Programs	No. of Participants	Person Hours
Overseas Training	27	44	1,784	25	29	720
External Training	57	125	2,743	57	189	2,836
In-House Training	26	1,482	11,978	21	2,320	16,562
E-Learning	0	0	0	26	6,108	12,216
Total	110	1,651	16,505	129	8,646	32,334

Composition of Training Program

It is to be mentioned that, LBFL always focus on internal training rather than external training in the year under review. We have prepared our own customized course contents and hired specialist for those programs. In some training, we have our own resources to conduct the training. In 2018, of the total training, 24% was internal training, 52% was external training and 24% was overseas training.

TRAINING COMPOSITION



Training Hours by Employee Grade

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

Training Type	2018		2017	
	Male	Female	Male	Female
Management Cadre	10,369	895	19,293	1,892
Non-Management Cadre	1,832	545	4,101	1,613
Product Marketing Officer	2,384	480	4,577	858
LankaBangla Subsidiaries	0	0	0	0
Total	14,585	1,920	27,971	4,363

Our Investment on Training

To further strengthen the staff development process, the company intends to increase its investment on training and development of its employees. A total of BDT 11.78 million was spent in 2018 which expects to increase in 2019.

Year	Local Training			Foreign Training		
	Total Participants	Hours	Tk. in mil.	Total Participants	Hours	Tk. in mil.
2018	1607	14,721	58.52	44	1784	70.75
2017	8617	31,614	92.83	29	720	50.80
2016	6108	26,827	61.28	23	680	63.32
2015	1846	16,790	49.17	9	224	20.63
2014	1096	13,925	46.80	9	53	10.89

Career Development Review & Succession Planning

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

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

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

- ▶ **Career Management:** Based on the accumulated data, the management decides on the career progression of the key employee. This can happen along with the promotion

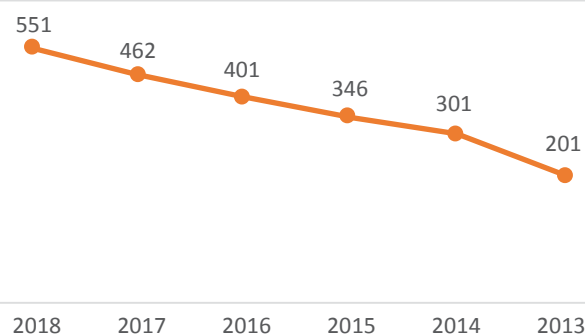
or performance appraisal decisions. At the same time, the management may decide to groom potential talent among the staff through training and development efforts and also ensuring the retention of the said talent within the Company. The HR Committee will review and develop structured Talent Identification Process along with required development interventions in this connection.

- ▶ **Succession Planning:** Succession plans establish the identity of the individual who will step in and assume the role of departed key employees, allowing companies to manage the transition and continue performing. To ensure this, we provide a mandatory of 10 days or more leaves at stretch to employees so that their senior subordinate can play the role of leader and can have on hand experience of leading a team.

All employees of the company irrespective of their gender received formal performance and career development reviews during 2018. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. As mentioned earlier, as a part of promoting our internal resources, a significant number of contractual employees have been absorbed under Management Cadre in 2018.

Year	No of Employees under Review	Growth Trend
2018	551	19.26%
2017	462	15.21%
2016	401	15.90%
2015	346	14.95%
2014	301	49.75%
2013	201	53.44%

NUMBER OF EMPLOYEES UNDER REVIEW



Employee Counseling

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

Reward and Recognition

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

We have different reward categories:

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

Grievance Management

LankaBangla Finance Limited (LBFL) is committed to provide the best possible working conditions for its employees and associated members. LBFL strives to ensure fair and honest treatment for all employees. Head of the Divisions, Managers, Supervisors and Employees are expected to treat each other with mutual respect.

Part of this commitment, LBFL does encourage an open and frank atmosphere in which any grievance may be shared with management to get it resolved. LBFL does believe that

most of the work related problems can be resolved through mutual understanding and discussion without initiating formal grievance procedure.

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

Outlook

In the coming year, through development of our ERP and core banking software, steps will be taken to further enhance productivity, including a closer alignment of the workforce plan with the business plan.

Feedback received during informal employee survey identified specific areas where action is needed. This includes devising viable career paths for all staff categories; improving process efficiency by effecting transfers with a minimum of disruption to the business; developing service level agreement at all levels, reducing turnaround time for service delivery and improving the support services available to employees.

We are working on creating an internal talent pool that is competent to fill the vacancies that we currently have in some positions, by enhancing managerial competencies through specific development interventions and by fast-tracking employees with high potential as well as by maintaining transparency with respect to the career progression and mobility for all staff. We will also strive to improve engagement amongst less productive staff.

LankaBangla Finance Limited will continue to benchmark and provide a fair and attractive compensation package for all levels of staff, while improving the quality of the staff appraisal process.

HUMAN CAPITAL

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.

LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and reports investment made in human resources.

BDT Million

	2018	2017
Total employee benefits	887.16	806.28
Training Cost	11.78	12.74
Employee Benefit Per Employee	0.99	0.96
Training Cost per Employee	0.019	0.022
Gross Revenue per employee	11.03	9.34
Total Expenses per employee	9.49	7.38
Operating cost per employee	2.09	1.95
Operating profit per employee	1.55	1.96

Total value of Human Capital has been ascertained BDT 23,394 million in the year 2018 which was BDT 21,339 million in 2017 using present value of future earning model (Lev & Schwartz) by discounting total benefit payable to employees, which was considered minimum expected benefits for them up to retirement.

	2018	2017
Human Capital (BDT Million)	23,394	21,339
No. of employee	896	837
Per Capita Value (BDT Million)	26.11	25.49

Assumptions used in Human Capital Valuation:

- ▶ All existing employee will continuously serve the company up to their respective retirement.
- ▶ Average age of LankaBangla employees is around 32 and hence it has been assumed that present set of employees will serve for another 28 years till the retirement age of 60 years.
- ▶ Employee payouts include all direct and indirect benefits provided to them

- ▶ Annual increment is estimated to be granted at 10% on average over the years
- ▶ Only FTEs and BSOs are considered and PMOs are excluded from our calculation as they are not enrolled in the payroll system
- ▶ The future benefits of all employees in each year are discounted at 10.94% to calculate present value, which comes with the last on the run 20 years Treasury bond rate plus 2.50% premium for risk.
- ▶ The value herein is an internal assessment based on above stated assumptions and subject to change for any deviations with the assumptions.

As per model we have capitalized the total value of employees as Human Capital. Growth of 9.63% in the total value of human capital in 2018 over 2017 was due to net addition of 24 head counts of experienced and fresh recruitments that was required for the expansion of the business and ensuring better quality of service as well as customer satisfaction.

BDT Million

	31-Dec-18	31-Dec-17
Assets		
Cash	1,002	1,155
Balance with other banks and financial institutions	6,707	6,868
Investment	2,409	2,128
Leases, loans and advances	63,785	61,914
Fixed assets including land, building, furniture and fixtures	1,358	1,114
Human Assets	23,394	21,339
Individuals' value	23,382	21,326
Value of Investments	12	13
Other Assets	5,408	5,070
Total Assets	104,062	99,587
Capital & Liabilities		
Borrowings	12,639	15,062
Term deposits	53,252	51,553
Other deposits	173	122
Shareholders' equity	9,045	7,268
Human Capital	23,394	21,339
Other liabilities	5,558	4,243
Total Capital & Liabilities	104,062	99,587

SUSTAINABILITY

Being focused on our strategic priorities, our redefined approach towards sustainability has built us a sustainable business that tends to continue without any pause. We have been offering financial products and services that directly or indirectly lead us along with all our stakeholders to long-term environmental benefit and social developments.

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GREEN OFFICE GUIDE

A SET OF TIPS TO MAKE OUR WORK PLACE MORE ENERGY EFFICIENT AND GREENER

GREEN OFFICE FOR EMPLOYEES

BETTER ENVIRONMENT TO LIVE IN

GREEN BANKING FOR SUSTAINABLE ECONOMIC GROWTH

Ensure efficient use of all natural resources like; daylight, water, air & electricity to develop green environment at all office premises.

Green Banking Towards Socially Responsible Banking in Bangladesh



- USE more daylight instead of electric lights and proper ventilation in lieu of using air conditioning
 - TURN OFF lights when not in use
 - USE energy saving bulbs
 - USE solar energy/ renewable energy sources
 - SET PCs in Standby Mode during short breaks
 - USE smaller size Monitors
 - STOP using Screen Savers
 - TURN OFF Monitors when not in use
- Conserve Energy, Conserve Natural Resources**



- THINK twice before you print-USE both sides of paper for internal consumption
 - SHRED and RECYCLE unwanted paper
 - USE online communication in the best possible manner
 - SHARE electronic files, voice mail and e-mail instead of paper memos
 - PROMOTE e-statements
 - USE eco font to reduce ink consumption when printing
 - Always Use "Print Preview" option before printing
- Digitize Yourself**



- UNPLUG computers/printers/photocopiers when they are not in use
 - ENSURE common use of table stationeries instead of individual use
 - CONDUCT video/audio conference in lieu of physical travel
 - USE Toner in Save/Draft mode of printers where possible to reduce toner consumption
 - ENCOURAGE usage of Laptop over Desktop
 - REPLACE Old CRT Monitors with LED Screens
- Think Before You Start**

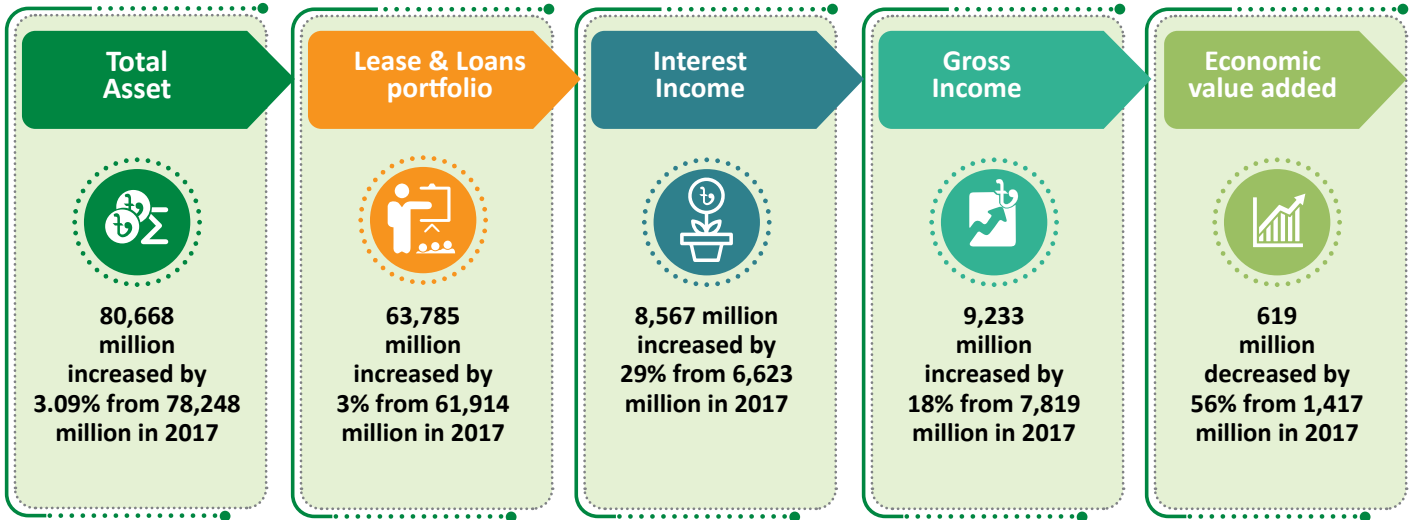


- TURN OFF the tap when it is not needed
 - ENSURE drips from taps and hand showers are STOPPED
- Use Responsibly**

SUSTAINABILITY REPORT

“Our business model, processes, strategy have been developed considering contribution to overall economy, environmental impact, cultural values, ethics thus put strength to our sustainability in the market as a trustworthy partner of people to grow together.”

Khwaja Shahriar
Managing Director



1. Report parameter

This sustainability report is presented as part of annual integrated report 2018. Publishing of this report is a continuous process and will be released annually as efforts to improve our economic, social and environmental impacts change. We have followed G4 guidelines to make the report accountable to all internal and external stakeholders.

1.1 Scope and Boundary of the report:

All references, unless otherwise noted, are to LBFL’s financial year, which ends December 31, 2018. The context of this sustainability report includes the sustainable operations of LBFL’s Head office and its branches as well as limitations and scope of improvements of the company. The operations of LBFL’s all subsidiaries are broadly described all over the annual integrated report except this sustainability report.

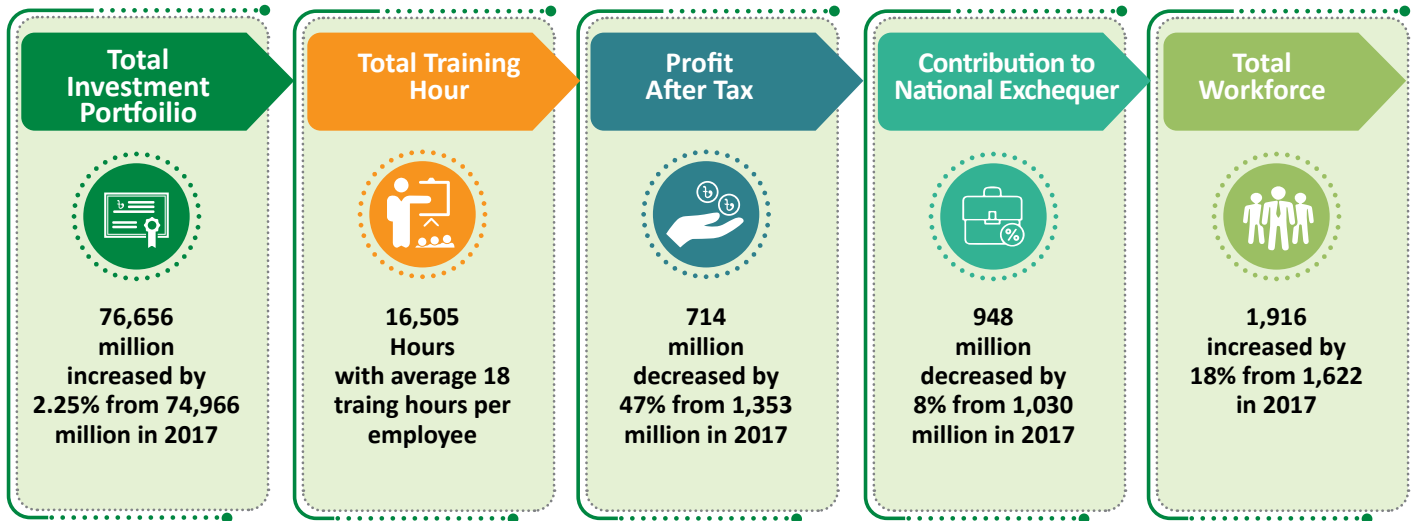
1.2 Report Quality:

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

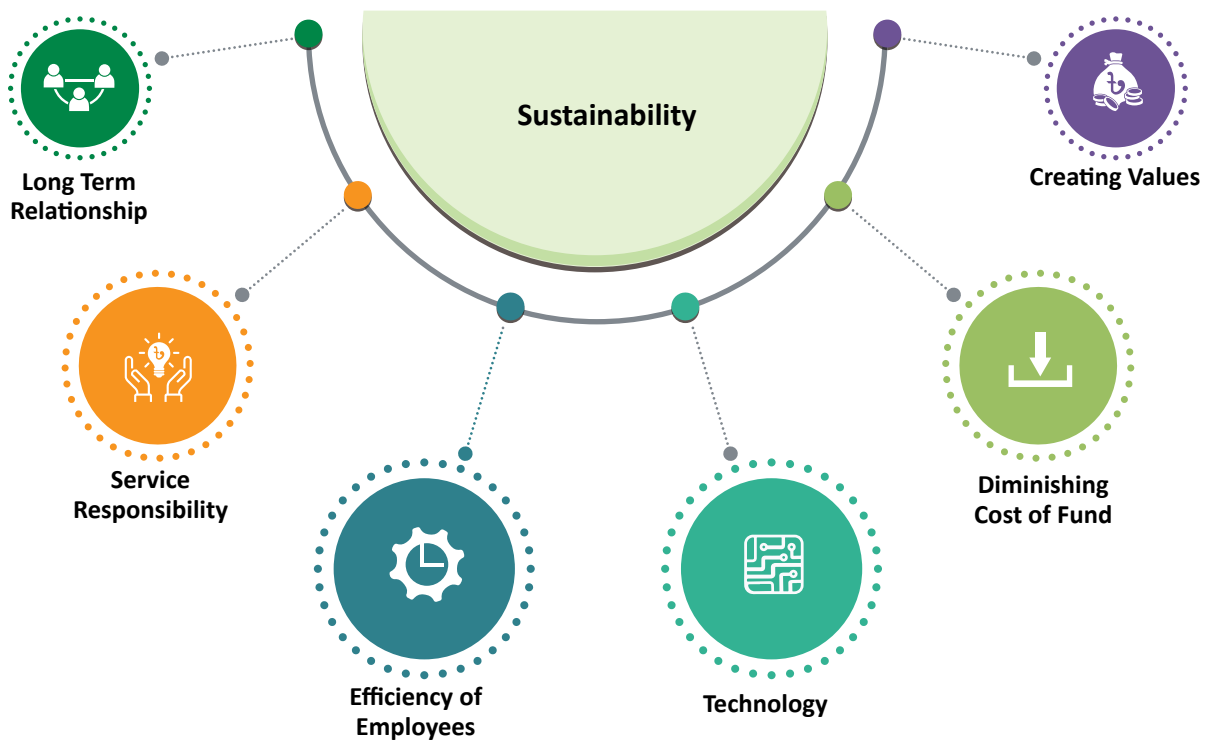
Further information about sustainability report parameter are narrated in page 06 of this annual integrated report.

2. Material Aspect and boundaries:

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



3. Focus on Sustainability



3.1 Building long term relationship with Stakeholders:

Transparency is another key success factor to build a healthy economic nation, hence we believe in a transparent financial statements along with all reports published. We are committed to maintaining an open and transparent dialogue with all of our stakeholders to revisit our policies and practices in light of the company's environment, social and economic impacts, in order to strike the right balance of interests among the stakeholders. We host regular themed sessions with external stakeholders, where participants have the opportunity to speak directly to the Board on wide-ranging issues. With an increasing focus on

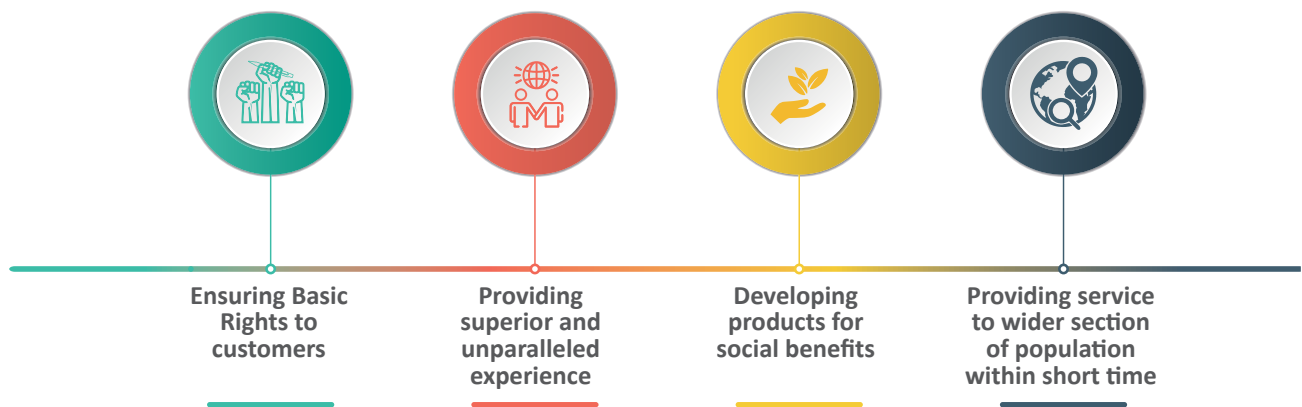
ethics and sustainability, the priority of the Board of Directors is to assess and encourage the work of the executive team to build an institution that puts customers' interests first and embeds sustainable banking. At the same time integrity is imperative in everything we do. It underpins our work, our relationships and the products and services we provide. Everyone in the company is expected to behave with integrity and we have comprehensive policies/frameworks and compliance measures as well. In addition to that, we have training programs to support our people in maintaining the highest professional standards.

The institution is committed towards a stance of zero tolerance on bribery and corruption, including facilitation payments across all areas of the business, regardless of jurisdiction.

3.2 Creating values to our customers:

At the outset it can be demonstrated that as a corporate participant, we recognize the responsibilities to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationships with and delivers value for our clients, shareholders, employees and the community where we function. At LankaBangla, we define sustainability in the broadest possible terms. It is about conducting our day today business the right way and continuing to play a part in addressing some of the biggest challenges faced by society. Within a short span of time our operational branch network has reached 26 and we are moving ahead with further expansion plan. In 2018, two new branch has been opened at Gulshan in Dhaka and Hobigonj.

Creating values to our customers



3.2.1 Basic Rights to customers:

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

3.2.2 Providing superior and unparalleled experience to customers:

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

3.2.3 Developing products for social benefits:

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

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

As LankaBangla Finance Limited believes that they are liable to

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

3.3 Reducing cost to Income ratio:

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

3.4 Using advanced technology and applying newness in workplace:

Today's world is mostly dependent on innovation. Nowadays companies, which are applying advanced technologies, are more successful compare to other companies. Innovation is a key parameter of sustainability as it expresses how we excel at securing and enhancing the financial well-being of people, businesses, and communities. Among the commendable technological establishment is a full-fledged contact centre at LankaBangla to connect with our customers in real time in order to provide 24/7 financial services. With modern IVR (Interactive Voice Response) technology, our contact centre is one of its kinds in the Non-Bank Financial Institutions industry. The contact centre is handling customer complaints, raising product awareness by providing product specific information,

generating sales references and contributing effectively in preventing fraud of credit card transactions. LankaBangla trains its employees to be updated with new technologies so that they can adapt new gadgets without any trouble. We, at LankaBangla, recognize our capacity to achieve the ultimate goal of creating both social and business value by incorporating social and environmental responsibilities into our core fundamental business operations and stakeholder management. Similar to our preceding years, we are strongly motivated to deliver to all sub-divisions of society and through careful customer segmentation, provide financial access and services to a wide range of socio demographic groups.

3.5 Efficiency of employees:

HR department of LankaBangla provides the highest priority to recruit top-notch and skilled employees to provide the best services to their customers. As the employees at LankaBangla are the greatest assets who with their determination and dedication, and work towards achieving the company's goals, and in the process create long-term value to our shareholders and make lasting contributions to our communities. As of 2018 end, total workforce stood at a number of 1,916. At the core of our efforts is a focus on nurturing and sustaining a diverse workplace, because we have experienced the power of bringing different perspectives of employees to address the complex and diverse situations our clients face. We pursue to instill the values in our people that will encourage them to respect and abide by the social, economic and environmental commitments of the company. We encourage our people to participate in development programs to ensure that they are equipped with the tools they need to succeed. In line with this view, we arrange various training programs for our employees, in-house, external, and overseas in order to enhance knowledge and skills as well as develop a learning culture. We also encourage our employees to generate new ideas which will be helpful for our business as well as the society.

3.6 Service Responsibility:

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

Here are services we provide to retain our customers pleased:

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

4. Stakeholder Engagement and relationship management

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

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

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

Appropriate initiatives are taken and applied by stakeholders to identify and address significant issues to develop in near future. Details about stakeholder engagement and relationship is described from page 165 to 172 of this annual integrated report.

5. Sustainable HR Development

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

5.1 Employee profile:

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

5.2 Salary Policy:

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

5.3 Benefits to employees:

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

Details about Human resource development is portrayed on page no 189 to 194 of this Annual Integrated Report.

6. Triple Bottom Line

6.1 People:

LBFL always participates in contributing financial support to the society all over the fiscal year and it will be a continuous process. The company invested BDT 11.78 million taka this year for 16,505 man hours of training to its employees. It also provided foreign training to its employees as well. LBFL also developing the training method every year to keep updated its employees with newness and the company also review the whole session by taking test on the employees.

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

Triple Bottom Line Highlights:

Financial Highlights – LBFL			
Results for the year	2018 BDT M	2017 BDT M	Change %
Gross Income	9,233	7,819	18.08%
Interest Income	8,567	6,623	29.35%
Interest Expenses	6,190	4,542	36.27%
Profit before Tax	816	1,397	-41.62%
Provision for Taxation	102	45	127.75%
Profit after Tax	714	1,353	-47.21%

Financial Position at the year end	2018	2017	Change
Shareholders' Fund (Stated Capital and Reserves)	9,045	7,268	24.45%
Deposits from Customers	53,252	51,553	3.30%
Lease, Loans & Advances	63,785	61,914	3.02%
Total Investment	2,409	2,128	13.24%
Fund Under Management (FUM)	144,425	142,825	1.12%
Total Assets	80,668	78,248	3.09%

Investors	2018	2017	Change
Gross Dividend	770	716	7.50%
Earnings per Share (BDT)	1.4	2.95	-52.46%
Dividends per Share (BDT)	1.5	1.5	0.00%
Net Assets per Share (BDT)	17.62	15.87	11.04%

Ratios	2018	2017	Change
Return on Shareholders' Funds (%)	8.76%	20.13%	-11.38%
Return on Average Assets (%)	0.90%	1.99%	-1.09%
Year on Year Growth in Dividends on Ordinary Shares (%)	7.5%	-13.75%	21.25%
Interest Cover (Times)	1.21	1.36	-15.28%
Equity : Assets (%)	11.21%	9.29%	1.92%
Debt : Equity (%)	7.29	9.18	-189.74%
P/E Ratio (Times)	16.30	16.18	12.57%
Non-Performing Loans Ratio (%)	3.60%	3.07%	0.53%
Advance Growth (%)	3.02%	32.44%	-29.42%
Deposit Growth (%)	3.30%	28.78%	-25.48%

6.2 Planet:

LBFL insists to invest in those projects which are environment friendly. We invest almost 60.56 million taka on green banking projects as well. We also encourage our branches to invest in eco-friendly projects which will be helpful in the long run. Our corporate building which is now under construction will be green certified building.

6.3 Profit:

LBFL has generated BDT 714 million from its all services in 2018.

Statutory Ratios	2018	2017	Change
Capital Adequacy Ratio (CAR) - Min. Req. 10%	15.74%	11.81%	3.93%
Core Capital to RWA - Minimum Required 5%	12.74%	11.00%	1.74%
Supplementary Capital to RWA	2.99%	0.81%	2.18%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.57%	2.92%	-0.35%
Statutory Liquidity Reserve - Minimum Required 5%	5.03%	5.10%	-0.07%

Economic Sustainability	2018 BDT M	2017 BDT M
Economic Value Available for distribution	2,263	3,728
Economic Value Addition	619	1,417
Number of new branches launched	2	5
Employee benefit fund	415	332

Environment Sustainability	2018	2017
Electricity Consumption in value	17.3	14.9
Fuel Cost	1.6	1.6
Gas Cost	.52	.63
Water Consumption in value	1.3	1.2
Paper consumption in value	1.2	2.4
Significant environment fines	Nil	Nil
Environment protection expenditure	0.5	0.1
Number of environmental grievances	Nil	Nil

Labor Sustainability	2018	2017
Total Workforce in number	1,916	1,622
Recruitments in number	260	296
Attrition rate	17%	16%
Retention rate after parental leave	100%	100%
Number of injuries	Nil	Nil
Total Training Hours	16,505	32,334
Average Training hours per employee	18	42
Employee performance appraisal as a percentage of total workforce	100%	100%

Human Rights Sustainability		
Incidents of discriminations	Nil	Nil
Incidents of child labor (below 18 years)	Nil	Nil
Incidents of forced labor	Nil	Nil
Human rights incidents reported and resolved	Nil	Nil

STATEMENT ON GREEN BANKING

Green Banking

The concept of green banking has been integral in LankaBangla, and goes hand in hand with our stance on sustainable business model. With the constant headway of our Green Banking Unit (GBU), we have been a successful team in green banking. Using smart innovative financing techniques and market development tools, we aim to stimulate investments in clean technologies and hence contribute to societal welfare. To seek increased deployment of clean energy and more efficient use of funds, we introduced Green Finance, initiated in-house management, created Climate Risk Fund, Green Marketing, and supported employee training.

Green Banking Unit

As per the Bangladesh Bank Circular No. 04 on “Policy Guidelines for Green Banking”, LankaBangla Finance has established “Green Banking Policy” which is approved by the Board. A separate Green Banking Unit (GBU) was required to be formed for designing, evaluating and administering activities related to green banking issues of the company. As per the set BB circulation, this unit will report to the high powered committee from time to time. GBU will be comprised of the representatives from each relevant division.

Sustainable Finance Committee Members:

Sl. No.	Name	Designation	Status in the Committee
1	Khurshed Alam	Head of Retail Financial Ser-vices	Chairman
2	Mohammed Kamrul Hasan	Chief Risk Officer	Member
3	Kazi Masum Rashed	Chief Credit Officer	Member
4	Mohammed Shoaib	Head of Corporate Financial Services	Member
5	Md. Kamruzzaman Khan	Head of SME Finance	Member
6	Muhammad Habib Haider	Head of GIS	Member
7	Ujjal Kumar	Senior Manager -Risk Man-agement	Member Secre-tary

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

Statement of Green Banking Initiatives

In response to increasing awareness of climate change, and environmental degradation, urgent measures for sustainable development have been addressed by some of the stake holders all over the world. Banking system holds a unique position in an economy that can affect production, business and other economic activities through their financing activities which would in turn contribute to economic development as well as protect environment/climate from pollution and degradation. Through green banking, LankaBangla concentrates on financing commercially viable technologies that consume less fossil fuel and have lower impacts on the environment. Moreover, implementing green banking concept within the organization through efficiency in energy use, water consumption and waste reduction may significantly contribute towards controlling operating costs.

Policy formulation and Governance

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

Incorporation of Environmental Risk in CRM (Core Risk Management)

The Company conforms to the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration to the Green Banking policy. Clear identification of the problems related to environmental risks important for effective risk management as measures can be taken to address any environmental incidents. At LankaBangla, risks are prioritized based on the established processes in order to respond to unforeseen environmental happenings. A comprehensive risk exposure matrix is established for assessing environmental risks and then reported to management credit committee of the company by the branches.

Introducing Green Finance

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

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

Creation of Climate Risk Fund

The financial institution addresses environmental issues and assesses environmental risks (high/ moderate/low) of projects/businesses of different sectors in different areas. At the same time, climate risk fund is created for "Green Banking" may be used as a part of CSR activities at the time of emergency.

Introducing Green Marketing

Green Marketing incorporates a broad range of activities, including products/services design, engineering, modification, new product innovation, changes to the production process and packaging, in order to encourage potential clients to design Green Project or environmentally safe products and also to modify advertising. Besides, company effectively uses green marketing channels more for widening target markets of usual products. Financial Institution takes steps that will help build awareness among common people to promote products/services which cause least harm to the environment. Corporate Affairs Division shall plan for developing & marketing Green Banking products to offer to the customers.

Supporting employee training, Consumer Awareness and Green Event

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

Environment Related Initiatives

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

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

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

to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.

Environmental sustainability:

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

LankaBangla Tower

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

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

Sustainable Sites:

Our architectures, designers and engineers are instructed very strictly to maintain a healthy construction guideline to keep our eco-system safe and sound and to protect public health

around the construction plant. We are also fully aware about the protection of our workers who are fully trained hence provide safety nets, guardrail systems as well as personal fall arrest system to our workers. We have designed our tower to keep enough space inside and outside of the building in such a way so that our employees can feel it as home in working hours.

Water Efficiency:

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

Energy and Atmosphere

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

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

Recyclable materials and resource

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

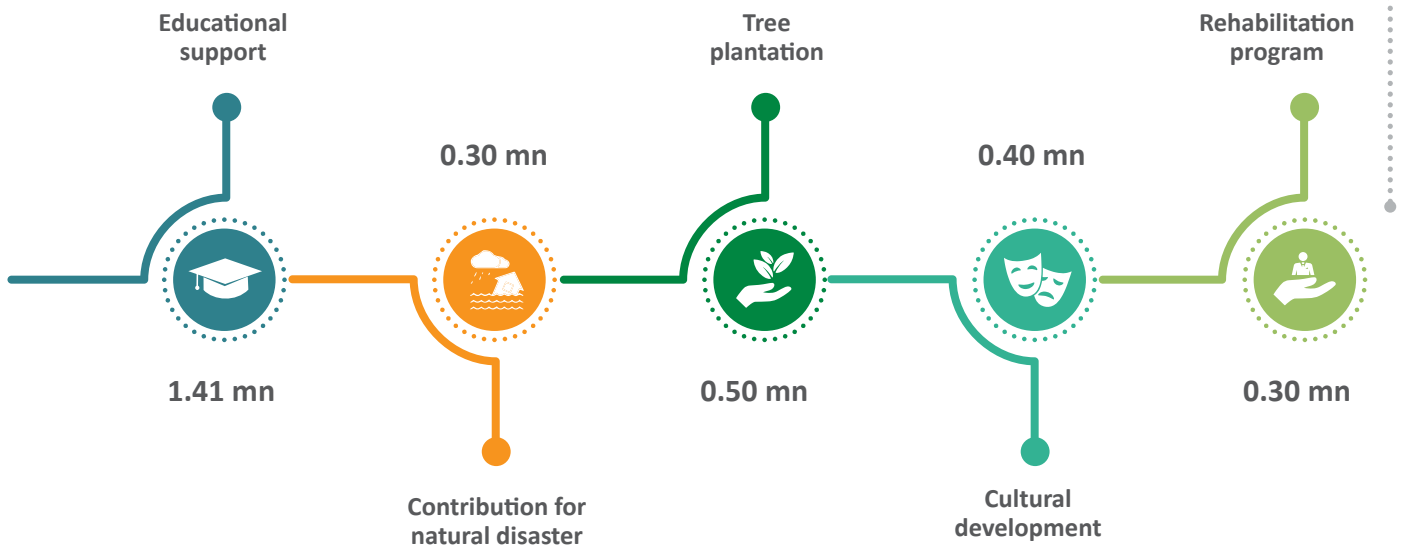
Indoor Environment quality

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

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



CORPORATE SOCIAL RESPONSIBILITY (CSR) OF LANKABANGLA

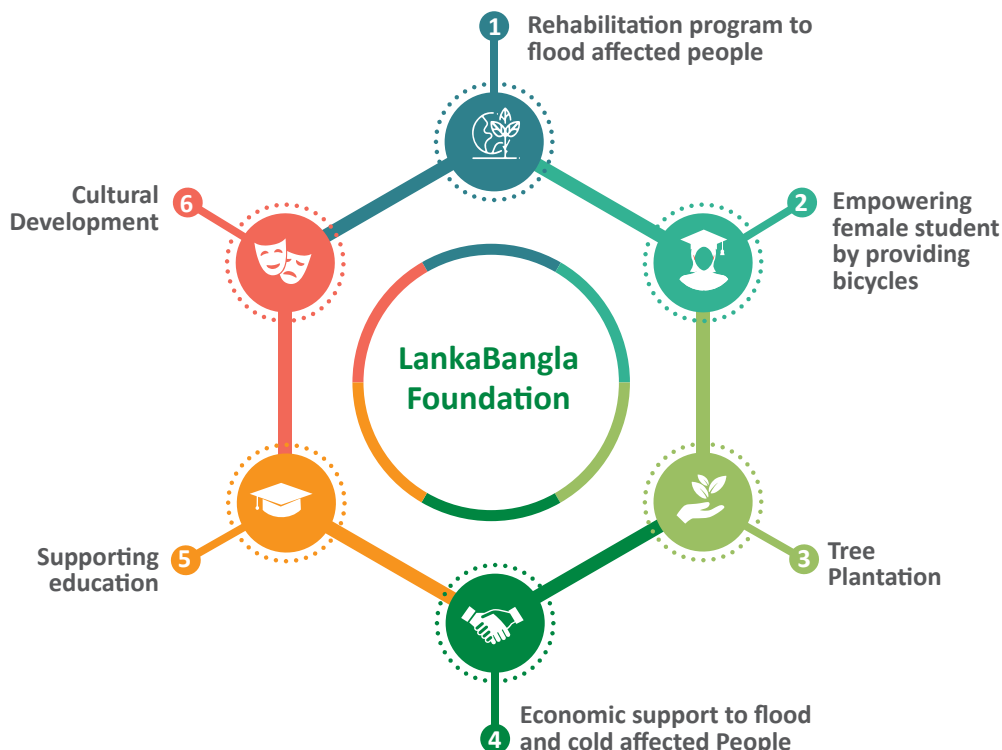


Corporate Social Responsibility of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. LankaBangla in its core management concept and corporate responsibility integrated CSR with focus on social and environmental concerns in all business operations and interactions with its stakeholders.

LankaBangla believes to achieve a balance of economic,

environmental and social imperatives (“Triple-Bottom-Line-Approach”) besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute for our sustainable society. LankaBangla through its Foundation has extended its support for the underprivileged people of the community in particular to ensure their education, health and living.

CSR activities of LankaBangla Foundation in 2018



Developing Children's Creativity through the Arts:

Focusing Creativity & Cultural Development of children is an integral part of CSR of LankaBangla Foundation. With this objective, the Foundation organized art competition for the school going children every year focusing on psychological and cultural development. Our endeavor is to help children to become familiar with our rich cultural heritage and also to explore their hidden creativity.

In 2018, LankaBangla Foundation arranged Art Competition for the children in Chittagong. "FulerRongeSajaiDesh" was the theme of the competition. LankaBangla Finance Limited selected top 24 arts works and printed in its calendar of 2019 mentioning names of the respective children and his/her schools. This unique facilitation definitely boosts up the children who won the competition and also keep alive the intention of others to compete in future. More than 500 children took part in final art competition at International Convention Center of Chattogram.



LankaBangla Foundation organized Art Competition 2018 in pahelaboishakh named "FulerRongeSajaiDesh"

Tree Plantation Program at Ramu Cantonment, Cox's Bazar:



LankaBangla Foundation arranged 'Tree Plantation Program 2018' at Ramu Cantonment, Cox's Baza.

LankaBangla Foundation arranged a 'Tree Plantation Program' on 10th July, 2018 at Ramu Cantonment, Cox's Bazar. The main objective of this program is to enhance the production of fruits, protection of environment, prevention of soil erosion as well as area beautification.

We believe that it will be a sustainable and bring long term benefits for the area. As a part of CSR activity, the Foundation arranged this program and it is the 2nd phase of Tree Plantation at Ramu Cantonment. More than 3,000 mango saplings were planted around BIR SHORONI road towards Ramu Cantonment Public School and College. Tree plantation also took place at the lake side road of the cantonment which were supported by Infantry Brigade. Focusing environmental protection, LankaBangla arranges the tree plantation program every year.

Supporting Education of Underprivileged Brilliant Students:



LankaBangla Foundation continues its support to the underprivileged brilliant students to pursue their higher education. Scholarship program of the Foundation for those students is a significant support to ease the challenges to reach their aim in life. We extend this continuous financial support to make their dreams come true

We have started the scholarship program from 2010 and continues till to date with an immense priority on education for building knowledge based society. We provide educational support to underprivileged brilliant students to complete their graduation with an objective to help the student to become self-sufficient

Support for local community to protect from Cold Wave:

In Bangladesh, during winter ultra-poor people fight against cold every year and LankaBangla Foundation distributes blankets every year to facilitate better comfort to the ultra-poor people. This year Foundation distributed more than 1,000 blankets at the first week of January 2018 among poor people of remote villages of KhoksaUlipur of Kushtia district.

This year the Foundation has made an extensive effort for proper distribution of blankets by identifying & listing ultra-poor people of KhoksaUlipur of Kushtia district.

This year the Foundation has made an extensive effort for proper distribution of blankets by identifying & listing ultra-poor people of KhoksaUlipur of Kushtia district.

Medical Assistance: Medical Assistance for a Poor Student (Cancer Patient)



LankaBangla Foundation contributing Medical Assistance to poor talent student

The management of LankaBangla Foundation extended medical support to Ms. Lima Akhter (a poor student of class Ten & blood cancer patient) as part of its CSR activities of 2018.

In response to the application from Mr. Md. Shah Alam (working as dockyard labour at Mongla Port), Father of Ms. Lima Akhter – LankaBangla Foundation contributed BDT 100,000 in this noble cause to extend support to Ms. Lima for her blood cancer treatment.

Medical Assistance for a Poor Talent Student (Shakira Akhter Shanta)

The management of LankaBangla Foundation extended Medical support to Ms. Shakira Akhter Shanta – a poor talent student as part of its CSR activities.



In response to the application from Mr. Md. Shafiqul Islam (a daylabourer), Father of Ms. Shakira Akhter Shanta–LankaBangla Foundation extended support of BDT 200,000 to arrange artificial hand for her.

Ms. Shanta is a meritorious student was continuing her Honor's in English at Daffodil International University at concessional fees and with the support from her relatives. On 01/11/2016 on the way to her University to attend exam she had a road accident and subsequently doctor cut down her right hand.

In 2018 LankaBangla Foundation spent total amount of BDT 30,00,000 for the CSR activities. LankaBangla Foundation undertook a tree plantation program on 09 August 2017 at Ramu Cantonment, Cox's Bazar. A total of 6,000 mango saplings are planted at lake side road in this new Cantonment. The plantation was supported by the 2 Infantry Brigade.

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

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

VALUE ADDED STATEMENT

For the year ended 31 December 2018

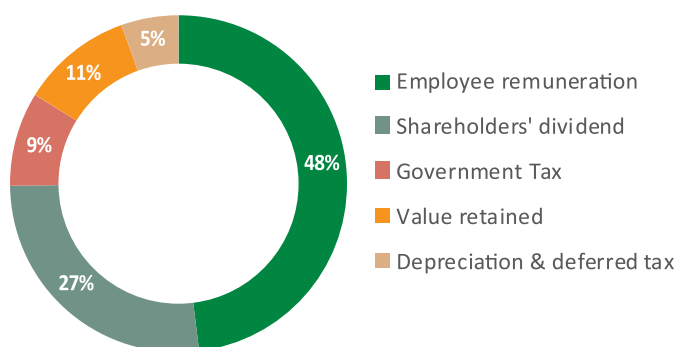
The value added statement represents the value created by LankaBangla Finance and its subsidiaries through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet certain obligations. A portion of added value has also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

	2018 BDT Mn	%	2017 BDT Mn	%	2016 BDT Mn	%
Value added						
Operating revenue	11,061		9,981		7,311	
Cost of borrowing	(6,606)		(4,839)		(3,964)	
Provisions	(976)		(207)		(396)	
Operating expenses excluding staff cost and depreciation	(1,217)		(1,207)		(902)	
	2,263		3,728		2,049	

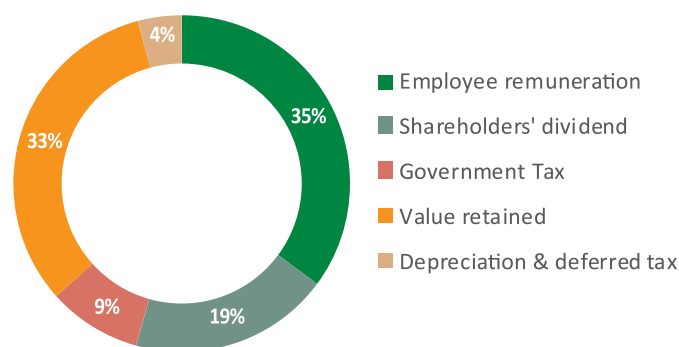
Distribution of value addition						
Employees as remuneration	1,382	61%	1,311	49%	1,005	57%
Government	259	11%	334	7%	148	-1%
Shareholders as dividend	770	34%	716	35%	830	35%
	2,411	90%	2,361	90%	1,983	90%
Retained for expansion and future growth						
Value retained in the business	(307)	-14%	1,210	4%	74	2%
Deferred tax	5	0%	3	0%	3	0%
Depreciation	153	7%	153	5%	98	7%
Amount distributed	2,263	100%	2,049	100%	1,951	100%

Number of employees at the end of the year*	896	838	673
Value created per employee (Mn BDT)	2.53	4.45	3.04
Number of shares (Mn)	513.18	513.18	513.18
Value created per share (BDT)	4.41	7.26	3.99

Distribution of value addition - 2018



Distribution of value addition - 2017



MARKET VALUE ADDED (MVA) STATEMENT

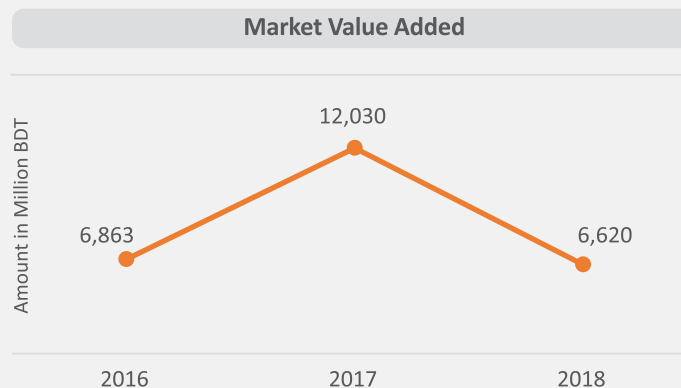
For the year ended 31 December 2018

Market Value Added (MVA) statement reflects the Company's performance evaluated by the market through the shares. MVA is the difference between total market value and total book value of the share of the company. A high value of MVA indicate that company has created substantial wealth for the shareholder. The share market value of the Company stood at Tk 11,752 million whereas the book value of the shares stood at Tk 5,132 million, resulting a Market Value Addition of Tk 6,620 million as of December 31, 2018. The calculation of Market Value Added is given below:

Particulars	2018		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	513	22.9	11,752
Book Value	513	10	5,132
Market Value Added	6,620		

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

Particulars	2016		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	277	34.8	9,631
Book Value	277	10	2,767
Market Value Added	6,863		



ECONOMIC VALUE ADDED (EVA) STATEMENT

For the year ended 31 December 2018

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

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

NOPAT

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

	2018 BDT Mn	2017 BDT Mn	2016 BDT Mn
Operating income	11,061	9,981	7,311
Operating expenses	(9,376)	(7,510)	(5,969)
Operating profit	1,685	2,471	1,342
Income tax	(265)	(338)	(151)
NOPAT	1,421	2,133	1,191

Equity

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

	2018	2017	2016
Shareholders' equity at year end	9,823	8,327	6,687
Accumulated provision for doubtful losses	1,941	1,434	1,464
Equity	11,765	9,761	8,151

Average equity

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

	2018	2017	2016
Shareholders' equity	11,765	9,761	8,151
Average equity	10,763	8,956	7,961

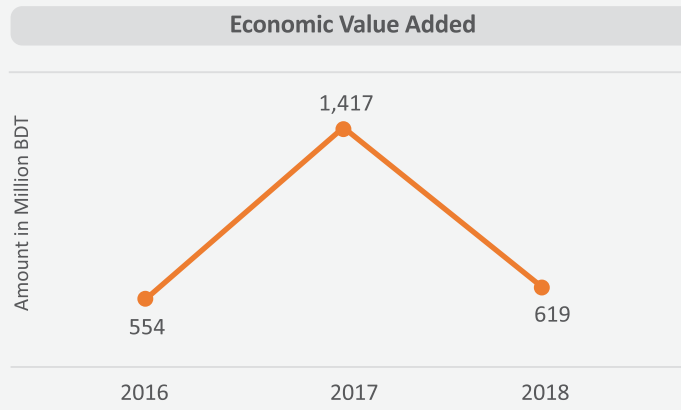
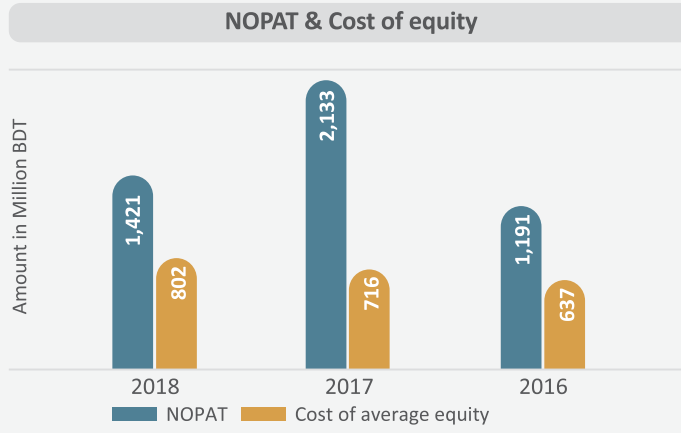
Cost of equity

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

	2018	2017	2016
Interest rate on 5 Years Government Treasury Bond as on 31 December	5.45%	6.00%	6.00%
Standard Risk premium	2%	2%	2%
Cost of equity	7.45%	8.00%	8.00%

ECONOMIC VALUE ADDED

	2018	2017	2016
NOPAT	1,421	2,133	1,191
Cost of average equity	802	716	637
Average Shareholders' equity	10,763	8,956	7,961
Cost of capital	7.45%	8.00%	8.00%
EVA	619	1,417	554
Number of shares (Mn)	513	513	513
Economic Value Added Per Share	1.21	2.76	1.08



STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2018

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 2018, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 948.07 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 1,030.42million in 2017, reflecting its fair and consistent commitment towards national contribution.

Figures in BDT

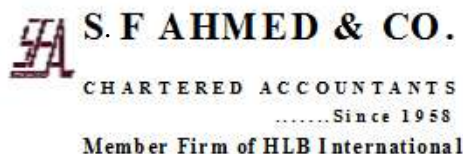
Forms of Contribution	2018	2017
Income Tax	741,472,475	840,332,857
Source tax on Salary u/s 50	72,786,768	53,738,907
Source Tax on Interest on savings deposit u/s 53F	426,973,827	311,084,278
Source tax on Payment to Supplier u/s 52	18,647,736	12,387,694
Source tax on Payment to Landlord u/s 53 A	8,603,183	7,206,519
Payment on transaction of Securities	117,797,491	179,909,613
Source tax on payment of commission	10,527,042	8,792,544
Payment of Advance Corporate Tax u/s 64	10,484,842	141,118,669
Tax payment at the time of Return Submission u/s 74	39,722,488	11,380,435
Source Tax on Dividend Payment u/s 54	35,837,219	114,589,303
Others	91,878	124,895
VAT	122,578,301	118,873,554
VAT on House Rent	25,685,894	20,947,353
Collection of VAT on Processing, Documentation Fee etc.	17,666,558	34,699,559
VAT on Procurement of goods and services	9,366,141	10,752,216
VAT on Legal, Professional & Technical Fees	3,639,095	3,081,800
Others	66,220,613	49,392,627
Excise Duty	84,020,628	71,213,121
Collection of excise duty from clients	80,384,365	68,922,370
Excise duty deducted by bank	3,636,263	2,290,751
Total Paid to Government Exchequer	948,071,404	1,030,419,533

AUDITED FINANCIAL STATEMENTS

Over the last few years, LankaBangla has exhibited newer dimensions in performance and redefined its financial position as an enterprise in the unpredictable financial market of Bangladesh. Our energetic effort and endless inspiration have led us to introduce an understandable, relevant, reliable, and comparable financial statements to our stakeholders.

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Independent Auditor's Report

to

The Shareholders of LankaBangla Finance Limited Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the 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 separate balance sheets as at 31 December 2018 and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in notes 1 to 42.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Leases, Loans and Advances and Measurement of provisions</p> <p>The process for estimating the provision for leases, loans and advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end 2018 the Group reported total gross leases, loans and advances of BDT 68,676.03 million (2017: BDT 66,544.36 million) and provision for leases, loans and advances of BDT 1,598.35 million (2017: BDT 1,434.42 million). The total provision for leases, loans and advances shown in the profit and loss for this year stands BDT 629.85 million (2017: BDT 285.21 million).</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL); <p>Our substantive procedures in relation to the provision for leases, loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;

Key Audit Matter	How our audit addressed the key audit matter
<p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> • Completeness and timing of recognition of loss events in accordance with criteria set out in 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; • For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. <p>Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</p> <p>See note no 12.4 to the financial statements</p>	<ul style="list-style-type: none"> • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<p>Carrying value of investments in subsidiary(s) by LankaBangla Finance Limited</p> <p>The LankaBangla Finance Limited (the “Company”) has invested in equity shares of its subsidiaries LankaBangla Securities Limited, LankaBangla Asset Management Company Limited and LankaBangla Investment Limited. As at 31 December 2018 the carrying value of this investment is BDT 4,630.94 million.</p> <p>At the time of conducting our audit of the separate financial statements of the LankaBangla Finance Limited we have considered the recoverable value of the LankaBangla Finance Limited’s investments in LankaBangla Securities Limited, LankaBangla Asset Management Company Limited and LankaBangla Investment Limited stated at cost.</p> <p>Management has conducted impairment assessment and calculated recoverable value of its subsidiaries LankaBangla Securities Limited, LankaBangla Asset Management Company Limited and LankaBangla Investment Limited in accordance with IAS 36.</p> <p>See note no 9 to the financial statements</p>	<p>We have reviewed Management’s analysis of impairment assessment and recoverable value calculation of subsidiaries in accordance with IAS 36.</p> <p>In particular, our discussion with the Management were focused on the continued appropriateness of the value in use model, the key assumptions used in the model, the reasonably possible alternative assumptions, particularly where they had the most impact on the value in use calculation.</p> <p>We also checked mathematical accuracy of the model, recalculated discount rate used within the model, inputs used in the determination of assumptions within the model were challenged and corroborating information was obtained with reference to external market information, third-party sources.</p>
<p>Investment and provision for diminution in value of investment</p> <p>Group investments comprise of marketable ordinary shares of BDT 5,283.07 million, non marketable ordinary shares of BDT 230.52 million and commercial papers of BDT 200 million.</p> <p>Group investments in securities and commercial papers are valued at BDT 5,713.59 million and represent 7% of total assets. This was an area of focus for our audit and significant audit effort was directed.</p> <p>The investment portfolio of the LankaBangla Finance Limited comprises investments in marketable ordinary shares of BDT 2,085.74 million, non marketable ordinary shares of BDT 123.57 million and commercial papers of BDT 200 million.</p> <p>Investments in quoted shares and unquoted shares are valued at average cost. However, the company made provision for diminution in value of investment as per FID circular no. 8 dated 3 August 2002 and DFIM circular no. 02 dated 31 January 2012.</p> <p>We focused on this area because of the significance of the investments in the financial statements, and departure from the recognition and presentation criteria of IFRS 9, IFRS 7 & IAS 32 to comply the above circular of Bangladesh Bank for determining the valuation methodology and presentation to be applied by the management of the company.</p> <p>See notes 2.16, 6 and 32 to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their investment portfolio.</p> <p>Our audit approach was a combination of test of internal control and substantive procedures.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the management of the company.</p> <p>We assessed the design and operating effectiveness of the Group’s key controls supporting the identification, measurement and oversight of valuation risk of financial assets.</p> <p>We verified the existence and legal ownership of equity investments and commercial paper by confirming investment holdings with CDBL statement, Trust deed and record from the Registrar of Joint Stock Companies & Firm appropriate.</p> <p>We tested the calculations of provision for diminution in value of investment and checked the presentation and disclosure of investment in compliance with FID circular no. 8 dated 3 August 2002 and DFIM circular no. 2 dated 31 January 2012 issued by Bangladesh Bank.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>Measurement of deferred tax assets</p> <p>LankaBangla Finance Limited has unrecognised deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowance, and other timing differences.</p> <p>There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.</p> <p>LankaBangla Finance Limited reports net deferred tax assets totalling to BDT 20.67 million as at 31 December 2018.</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p> <p>See note no 2.37b and 9.1.1.1 to the financial statements</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of Deferred Tax Assets and the assumptions used in estimating the LankaBangla Finance Limited's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We evaluated the reasonableness of key assumptions, timing of reversal of temporary differences and expiration of tax loss carry forwards, recognition and measurement of Deferred Tax Assets.</p> <p>We assessed the adequacy of the company's disclosures setting out the basis of deferred tax asset balances and the level of estimation involved.</p> <p>We also assisted in evaluating the tax implications, the reasonableness of estimates and calculations determined by management.</p> <p>Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>
<p>Valuation of defined benefits plan</p> <p>The Company operates an funded gratuity scheme. In accordance with the rules of the Gratuity Fund, a benefit becomes due when a member ceases to be a member of the Fund. These results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognize the liability related to such benefits. At year end the Group reported a net funded gratuity liability of BDT 72.76 million (2017: BDT 70.68 million).</p> <p>The benefits payable to members are calculated in terms of section-4 of the rules of the Fund. Methodologies applied in the calculation of the benefits payable to members as disclosed in note 2.36.2 and 12.1 of the financial statements which include:</p> <p>Liability for gratuity is provisioning on the presumption that all the employees are retiring on the balance sheet date rather than actuarial calculation of the gratuity. Therefore, valuation of the benefits payable provision is considered as a key audit matter.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their defined benefit plan.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used to determine the liability for defined benefit plan.</p> <p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation of the defined benefits payable provision.</p> <p>We examined the basis on which gratuity is payable to the employee and is worked out the liability for gratuity on the presumption that all employees retire on the balance sheet date.</p> <p>We ensured that the basis of computing gratuity is valid; verify the computation of liability on aggregate basis.</p> <p>We checked the amount of gratuity paid to employees who retired during the year with reference to the number of years of service rendered by them.</p> <p>We tested the employees data used in calculating obligation.</p> <p>We assessed the appropriateness and presentation of disclosures against IAS 19 Employee Benefits.</p>
<p>Legal and regulatory matters</p> <p>We focused on this area because the LankaBangla Finance Limited and its subsidiaries (the "Group") operate in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and estimable impact on the Group's financial position.</p> <p>See note no 1 to the financial statements</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies process.</p> <p>We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We enquired of the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel.</p> <p>We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</p> <p>We also assessed the Group's provisions and contingent liabilities disclosure.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>IT systems and controls</p> <p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p>	<p>We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We also assessed the total IT security over its operation in accordance with the Guideline on ICT Security For Banks and Non-Bank Financial Institutions dated May, 2015 Version 3.0. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.</p> <p>We tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</p>
<p>Accuracy and completeness of revenue recognised</p> <p>The Group reported revenue of BDT 9,095 million from lease finance, term finance, credit cards, term deposit receipts, investment income and related activities.</p> <p>The application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship.</p> <p>Due to the estimates and judgment involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.</p> <p>The Group's accounting policies relating to revenue recognition are presented in note 2.33 to the consolidated financial statements.</p> <p>See note no 17 to the financial statements</p>	<p>Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:</p> <ul style="list-style-type: none"> • we understood the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports); • we tested the design and operating effectiveness of the relevant controls; • we involved our internal IT specialists to test IT general controls, system interfaces, data/ information reporting and application specific controls surrounding relevant revenue systems; • we reviewed significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period; • we performed data analysis and analytical reviews of significant revenue streams; • we reviewed key reconciliations performed by the Revenue Assurance team; • we performed specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and • we performed procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies. <p>Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue.</p>

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note no 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and measure the risks of material misstatement in the consolidated and separate financial statements, whether due to fraud or error, develop and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and relevant to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the circumstances but not to express an opinion on the effectiveness of the group's internal control.
- Assess the adequacy of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe


these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of accounts 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 account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (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 were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (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 which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material 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) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1875 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the 'First Schedule' of Bank Companies Act, 1991 in preparing these financial statements in accordance with DFIM circular no. 11, dated 23 December 2009; and
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dhaka,
12 February 2019


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Notes	Amount In Taka	
		31.12.2018	31.12.2017
PROPERTY AND ASSETS			
Cash		1,002,028,777	1,155,230,423
Cash in hand (including foreign currencies)	3	904,927	476,721
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	1,001,123,850	1,154,753,702
Balance with other banks and financial institutions	5	8,431,276,535	8,874,982,033
Inside Bangladesh		8,431,276,535	8,874,982,033
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	5,713,587,671	5,469,169,711
Government securities		-	-
Other investments		5,713,587,671	5,469,169,711
Leases, loans and advances	7	68,676,032,831	66,544,357,447
Loans, cash credit and overdraft etc.		68,676,032,831	66,544,357,447
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	2,405,753,963	1,802,830,502
Other assets	9	1,660,000,929	1,596,145,058
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		87,888,680,706	85,442,715,174
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	16,263,240,621	18,563,686,212
Deposits and other accounts	11	53,404,546,419	51,675,158,138
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.1	53,231,132,604	51,552,816,766
Bearer certificate of deposits		-	-
Other deposits	11.2	173,413,815	122,341,372
Other liabilities	12	8,286,435,375	6,775,350,993
TOTAL LIABILITIES		77,954,222,415	77,014,195,343
Shareholders' Equity		9,823,214,683	8,327,000,468
Paid up capital	13	5,131,796,410	3,182,509,410
Share money deposit for right issue		-	160,307,660
Share premium		1,090,888,800	1,090,888,800
Statutory reserve	14	1,615,433,347	1,472,602,021
General reserve		53,048,686	50,867,438
Retained earnings	15	1,932,047,440	2,369,825,140
Non controlling interest	16	111,243,608	101,519,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		87,888,680,706	85,442,715,174
Net asset value per share- (NAV) (restated: 2017)	35	19.14	18.19

OFF-BALANCE SHEET ITEMS**CONTINGENT LIABILITIES**

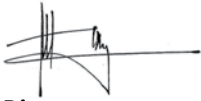
Acceptances and endorsements	-	-
Letter of guarantee	357,182,217	670,068,707
Irrevocable letters of credit	-	-
Bill for collection	-	-
Other contingent liabilities	-	-
TOTAL CONTINGENT LIABILITIES	357,182,217	670,068,707

OTHER COMMITMENTS

Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	3,691,862,631	8,554,741,350
TOTAL OTHER COMMITMENTS	3,691,862,631	8,554,741,350

TOTAL OFF BALANCE SHEET ITEMS**4,049,044,848** **9,224,810,057**

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Dhaka,
12 February 2019



S. F. Ahmed & Co.
Chartered Accountants

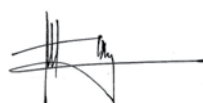
LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Notes	Amount In Taka	
		2018	2017
Operating Income			
Interest income	17	9,095,252,849	7,076,089,286
Less : Interest expenses on deposits & borrowings	18	6,605,746,998	4,838,840,868
Net interest income		2,489,505,851	2,237,248,418
Income from investment	19	434,031,094	914,222,486
Commission, exchange and brokerage income	20	707,627,576	1,136,001,530
Other operational income	21	824,252,786	854,466,614
Total operating income		4,455,417,307	5,141,939,047
Operating Expenses			
Salary and allowances	22	1,366,869,763	1,300,145,142
Rent, taxes, insurance, electricity etc.	23	251,069,443	220,562,073
Legal and professional fees	24	27,864,545	33,424,026
Postage, stamp, telecommunication etc.	25	26,774,472	28,819,579
Stationery, printing, advertisement	26	51,789,343	66,035,302
Managing director's salary and allowance	27	15,479,000	10,726,667
Director fees and expenses	28	2,271,200	2,387,300
Audit fees	29	1,155,750	1,092,500
Repairs, maintenance and depreciation	30	209,094,554	183,401,905
Other expenses	31	817,637,739	824,585,567
Total operating expenses		2,770,005,810	2,671,180,060
Net Operating Income		1,685,411,497	2,470,758,986
Provisions for loans, investments and other assets			
Provisions for leases and loans	32	976,337,321	206,948,220
Provision for margin loan		368,767,746	248,441,162
Provision for diminution in value of investments		261,083,418	36,766,605
General provision for other assets		342,286,156	(76,109,546)
		4,200,000	(2,150,000)
Profit before tax and reserve		709,074,176	2,263,810,766
Provision for tax			
Current tax	33	264,630,078	337,521,607
Deferred tax		259,278,400	334,274,885
		5,351,678	3,246,722
Net profit after tax		444,444,099	1,926,289,159
Attributed to			
Shareholders of the Company		434,308,867	1,898,845,450
Non controlling interest	38.4	10,135,232	27,443,709
		444,444,099	1,926,289,159
Appropriations			
Statutory reserve		145,012,574	274,657,522
General reserve		142,831,326	270,558,101
		2,181,248	4,099,421
Retained surplus		289,296,292	1,624,187,928
Earnings Per Share- (EPS) (restated: 2017)	34	0.85	4.15

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

This is the Consolidated Profit and Loss Account referred to in our separate report of even date.

Dhaka,
12 February 2019



S. F. Ahmed & Co.
Chartered Accountants

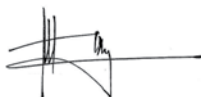
LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	Amount In Taka	
		2018	2017
A) Cash flows from operating activities			
Interest received		9,100,352,454	7,000,853,944
Interest paid		(6,037,422,733)	(4,364,777,925)
Dividend received		67,614,353	91,737,809
Fees and commission received		1,131,493,341	1,655,361,503
Income from investment		365,527,356	834,879,162
Cash paid to employees (including directors)		(1,430,473,648)	(1,239,038,975)
Cash paid to suppliers		(135,351,794)	(133,776,169)
Income taxes paid		(256,764,724)	(334,203,698)
Received from other operating activities		396,575,396	332,151,045
Paid for other operating activities		(1,075,591,831)	(1,065,727,673)
Cash generated from operating activities before changes in operating assets and liabilities		2,125,958,170	2,777,459,023
Increase/ (decrease) in operating assets & liabilities			
Loans and advances to customers		(2,502,462,489)	(16,136,077,333)
Other assets		166,538,173	81,328,333
Deposits from customers		1,729,388,281	11,526,665,383
Other liabilities		156,670,981	201,817,863
Total increase/ (decrease) in operating assets & liabilities		(449,865,055)	(4,326,265,753)
Net cash flows/(used in) from operating activities	36.1	1,676,093,115	(1,548,806,730)
B) Cash flows from investing activities			
Investment in securities		(494,417,960)	(682,519,454)
Purchase of fixed assets		(815,517,352)	(491,514,678)
Investment in commercial paper		250,000,000	250,000,000
Sales proceeds of fixed assets		41,963,461	8,057,460
Acquisition of shares from non-controlling interest		(1,250,000)	(5,000,000)
Net cash used in investing activities		(1,019,221,851)	(920,976,672)
C) Cash flows from financing activities			
Receipt of term loan, overdraft and REPO		(2,300,445,592)	7,688,687,726
Right Share Subscription		1,430,947,040	160,307,660
Transaction cost against right issue		(10,170,363)	-
Dividend paid		(374,109,324)	(392,592,853)
Net cash flows from/(used in) financing activities		(1,253,778,239)	7,456,402,533
D) Net increase/(decrease) in cash & cash equivalents		(596,906,975)	4,986,619,131
E) Effect of exchange rates on cash and cash equivalents		(168)	9,496
E) Cash and cash equivalents at the beginning of the year		10,030,212,456	5,043,583,829
F) Cash and cash equivalents at the end of the year		9,433,305,312	10,030,212,456
* Closing cash and cash-equivalents			
Cash in hand (including foreign currencies)		904,927	476,721
Balance with Bangladesh Bank and its agent bank (s)		1,001,123,850	1,154,753,702
Balance with other banks and financial institutions		8,431,276,535	8,874,982,033
		9,433,305,312	10,030,212,456
Net Operating Cash Flows Per Share - (NOCFPS) (restated: 2017)	36	3.30	(3.38)

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

Dhaka,
12 February 2019

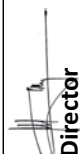


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

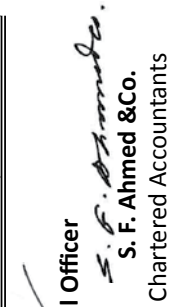
Particulars	Equity attributable to the shareholders of the Company							Non Controlling Interest	Total Equity
	Share Capital	Share money deposit for right issue	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total		
	Amount in Taka								
Balance as at 01 January 2018	3,182,509,410	160,307,660	1,090,888,800	1,472,602,021	50,867,438	2,369,825,140	8,327,000,468	101,519,363	8,428,519,831
Items Involved in Changes in Equity									
Right Share Subscription	1,591,254,700	(160,307,660)	-	-	-	-	1,430,947,040	-	1,430,947,040
Changes in non-controlling interest	-	-	-	-	-	(839,014)	(839,014)	(410,986)	(1,250,000)
Net profit for the year	-	-	-	-	-	434,308,867	434,308,867	10,135,232	444,444,099
Transaction cost against right issue	-	-	-	-	-	(10,170,363)	(10,170,363)	-	(10,170,363)
Appropriation to statutory reserve	-	-	-	142,831,326	-	(142,831,326)	-	-	-
Appropriation to general reserve	-	-	-	-	2,181,248	(2,181,248)	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Stock dividend (7.5%)	358,032,300	-	-	-	-	(358,032,300)	-	-	-
Cash dividend (7.5%)	-	-	-	-	-	(358,032,317)	(358,032,317)	-	(358,032,317)
Balance as at 31 December 2018	5,131,796,410	-	1,090,888,800	1,615,433,347	53,048,686	1,932,047,440	9,823,214,683	111,243,608	9,934,458,291
Balance as at 01 January 2017	2,767,399,490	-	1,090,888,800	1,202,043,919	46,768,017	1,579,509,093	6,686,609,319	84,821,392	6,771,430,711
Items Involved in Changes in Equity									
Right share money deposit received	-	160,307,660	-	-	-	-	160,307,660	-	160,307,660
Changes in non-controlling interest	-	-	-	-	-	(3,652,034)	(3,652,034)	(1,347,967)	(5,000,000)
Net profit for the year	-	-	-	-	-	1,898,845,450	1,898,845,450	27,443,709	1,926,289,159
Appropriation to statutory reserve	-	-	-	270,558,101	-	(270,558,101)	-	-	-
Appropriation to general reserve	-	-	-	-	4,099,421	(4,099,421)	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	(9,397,772)	(9,397,772)
Stock dividend (15%)	415,109,920	-	-	-	-	(415,109,920)	-	-	-
Cash dividend (15%)	-	-	-	-	-	(415,109,927)	(415,109,927)	-	(415,109,927)
Balance as at 31 December 2017	3,182,509,410	160,307,660	1,090,888,800	1,472,602,021	50,867,438	2,369,825,140	8,327,000,468	101,519,363	8,428,519,831


Director


Managing Director


Company Secretary


Chief Financial Officer


S. F. Ahmed & Co.
Chartered Accountants

Dhaka,
12 February 2019

LANKABANGLA FINANCE LIMITED

BALANCE SHEET

As at 31 December 2018

	Notes	Amount In Taka	
		31.12.2018	31.12.2017
PROPERTY AND ASSETS			
Cash			
Cash in hand (including foreign currencies)	3	1,001,794,766	1,155,072,909
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	670,916	319,207
		1,001,123,850	1,154,753,702
Balance with other banks and financial institutions			
Inside Bangladesh	5	6,706,544,902	6,867,656,341
Outside Bangladesh		-	-
Money at call and short notice			
		-	-
Investment			
Government securities	6	2,409,307,374	2,127,660,042
Other investments		-	-
		2,409,307,374	2,127,660,042
Leases, loans and advances			
Loans, cash credit and overdraft etc.	7	63,784,580,057	61,913,587,489
Bills discounted and purchased		-	-
		63,784,580,057	61,913,587,489
Fixed assets including land, building, furniture and fixtures			
	8	1,357,931,214	1,113,752,226
Other assets			
	9	5,407,983,420	5,069,877,203
Non-Banking assets			
		-	-
TOTAL PROPERTY AND ASSETS		80,668,141,733	78,247,606,210
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions			
	10	12,639,198,866	15,061,790,454
Deposits and other accounts			
Current deposits and other accounts	11	53,425,834,494	51,675,158,138
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	11.1	53,252,420,679	51,552,816,766
Bearer certificate of deposits		-	-
Other deposits	11.2	173,413,815	122,341,372
Other liabilities			
	12	5,558,400,989	4,242,851,226
TOTAL LIABILITIES		71,623,434,349	70,979,799,818
Shareholders' Equity			
Paid up capital	13	9,044,707,384	7,267,806,392
Share money deposit for right issue		5,131,796,410	3,182,509,410
Statutory reserve	14	-	160,307,660
Retained earnings	15	1,615,433,347	1,472,602,021
		2,297,477,627	2,452,387,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		80,668,141,733	78,247,606,210
Net asset value per share- (NAV) (restated: 2017)		17.62	15.87

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

Forward assets purchased and forward deposits placed

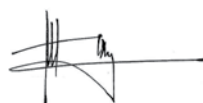
Undrawn note issuance and revolving underwriting facilities

Undrawn formal standby facilities, credit lines and other commitments

TOTAL OTHER COMMITMENTS**TOTAL OFF BALANCE SHEET ITEMS**

Notes	Amount In Taka	
	31.12.2018	31.12.2017
	-	-
	357,182,217	670,068,707
	-	-
	-	-
	-	-
	357,182,217	670,068,707
	-	-
	-	-
	-	-
	3,691,862,631	8,554,741,350
	3,691,862,631	8,554,741,350
	4,049,044,848	9,224,810,057

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

This is the Balance Sheet referred to in our separate report of even date.

Dhaka,
12 February 2019



S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Notes	Amount In Taka	
		2018	2017
Operating Income			
Interest income	17	8,567,125,131	6,623,172,217
Less : Interest expenses on deposits & borrowings	18	6,189,678,453	4,542,057,908
Net interest income		2,377,446,678	2,081,114,310
Income from investment	19	111,324,841	629,295,121
Commission, exchange and brokerage income	20	-	-
Other operational income	21	554,527,453	566,516,751
Total operating income		3,043,298,972	3,276,926,181
Operating Expenses			
Salary and allowances	22	871,504,067	795,440,906
Rent, taxes, insurance, electricity etc.	23	177,946,355	151,537,075
Legal and professional fees	24	20,969,653	30,932,570
Postage, stamp, telecommunication etc.	25	19,791,839	22,355,446
Stationery, printing, advertisement	26	38,421,114	52,134,306
Managing director's salary and allowance	27	15,479,000	10,726,667
Director fees and expenses	28	642,800	752,000
Audit fees	29	575,000	575,000
Repairs, maintenance and depreciation	30	149,886,801	131,206,897
Other expenses	31	454,865,475	438,343,936
Total operating expenses		1,750,082,104	1,634,004,803
Net Operating Income		1,293,216,868	1,642,921,379
Provisions for loans, investments and other assets			
Provisions for leases and loans	32	477,483,902	245,531,162
Provision for diminution in value of investments		368,767,746	248,441,162
General provision for other assets		108,016,156	-
		700,000	(2,910,000)
Profit before tax and reserve		815,732,966	1,397,390,217
Provision for tax			
Current tax	33	101,576,334	44,599,710
Deferred tax		-	-
Net profit after tax		714,156,632	1,352,790,507
Appropriations			
Statutory reserve		142,831,326	270,558,101
General reserve		-	-
Retained surplus		571,325,305	1,082,232,406
Earnings Per Share- (EPS) (restated: 2017)	34	1.40	2.95

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


Director


Director

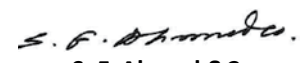

Managing Director


Company Secretary


Chief Financial Officer

This is the profit and loss account referred to in our separate report of even date.

Dhaka,
12 February 2019


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	Amount In Taka	
		2018	2017
A) Cash flows from operating activities			
Interest received		8,572,415,551	6,547,807,238
Interest paid		(5,629,002,106)	(4,090,518,475)
Dividend received		17,749,257	270,316,678
Fees and commission received		367,915,352	428,193,512
Income from investment		93,286,343	384,499,532
Cash paid to employees (including directors)		(876,169,045)	(796,120,318)
Cash paid to suppliers		(78,424,445)	(109,732,080)
Income taxes paid		(57,648,144)	(80,821,830)
Received from other operating activities		185,861,072	138,463,211
Paid for other operating activities		(658,410,627)	(634,160,851)
Cash generated from operating activities before changes in assets and liabilities		1,937,573,209	2,057,926,618
Increase/ (decrease) in operating assets & liabilities			
Loans and advances to customers		(2,470,057,910)	(15,195,306,939)
Other assets		191,730,488	(50,878,684)
Deposits from customers		1,750,676,356	11,526,665,383
Other liabilities		297,887,213	480,326,629
Total Increase/(decrease) in operating assets & liabilities		(229,763,854)	(3,239,193,612)
Net cash flows from/(used in) operating activities	36.1	1,707,809,354	(1,181,266,993)
B) Cash flows from investing activities			
Investment in securities		(531,647,332)	(247,598,582)
Purchase of fixed assets		(405,949,383)	(186,442,482)
Sales proceeds of fixed assets		38,902,860	4,897,260
Investment in commercial paper		250,000,000	250,000,000
Investment in subsidiaries		-	(50,000,000)
Net cash flows from investing activities		(648,693,854)	(229,143,804)
C) Cash flows from financing activities			
Receipt of term loan, overdraft and REPO		(2,422,591,588)	6,727,938,150
Right Share Subscription		1,430,947,040	160,307,660
Transaction cost against right issue		(10,170,363)	-
Dividend paid		(371,690,002)	(385,000,956)
Net cash flows from/(used in) financing activities		(1,373,504,914)	6,503,244,854
D) Net increase/(decrease) in cash & cash equivalents		(314,389,414)	5,092,834,057
E) Effect of exchange rates on cash and cash equivalents		(168)	9,496
F) Cash and cash equivalents at the beginning of the year		8,022,729,250	2,929,885,697
G) Cash and cash equivalents at the end of the year		7,708,339,668	8,022,729,250
* Closing cash and cash-equivalents			
Cash in hand (including foreign currencies)		670,916	319,207
Balance with Bangladesh Bank and its agent bank (s)		1,001,123,850	1,154,753,702
Balance with other banks and financial institutions		6,706,544,902	6,867,656,341
		7,708,339,668	8,022,729,250
Net Operating Cash Flows Per Share - (NOCFPS) (restated: 2017)	36	3.36	(2.58)

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



Director



Director



Managing Director




Company Secretary



Chief Financial Officer

Dhaka,
12 February 2019



S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Particulars	Amount in Taka					
	Share Capital	Share money deposit for right issue	Statutory Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 01 January 2018	3,182,509,410	160,307,660	1,472,602,021	-	2,452,387,301	7,267,806,392
Items involved in changes in equity						
Right Share Subscription	1,591,254,700	(160,307,660)	-	-	-	1,430,947,040
Net profit for the year	-	-	-	-	714,156,632	714,156,632
Transaction cost against right issue	-	-	-	-	(10,170,363)	(10,170,363)
Appropriation to statutory reserve	-	-	142,831,326	-	(142,831,326)	-
Stock dividend (7.5%)	358,032,300	-	-	-	(358,032,300)	-
Cash dividend (7.5%)	-	-	-	-	(358,032,317)	(358,032,317)
Balance as at 31 December 2018	5,131,796,410	-	1,615,433,347	-	2,297,477,627	9,044,707,384
Balance as at 01 January 2017	2,767,399,490	-	1,202,043,920	-	2,200,374,742	6,169,818,152
Items involved in changes in equity						
Right share money deposit received	-	160,307,660	-	-	-	160,307,660
Net profit for the year	-	-	-	-	1,352,790,507	1,352,790,507
Appropriation to statutory reserve	-	-	270,558,101	-	(270,558,101)	-
Stock dividend (15%)	415,109,920	-	-	-	(415,109,920)	-
Cash dividend (15%)	-	-	-	-	(415,109,927)	(415,109,927)
Balance as at 31 December 2017	3,182,509,410	160,307,660	1,472,602,021	-	2,452,387,301	7,267,806,392

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


Director

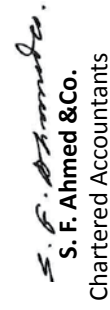

Director


Managing Director


Company Secretary


Chief Financial Officer

Dhaka,
12 February 2019


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF LIQUIDITY

As at 31 December 2018

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)	904,927	-	1,001,123,850	-	-	1,002,028,777
Balance with banks and financial institutions	1,694,211,106	4,381,911,470	2,355,153,960	-	-	8,431,276,535
Money at call and short notice	-	-	-	-	-	-
Investments	136,306,205	246,557,138	1,243,569,740	787,464,048	3,299,690,540	5,713,587,671
Lease, loans and advances	2,931,535,664	15,213,533,609	15,041,460,494	17,178,818,542	18,310,684,522	68,676,032,831
Fixed assets including land, building, furniture and fixtures	28,521,905	57,043,810	256,697,147	1,275,972,018	787,519,083	2,405,753,963
Other assets	125,956,727	187,413,986	78,188,569	25,265,190	1,243,176,457	1,660,000,929
Non-banking assets	-	-	-	-	-	-
Total Assets	4,917,436,534	20,086,460,013	19,976,193,761	19,267,519,797	23,641,070,601	87,888,680,706
Liabilities						
Borrowing from other banks, financial institutions and agents	160,452,264	2,727,464,981	6,272,990,895	1,457,197,915	5,645,134,566	16,263,240,621
Deposits and other accounts	4,182,765,032	14,593,907,869	12,928,111,759	11,118,313,992	10,581,447,767	53,404,546,419
Other liabilities	377,168,453	205,931,839	292,389,749	2,976,526,284	4,434,419,050	8,286,435,375
Total Liabilities	4,720,385,749	17,527,304,689	19,493,492,403	15,552,038,192	20,661,001,383	77,954,222,415
Net Liquidity Surplus or (Gap)	197,050,785	2,559,155,324	482,701,358	3,715,481,606	2,980,069,219	9,934,458,291

LANKABANGLA FINANCE LIMITED

STATEMENT OF LIQUIDITY

As at 31 December 2018

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)	670,916	-	1,001,123,850	-	-	1,001,794,766
Balance with banks and financial institutions	1,694,172,647	2,699,919,292	2,312,452,963	-	-	6,706,544,902
Money at call and short notice	-	-	-	-	-	-
Investments	57,477,642	103,968,288	524,388,863	332,058,077	1,391,414,503	2,409,307,374
Leases, loans and advances	2,722,736,937	14,129,949,160	13,304,887,580	15,955,256,607	17,671,749,773	63,784,580,057
Fixed assets including land, building, furniture and fixtures	20,603,122	41,206,243	185,428,096	323,174,670	787,519,083	1,357,931,214
Other assets	87,971,763	172,484,149	50,180,083	466,410,462	4,630,936,963	5,407,983,420
Non-banking assets	-	-	-	-	-	-
Total Assets	4,583,633,027	17,147,527,132	17,378,461,435	17,076,899,817	24,481,620,322	80,668,141,733
Liabilities						
Borrowing from other banks, financial institutions and agents	62,701,780	106,602,664	2,487,557,045	3,132,994,413	6,849,342,963	12,639,198,866
Deposits and other accounts	4,182,765,032	14,593,907,869	12,928,111,759	11,118,313,992	10,602,735,842	53,425,834,494
Other liabilities	316,884,194	87,527,662	262,569,266	1,354,348,296	3,537,071,571	5,558,400,989
Total Liabilities	4,562,351,006	14,788,038,195	15,678,238,069	15,605,656,702	20,989,150,376	71,623,434,349
Net Liquidity Surplus or (Gap)	21,282,021	2,359,488,937	1,700,223,366	1,471,243,115	3,492,469,945	9,044,707,384

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

1 Legal status and nature of the company

1.1 Domicile, legal form and country of operation

LankaBangla Finance Limited (hereinafter referred to as “LankaBangla” or “the Company”), a joint venture **non-banking financial institution**, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-31702(823)/96 dated 05 November 1996 as a Public Limited Company under the Companies Act, 1994 in the name of “Vanik Bangladesh Limited”. Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. It started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LankaBangla also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as Merchant Banker. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

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

Sl. No	Name of License	Registration of License	Date of License	Renewed up to
1.	Trade License	03-095082	-	2018-2019
2.	Bangladesh Bank License	DFIM(L)/15	30.10.1997	N/A
3.	Tax Identification Number (e-TIN)	750833446407	N/A	N/A
4.	VAT Identification Number	18131009113	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2018-2019
6.	DCCI Membership Certificate	2857	23.12.2008	2018
7.	Board of Investment	9803054-H	30.03.1998	N/A
8.	Registration Number	C-31702(823)/96	05.11.1996	N/A

1.2 Subsidiary companies

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.2.1 LankaBangla Securities Limited

The Company is holding a subsidiary company named “LankaBangla Securities Limited” (formerly Vanik Bangladesh Securities Limited) with an equity interest of 96.5522510% in the subsidiary company. The subsidiary is a public limited company which was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated 03 July 1997 under the Companies Act, 1994. The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Dhanmondi, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj- Narayangonj Branch. LankaBangla Securities Limited has two subsidiaries-

I) LankaBangla Information System Limited

LankaBangla Information System Limited (LBIS) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-108903/13 dated 02 May 2013 as a Private Company Limited by Shares. Its registered office is situated at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Operational activities are carrying out from AA Bhaban (Level 6), 23 Motijheel C/A, Dhaka-1000. The Company was entitled to commence its business from 02 May 2013. LBIS has a TREC (Trading Right Entitlement Certificate) in DSE and CSE.

II) BizBangla Media Limited

BizBangla Media Ltd. is a Private Limited Company incorporated on January 18, 2011 under the Companies Act 1994 with the Registrar of Joint Stock Companies & Firm of Bangladesh vides Reg. No. C- 89751/11. The Registrar office of the company is situated at 12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level - 17), Karwan Bazar, Dhaka-1215.

1.2.2 LankaBangla Asset Management Company Limited

The Company has another subsidiary company named “LankaBangla Asset Management Company Limited” with an equity interest of 99.9999980% 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 Investment Limited

The Company has also another subsidiary company named “LankaBangla Investment Limited” with an equity interest of 99.9999972% in the subsidiary company. LankaBangla Investment Limited was incorporated as private limited company with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-83568/10 dated 29 March 2010 under the Companies Act, 1994. Later on the company converted itself into a public limited company with effect from 12 June 2013. LankaBangla Investment Limited also applied for registration to the Bangladesh Securities and Exchange Commission for approval to operate in the Capital Market.

1.2.4 Group Structure of LankaBangla

Sl.	Name	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1.	LankaBangla Securities Limited	90.9091767%	5.6430743%	96.5522510%
2.	LankaBangla Investments Limited	99.9999972%	-	99.9999972%
3.	LankaBangla Asset Management Company Limited	99.9999980%	-	99.9999980%
4.	LankaBangla Information System Limited	-	96.3591465%	96.3591465%
5.	BizBangla Media Limited	-	77.2418008%	77.2418008%

1.3 Company's activities

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

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

2. Basis for preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements and separate financial statements of LankaBangla have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank with reference to the provisions of Financial Institutions Act 1993 and Bangladesh Bank's other circulars and guidelines or directives and in accordance with Bangladesh Financial Reporting Standards (IFRS), 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 IFRS with a view to comply with the regulatory requirements.

The requirements of accounting standards as per IFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note - 2.5**.

However, this departure with IFRS has been made by following all of the relevant provisions of IAS – 1 and the details disclosures are given in **Note - 2.5** by following the provision of Para 20 of IAS – 1 (Presentation of Financial Statements).

¹The term “IFRS” 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, IFRS includes all IAS and IFRS along with all of the relevant interpretations adopted by ICAB.

2.2 Presentation of financial statements

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

2.3 Basis of measurement and consolidation

These financial statements have been prepared on the historical cost convention other than the finance lease asset and finance lease obligations which were measured at present value of the minimum lease payments. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4 Non-Controlling Interest

Non-Controlling Interests are measured at their proportionate share of the acquires identifiable net assets at the date of acquisition as per Para 19 of IFRS – 3 “Business Combinations”.

The company presents the non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of parent as per Para 22 of IFRS – 10 “Consolidated Financial Statements”.

Changes in Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction as per Para 23 of IFRS – 10 “Consolidated Financial Statements”.

The company attributes the profit and loss to the owners of the parent and to the non-controlling interests even if the results in the non-controlling interest having a deficit balance as per provision of Para B94 of IFRS – 10 “Consolidated Financial Statements”.

When the proportion of the equity held by the non-controlling interests changes, the company adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary and recognized directly in equity for any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent by as per provision of Para B96 of IFRS – 10 “Consolidated Financial Statements”.

Further details about non-controlling interest are given in **Note – 16 and Note-38.4** of Financial Statements.

2.5 Disclosure of departure from few requirements of IFRS due to mandatory compliance of Bangladesh Bank and BSEC'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 IFRS. As such the company has departed from those contradictory requirements of IFRS 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 IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank/BSEC	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses (ie present value of all cash shortfalls) over the expected life of the financial instrument. For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.	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.	IFRS 09 requires a robust analysis to ascertain the extent of impairment related to credit risk of individual loan clients. It also requires probability ascertainment of various possible outcome to calculate the expected credit loss. It requires professionals to engage for an unbiased judgement to measure the probability-weighted credit losses. Based on the mentioned facts, the amount of provision for leases, loans and advances couldn't be ascertained and the effect of departure too. However, in consolidated and separate Financial Statements, provision has been kept for 2018 equivalent to BDT 368.77 million as per Bangladesh Bank guidelines among which BDT 48.06 million is general provision on good loan. Also, as at 31 December 2018, accumulated provision for lease, loan and advances stand at BDT 1,364.90 million.
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	IFRS 9 requires all equity investments to be measured at fair value. At initial recognition an entity can make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is held for trading. In all other cases, investments in equity instruments measured at fair value are recognized through profit or loss. In limited circumstances, cost can be an appropriate estimate of fair value for investments in unquoted shares.	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.	In separate financial statements, the amount which is to be recognized has been recognized. In consolidated financial statements, Tk. 184.55 million would not have recognized in profit and loss account as per IFRS 9 but as per Bangladesh Bank guidelines Tk. 342.28 loss has been recognized.
3	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	Interest income is calculated by using the effective interest rate to the gross carrying amount of a financial asset except for financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired for which interest income is calculated by applying the effective rate to the carrying amount net of expected credit loss provision.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	As the facts mentioned in Serial no. 1, the expected credit losses couldn't be measured for the financial assets which have become credit impaired since initial recognition, interest income on such credit-impaired financial assets also couldn't be measured and the effect of departure too. However, at year end, in separate Financial Statements interest suspense account has increased to BDT 518.77 million from 385.62 million resulting increase of BDT 133.16 million of interest suspense. This amount has been shown in other liabilities in note 12.3, rather shown as interest income.

Sl.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank/BSEC	Financial or Presentation Effect of the Departure
4	Presentation of cash and cash equivalent	IAS 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 year. 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 NBFI's. 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 IAS. Thus items which should be presented as "investment activities" as per IAS is shown as cash & cash equivalent.
5	Measurement of deferred tax asset	IAS 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.
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements" IAS 32 "Financial Instruments: Presentation" IFRS 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. IAS 1 requires separate line item for intangible assets on the face of statement of financial position. IAS 32 and IFRS 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 NBFI's. 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 Profit and Loss Account. 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 IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.	Presentation of financial statements is not fully aligned with all requirements of IAS. In separate financial statements, fair value loss of Tk. 47.21 million would have been recognized in other comprehensive income against strategic investments in listed shares. In consolidated financial statements, fair value gain of 159.82 million would have been recognized in other comprehensive income against strategic investments in listed shares.
7	Preparation of "Statement of Cash Flows"	IAS 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 IAS.
8	Current/ Non-current distinction	IAS-1 "Presentation of Financial Statement"	As per Para 60 of IAS-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 IAS. Moreover, the liquidity statement shows the current/ non-current portion of assets and liabilities in this regards.
9	Off-balance sheet items	IAS 1 Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; 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 IAS 1. There is no financial impact for this departure in the financial statements
10	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 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 year 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 IAS 1. There is no financial impact for this departure in the financial statements.
11	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 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 IAS 1. There is no financial impact for this departure in the financial statements.

2.6 Components of the financial statements

The financial statements comprise of (As per DFIM Circular-11, Dated 23 December 2009 and as per the para 10 of IAS 1: Presentation of Financial Statements):

- a) Consolidated and Separate Balance Sheet as at 31 December 2018;
- b) Consolidated and Separate Profit and Loss Account for the year ended 31 December 2018;
- c) Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2018;
- d) Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2018;
- e) Consolidated and Separate Liquidity Statement for the year ended 31 December 2018;
- f) Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2018.

2.7 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.8 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) 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 International Accounting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

- the Company has a legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas are where management requiring the use of estimate and judgment

- Useful life of depreciable assets (see policy note-2.21.3).
- Provision for leases, loans, advances and investments for future impairment (see policy note-2.26).
- Provision for Gratuity scheme (see policy note-2.36.2).

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the year in which the estimates are revised.

Changes in accounting estimates

During the year 2018, the Company has not adopted any change of accounting estimates and consistency applies same accounting estimates of the year of 2017.

2.9 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.10 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.11 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.12 Directors' responsibility statement

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

2.13 Statement of cash flows

Statement of cash flows has been prepared in accordance with the template provide with DFIM circular no.-11, Date-23 December 2009 which is a mixture of Direct and Indirect method of IAS 7 "Statement of Cash Flows".

2.14 Branch accounting

The Company has 25 branches and a SME Booth, with no overseas branch as on 31 December 2018. Accounts of the branches are maintained at the Branch level, and consolidated through the Accounting software automatically in head office from which these accounts are drawn up.

2.15 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, current account with Bangladesh Bank, interest bearing and non-interest bearing bank deposit, fixed deposits and investments in call loan that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value. Cash and cash equivalents are used and maintained for day to day operation of the company and for CRR and SLR requirements of Bangladesh Bank.

2.16 Investments

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

Held to maturity (HTM)

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

Held for trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing - in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any impairment in the fair value is recognized in the statement of comprehensive income for the year in which it arises. However, as referred in Note – 2.5, no gain is recognized in statement of profit and loss account as per BB guidelines.

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

Investments in marketable shares

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where market price is less than cost) as guided by Bangladesh Bank. Unrealized gains are not recognized in the profit and loss account.

Investments in non-marketable shares

Investments in unlisted securities are reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Investments in subsidiaries

Investments in subsidiaries are accounted for under the cost method of accounting in the Company's separate financial statements in accordance with IAS-27. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at cost, less impairment losses (if any).

2.17 Accounting for leases

The company, through implementation of IAS 17 "Leases", has been following the finance lease method for accounting of lease incomes. The aggregate lease receivables including un-guaranteed residual value are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition cost and interest during the acquisition year of lease assets constitutes the unearned lease income. Initial direct costs (if any) in respect of lease are charged in the year 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 year. Unrealized income is suspended, in compliance with the requirements of circular issued by the DFIM of Bangladesh Bank.

2.18 Accounting for term finance

Books of account of term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized principal for long-term finance are accounted for as term finance assets of the company. Interest earnings are recognized as accrual basis.

2.19 Accounting for margin loan

Margin Loan to Portfolio investors is given at an agreed ratio between investors deposit and loan amount to purchase securities against respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it is changes due to changes in market price of share. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

Interest on Margin loan is charged on client's portfolio value on daily basis at the applicable rate. Whenever the probability arises that the benefit will flow to the Company this is recognized to income as per para 5.4.1 of IFRS 9 'Financial Instruments'.

2.20 Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of financial liability. After initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus the cumulative amortization using the effective interest. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

2.21 Recognition of fixed assets

2.21.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the IAS 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 year in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets. Software and all up-gradation or enhancements are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

2.21.2 Assets acquired under finance lease

Assets acquired under finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The related obligation under the lease is accounted for as liability. Financial changes are allocated to accounting year in a manner so as to provide a constant rate of charge on the outstanding liability. Depreciation on fixed assets acquired under lease has been charged in the accounts following the principal recovery method.

2.21.3 Depreciation on fixed assets

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognized.

Depreciation on fixed assets is charged using straight-line method at the following rates:

<u>Fixed assets</u>	<u>Rate</u>
Furniture and fixture	20%
Office equipment	20%
Motor vehicle	20%
IT equipment	33.33%
Building	2.5%
Land	Nil

2.21.4 Depreciation of leased assets

Leased assets in the use and possession of the Company are depreciated in the books of the Company over the lease terms. The principal portions of lease installment paid or due are charged as depreciation in the year to which it relates.

2.21.5 Subsequent expenditure on fixed assets

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

2.21.6 Disposal of fixed assets

On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the profit & loss account, which is determined with reference to the net book value of the assets and net sale proceeds.

2.21.7 Intangible assets

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses if any.

Intangible assets include accounting software, credit card software, other software and integrated systems along with related hardware.

Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of four (4) years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

2.22 Other assets

Any assets which do not appear as separate line item in the face of the balance sheet of the company are categorised as other assets as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank.

Other assets include advance office rent, payment of advance income tax for which assessment of tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, advance for operation and investment in subsidiaries etc. However, investment in subsidiaries is eliminated at time of consolidation in accordance with IFRS -10 'Consolidated Financial Statements'.

2.23 Borrowings from Bangladesh Bank and other banks and financial institutions

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks and financial institutions. These are stated in the statement of financial position at amounts payable. Interest paid or payable on these borrowings is charged to the statement of comprehensive income.

2.24 Term deposits and other deposits accounts

2.24.1 Term Deposits

Term Deposits by customers and banks/NBFI are recognized when the Company enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.24.1 Other deposits

Other deposits include advance rentals/installments received from assets clients against leases, loans and advances which will be adjusted at the end of termination/settlement of leases, loans and advances in accordance with terms and conditions mentioned in the sanction letter.

2.25 Provision for liabilities

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

2.26 Provision for leases, loans and advances

Generally, provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in Bangladesh Bank FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. However, at the discretion of management, provision against classified loans and advances may be made on monthly basis. The provisions rates are given below

Particulars	Rates
General Provision on:	
Unclassified of leases, loans and advances except SME	1%
Unclassified of Small and Medium Enterprise(SME)	0.25%
Special Mention Account of leases, loans and advances	5%
Specific Provision On:	
Sub-standard of leases, loans and advances	20%
Doubtful of leases, loans and advances	50%
Bad/loss of leases, loans and advances	100%

See details in **Annexure-C**

2.27 Interest suspense account

In compliance with Bangladesh Bank FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006, interests on leases, loans and advances overdue beyond three months' year (in case of loan duration is within 5 years) and overdue beyond six months' year (in case of loan duration is more than 5 years) are not recognized as revenue and credited to interest suspense account.

Interests on mortgage finance overdue beyond nine months are not recognized as revenue and credited to interest suspense account.

See details in **Annexure-C**

2.28 Borrowing cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of fund.

The Company capitalized borrowing costs that is directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense as per para 8 of IAS 23 'Borrowing Costs'.

2.29 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, LankaBangla Finance Limited applies the accounting disclosure principles consistently from one year 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 IAS-8.

2.30 Liquidity statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of assets and liabilities as of the close of the year as per following bases:

- Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- Investments are on the basis of their residual maturity term.
- Loans and advances are on the basis of their repayment or maturity schedule.
- Fixed assets are on the basis of their useful lives.
- Other assets are on the basis of their adjustment.
- Borrowings from other banks and financial institutions as per their maturity or repayment term.
- Deposits and other accounts are on the basis of their maturity year and behavioral past trend
- Other long term liability on the basis of their maturity term.
- Provisions and other liabilities are on the basis of their settlement.

2.31 Books of account

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

2.32 Foreign currency transaction

Foreign currency transactions are translated into Bangladeshi Taka at exchange rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the period or year are reported at the rates prevailing on the Balance Sheet date. Exchange gains or losses arising out of the said conversions are recognized as income or expense for the period or year are charged in the profit and loss account after netting off.

2.33 Revenue recognition

Interest income from financial instruments is recognised in the profit and loss account using the effective interest method.

Other revenue is measured based on the consideration specified in a contract with a customer. The Company/Group recognises revenue when it transfers control over a product/service provided to a customer with the performance obligation being satisfied and the amount of the transaction price is allocated to that performance obligation.

2.33.1 Income from lease finance

The Company follows the finance lease method for accounting of lease incomes in compliance with IAS 17. Interests are recognized as and when interest incomes are accrued. Lease interests outstanding over 3 months are not recognized as revenue, and used to keep under interest suspense account.

Fee based income charges from lease operations are accounted for on cash basis.

2.33.2 Interest income from term finance

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account.

Fees based income and delinquent charges from loan operations are accounted when they arise.

2.33.3 Interest income from credit cards

Interest on credit card is accrued and taken to accounts up to 03 (three) months. Interest accrued on credit card for more than three months is accounted as Interest-in-Suspense and is not added to revenues. Thereafter, interest is recognized on cash basis reversing the suspense account. Fee based income from credit card operations are accounted for on accrual basis

2.33.4 Interest income from fixed deposit receipts

Interest on fixed deposit receipts is recognized on accrual basis.

2.33.5 Investment income

Interest income from investments in commercial paper is recognized on accrual basis as per para 5.4.1 of IFRS 9: Financial Instruments.

Capital gain/ (loss) on investments in shares is recognized when it is realized.

Dividend income on shares is recognized during the year as per para 5.7.1A of IFRS 9: Financial Instruments only when:

- (a) the Company's right to receive the payment of the dividend is established;
- (b) it is probable the economic benefits associated with the dividend will flow to the Company; and
- (c) the amount of the dividend can be measured reliably.

2.33.6 Portfolio management fee

Portfolio management fees are recognized on the market value of the client's portfolio on daily basis at the applicable rate.

2.33.7 Issue Management and Corporate Advisory Fee

Issue management fee and corporate advisory fees are recognized according to performance obligations being satisfied relating to the services as agreed and defined in Issue Management and Corporate Advisory agreement between company and clients.

2.33.8 Fees and commission based income

Fees and commission based income arising on services provided by the company are recognized when the performance obligations are satisfied and the amount of the transaction price is allocated to the performance obligations.

2.33.9 Other income

Fee based incomes other than above are recognized as income when the performance obligations are satisfied relating to the services and the amount of transaction price can be allocated and economic benefits associated with the transaction flow to the company.

2.34 Write off

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written off") the business's balance sheet.

Recovery against debts written off or provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities, properties or advances.

2.35 Operating expenses

Major component of operating expenses other than salary and allowances are office rent, printing and stationery, postage and stamp, telecommunication, legal and professional fees and other miscellaneous expenses. All expenses are recognized on accrual basis of accounting.

2.35.1 Salary and allowances

Salary and allowances comprise basic salary, house rent, medical allowance, conveyance allowance, festival bonus, leave fare assistance etc. All expenses related to salary and allowances are recognized on accrual basis of accounting.

2.36 Employee benefit plans

LankaBangla Finance Limited offers a number of benefit plans which include 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 International Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated are outlined below:

2.36.1 Provident fund

The Company maintains a contributory employees Provident Fund recognized by National Board of Revenue within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees. The Fund is administered by a Board of Trustees and is funded equally by the employer and the employees @ 10% of their basic salary as contribution of the fund. Provident Funds are invested in Fixed Deposit with other financial institutions and to the Government Treasury Bills and Bonds. Interest earned from the investments is credited to the members' account on yearly basis.

2.36.2 Gratuity fund

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

Year of Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

2.36.3 Profit participation scheme

Every confirmed employee will be entitled to participate in the profit participation scheme (on a pro-rata basis in case of new joiners) based on the performance.

2.36.4 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

2.36.5 Employees home loan scheme

The Company also has real estate loan for its permanent employees at 7% simple interest rate. Employees are entitled for real estate loan after satisfying of minimum loan eligible criteria.

2.37 Corporate tax

a. Current tax

Provision for current income tax has been made as prescribed in Finance Act 2018 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 years in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future years 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 IAS-12 "Income Taxes".

2.38 Legal proceedings

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

2.39 Earnings per Share (EPS)

The company calculates EPS in accordance with the requirement of IAS – 33: "Earnings Per Share", which has been shown on the face of the profit and loss account and the computation is shown in **Note - 34**.

Basic earnings

This represents earnings for the year ended on 31 December 2018 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 IAS – 33 "Earnings Per Share".

2.40 Credit rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 28 June 2018 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable.

The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

2.41 Impairment of assets

The company has assessed at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired, whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount by debiting to statement of comprehensive account. Fixed assets are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may be impaired. This is in compliance with the requirement of IAS – 36 "Impairment of Assets".

2.42 Statutory reserve

The Financial Institutions Act 1993 requires the Company to transfer 20% of its current year's profit after tax to reserve until such reserve equals to its paid up capital.

2.43 Events after the Reporting Period

Where necessary, all the material events after the reporting year have been considered and appropriate adjustments/disclosures have been made in the financial statements.

Dividend payable to the Company's shareholders is recognized as a liability and deducted from the shareholders' equity in the year in which the shareholders' right to receive payment is established.

2.44 Corporate governance

The company recognizes the importance of high standards of corporate governance and corporate social responsibility. Through regular Board Meeting and documented procedures of independence, the company endeavors to meet the standards expected.

The company has taken note of the recently prescribed measures by the Bangladesh Securities and Exchange Commission in this regard and intends to introduce the concept of independent Director at the earliest possible opportunity. An Audit Committee is already in place. The Company also prohibits provision of non-audit services by the external auditors. The Audit committee keeps under review the independence and objectivity of the external auditors.

The Board is also committed to effective communication between the company and its subsidiaries, investors, regulators and third party interests.

2.45 BASEL II and its implementation

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

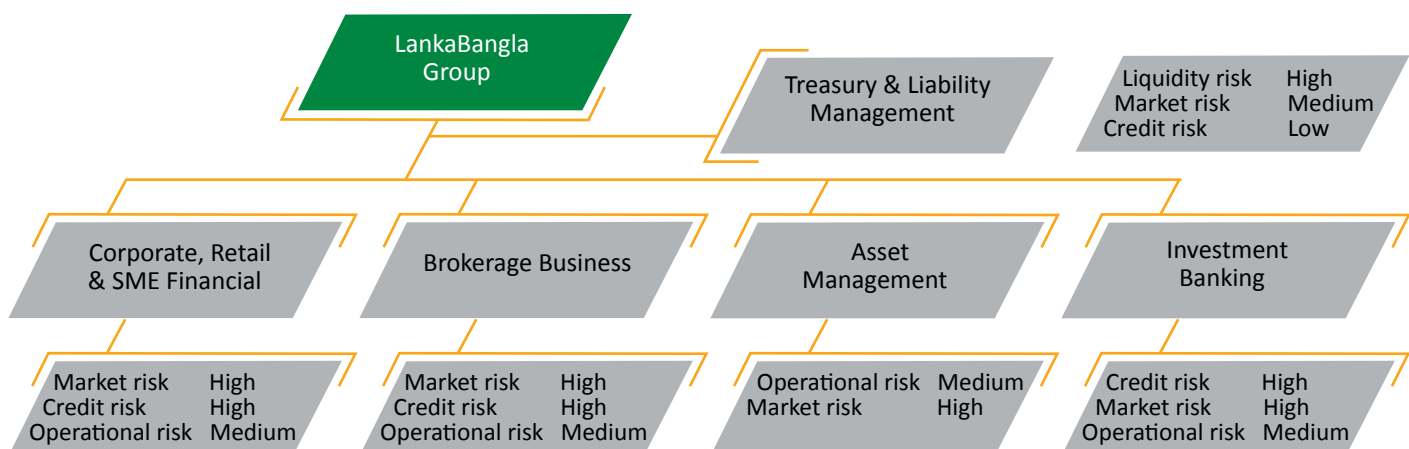
In line with Bangladesh Bank requirement, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

2.46 Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

The chart below provides a link between the Group's business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.



The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Asset Liability Management committee (ALCO) and Risk Management Forum by following the relevant directives and guidelines of Bangladesh Bank, which are responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards 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.

2.47 Segments

After incorporation 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 its 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 International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), and results of its operation have been combined, item by item, with the financial results of the Company.

2.48 Comparative figures

Comparative information has been disclosed in respect of the year ended 31 December 2018 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 2017 have been rearranged whenever considered necessary to ensure comparability with the current year.

2.49 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 12 February 2019.

2.50 Compliance of International Financial Reporting Standards (IFRS)

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

Partially Complied standards are those requirements which are different from those of Bangladesh Bank. Note – 2.5 contains details about such departure from IFRS requirements to comply with Bangladesh Bank.

3 Cash in hand

See accounting policy in note (2.15)

Local currency

Foreign currency

LankaBangla Group		LankaBangla Finance Limited	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
Taka	Taka	Taka	Taka
904,927	476,721	670,916	319,207
-	-	-	-
904,927	476,721	670,916	319,207

Cash in hand represents the amount under impress system of petty cash to meet daily petty cash expenses requirement both for head office and branch offices.

4 Balance with Bangladesh Bank and its agent banks

See accounting policy in note (2.15)

Local currency

Foreign currency

1,001,123,850	1,154,753,702	1,001,123,850	1,154,753,702
-	-	-	-
1,001,123,850	1,154,753,702	1,001,123,850	1,154,753,702

Balance with Bangladesh Bank has been maintained as Cash Reserve Requirement (CRR) of Bangladesh Bank through non-interest bearing current account.

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act, 1993 and Financial Institution Regulations 1994 and FID Circular No. 06 dated 06 November, 2003 and FID Circular No. 02 dated 10 November, 2004.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.

Cash reserve requirement (CRR) 2.50%

The Company requires to maintain cash with Bangladesh Bank current account equivalent to 2.50% of Term Deposits other than deposit taken from banks and financial institutions.

Required reserve (2.50%)	1,003,899,636	841,150,408	1,003,899,636	841,150,408
Actual reserve held (2018: 2.57%, 2017: 2.92%)	1,033,935,726	984,131,658	1,033,935,726	984,131,658
Surplus/(deficit) (2018: 0.07%, 2017: 0.42%)	30,036,090	142,981,250	30,036,090	142,981,250

Statutory liquidity requirements (SLR) 5.00%

The Company requires to maintain SLR equivalent to 5% of total liability including 2.50% of CRR and excluding loans and deposits taken from banks and financial institutions.

Total required reserve (5%)	2,129,549,374	1,794,842,716	2,129,549,374	1,794,842,716
Actual reserve held (2018: 5.03%, 2017: 5.10%)	2,141,073,473	1,829,837,682	2,141,073,473	1,829,837,682
Total surplus/(deficit) (2018: 0.03%, 2017: 0.10%)	11,524,099	34,994,967	11,524,099	34,994,967

5 Balance with other banks and financial institutions

See accounting policy in note (2.15)

Inside of Bangladesh**Local Currency**

Non interest bearing current account (Note - 5.1)

Interest bearing short term deposit account (Note - 5.2)

Fixed deposit account (Note - 5.3)

875,208,610	88,667,007	875,208,610	88,667,007
4,381,911,470	2,439,419,780	2,699,919,292	473,673,193
3,174,029,289	6,346,767,912	3,131,289,833	6,305,188,806
8,431,149,369	8,874,854,698	6,706,417,735	6,867,529,006

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
Foreign Currency				
Dhaka Bank Ltd.-USD A/C (Exchange Rate Tk. 83.9000)	91,485	90,176	91,485	90,176
Dhaka Bank Ltd.-POUND A/C (Exchange Rate Tk. 107.0312)	28,448	29,700	28,448	29,700
Dhaka Bank Ltd.-EURO A/C (Exchange Rate Tk. 96.2249)	7,234	7,458	7,234	7,458
	127,167	127,335	127,167	127,335
	8,431,276,535	8,874,982,033	6,706,544,902	6,867,656,341
Outside of Bangladesh	-	-	-	-
	8,431,276,535	8,874,982,033	6,706,544,902	6,867,656,341
5.1 Non interest bearing current account				
Bank Asia Limited	425	1,000	425	1,000
BRAC Bank Limited	4,188,764	1,205,947	4,188,764	1,205,947
Dhaka Bank Limited	3,975	39,387	3,975	39,387
Dutch Bangla Bank Limited	1,485	1,475	1,485	1,475
Eastern Bank Limited	-	357,883	-	357,883
Exim Bank Limited	1,000	-	1,000	-
First Security Islami Bank Limited	675,222	-	675,222	-
Mercantile Bank Limited	564,196,732	5,665,572	564,196,732	5,665,572
Mutual Trust Bank Limited	1,650	1,650	1,650	1,650
ONE Bank Limited	372,500	15,387,359	372,500	15,387,359
Prime Bank Limited	471	471	471	471
Standard Chartered Bank	304,069,282	64,976,553	304,069,282	64,976,553
Trust Bank Limited	1,696,807	1,029,710	1,696,807	1,029,710
United Commercial Bank Limited	298		298	
	875,208,610	88,667,007	875,208,610	88,667,007
5.2 Interest bearing short term deposit account				
AB Bank Limited	4,415,123	3,841,632	4,415,123	3,841,632
Bangladesh Development Bank Limited	89,076	28,463	-	-
Bank Asia Limited	12,093,303	18,181,526	12,093,303	18,181,526
BASIC Bank Limited	3,261	4,270	3,261	4,270
Commercial Bank of Ceylon PLC	2,274,941	45,480,214	-	-
Dhaka Bank Limited	558,566,423	3,719,865	550,988,194	795,156
Dutch Bangla Bank Limited	14,755,327	15,934	14,755,327	15,934
Eastern Bank Limited	37,011,685	303,934	37,011,685	303,934
Exim Bank Limited	1,671,663	82,595	1,671,663	82,595
Islami Bank Bangladesh Limited	-	1,131	-	-
Jamuna Bank Limited	3,666	55	3,666	55
Meghna Bank Limited	2,607	3,757	-	-
Mercantile Bank Limited	5,019,993	1,795,399	5,019,993	1,795,399
Midland Bank Limited	40,738	169,540	-	-
Mutual Trust Bank Limited	127,415	461,350	127,415	461,350
NRB Bank Limited	23,525,273	11,944,787	23,525,273	11,944,787

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
National Credit and Commerce Bank Limited	654,143,963	1,726,523	450,528,072	-
ONE Bank Limited	2,936,015,276	1,837,414,989	1,476,221,287	163,283,029
Prime Bank Limited	308,585	471,227	308,585	471,227
Shahjalal Islami Bank Limited	270,466	1,172,300	25,144	-
Sonali Bank Limited	307,599	277,646	-	-
South Bangla Agriculture and Commercial Bank Limited	35,966	52,305	-	-
Standard Bank Limited	63,509	126,475	-	-
Standard Chartered Bank	47,289,410	502,549,767	39,429,154	262,982,949
The City Bank Limited	69,201,408	4,207,680	69,122,353	4,127,935
The Premier Bank Limited	10,972,693	4,618,766	10,972,693	4,618,766
United Commercial Bank Limited	3,668,110	695,431	3,668,110	695,431
Uttara Bank Limited	5,000	5,000	-	-
Woori Bank	28,990	67,218	28,990	67,218
	4,381,911,470	2,439,419,780	2,699,919,292	473,673,193
5.3 Fixed deposit receipt account				
AB Bank Limited	-	600,000,000	-	600,000,000
Brac Bank Limited	150,000,000	200,000,000	150,000,000	200,000,000
Dutch Bangla Bank Limited	500,000	-	500,000	-
Exim Bank Limited	-	350,000,000	-	350,000,000
Islamic Finance and Investment Limited	150,000,000	200,000,000	150,000,000	200,000,000
IFIC Bank Limited	250,000,000	-	250,000,000	-
Jamuna Bank Limited	-	600,000,000	-	600,000,000
Meghna Bank Limited	350,000,000	500,000,000	350,000,000	500,000,000
Meridian Finance and Investment Limited	300,000,000	200,000,000	300,000,000	200,000,000
Midas Finance Limited	260,000,000	100,000,000	260,000,000	100,000,000
Modhumoti Bank Limited	20,000,000	-	20,000,000	-
National Bank Limited	-	800,000,000	-	800,000,000
One Bank Limited	464,570,311	201,107,669	463,396,510	200,000,000
Phoenix Finance & Investments Limited.	50,000,000	100,000,000	50,000,000	100,000,000
Social Islami Bank Limited	-	800,000,000	-	800,000,000
South Bangla Agriculture and Commerce Bank Limited	-	400,000,000	-	400,000,000
Standard Bank Limited	800,000,000	700,000,000	800,000,000	700,000,000
Standard Chartered Bank	41,565,655	40,471,436	-	-
The City Bank Limited	-	-	-	-
The Premier Bank Limited	37,393,323	35,188,806	37,393,323	35,188,806
Union Bank Limited	-	170,000,000	-	170,000,000
Union Capital Limited	300,000,000	350,000,000	300,000,000	350,000,000
	3,174,029,289	6,346,767,912	3,131,289,833	6,305,188,806

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

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
5.4 Maturity grouping of balance with other banks and financial institutions				
Up to 1 month	1,694,211,106	5,998,214,122	1,694,172,647	3,982,467,535
Over 1 month but not more than 3 months	4,381,911,470	1,550,000,000	2,699,919,292	1,550,000,000
Over 3 months but not more than 6 months	1,647,342,080	1,326,767,911	1,604,641,082	1,335,188,806
Over 6 months but not more than 1 year	707,811,880	-	707,811,880	-
Over 1 year but not more than 5 years	-	-	-	-
Over 5 years	-	-	-	-
	8,431,276,535	8,874,982,033	6,706,544,902	6,867,656,341
6 Investment				
See accounting policy in note (2.16)				
Government securities	-	-	-	-
Treasury bills	-	-	-	-
Treasury Bonds	-	-	-	-
Other investments	5,713,587,671	5,469,169,711	2,409,307,374	2,127,660,042
Non marketable shares and mutual funds (Note - 6.1)	230,519,480	211,347,010	123,569,450	73,569,450
Marketable shares and mutual funds (Note - 6.2)	5,283,068,192	4,804,822,701	2,085,737,924	1,604,090,592
Investment-LankaBangla Equity Sharing Scheme	-	3,000,000	-	-
Investment in Commercial Paper	200,000,000	450,000,000	200,000,000	450,000,000
	5,713,587,671	5,469,169,711	2,409,307,374	2,127,660,042
Investment is Designated as follows:				
Held for Trading	2,748,800,554	1,835,422,593	984,527,409	325,471,423
Held to Maturity	200,000,000	450,000,000	200,000,000	450,000,000
Available for Sale	2,534,267,638	2,969,400,108	1,101,210,515	1,278,619,168
Others	230,519,480	214,347,010	123,569,450	73,569,450
	5,713,587,671	5,469,169,711	2,409,307,374	2,127,660,042
6.1 Non marketable shares and mutual funds				
ADN Telecom Limited	1,138,080	-	-	-
Aman Cotton Fibrous Limited	-	1,255,400	-	-
BD Venture Limited	20,000,000	20,000,000	20,000,000	20,000,000
Base Textiles Limited	30,000,000	-	-	-
Bashundhara Paper Mills Limited	-	6,916,160	-	-
Bengal Meat Processing Industries Limited	50,000,000	50,000,000	-	-
EDGE Bangladesh Mutual Fund	5,000,000	-	-	-
Esquire Knit Composit Limited	3,760,200	-	-	-
CAPM Unit Fund	2,000,000	2,000,000	2,000,000	2,000,000
Central Depository (Bangladesh) Limited	1,569,450	1,569,450	1,569,450	1,569,450
Chittagong Stock Exchange Limited*	5,000,000	5,000,000	-	-
Dhaka Stock Exchange Limited*	8,704,500	11,606,000	-	-
Financial Excellence Limited	3,000,000	3,000,000	-	-
Genex Infosys Limited	212,330	-	-	-
LBAMCL Al-Arafah Shariah Unit Fund	50,000,000	60,000,000	50,000,000	-
LankaBangla 1st Balanced Uint Fund	50,000,000	50,000,000	50,000,000	50,000,000
SS Steel Limited	134,920	-	-	-
	230,519,480	211,347,010	123,569,450	73,569,450

LankaBangla Group		LankaBangla Finance Limited	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
Taka	Taka	Taka	Taka

*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 (53.33%)	2,886,042	10	28,860,420
	Blocked (46.67%)	2,525,287	10	25,252,870
		5,411,329		54,113,290
Chittagong Stock Exchange	Floated (40.00%)	1,714,932	10	17,149,320
	Blocked (60.00%)	2,572,398	10	25,723,980
		4,287,330		42,873,300

Valuation of membership has been shown at cost in the accounts.

6.2 Marketable shares and mutual funds

Bank	1,197,305,283	1,323,183,684	810,601,428	805,192,437
Cement	42,978,780	40,587,091	3,611,157	-
Ceramics	13,551,932	7,276,255	7,276,255	7,276,255
Engineering	184,987,371	85,125,590	94,894,170	36,283,688
Food and Allied	106,683,768	29,479,416	79,476,420	-
Fuel and Power	387,995,665	512,590,560	26,456,828	14,810,870
Insurance	26,847,292	593,838,699	-	144,481,779
IT Sector	462,320,353	61,431,967	66,657,908	4,180,602
Miscellaneous	68,029,009	21,047,959	-	-
Mutual Funds	9,638,982	134,974,872	-	74,200,945
Non-Bank Financial Institutions	753,491,746	816,958,153	244,931,563	217,436,920
Paper and Printing	70,714,881	-	68,121,201	-
Pharmaceuticals and Chemicals	685,603,624	594,412,647	173,812,715	116,369,568
Services & Real Estate	41,236,613	5,349,564	35,887,048	-
Tannery Industries	222,728,003	100,002,589	191,473,632	49,907,721
Telecommunication	454,762,793	3,639,075	77,013,400	-
Textile	554,192,097	474,924,578	205,524,199	133,949,806
	5,283,068,192	4,804,822,701	2,085,737,924	1,604,090,592

All investments in marketable shares are valued at average cost price as on reporting date and adequate provision has been made as per Bangladesh Bank and BSEC Guideline.*

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

*As at 31 December 2018 there was Tk. 108,016,156 (Gross unrealized gain was Tk. 57,533,168 and gross unrealised loss was Tk. 165,549,324) net unrealized loss of LankaBangla Finance Limited and there was 342,286,156 net unrealized loss of LankaBangla Group on investment in marketable shares which is charged in profit and loss account in compliance with the DFIM circular No. 11 dated; 19 September, 2011 and DFIM Circular No.02, dated; January 31, 2012 issued by Bangladesh Bank and reference no. বিএসইসি/মুখপত্র (৩য় খন্ড)/২০১১/৬০ dated; 19 December, 2018 issued by BSEC.

6.3 Strategic classification of investment in shares

Non-strategic investment in shares	2,748,800,554	1,835,422,593	984,527,409	325,471,423
Strategic investment in shares	2,534,267,638	2,969,400,108	1,101,210,515	1,278,619,168
	5,283,068,192	4,804,822,701	2,085,737,924	1,604,090,592

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
6.4 Maturity wise grouping of investments				
Up to 01 Month	136,306,205	130,475,248	57,477,642	50,758,522
More than 01 Month to 03 Months	246,557,138	236,009,826	103,968,288	91,814,426
More than 03 Month to 01 Years	1,243,569,740	1,190,371,855	524,388,863	463,087,958
More than 01 Year to 05 Years	787,464,048	753,777,620	332,058,077	293,240,585
More than 05 Years	3,299,690,540	3,158,535,162	1,391,414,503	1,228,758,552
	5,713,587,671	5,469,169,711	2,409,307,374	2,127,660,042
7 Leases, loans and advances				
Loans, cash credit and overdraft etc. (Note - 7.1)	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
Bills discounted and purchased	-	-	-	-
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
7.1 Loans, cash credit and overdraft etc.				
See accounting policy in note (2.17),(2.18) and (2.19)				
Corporate finance				
Lease finance	3,945,261,503	3,382,638,157	3,945,261,503	3,382,638,157
Secured Overdraft	149,957,645	6,085,285	149,957,645	6,085,285
Short term finance	3,743,042,728	4,419,891,075	3,743,042,728	4,419,891,075
Term loan to subsidiaries (Note - 7.1.1)	-	-	2,183,411,028	2,598,171,054
Term loan	8,313,306,029	8,054,756,449	8,313,306,029	8,054,756,449
Syndication finance	382,829,593	449,615,282	382,829,593	449,615,282
Work order finance	3,454,296	3,454,296	3,454,296	3,454,296
	16,537,851,794	16,316,440,544	18,721,262,822	18,914,611,598
Retail finance				
Auto loan (Note - 7.1.2)	5,508,870,918	6,164,325,270	5,473,403,921	6,128,136,112
Credit card receivables (Note - 7.1.3)	3,608,608,001	2,878,358,344	3,608,608,001	2,878,358,344
Home loan (Note - 7.1.4)	13,159,050,491	12,249,994,362	13,159,050,491	12,249,994,362
Personal loan (Note - 7.1.5)	5,315,383,075	5,802,188,398	5,308,547,125	5,793,776,914
	27,591,912,485	27,094,866,374	27,549,609,539	27,050,265,732
SME finance				
Term loan	9,783,266,470	8,626,401,633	9,783,266,470	8,626,401,633
Lease finance	2,340,122,172	1,504,813,529	2,340,122,172	1,504,813,529
Auto loan	1,690,755,528	2,192,624,134	1,690,755,528	2,192,624,134
Emerging and commercial	1,320,342,824	1,939,520,603	1,320,342,824	1,939,520,603
Home Loan	738,936,545	789,737,623	738,936,545	789,737,623
Real state developer finance	37,568,657	34,334,968	37,568,657	34,334,968
Secured Overdraft	31,532,629	29,634,345	31,532,629	29,634,345
Short term loan	1,369,397,539	706,176,417	1,369,397,539	706,176,417
Syndication finance	184,121,034	107,802,607	184,121,034	107,802,607
Work order finance	17,664,300	17,664,300	17,664,300	17,664,300
	17,513,707,697	15,948,710,159	17,513,707,697	15,948,710,159

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
Others				
Debit balance of share trading clients	1,538,262,645	1,915,459,377	-	-
Margin loan to share trading clients	5,494,298,210	5,268,880,993	-	-
	7,032,560,855	7,184,340,370	-	-
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
Place of disbursement				
In Bangladesh	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
Outside of Bangladesh	-	-	-	-
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
7.1.1 Term loan to subsidiaries				
LankaBangla Investments Limited	-	-	2,009,707,645	2,390,752,778
LankaBangla Securities Limited	-	-	173,703,382	207,418,276
	-	-	2,183,411,028	2,598,171,054
7.1.2 Auto Loan				
Commercial loan	5,389,744,651	6,050,506,949	5,389,744,651	6,050,506,949
Staff loan	119,126,267	113,818,321	83,659,270	77,629,163
	5,508,870,918	6,164,325,270	5,473,403,921	6,128,136,112
7.1.3 Credit card receivables				
Master card	2,180,838,467	1,784,931,047	2,180,838,467	1,784,931,047
VISA card	1,035,399,406	845,968,975	1,035,399,406	845,968,975
Master card ezy pay settlement account	278,617,730	173,845,100	278,617,730	173,845,100
VISA card ezy pay settlement account	113,752,398	73,613,222	113,752,398	73,613,222
	3,608,608,001	2,878,358,344	3,608,608,001	2,878,358,344
7.1.4 Home loan				
Bangladesh Bank refinance loan	428,120,110	485,525,640	428,120,110	485,525,640
Commercial loan	12,397,452,808	11,528,831,861	12,397,452,808	11,528,831,861
Staff loan	333,477,573	235,636,860	333,477,573	235,636,860
	13,159,050,491	12,249,994,362	13,159,050,491	12,249,994,362
7.1.5 Personal Loan				
Loan against deposit	354,121,778	364,318,158	354,121,778	364,318,158
Term loan	4,859,876,033	5,341,719,927	4,859,876,033	5,341,719,927
Staff loan	101,385,264	96,150,313	94,549,315	87,738,829
	5,315,383,075	5,802,188,398	5,308,547,125	5,793,776,914
7.1.6 Maturity wise grouping of leases, loans and advances				
On demand	2,931,535,664	4,321,974,821	2,722,736,937	4,021,211,963
Not more than 3 months	15,213,533,609	5,633,911,534	14,129,949,160	5,241,852,022
More than 03 month to 01 years	15,041,460,494	13,054,953,027	13,304,887,580	8,097,646,015
More than 01 year to 05 years	17,178,818,542	21,802,838,346	15,955,256,607	20,285,595,823
More than 05 years	18,310,684,522	21,730,679,719	17,671,749,773	24,267,281,666
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489

7.1.7 Classification wise leases, loans and advances

Unclassified

Standard (UC)

Special Mention Accounts (SMA)

Classified

Sub-standard (SS)

Doubtful (DF)

Bad/loss (BL)

Loans, advances and lease on the basis of significant concentration

a) Loans, advances and lease to the institutions in which Directors have interest

b) Loans, advances and lease to Chief Executive and Other senior executives

c) Loans, advances and lease to customer groups:

i) Real estate finance

ii) Car loan

iii) Personal loan

iv) Loan against deposits (LAD)

v) Small and medium enterprises

vi) Special program loan (Bangladesh Bank refinancing scheme)

vii) Staff loan

viii) Industrial loans, advances and leases

ix) Other loans and advances

d) Details of industrial loans, advances and leases

1) Trade and commerce

2) Industries

i) Garments and knitwear

ii) Textile

iii) Jute and jute -products

iv) Food production and processing industry

v) Plastic industry

vi) Leather and leather goods

vii) Iron, steel and engineering

viii) Pharmaceuticals and chemicals

ix) Cement and allied industry

x) Telecommunication and IT

xi) Paper, printing and packaging

xii) Glass, glassware and ceramic industry

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
	63,979,939,485	63,347,727,912	59,088,486,712	58,716,957,955
	2,397,644,718	1,297,268,946	2,397,644,718	1,297,268,946
	66,377,584,204	64,644,996,858	61,486,131,430	60,014,226,900
	667,276,840	376,858,799	667,276,840	376,858,799
	344,406,545	334,349,319	344,406,545	334,349,319
	1,286,765,241	1,188,152,471	1,286,765,241	1,188,152,471
	2,298,448,627	1,899,360,589	2,298,448,627	1,899,360,589
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
	-	-	2,183,411,028	2,598,171,054
	126,601,499	105,684,841	126,601,499	105,684,841
	12,397,452,808	11,528,831,861	12,397,452,808	11,528,831,861
	5,389,744,651	6,050,506,949	5,389,744,651	6,050,506,949
	4,859,876,033	5,341,719,927	4,859,876,033	5,341,719,927
	354,121,778	364,318,158	354,121,778	364,318,158
	17,513,707,697	15,948,710,159	17,513,707,697	15,948,710,159
	428,120,110	485,525,640	428,120,110	485,525,640
	553,989,105	445,605,495	511,686,158	401,004,853
	16,537,851,794	16,316,440,544	18,721,262,822	18,914,611,598
	10,641,168,856	10,062,698,714	3,608,608,001	2,878,358,344
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
	9,268,200,517	10,201,338,331	9,268,200,517	10,201,338,331
	2,240,670,762	2,338,242,343	2,240,670,762	2,338,242,343
	1,843,457,942	1,161,725,343	1,843,457,942	1,161,725,343
	183,671,288	347,763,548	183,671,288	347,763,548
	4,076,418,356	4,326,349,697	4,076,418,356	4,326,349,697
	754,716,179	841,049,103	754,716,179	841,049,103
	521,545,696	533,109,763	521,545,696	533,109,763
	2,101,059,277	1,933,135,749	2,101,059,277	1,933,135,749
	933,978,179	891,621,721	933,978,179	891,621,721
	1,536,475,071	1,113,589,834	1,536,475,071	1,113,589,834
	971,646,288	842,460,879	971,646,288	842,460,879
	607,719,834	540,912,315	607,719,834	540,912,315
	440,983,059	18,615,081	440,983,059	18,615,081

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
xiii) Ship manufacturing industry	-	-	-	-
xiv) Electronics and electrical products	444,604,948	394,846,776	444,604,948	394,846,776
xv) Power, gas, water and sanitary service	852,707,316	710,182,455	852,707,316	710,182,455
xvi) Transport and aviation	1,049,668,316	1,249,063,645	1,049,668,316	1,249,063,645
	18,559,322,510	17,242,668,252	18,559,322,510	17,242,668,252
3) Agriculture	842,882,333	860,013,586	842,882,333	860,013,586
4) Housing	13,320,150,825	12,601,598,184	13,320,150,825	12,601,598,184
5) Others				
i) Loan to subsidiaries companies	-	-	2,183,411,028	2,598,171,054
ii) Others	26,685,476,645	25,638,739,094	19,610,612,843	18,409,798,082
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
7.1.8 Particulars of loans, advances and leases				
i) Loan considered good in respect of which the Bank/ FI is fully secured	37,654,083,694	35,177,210,669	39,837,494,722	37,775,381,723
ii) Loan considered good for which the Bank/FI holds no other security than the debtor's personal security.	10,683,471,803	10,107,299,356	3,608,608,001	2,878,358,344
iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	20,338,477,334	21,259,847,422	20,338,477,334	21,259,847,422
iv) Loan adversely classified; for which no provision is created.	-	-	-	-
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.	553,989,105	445,605,495	511,686,158	401,004,853
vi) Loan due by companies and firms in which the directors of the Bank/FI have interests as directors, partners or managing agent or in case of private companies as members.	-	-	2,183,411,028	2,598,171,054
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.	174,917,417	153,907,227	174,917,417	153,907,227
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	1,441,479	2,559,014	1,441,479	2,559,014

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
x) Information in respect of classified loans and advances:				
a) Classified loans for which interest/ profit not credited to income	2,298,448,627	1,899,360,589	2,298,448,627	1,899,360,589
b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	564,670,508	556,009,048	564,670,508	556,009,048
	2,863,119,134	2,455,369,637	2,863,119,134	2,455,369,637
c) Amount of interest credited to the interest suspense account	95,137,656	(600,351,427)	133,165,170	35,709,292
<u>xi) Cumulative amount of written off loans:</u>				
Opening Balance	1,642,422,317	1,387,997,697	588,341,171	502,956,794
Amount written off during the year	573,636,023	261,421,294	316,914,261	92,381,051
Amount received from written off during the year	(3,760,183)	(6,996,674)	(3,760,183)	(6,996,674)
Balance of written off loans and advances yet to be recovered	2,212,298,157	1,642,422,317	901,495,249	588,341,171
The amount of written off loans for which law suits have been filed.				
Leases, Loans, and advances -geographical location-wise Inside Bangladesh				
Urban				
Dhaka	50,771,026,400	49,423,317,860	47,150,299,255	46,417,828,305
Chittagong	10,684,076,520	10,544,733,743	9,888,051,895	9,389,440,770
Sylhet	840,354,035	855,206,228	710,913,344	718,381,273
Jessore	1,386,785,688	1,468,815,161	1,386,785,688	1,468,815,161
Narshindi	551,652,188	641,719,189	378,427,558	435,663,250
Comilla	520,078,303	559,456,769	499,432,654	509,073,672
Bogra	861,138,071	725,550,996	861,138,071	725,550,996
Barisal	341,859,545	324,056,055	341,826,657	323,680,701
Khulna	544,635,534	382,754,381	449,266,807	382,754,381
Mymensingh	850,946,698	700,404,533	850,946,698	700,404,533
Narayangonj	423,270,583	358,105,618	367,282,165	281,757,535
Rajshahi	298,700,031	226,180,856	298,700,031	226,180,856
Chowmuhani	139,221,703	103,504,027	139,221,703	103,504,027
Dinajpur	145,935,151	58,852,759	145,935,151	58,852,759
Gazipur	189,668,087	114,807,120	189,668,087	114,807,120
Faridpur	126,684,293	56,892,151	126,684,293	56,892,151
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
Outside Bangladesh				
	68,676,032,831	66,544,357,447	63,784,580,057	61,913,587,489
8. Fixed assets including land, building, furniture and fixtures				
See accounting policy in note (2.21)				
Freehold assets (Note - 8.1)	1,807,689,957	1,454,307,178	1,008,644,951	1,011,466,754
Intangible assets (Note - 8.2)	364,671,586	284,452,459	120,136,683	45,156,908
Capital Work in Progress (CWIP) (Note - 8.3)	217,070,263	41,058,027	217,070,263	41,058,027
Lease hold assets (Note - 8.4)	16,322,157	23,012,838	12,079,317	16,070,537
	2,405,753,963	1,802,830,502	1,357,931,214	1,113,752,226
Details are given in Annexure - A and Annexure - B				

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		Taka	Taka	Taka	Taka
8.1	Freehold assets				
	Land (Note - 8.1.1)	787,519,083	779,519,083	787,519,083	779,519,083
	Freehold asset other than land (Note - 8.1.2)	1,020,170,874	674,788,095	221,125,869	231,947,671
		1,807,689,957	1,454,307,178	1,008,644,951	1,011,466,754
8.1.1	Land				
	Opening Balance	779,519,083	739,573,710	779,519,083	739,573,710
	Add : Addition/(Disposal) during the year	8,000,000	39,945,373	8,000,000	39,945,373
		787,519,083	779,519,083	787,519,083	779,519,083
	Less: Sales/ adjustment during the year	-	-	-	-
		787,519,083	779,519,083	787,519,083	779,519,083
8.1.2	Freehold asset other than land				
	A. Cost	1,090,740,034	739,209,801	464,948,028	406,420,164
	Opening Balance	521,687,215	409,199,647	121,854,046	111,270,675
	Add : Addition during the year	1,612,427,249	1,148,409,448	586,802,074	517,690,839
	Less: Sales/ disposal during the year	57,306,301	57,669,414	40,622,261	52,742,811
		1,555,120,948	1,090,740,034	546,179,812	464,948,028
	B. Accumulated depreciation				
	Opening Balance	415,951,939	340,869,356	233,000,357	190,124,748
	Add : Charged during the year	142,976,442	124,969,307	99,599,185	88,111,332
		558,928,380	465,838,663	332,599,542	278,236,080
	Less: Adjusted during the year	23,978,307	49,886,724	7,545,598	45,235,723
		534,950,073	415,951,939	325,053,944	233,000,357
	C. Written down value Total (A-B)	1,020,170,874	674,788,095	221,125,869	231,947,671
8.2	Intangible assets				
	Goodwill (Note - 8.2.1)	234,143,286	234,143,286	-	-
	System Software (Note - 8.2.2)	130,528,300	50,309,173	120,136,683	45,156,908
		364,671,586	284,452,459	120,136,683	45,156,908
8.2.1	Goodwill*				
	Opening Balance	234,143,286	234,143,286	-	-
	Add: Addition during the year	-	-	-	-
		234,143,286	234,143,286	-	-
	Less : Impairment during the year	-	-	-	-
		234,143,286	234,143,286	-	-
	8.2.2 System software				
	A. Cost				
	Opening Balance	193,308,156	167,031,090	106,591,025	82,215,183
	Add: Addition during the year	109,817,901	26,277,066	100,083,101	24,375,842
		303,126,056	193,308,156	206,674,125	106,591,025
	Less: Adjustment during the year	8,925,210	-	5,075,000	-
		294,200,846	193,308,156	201,599,125	106,591,025

* 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.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
B. Accumulated amortization				
Opening Balance	142,998,983	118,878,529	61,434,117	42,955,051
Add : Amortized during the year	24,523,773	23,626,643	20,028,325	17,985,256
	167,522,756	142,505,172	81,462,442	60,940,307
Less: Adjustment during the year	3,850,210	(493,810)	-	(493,810)
	163,672,546	142,998,983	81,462,442	61,434,117
C. Written down value	130,528,300	50,309,173	120,136,683	45,156,908
8.3 Capital Work in Progress (CWIP)				
Capital Work in Progress-Tangible Assets (Note - 8.3.1)	195,064,776	26,295,972	195,064,776	26,295,972
Capital Work in Progress-Intangible Assets (Note - 8.3.2)	22,005,487	14,762,055	22,005,487	14,762,055
	217,070,263	41,058,027	217,070,263	41,058,027
8.03.1 Capital Work in Progress-Tangible Assets				
Opening balance	26,295,972	5,342,062	26,295,972	5,342,062
Add: Addition during the year	168,768,804	20,953,910	168,768,804	20,953,910
Less: Transfer to Freehold assets	-	-	-	-
	195,064,776	26,295,972	195,064,776	26,295,972
8.03.2 Capital Work in Progress-Intangible Assets				
Opening balance	14,762,055	-	14,762,055	-
Add: Addition during the year	7,243,432	14,762,055	7,243,432	14,762,055
Less: Transfer to Intangible Assets	-	-	-	-
	22,005,487	14,762,055	22,005,487	14,762,055
Capital Work in Progress-Tangible Assets include amounts paid for construction of building for LankaBangla Head Office, and Capital Work in Progress-Intangible Assets include amounts paid for implementation of IFS ERP software.				
8.4 Lease hold assets				
A. Cost				
Opening Balance	58,036,000	42,004,990	24,857,000	9,777,000
Add: Addition during the year	-	20,322,000	-	15,080,000
	58,036,000	62,326,990	24,857,000	24,857,000
Less: Adjusted during the year	11,460,000	4,290,990	-	-
	46,576,000	58,036,000	24,857,000	24,857,000
B. Accumulated amortization				
Opening Balance	35,023,162	32,658,132	8,786,463	5,849,243
Add : Charged during the year	6,690,680	6,656,020	3,991,220	2,937,220
	41,713,843	39,314,152	12,777,683	8,786,463
Less: Adjustment during the year	11,460,000	4,290,990	-	-
	30,253,843	35,023,162	12,777,683	8,786,463
C. Written down value (A-B)	16,322,157	23,012,838	12,079,317	16,070,537

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
9. Other assets				
See accounting policy in note (2.22)				
Non income generating assets				
Advances and prepayments (Note - 9.1)	1,376,464,208	1,323,598,770	674,425,026	809,672,799
Income generating assets	283,536,721	272,546,288	4,733,558,394	4,260,204,404
Interest and other receivables (Note - 9.2)	283,536,721	272,546,288	102,621,431	114,267,441
Investment in subsidiaries:	-	-	4,630,936,963	4,145,936,963
LankaBangla Securities Limited	-	-	1,546,237,023	1,546,237,023
LankaBangla Asset Management Company Limited	-	-	929,700,000	929,700,000
LankaBangla Investment Limited	-	-	2,154,999,940	1,669,999,940
	1,660,000,929	1,596,145,058	5,407,983,420	5,069,877,203
9.1 Advances and Prepayments				
Advance office rent	78,188,569	106,467,479	50,180,083	68,398,430
Advance for expenses	38,626,258	18,116,405	28,794,497	10,146,591
Advance insurance premium	7,236,129	7,045,533	2,832,859	2,397,042
Advance to suppliers and others	36,950,426	38,952,861	36,950,426	38,952,861
Advance income tax*	1,033,415,723	789,328,748	458,013,921	400,365,777
Advance interest payment	1,509,882	7,317,708	1,509,882	7,317,708
Security and other deposit receivable	23,755,308	25,125,472	10,896,317	10,884,317
Advance for bank guarantee margin	145,833	163,706	-	-
Prepayments and others (Note - 9.1.1)	156,636,081	331,080,859	85,247,040	271,210,073
	1,376,464,208	1,323,598,770	674,425,026	809,672,799
*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				
Advance for land	-	182,935,000	-	182,935,000
Advance for LankaBangla Tower	46,503,066	58,041,606	46,503,066	58,041,606
Receivables against share trading	-	-	2,724,723	4,191,269
Receivables DSE and CSE	56,967,047	46,241,107	-	-
Deferred tax asset (Note -9.1.1.1)	22,023,577	22,198,464	20,670,433	20,670,433
Dividend receivable	27,175,302	19,930,328	10,952,807	4,307,975
Other receivables	3,967,089	1,734,355	4,396,012	1,063,790
	156,636,081	331,080,859	85,247,040	271,210,073

LankaBangla Group		LankaBangla Finance Limited	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
Taka	Taka	Taka	Taka

9.1.1.1 Deferred tax asset

Deferred tax has been calculated base 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 (IAS) 12 "Income Taxes".

Particulars	Accounting base carrying amounts	Tax base amounts	Deductible/ (Taxable) temporary difference
Deferred tax asset is arrived at as follows			
Assets:			
Fixed assets net of depreciation including leased hold assets as on 31 December 2018	221,125,869	330,081,996	108,956,127
Liabilities:			
Employee gratuity as on 31 December 2018	69,819,433	-	69,819,433
Total	290,945,301	330,081,996	178,775,560
Applicable tax rate for fixed assets and employee gratuity @37.50%			67,040,835
Deferred tax asset as on 31 December 2018			67,040,835
Deferred tax asset as on 31 December 2017			20,670,433
Deferred tax income need to account for during the year			46,370,402

However, as per IAS 12 deferred tax asset shall be recognized to the extent that it is probable that taxable profit will be available against which the deductible difference can be utilized. However, due to having huge amount of accumulated business loss as per tax laws, it is not probable that there will be future taxable profit against which these deductible temporary difference can be utilized. Hence, no additional deferred tax asset has been recognized during the current year.

In addition to that subsidiary companies recognized its respective deferred tax assets to the extent of its available taxable profit.

9.2 Interest and other receivables

Interest receivables from fixed deposit account	100,634,085	105,733,690	99,510,354	104,800,774
Interest receivables from Commercial Paper	3,111,077	9,466,667	3,111,077	9,466,667
Issue management fees receivable	17,924,783	14,622,354	-	-
Account receivable from PO department	28,394,577	23,051,916	-	-
Account receivable from advertisement	118,461,184	97,823,773	-	-
Account receivable from circulation	7,495,543	5,894,045	-	-
Receivable from Vision Capital Management Ltd.	-	9,186	-	-
Receivable from LB Gratuity Wealth Builder Fund	25,000	-	-	-
Receivable from LankaBangla 1st PE Fund	50,000	-	-	-
Receivable from LB Gratuity Opportunities Fund	10,000	-	-	-
Receivable from LankaBangla Al-Arafah Shariah Unit Fund	3,491,560	2,277,243	-	-
Receivable from CAPM Unit Fund	-	8,722,500	-	-
Receivable from LankaBangla 1st balanced unit fund	3,938,912	4,944,915	-	-
	283,536,721	272,546,288	102,621,431	114,267,441

During the year 2018, subsidiary of LankaBangla Finance Limited had written off issue management fees receivable amounting Tk. 3,500,000.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
10 Borrowings from Bangladesh Bank, other banks and financial institutions				
See accounting policy in note (2.23)				
Inside Bangladesh (Note - 10.1)	16,263,240,621	18,563,686,212	12,639,198,866	15,061,790,454
Outside Bangladesh	-	-	-	-
	16,263,240,621	18,563,686,212	12,639,198,866	15,061,790,454
10.1 Inside Bangladesh				
Secured:				
Bank overdraft (Note - 10.1.1)	1,227,046,745	1,484,406,014	1,227,046,745	1,484,406,014
Long term loan (Note - 10.1.2)	3,886,508,960	3,204,556,576	2,946,036,282	2,162,101,502
REPO against Govt. treasury bills and bonds	-	-	-	-
	5,113,555,705	4,688,962,590	4,173,083,027	3,646,507,516
Unsecured:				
Call loans (Note - 10.1.3)	1,140,000,000	1,280,000,000	1,140,000,000	1,280,000,000
Commercial Paper	-	500,000,000	-	500,000,000
Short term loans (Note - 10.1.4)	7,503,282,587	11,153,130,809	5,087,359,368	8,980,000,000
Zero Coupon Bond (Note - 10.1.5)	712,711,785	941,592,813	445,065,927	655,282,938
Subordinate bond (Note - 10.1.6)	1,793,690,543	-	1,793,690,543	-
	11,149,684,916	13,874,723,622	8,466,115,839	11,415,282,938
	16,263,240,621	18,563,686,212	12,639,198,866	15,061,790,454
10.1.1 Bank overdraft				
Secured by FDR				
Dutch Bangla Bank limited	(3,693,553)	20,627,860	(3,693,553)	20,627,860
Standard Chartered Bank	12,794,821	(69,945,249)	12,794,821	(69,945,249)
	9,101,268	(49,317,390)	9,101,268	(49,317,390)
Secured by Pari Passu sharing agreement				
Commercial Bank of Ceylon PLC	(2,954,167)	-	(2,954,167)	-
Midland Bank Limited	183,078,253	75,757,757	183,078,253	75,757,757
Bank Asia Limited	(3,323,565)	22,443,031	(3,323,565)	22,443,031
BASIC Bank Limited	158,162,915	200,291,667	158,162,915	200,291,667
Prime Bank Limited	270,263,515	189,779,047	270,263,515	189,779,047
Dhaka Bank Limited	16,184,970	177,018,283	16,184,970	177,018,283
Mercantile Bank Limited	237,890,889	109,636,400	237,890,889	109,636,400
Modhumoti Bank Limited	268,465,596	289,468,512	268,465,596	289,468,512
Mutual Trust Bank Limited	90,177,070	11,787,594	90,177,070	11,787,594
The Premier Bank Limited	-	2,266,874	-	2,266,874
United Commercial Bank Limited	-	455,274,240	-	455,274,240
	1,217,945,476	1,533,723,404	1,217,945,476	1,533,723,404
	1,227,046,745	1,484,406,014	1,227,046,745	1,484,406,014
10.1.2 Long term loan				
Opening Balance	3,204,556,576	1,688,521,479	2,162,101,502	1,003,630,699
Add: Addition during the year	1,750,209,626	2,047,628,595	1,500,209,626	1,342,386,595
	4,954,766,202	3,736,150,074	3,662,311,128	2,346,017,294
Less: Adjusted during the year	1,068,257,242	531,593,498	716,274,846	183,915,793
	3,886,508,960	3,204,556,576	2,946,036,282	2,162,101,502

Details of the above balance is presented below:**From Bangladesh Bank and its agents Bank**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
Bangladesh Bank (under Re-Finance)- Women Entrepreneur	208,183,572	148,033,967	208,183,572	148,033,967
Bangladesh Bank (under Re-Finance)- Home Loan	423,092,854	485,501,314	423,092,854	485,501,314
Bangladesh Bank (under Re-Finance)- IPFF Fund	175,249,839	198,358,403	175,249,839	198,358,403
Bangladesh Bank (under Re-Finance)- ADB Project	165,467,221	-	165,467,221	-
Bangladesh Bank (Under Re-Finance)- Agro Processing Industry	201,006,767	69,393,910	201,006,767	69,393,910
Bangladesh Bank (Under Re-Finance)- JICA Assisted Project-FSPDS	251,145,464	148,843,746	251,145,464	148,843,746
	1,424,145,717	1,050,131,340	1,424,145,717	1,050,131,340

From other than Bangladesh Bank and its agents Bank

Dutch Bangla Bank Limited	-	45,030,235	-	45,030,235
Mercantile Bank Limited	500,000,000	-	500,000,000	-
Midland Bank Limited	31,931,844	40,769,554	-	-
National Credit and Commerce Bank Limited	300,000,000	-	300,000,000	-
Phoenix Finance & Investment Limited	150,035,313	181,683,310	-	-
Prime Bank Limited	541,733,800	800,000,000	541,733,800	800,000,000
Shahjalal Islami Bank Limited	92,974,276	103,822,264	-	-
South Bangla Agriculture and Commerce Bank Limited	509,301,676	484,858,607	-	-
Standard Bank Limited	147,838,067	219,579,888	-	-
Woori Bank	166,666,664	250,000,000	166,666,664	250,000,000
Lease obligation	21,881,602	28,681,378	13,490,101	16,939,927
	2,462,363,243	2,154,425,236	1,521,890,565	1,111,970,162
	3,886,508,960	3,204,556,576	2,946,036,282	2,162,101,502

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 Call loan

Agrani Bank Limited	-	150,000,000	-	150,000,000
Janata Bank Limited	170,000,000	200,000,000	170,000,000	200,000,000
Meghna Bank	150,000,000	190,000,000	150,000,000	190,000,000
Mutual Trust Bank Limited	240,000,000	240,000,000	240,000,000	240,000,000
National Credit and Commerce Bank Limited	80,000,000	-	80,000,000	-
Sonali Bank Limited	400,000,000	350,000,000	400,000,000	350,000,000
Uttara Finance & Investments Limited	-	150,000,000	-	150,000,000
United Commercial Bank Limited	100,000,000	-	100,000,000	-
	1,140,000,000	1,280,000,000	1,140,000,000	1,280,000,000

10.1.4 Short term borrowings

Bangladesh Development Bank Limited	100,000,000	-	100,000,000	-
Commercial Bank of Ceylon	75,000,000	-	75,000,000	-
Eastern Bank Limited	1,650,000,000	2,700,000,000	1,650,000,000	2,700,000,000
Hajj Finance Limited	200,000,000	201,134,697	-	-
Jamuna Bank Limited	-	350,000,000	-	350,000,000
Lankan Alliance Finance Limited	50,000,000	-	50,000,000	-
Meghna Bank Limited	350,000,000	500,000,000	350,000,000	500,000,000
Midland Bank Limited	103,365,987	102,766,955	-	-
MIDAS Financing Limited	80,000,000	-	-	-
Mutual Trust Bank Limited	-	600,000,000	-	600,000,000
National Bank Limited	-	1,000,000,000	-	1,000,000,000
National Credit and Commerce Bank Limited	293,094,808	250,000,000	190,000,000	250,000,000

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
NRB Commercial Bank Limited	100,000,000	-	100,000,000	-
One Bank Limited	830,163,936	712,173,106	-	-
Phonix Finance Limited	-	204,644,444	-	-
Prime Bank Limited	-	500,000,000	-	500,000,000
Shahjalal Islami Bank Limited	270,391,667	148,491,305	170,000,000	50,000,000
South Bangla Agriculture and Commerce Bank Limited	707,001,968	205,400,680	500,000,000	-
Standard Bank Limited	150,000,000	-	150,000,000	-
Standard Chartered Bank	1,840,009,020	1,472,582,122	1,300,000,000	1,080,000,000
Trust Bank Limited	100,000,000	800,000,000	100,000,000	800,000,000
United Commercial Bank Limited	152,359,368	650,000,000	152,359,368	650,000,000
Uttara Finance and Investment Limited	251,895,834	255,937,500	-	-
Uttara Bank Limited	100,000,000	400,000,000	100,000,000	400,000,000
Woori Bank	100,000,000	100,000,000	100,000,000	100,000,000
	7,503,282,587	11,153,130,809	5,087,359,368	8,980,000,000

10.1.5 Zero Coupon Bond

A. K. Khan Co. Limited	74,853,385	110,135,694	74,853,385	110,135,694
Bangla Telecom Limited	15,393,004	23,859,156	-	-
Delsey Cotton Spinning Mills Limited	82,929,810	-	-	-
Faisal Spinning Mills Limited	30,786,008	47,718,313	-	-
Grameen One: Scheme Two	15,393,004	23,859,156	-	-
Janata Jute Mills Limited	46,179,012	71,577,468	-	-
Mr. Anwar Huq	30,786,008	47,718,313	-	-
Ms. Monisha Anwar Huq	30,786,008	47,718,313	-	-
Reliance Insurance Limited	15,393,004	23,859,156	-	-
Square Pharmaceuticals Limited	149,845,617	220,488,346	149,845,617	220,488,346
Super Petrochemical Limited	40,759,171	60,075,000	40,759,171	60,075,000
Universal Jeans Limited	179,607,754	264,583,898	179,607,754	264,583,898
	712,711,785	941,592,813	445,065,927	655,282,938

On 26 December 2017, LankaBangla Finance Ltd. issued the first tranche of the second Zero Coupon Bond with face value of BDT 742,998,000 (with approved face value of BDT 3,000 million). The Company received BDT 654,466,856 after discounting the Bond at 7.5%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 15,235,856.

Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.95% as per Para B5.4.1 of IFRS 9.

Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 15,235,856), i.e., 639,229,000 as per Para 5.1.1 of IFRS 9.

10.1.6 Subordinate bond

SK. Akijuddin Limited	1,783,780,245	-	1,783,780,245	-
Green Delta Securities Limited	9,910,298	-	9,910,298	-
	1,793,690,543	-	1,793,690,543	-

On 23 December 2018, the Company issued the first tranche of coupon bearing, nonconvertible, subordinated bond with face value of BDT 1,810,000,000 (with approved face value of BDT 3,000 million) for 6 years. The coupon rate of the bond is floating with a floor of 8% and ceiling of 11%. Total transaction costs incurred for issuance of the subordinated bond (for the entire issue) was BDT 33,911,120. Subsequently, the subordinated bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 10.44% as per Para B5.4.1 of IFRS 9. Initially the bond was measured at fair value (BDT 1,810,000,000) less transaction costs (BDT 20,459,709 = BDT 33,911,120 × 1,810,000,000 ÷ 3,000,000,000) as per Para 5.1.1 of IFRS 9. The redemption of the bonds will start from the end of the 6th month from the issuance of the bonds and each 06 (six) months thereafter in equal instalments.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
<u>Maturity grouping of borrowings from other banks and financial institutions</u>				
Payable on demand	-	-	-	-
Up to 1 month	160,452,264	2,868,258,404	62,701,780	2,830,000,000
Over 1 month but within 3 months	2,727,464,981	2,467,055,177	106,602,664	2,390,538,369
Over 3 months but within 1 year	6,272,990,895	6,280,717,835	2,487,557,045	4,849,826,791
Over 1 year but within 5 years	1,457,197,915	2,768,196,840	3,132,994,413	1,639,533,286
Over 5 years	5,645,134,566	4,179,457,956	6,849,342,963	3,351,892,008
	16,263,240,621	18,563,686,212	12,639,198,866	15,061,790,454
11 Term deposits and other deposits				
See accounting policy in note (2.24)				
Term deposits (Note - 11.1)	53,231,132,604	51,552,816,766	53,252,420,679	51,552,816,766
Other deposit (Note - 11.2)	173,413,815	122,341,372	173,413,815	122,341,372
	53,404,546,419	51,675,158,138	53,425,834,494	51,675,158,138
11.1 Term deposits				
<u>Product wise break-up of term deposit</u>				
Periodic return term deposits	2,076,957,647	940,800,739	2,076,957,647	940,800,739
Cumulative term deposits	20,091,544	126,886,874	20,091,544	126,886,874
Double money term deposits	4,039,369,139	2,684,636,084	4,039,369,139	2,684,636,084
Money builders scheme	779,162,158	467,609,486	779,162,158	467,609,486
Fixed term deposit	14,885,824,610	17,533,669,679	14,907,112,685	17,533,669,679
Flexi Deposits	2,345,145	10,353	2,345,145	10,353
SME term deposits	1,827,049,943	75,250,000	1,827,049,943	75,250,000
Retail institution deposit	1,945,332,325	120,807,962	1,945,332,325	120,807,962
Term deposit shohoj sanchoy	1,545,719,073	728,168,802	1,545,719,073	728,168,802
Term deposit quick sanchoy	35,303,867	3,381,555	35,303,867	3,381,555
Term deposit triple money	491,201,125	374,156,386	491,201,125	374,156,386
Term deposit (fixed term)-3 months	58,958,991	154,344,966	58,958,991	154,344,966
Term deposit Earn First Fixed Rate	31,431,654	159,701,060	31,431,654	159,701,060
Term deposit AgroJ (Senior Citizen)	4,517,823,259	2,344,603,880	4,517,823,259	2,344,603,880
Term deposit Classic TDR 2 To 3 Years	20,974,562,124	25,838,788,940	20,974,562,124	25,838,788,940
	53,231,132,604	51,552,816,766	53,252,420,679	51,552,816,766
11.2 Other deposits against leases, loans and advances				
Other deposits				
Corporate Clients	101,213,818	52,993,870	101,213,818	52,993,870
Retail Clients	56,263,697	53,266,626	56,263,697	53,266,626
SME Clients	15,936,300	16,080,876	15,936,300	16,080,876
	173,413,815	122,341,372	173,413,815	122,341,372
11.3 Group-wise break-up of term deposits and other deposits				
Bank and Non Bank Financial Institute (NBFI)	13,240,000,000	16,740,000,000	13,240,000,000	16,740,000,000
Corporate houses	22,497,758,999	24,364,085,213	22,519,047,074	24,364,085,213
Individual	17,666,787,420	10,571,072,925	17,666,787,420	10,571,072,925
	53,404,546,419	51,675,158,138	53,425,834,494	51,675,158,138
11.4 Remaining maturity grouping of term deposits and other deposits				
Payable on demand	-	-	-	-
In not more than 01 month	4,182,765,032	4,478,546,634	4,182,765,032	4,478,546,634
In more than 01 month but not more than 06 months	14,593,907,869	6,596,356,689	14,593,907,869	6,596,356,689
In more than 06 months but not more than 01 year	12,928,111,759	6,969,086,199	12,928,111,759	6,969,086,199
In more than 01 year but not more than 05 years	11,118,313,992	16,317,009,786	11,118,313,992	16,317,009,786
In more than 05 years but not more than 10 years	10,581,447,767	17,314,158,829	10,602,735,842	17,314,158,829
In more than 10 years	-	-	-	-
	53,404,546,419	51,675,158,138	53,425,834,494	51,675,158,138

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
12. Other liabilities				
See accounting policy in note (2.25),(2.26),(2.27) and (2.35)				
Accrued expenses	71,855,512	31,444,401	63,127,033	22,672,532
Salaries and related expenses payable	28,908,902	75,836,803	1,366,567	1,474,166
Office rent payable	11,522,388	4,716,983	3,199,150	1,010,100
Utility bill payable	4,669,877	3,887,897	2,472,974	2,457,296
Advance receipt against leases-adjustment A/C	710,963,146	528,791,439	710,963,146	528,791,439
CDBL expenses payable	2,118,647	2,482,835	-	-
Client positive balance	89,295,107	85,466,875	-	-
Deferred liability-employee gratuity (Note -12.1)	72,759,158	70,683,138	69,819,433	58,564,778
Deferred tax liability	12,181,274	7,004,484	-	-
Employees provident fund payable	9,178,857	10,180,661	99	(309,668)
Interest payable (Note - 12.2)	2,041,936,749	1,479,420,311	1,993,225,875	1,438,357,354
Interest suspense account (Note - 12.3)	654,862,371	559,724,716	518,786,559	385,621,388
IPO subscription payable	51,794	51,794	51,794	51,794
ITCL settlement A/C	18,897,699	15,961,293	18,897,699	15,961,293
Payable against MCBS charges	8,758	8,891	8,758	8,891
Payable against merchants claims and others	2,517,750	952,825	2,517,750	952,825
Payable against receipt from other card holders	4,066,398	4,237,462	4,066,398	4,237,462
Payable to LB Foundation	10,056,359	22,009,465	7,213,703	13,664,551
Payable DSE and CSE	11,364,099	51,620,807	-	-
Payable to share trading clients	1,293,521,810	1,397,710,049	-	-
Provisions for loans / investments (Note - 12.4)	1,941,335,083	1,434,422,523	1,473,619,666	1,243,366,277
Provision for taxation (Note - 12.5)	952,075,921	705,475,270	360,946,366	259,370,032
Receivables/(payables)-other MasterCard operator (Note - 12.6)	28,118,485	25,084,555	28,118,485	25,084,555
Payable to right share holder	1,877,818	214,123	1,877,818	214,123
Payable against legal and professional fees	8,294,735	8,024,345	7,961,735	7,898,345
Payable against redemption of mortgage property	2,135,315	831,750	2,135,315	831,750
Provision for audit fee	1,063,580	1,052,079	575,000	575,000
Sundry creditors	41,414,399	33,204,524	41,414,399	33,131,916
Safety net deposit-factoring and others	10,504,511	3,917,332	10,504,511	3,917,332
Security Deposits	2,625,277	202,212	2,552,670	202,212
Unpaid dividend	65,293,513	81,370,520	62,784,514	76,442,200
Privileged creditors (Note - 12.7)	165,551,101	117,344,982	164,425,069	116,354,476
VISA settlement A/C	5,510,795	1,838,909	5,510,795	1,838,909
Brokerage sharing	9,392,190	9,725,852	-	-
Other liabilities	237,648	340,989	-	-
Mobile phone bill payable-Handset	28,896	45,185	28,896	45,185
Payable against parent health insurance	239,455	62,715	228,815	62,715
	8,286,435,375	6,775,350,993	5,558,400,989	4,242,851,226
12.1 Deferred liability - employee gratuity				
Opening Balance	70,683,138	51,615,460	58,564,778	43,434,906
Addition during the year	41,016,058	33,280,513	35,795,642	29,027,280
	111,699,196	84,895,973	94,360,420	72,462,186
Payment during the year	38,940,038	14,212,835	24,540,987	13,897,408
Closing Balance	72,759,158	70,683,138	69,819,433	58,564,778

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
12.2 Interest payable				
Term deposit receipts	1,905,077,072	1,386,265,862	1,905,172,573	1,386,265,862
Long term loan-Commercial Bank	28,422,215	6,565,249	28,422,215	6,565,249
Long term loan-Bangladesh Bank	1,443,284	-	1,443,284	-
Long term loan-Bangladesh Bank-IPFF	335,598	2,462,765	335,598	2,462,765
Long term loan-Bangladesh Bank-Agro Processing Industry	10,105,960	830,846	10,105,960	830,846
Long term loan-Bangladesh Bank-JICA Assisted Project-FSPDSME	1,785,795	941,435	1,785,795	941,435
Long term loan-Bangladesh Bank-ADB Project	4,091,930	-	4,091,930	-
Short term loans	89,630,811	56,338,304	40,824,435	15,275,347
Lease finance	252,417	63,350	252,417	63,350
Commercial paper	-	25,312,500	-	25,312,500
Call loan borrowings	791,667	640,000	791,667	640,000
	2,041,936,749	1,479,420,311	1,993,225,875	1,438,357,354
12.3 Interest suspense account				
Lease finance	90,606,770	92,195,601	90,606,770	92,460,045
Term finance	252,463,688	162,263,048	252,463,688	162,263,048
Credit card	30,363,501	27,215,607	30,363,501	26,951,163
Home loan	145,352,600	103,947,132	145,352,600	103,947,132
Margin Loan	136,075,813	174,103,328	-	-
	654,862,371	559,724,716	518,786,559	385,621,388
12.3.1 Movement of interest suspense account				
Opening Balance	559,724,716	1,160,076,143	385,621,388	349,912,097
Transferred to interest suspense during the year	282,118,238	173,123,310	282,118,238	173,123,310
Interest suspense realized during the year	(79,269,320)	(111,660,967)	(79,269,320)	(111,660,967)
	762,573,634	1,221,538,486	588,470,306	411,374,440
Write off during the year	(107,711,263)	(661,813,770)	(69,683,748)	(25,753,052)
	654,862,371	559,724,716	518,786,559	385,621,388
12.4 Provisions for loans, investments and other assets				
Provision for leases and loans	1,364,903,510	1,243,366,277	1,364,903,510	1,243,366,277
Lease finance	369,825,103	354,727,693	369,825,103	354,727,693
Term finance and short term loan	558,416,493	535,074,151	558,416,493	535,074,151
Credit card	276,095,564	210,012,665	276,095,564	210,012,665
Home loan	160,566,350	143,551,768	160,566,350	143,551,768
Margin loan	233,445,417	191,056,246	-	-
Provision for diminution in value of investment in equity shares	342,286,156	-	108,016,156	-
Provision for other assets	700,000	-	700,000	-
	1,941,335,083	1,434,422,523	1,473,619,666	1,243,366,277
12.4.1 Movement of provisions for loans, investments and other assets				
Opening Balance	1,434,422,523	1,460,992,545	1,243,366,277	1,061,553,115
Provision required for the year	1,278,171,385	331,401,780	779,317,967	370,744,722
Provision released during the year	(301,834,065)	(122,303,560)	(301,834,065)	(122,303,560)
Provision charged for the year	976,337,321	209,098,220	477,483,902	248,441,162
Write off during the year	(469,424,761)	(235,668,242)	(247,230,514)	(66,627,999)
Closing Balance	1,941,335,083	1,434,422,523	1,473,619,666	1,243,366,277

During the year 2017 and 2018, LankaBangla Finance Limited had written off its receivables of contracts as per write off policy of the Bangladesh Bank (FID circular No. 03 dated 15 March 2007) and subsidiaries of LankaBangla Finance Limited had written off receivables as per their respective write off policy.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
12.4.2 Grouping of provisions for loans, investments and other assets				
General Provision				
Standard (UC)	471,518,667	472,964,577	471,518,667	472,964,577
Special Mention Account (SMA)	110,653,250	61,149,937	110,653,250	61,149,937
	582,171,917	534,114,513	582,171,917	534,114,513
Specific Provision				
Sub-standard (SS)	99,391,279	52,808,550	99,391,279	52,808,550
Doubtful (DF)	118,669,806	100,433,666	118,669,806	100,433,666
Bad Loss (BL)	564,670,508	556,009,548	564,670,508	556,009,548
	782,731,592	709,251,764	782,731,592	709,251,764
Provision for other assets	700,000	-	700,000	-
Provision for margin loan	233,445,417	191,056,246	-	-
Provision for investment in shares	342,286,156	-	108,016,156	-
	1,941,335,083	1,434,422,523	1,473,619,666	1,243,366,277
12.5 Provision for taxation				
Opening Balance	705,475,270	375,746,093	259,370,032	214,770,322
Provision during the year	259,278,400	334,274,885	101,576,334	44,599,710
	964,753,670	710,020,978	360,946,366	259,370,032
Adjusted during the year	12,677,749	4,545,708	-	-
	952,075,921	705,475,270	360,946,366	259,370,032
12.6 Receivables/(payables)-other Master Card operator				
This represents receivable/payables from the other master card operators which is created due to the use of credit card systems at the point of sales.				
Bank Asia Limited	(1,658,491)	(1,829,851)	(1,658,491)	(1,829,851)
Balance for Master Card operation (Nostro A/C)	5,584,533	5,584,533	5,584,533	5,584,533
Standard Chartered Bank	24,192,443	21,329,873	24,192,443	21,329,873
	28,118,485	25,084,555	28,118,485	25,084,555
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	23,140,983	16,594,755	22,925,659	16,354,794
Tax deducted at source (TDS)	92,037,432	51,007,996	91,126,724	50,257,452
Excise duty deducted form customer accounts	50,372,685	49,742,230	50,372,685	49,742,230
	165,551,101	117,344,982	164,425,069	116,354,476
13. Share capital				
Authorized	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
100,000,000 ordinary shares of Tk.10/- each				
Issued, subscribed and paid up capital	5,131,796,410	3,182,509,410	5,131,796,410	3,182,509,410

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

Date of Issue	Particulars	Number of Shares Issued		Paid up Shares (Cumulative)	Amount of Shares Capital (BDT)	Amount of Shares Capital (BDT) (Cumulative)
		Bonus Shares	Subscription			
5-Nov-96	First (Subscription as per Memorandum and Articles of Association) at the time of Incorporation	-	500,000	500,000	5,000,000	5,000,000
5-Apr-98	Subscription	-	9,500,000	10,000,000	95,000,000	100,000,000
12-Apr-03	Subscription	-	10,105,363	20,105,363	101,053,630	201,053,630
28-Jun-04	Subscription	-	4,000,000	24,105,363	40,000,000	241,053,630
3-May-05	Subscription	-	1,894,637	26,000,000	18,946,370	260,000,000
14-Sep-06	IPO	-	9,000,000	35,000,000	90,000,000	350,000,000
19-May-08	10% Stock Dividend for 2007	3,500,000	-	38,500,000	35,000,000	385,000,000
5-May-09	15% Stock Dividend for 2008	5,775,000	-	44,275,000	57,750,000	442,750,000
30-Mar-10	20% Stock Dividend for 2009	8,855,000	-	53,130,000	88,550,000	531,300,000
27-Mar-11	55% Stock Dividend for 2010	29,221,500	-	82,351,500	292,215,000	823,515,000
28-Mar-12	30% Stock Dividend for 2011	24,705,450	-	107,056,950	247,054,500	1,070,569,500
3-May-12	1:1 Right of 82,351,500 Shares	-	82,351,500	189,408,450	823,515,000	1,894,084,500
31-Mar-13	10% Stock Dividend for 2012	18,940,845	-	208,349,295	189,408,450	2,083,492,950
31-Mar-14	5% Stock Dividend for 2013	10,417,464	-	218,766,759	104,174,640	2,187,667,590
19-Mar-15	10% Stock Dividend for 2014	21,876,675	-	240,643,434	218,766,750	2,406,434,340
30-Mar-16	15% Stock Dividend for 2015	36,096,515	-	276,739,949	360,965,150	2,767,399,490
30-Mar-17	15% Stock Dividend for 2016	41,510,992	-	318,250,941	415,109,920	3,182,509,410
31-Jan-18	2:1 Right of 159,125,470 Shares	-	159,125,470	477,376,411	1,591,254,700	4,773,764,110
31-Mar-18	7.5% Stock Dividend for 2017	35,803,230	-	513,179,641	358,032,300	5,131,796,410
Total					5,131,796,410	

Details of shares holding position are as under:

Sponsor shareholders:	Percentage 31.12.2018	2018		2017	
		Number of shares	Taka	Number of shares	Taka
a. Foreign sponsors					
Sampath Bank Limited, Sri Lanka	9.47%	48,606,291	486,062,910	30,143,437	301,434,370
b. Local sponsors					
ONE Bank Limited, Bangladesh	24.09%	123,599,485	1,235,994,850	76,650,848	766,508,480
Individuals	3.78%	19,393,083	193,930,830	12,026,719	120,267,190
	20.31%	104,206,402	1,042,064,020	64,624,129	646,241,290
General shareholders					
	66.44%	340,973,865	3,409,738,650	211,456,656	2,114,566,560
	100.00%	513,179,641	5,131,796,410	318,250,941	3,182,509,410

<u>Shares groups</u>	<u>Number of share</u>	<u>Percentage</u>	<u>Number of share</u>	<u>Percentage</u>
Less than 500	1,205,934	0.23	949,064	0.30
501 to 5,000	24,407,737	4.76	14,819,145	4.66
5,001 to 10,000	20,955,325	4.08	11,504,239	3.61
10,001 to 20,000	26,504,237	5.16	13,431,657	4.22
20,001 to 30,000	16,757,894	3.27	8,876,649	2.79
30,001 to 40,000	11,500,504	2.24	7,225,137	2.27
40,001 to 50,000	10,918,420	2.13	7,142,891	2.24
50,001 to 100,000	31,458,024	6.13	21,486,351	6.75
100,001 to 1,000,000	105,434,483	20.55	82,162,974	25.82
Above 1000000	264,037,083	51.45	150,652,834	47.34
	513,179,641	100.00	318,250,941	100.00

During the year 2018, the company increased its paid-up capital from Tk. 3,182,509,410 to Tk. 5,131,796,410 by issuing 159,125,470 rights shares as approved in the 10th EGM held on 15 June 2017 and 35,803,230 bonus shares to the shareholders as approved in 21th Annual General Meeting (AGM) held on 29 March 2018.

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. 22.90 and Tk. 22.90 At Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2018.

13.2 Name of the directors and their shareholdings as at 31 December 2018

SI No.	Name	Status	Share Holding as on 31.12.2017	Share Holding as on 31.12.2018	% of Share holding as on 31.12.2018
1	Mr. Mohammad A. Moyeen	Chairman	13,491,355	21,754,807	4.24%
2	Mr. I. W. Senanayake (Representative of Sampath Bank PLC)	Director	30,143,437	48,606,291	9.47%
3	Mr. Nanda Fernando (Representative Sampath Bank PLC)	Director			
4	Mr. M. Fakhru Alam (Representative ONE Bank Limited)	Director	12,026,719	19,393,083	3.78%
5	Mrs. Aneesha Mahial Kundanmal	Director	24,513,161	39,527,471	7.70%
6	Mr. Mahbubul Anam	Director	14,174,230	22,855,945	4.45%
7	Mr. Tahsinul Huque	Director	12,399,383	19,994,004	3.90%
8	Mrs. Jasmine Sultana	Sponsor	46,000	74,175	0.01%
9	Mrs. Zaitun Sayef	Independent Director	-	-	-
10	Mr. Abdul Malek Shamsher	Independent Director	-	-	-
Total			106,794,285	172,205,776	33.56%

13.3 Rights Share Issue

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

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

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

Sl. #	Particulars	Remarks
1	No. of Right shares offered	159,125,470 nos. of ordinary shares.
2	Ratio of the issue	1R:2 i. e. 1 (one) Rights share for 2 (two) existing shares held on the record date.
3	Issue price per share	Taka 10.00 each.
4	Total amount of Right shares to be issued	Taka 1,591,254,700
5	Record Date for entitlement of Right Shares	November 26, 2017
6	Subscription Opening Date	December 17, 2017
7	Subscription Closing Date	January 14, 2018
8	Manager to the Issue	AFC Capital Limited
9	Banker to the Issue	<ul style="list-style-type: none"> • ONE Bank Limited • Investment Corporation of Bangladesh
10	Fully underwritten by	<ul style="list-style-type: none"> • MIDAS Investment Limited • AFC Capital Limited • CAPM Advisory Limited • Banco Finance and Investment Limited • Citizen Securities & Investment Limited

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

LankaBangla Group		LankaBangla Finance Limited	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
Taka	Taka	Taka	Taka

13.4 Capital Adequacy Ratio (CAR)

“As per section 4(GHA) of the Financial Institution Regulations 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the Company. The surplus eligible capital of the Group as well as the company at the close of business on 31 December 2018 were Tk. 4,612.27 million and Tk. 3,924.58 million respectively.”

Core Capital (Tier-1)

Paid-up capital	(Note - 13)	5,131,796,410	3,182,509,410	5,131,796,410	3,182,509,410
Share premium		1,090,888,800	1,090,888,800	-	-
Statutory reserves	(Note - 14)	1,615,433,347	1,472,602,021	1,615,433,347	1,472,602,021
General reserves		53,048,686	50,867,438	-	-
Dividend equalization reserves		-	-	-	-
Other (Share money deposit for right issue)		-	160,307,660	-	160,307,660
Retained earnings	(Note - 15)	1,932,047,440	2,369,825,140	2,297,477,627	2,452,387,301
Non-controlling interest		111,243,608	101,519,363	-	-
Sub-Total		9,934,458,291	8,428,519,831	9,044,707,384	7,267,806,392
Deductions from Tier-1 (Core Capital)					
Goodwill and value of any contingent assets which are shown as assets		234,143,286	234,143,286	-	-
Any investment exceeding the approved limit		-	-	326,500,769	-
Total Eligible Tire - 1 Capital		9,700,315,005	8,194,376,545	8,718,206,615	7,267,806,392

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Taka	Taka	Taka	Taka
Supplementary capital (Tier -II)				
General provision (unclassified loans up to specified limit + SMA + off balance sheet exposure)	582,171,917	534,114,513	582,171,917	534,114,513
Assets revaluation reserves up to 50%	-	-	-	-
Revaluation reserve for securities up to 10%	-	-	-	-
All others preference shares	-	-	-	-
Others (if any other item approved by Bangladesh Bank)	1,793,690,543	-	1,793,690,543	-
Sub-Total	2,375,862,461	534,114,513	2,375,862,461	534,114,513
Deductions				
Any investment exceeding the approved limit	-	-	326,500,769	-
Total Eligible Tire - 2 Capital	2,375,862,461	534,114,513	2,049,361,692	534,114,513
A) Total capital	12,076,177,466	8,728,491,059	10,767,568,307	7,801,920,905
Total assets including off -balance sheet exposures	91,937,725,555	94,667,525,231	84,717,186,581	87,472,416,267
B) Total risk weighted assets	74,639,111,048	73,026,050,283	68,429,845,272	66,042,974,022
C) Required capital based on risk weighted assets (10% on B)	7,463,911,105	7,302,605,028	6,842,984,527	6,604,297,402
D) Surplus capital (A-C)	4,612,266,361	1,425,886,030	3,924,583,780	1,197,623,503
E) Capital Adequacy Ratio	16.18%	11.95%	15.74%	11.81%
F) Core Capital to RWA	13.00%	11.22%	12.74%	11.00%
G) Supplementary Capital to RWA	3.18%	0.73%	2.99%	0.81%
14. Statutory reserve				
See accounting policy in note (2.42)				
Opening Balance	1,472,602,021	1,202,043,919	1,472,602,021	1,202,043,920
Add: Transferred from profit during the year @ 20%	142,831,326	270,558,101	142,831,326	270,558,101
	1,615,433,347	1,472,602,021	1,615,433,347	1,472,602,021
15. Retained earnings				
Opening Balance	2,804,134,007	3,478,354,543	3,166,543,933	3,553,165,249
Add: Profit for the year	2,369,825,140	1,579,509,093	2,452,387,301	2,200,374,742
	434,308,867	1,898,845,450	714,156,632	1,352,790,507
Less: Adjustment during the year:	872,086,568	1,108,529,403	869,066,306	1,100,777,948
Transfer to statutory reserve during the year	142,831,326	270,558,101	142,831,326	270,558,101
Transfer to general reserve during the year	2,181,248	4,099,421	-	-
Transaction cost against right issue	10,170,363	-	10,170,363	-
Changing in non-controlling interest	839,014	3,652,034	-	-
Transferred of stock dividend	358,032,300	415,109,920	358,032,300	415,109,920
Cash dividend	358,032,317	415,109,927	358,032,317	415,109,927
	1,932,047,440	2,369,825,140	2,297,477,627	2,452,387,301

16 Non-controlling interest

See accounting policy in note (2.4)

Name of Subsidiaries

	Percentage in Non-controlling interest	Equity as on 31.12.2018	LankaBangla Group	
			31.12.2018 Taka	31.12.2017 Taka
LankaBangla Securities Limited	3.4477490%	5,019,333,535	173,054,022	163,781,964
LankaBangla Investments Limited	0.0000028%	420,727,265	11.71	16
LankaBangla Asset Management Company Limited	0.0000020%	976,273,605	19.53	20
LankaBangla Information System Limited	3.6408535%	4,096,144	149,135	88,721
BizBangla Media Limited	22.7581992%	(272,251,681)	(61,959,580)	(62,351,358)
			111,243,608	101,519,363

17. Interest income

See accounting policy in note (2.33.1) (2.33.2), (2.33.3) and (2.33.4)

Lending Finance

	LankaBangla Group		LankaBangla Finance Limited	
	2018 Taka	2017 Taka	2018 Taka	2017 Taka
Lease finance	511,177,672	331,180,146	511,177,672	331,180,146
Lending to subsidiaries	-	-	302,020,407	272,621,168
Real estate developers Finance	5,219,188	4,542,134	5,219,188	4,542,134
Short term lending	706,751,484	596,054,701	706,751,484	596,054,701
Term finance	1,072,512,557	1,118,552,712	1,072,512,557	1,118,552,712
Term loan secured overdraft	12,897,119	3,627,560	12,897,119	3,627,560
Term loan syndication finance	58,119,060	50,992,581	58,119,060	50,992,581
Auto loan	1,016,446,559	781,314,305	1,016,446,559	781,314,305
Credit card (Note- 17.1)	640,867,009	523,052,175	640,867,009	523,052,175
Home loan (Note- 17.2)	1,554,962,045	1,030,771,307	1,554,962,045	1,030,771,307
Personal loan (Note- 17.3)	770,126,927	602,487,745	768,670,790	601,308,702
Emerging and commercial	246,360,062	176,460,113	246,360,062	176,460,113
SME finance	1,181,862,758	832,679,279	1,181,862,758	832,679,279
	7,777,302,441	6,051,714,759	8,077,866,711	6,323,156,884

Treasury finance

Fixed deposit accounts	326,642,956	299,241,348	325,377,078	297,978,710
Short term deposit accounts	244,756,707	102,302,013	163,881,342	2,036,623
	571,399,663	401,543,360	489,258,420	300,015,333

Others

Debit balance of share trading clients	662,458,712	495,894,420	-	-
Margin loan to share trading clients	84,092,033	126,936,747	-	-
	746,550,745	622,831,167	-	-
	9,095,252,849	7,076,089,286	8,567,125,131	6,623,172,217

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
17.1 Credit Card				
Master Card	438,177,723	350,138,639	438,177,723	350,138,639
Visa Card	202,689,285	172,913,536	202,689,285	172,913,536
	640,867,009	523,052,175	640,867,009	523,052,175
17.2 Home loan				
Bangladesh Bank refinance loan	60,953,119	37,345,459	60,953,119	37,345,459
Commercial loan	1,473,802,839	978,032,409	1,473,802,839	978,032,409
Staff loan	20,206,086	15,393,438	20,206,086	15,393,438
	1,554,962,045	1,030,771,307	1,554,962,045	1,030,771,307
17.3 Personal loan				
Term loan	716,571,778	565,047,664	716,571,778	565,047,664
Loan against deposit	41,875,997	26,808,734	41,875,997	26,808,734
Staff loan	11,679,152	10,631,347	10,223,015	9,452,304
	770,126,927	602,487,745	768,670,790	601,308,702
18. Interest expenses on deposits and borrowings				
See accounting policy in note (2.28)				
Other than Bangladesh Bank				
Bank overdraft	137,165,452	106,080,475	137,165,452	106,080,475
Call loan	45,695,347	58,800,528	45,695,347	58,800,528
Short term loan	701,554,239	503,636,025	701,554,239	503,636,025
Term deposits	5,047,648,770	3,662,132,401	5,049,186,576	3,662,132,401
Term loan- commercial bank	528,120,474	309,698,264	110,514,123	12,915,303
Zero Coupon Bond	52,684,846	82,312,231	52,684,846	82,312,231
Subordinate bond	4,150,252	-	4,150,252	-
Commercial paper	4,135,000	61,875,000	4,135,000	61,875,000
	6,521,154,380	4,784,534,924	6,105,085,835	4,487,751,963
Bangladesh Bank				
Bangladesh Bank REPO	-	-	-	-
Term loan- Bangladesh Bank	84,592,617	54,305,944	84,592,617	54,305,944
	84,592,617	54,305,944	84,592,617	54,305,944
	6,605,746,998	4,838,840,868	6,189,678,453	4,542,057,908
19. Income from investment				
See accounting policy in note (2.33.5)				
Income from investment in share (Capital gain)	352,638,468	770,754,162	80,397,454	320,374,532
Dividend income	74,859,327	107,104,435	24,394,088	272,556,701
Commercial paper	6,533,299	36,363,889	6,533,299	36,363,889
	434,031,094	914,222,486	111,324,841	629,295,121
20. Commission, exchange and brokerage income				
See accounting policy in note (2.33.8)				
Brokerage commission	707,137,576	1,134,600,280	-	-
Underwriting commission	490,000	1,401,250	-	-
	707,627,576	1,136,001,530	-	-
21. Other operational income				
See accounting policy in note (2.33.6), (2.33.7), (2.33.8), (2.33.9), (2.21.6) and (2.34)				
Fees and documentations				
Portfolio and issue management fees	23,299,855	41,595,472	-	-
Membership fees of credit card	48,569,401	35,964,100	48,569,401	35,964,100
Other income from credit card	170,709,638	115,196,815	170,709,638	115,196,815
Fees and documentations (Note-21.1)	319,345,951	392,229,412	319,345,951	392,229,412
	561,924,845	584,985,799	538,624,989	543,390,327

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
Others				
Advertisement	146,807,093	130,717,503	-	-
Circulation	13,688,951	12,353,621	-	-
Late payment charge-factoring	2,312,987	997,443	2,312,987	997,443
Corporate finance fees	10,100,000	11,046,696	-	300,000
Foreign exchange gain/(loss)	(168)	9,496	(168)	9,496
Income from CDBL	23,789,169	21,884,805	-	-
Income from unit fund operation	18,993,219	11,497,244	-	-
Miscellaneous	6,367,226	6,097,117	3,264,832	4,538,696
Write off recovery	3,760,183	6,996,674	3,760,183	6,996,674
Profit on sale of fixed asset	3,811,793	2,946,099	751,197	(149,469)
Round Table Conference	1,375,750	1,670,845	-	-
Scrap sales	2,279,318	3,133,984	-	-
Settlement fee	22,550,558	48,573,547	-	-
Sponsorship	5,428,429	5,872,157	-	-
Management fees	-	-	4,750,000	4,750,000
Selling agent fees	1,063,433	-	1,063,433	-
Good borrower incentive	-	5,578,584	-	5,578,584
	262,327,941	269,480,815	15,902,463	23,126,424
	824,252,786	854,466,614	554,527,453	566,516,751
21.1 Fees and documentations				
Lending finance				
Lease finance	2,315,861	4,456,082	2,315,861	4,456,082
Revolving credit -secured	26,000	10,000	26,000	10,000
Short term loan	3,209,009	6,747,533	3,209,009	6,747,533
Term loan	4,875,472	17,077,348	4,875,472	17,077,348
Term loan syndication finance	7,065,413	18,012,154	7,065,413	18,012,154
Work order finance	241,000	266,369	241,000	266,369
Auto loan	15,330,644	32,459,962	15,330,644	32,459,962
Credit card	184,024,630	136,049,302	184,024,630	136,049,302
Home loan	32,161,712	68,324,213	32,161,712	68,324,213
Personal loan	22,160,930	50,273,621	22,160,930	50,273,621
SME finance	29,719,942	41,658,053	29,719,942	41,658,053
Emerging and commercial	18,215,339	16,894,775	18,215,339	16,894,775
	319,345,951	392,229,412	319,345,951	392,229,412
22. Salary and allowances				
See accounting policy in note (2.35.1) and (2.36)				
Salary and allowances	1,224,587,935	1,160,453,415	764,143,409	701,412,072
Provident fund contribution	36,312,863	32,125,177	17,189,442	15,724,907
Gratuity fund	51,258,390	37,035,534	35,460,642	28,692,280
Festival bonus	54,710,575	70,531,016	54,710,575	49,611,648
	1,366,869,763	1,300,145,142	871,504,067	795,440,906

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
23. Rent, taxes, insurance, electricity etc.				
See accounting policy in note (2.35)				
Office rent	187,933,076	163,286,813	134,547,218	112,634,369
Insurance premium	35,654,911	30,583,036	26,136,734	22,592,350
Electricity	27,481,456	26,692,224	17,262,404	16,310,356
	251,069,443	220,562,073	177,946,355	151,537,075
24. Legal and professional fees	27,864,545	33,424,026	20,969,653	30,932,570
See accounting policy in note (2.35)				
25. Postage, stamp, telecommunication etc.				
See accounting policy in note (2.35)				
Postage and courier	3,372,599	3,942,543	2,969,512	3,539,224
Stamp charges	2,158,263	3,172,813	2,118,274	3,138,055
Telephone bill	21,243,610	21,704,224	14,704,053	15,678,167
	26,774,472	28,819,579	19,791,839	22,355,446
26. Stationery, printing, advertisement				
See accounting policy in note (2.35)				
Printing and stationery	32,559,506	34,408,929	22,701,632	23,186,830
Advertisement	19,229,837	31,626,373	15,719,482	28,947,476
	51,789,343	66,035,302	38,421,114	52,134,306
27. Managing director's salary and allowance				
See accounting policy in note (2.35.1) and (2.36)				
Salary and allowances	14,340,000	9,833,333	14,340,000	9,833,333
Provident fund contribution	804,000	558,333	804,000	558,333
Gratuity fund	335,000	335,000	335,000	335,000
	15,479,000	10,726,667	15,479,000	10,726,667
28. Director fees and expenses				
See accounting policy in note (2.35)				
Board meeting and audit committee attendance fees	2,271,200	2,387,300	642,800	752,000
	2,271,200	2,387,300	642,800	752,000
29. Audit fees				
See accounting policy in note (2.35)				
	1,155,750	1,092,500	575,000	575,000
30. Repairs, maintenance and depreciation				
See accounting policy in note (2.21.3) and (2.35)				
Repairs and maintenance	5,730,534	152,867,828	3,895,132	109,033,809
Software maintenance	32,232,589	6,347,819	22,372,939	5,379,139
Depreciation	171,131,431	24,186,257	123,618,730	16,793,949
	209,094,554	183,401,905	149,886,801	131,206,897

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
31. Other expenses				
See accounting policy in note (2.35)				
AGM and related expenses	6,849,213	3,981,815	6,782,895	3,913,348
Bank charges	4,047,581	3,617,222	2,200,035	2,212,910
Business promotion	92,545,132	68,774,642	81,893,065	40,360,925
CDBL fee	31,361,489	47,246,348	190,419	485,201
CIB Charge	5,802,310	7,556,260	5,802,310	7,556,260
Commission on bank guarantee	10,955,706	12,863,244	-	-
Commission on mobile banking transaction	450,205	321,609	450,205	321,609
Computer accessories	829,750	699,202	820,600	675,137
Contact point verification fees	7,886,745	6,207,766	7,886,745	6,207,766
Conveyance	8,993,482	8,799,890	8,569,568	8,485,151
Cost of Newspaper, P. S Plates & Polyester film	26,016,366	23,830,946	-	-
Credit card accessories	2,178,558	5,109,259	2,178,558	5,109,259
Documentation fee	554,574	1,047,951	-	31,183
Donation and miscellaneous expenses	512,816	846,299	351,346	692,799
Educational expense reimbursements	241,231	162,329	177,755	115,607
Entertainment	14,288,856	14,177,798	6,215,359	6,553,627
Excise duty	3,516,313	1,861,000	3,464,813	1,827,000
Factory overhead	108,201,471	73,174,707	-	-
Fair and conference	963,134	1,070,922	-	-
Fuel expense	2,977,164	3,025,929	1,624,494	1,615,912
Hawla charges	262,010	926,578	-	-
HR event	4,381,135	2,810,760	4,381,135	2,810,760
Internet and e-mail	21,121,536	20,957,343	9,869,032	8,458,133
Laga charges	53,195,075	82,947,130	-	-
LB foundation	10,056,359	22,009,465	7,213,703	13,664,551
Loss on sales of fixed asset	251,327	3,165,139	-	2,954,170
Marketing expenses	112,884,973	141,335,543	112,884,973	141,335,543
Master Card-Stand By Letter of Credit issuance charge	1,039,219	989,063	1,039,219	989,063
Master Card Consolidated Billing System charges	28,122,954	31,705,028	28,122,954	31,705,028
Meeting expense	2,073,951	3,038,745	2,073,951	3,038,745
Membership and regulatory fees	8,769,669	9,350,392	4,169,339	4,139,617
Networking charge	904,031	272,924	-	-
News paper and periodicals	541,281	1,163,693	258,947	219,400
Office maintenance	73,767,614	69,727,833	54,726,090	51,965,175
Other expenses	295,446	93,802	-	-
Other operational expenses credit card	26,030,034	20,279,238	26,030,034	20,279,238
Recovery commission	100,000	800,842	100,000	800,842
Recruitment expense	1,838,468	787,338	1,831,922	786,338
Selling & distribution expenses	17,267,779	11,194,255	-	-
SMS service charge	5,002,775	3,926,778	5,002,775	3,926,778
Staff welfare	1,923,912	1,579,493	1,923,912	1,579,493
Subscription	6,720,922	6,707,955	-	-
Training	14,192,619	15,993,211	11,780,732	12,740,832
Travelling	43,572,706	38,231,574	31,351,032	29,310,157
Vehicle maintenance/registration	51,934,649	48,168,976	22,181,331	20,306,134
Water and sewerage bill	2,215,197	2,047,332	1,316,228	1,170,248
	817,637,739	824,585,567	454,865,475	438,343,936

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
32. Provisions for loans, investments and other assets				
See accounting policy in note (2.27)				
Provisions for leases and loans	368,767,746	248,441,162	368,767,746	248,441,162
General provision	48,057,404	85,665,893	48,057,404	85,665,893
Specific provision	320,710,342	162,775,268	320,710,342	162,775,268
Provision for margin loan	261,083,418	36,766,605	-	-
Provision for diminution in value of investments	342,286,156	(76,109,546)	108,016,156	-
Specific provision for other assets	4,200,000	(2,150,000)	700,000	(2,910,000)
	976,337,321	206,948,220	477,483,902	245,531,162
33. Provision for tax made during the year				
See accounting policy in note (2.37)				
Current tax expense	259,278,400	334,274,885	101,576,334	44,599,710
Deferred tax expense/ (income)	5,351,678	3,246,722	-	-
	264,630,078	337,521,607	101,576,334	44,599,710
34. Earnings Per Share (EPS)				
See accounting policy in note (2.39)				
Earning attributable to ordinary shareholders	434,308,867	1,898,845,450	714,156,632	1,352,790,507
Weighted number of shares outstanding (Note - 34.1)	508,483,839	457,890,349	508,483,839	457,890,349
Basic earnings per share (Restated- prior year)	0.85	4.15	1.40	2.95

34.1 Weighted average number of shares outstanding (WANS) for the year ended 31 December 2018

Date	Particular	Shares	Time factor (days)	Bonus fraction	Weighted average number of shares
01 Jan 2018	Opening no. of shares	318,250,941	31/365	(41.45/30.97) * 1.075	38,889,317
31 Jan 2018	Rights issue (2 : 1R)	159,125,470			
		477,376,411	334/365	1.075	469,594,522
					508,483,839

Theoretical ex-rights price is calculated as follows:

Market price per share on 31 January 2018 was Tk. 41.40 on DSE and Tk. 41.50 on CSE; average market price is Tk. 41.45

Value of 2 shares based on average market price	82.90
Subscription	10.00
	92.90

Theoretical ex-rights price per share **30.97**

Therefore, bonus fraction in rights issue is 41.45/30.97

Weighted average number of shares outstanding (WANS) for the year ended 31 December 2017

Particular	Shares	Bonus fraction	Weighted average number of shares
Opening no. of shares	318,250,941	(41.45/30.97) * 1.075	457,890,349

	LankaBangla Group		LankaBangla Finance Limited	
	2018	2017	2018	2017
	Taka	Taka	Taka	Taka
35. Net asset value per share- (NAV)				
Net asset value as at 31 December 2018	9,823,214,683	8,327,000,468	9,044,707,384	7,267,806,392
Number of shares outstanding	513,179,641		513,179,641	
Restated number of shares outstanding (Note - 34.1)		457,890,349		457,890,349
	19.14	18.19	17.62	15.87
36. Net Operating Cash Flows Per Share - (NOCFPS)				
Net cash flows/(used in) from operating activities	1,676,093,115	(1,548,806,730)	1,707,809,354	(1,181,266,993)
Weighted number of shares outstanding (Note - 34.1)	508,483,839	457,890,349	508,483,839	457,890,349
	3.30	(3.38)	3.36	(2.58)
36.1 Reconciliation of net profit before tax with net cash flows from operating activities				
Profit before tax	709,074,176	2,263,810,766	815,732,966	1,397,390,217
Adjustments:				
Depreciation and amortization	174,190,895	155,251,971	123,618,730	109,033,809
(Gain)/Loss on sale of fixed assets	(3,560,466)	219,040	(751,197)	3,103,638
Provision for loans, leases and advances & investments	976,337,321	206,948,220	477,483,902	245,531,162
Foreign exchange (gain)/loss	168	(9,496)	168	(9,496)
	1,856,042,094	2,626,220,501	1,416,084,569	1,755,049,329
Increase/(decrease) in operating assets & liabilities				
Loans and advances to customers	(2,502,462,489)	(16,136,077,333)	(2,470,057,910)	(15,195,306,939)
Other assets	176,556,219	17,899,557	204,541,927	(130,106,174)
Deposits from customers and others	1,729,388,281	11,526,665,383	1,750,676,356	11,526,665,383
Other liabilities	673,333,734	790,634,233	864,212,556	983,198,610
	1,932,857,838	(1,174,657,659)	1,765,457,498	(1,060,499,790)
Income tax paid	(256,764,724)	(334,203,698)	(57,648,144)	(80,821,830)
Interest paid (for Land purpose)	-	(39,945,373)	-	(39,945,373)
Net Cash flows from/(used in) Operating Activities	1,676,093,114	(1,548,806,730)	1,707,809,354	(1,181,266,993)

37. Segment report

37.1. Basis for segmentation

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable Segments	Operations
Core Financing Business	Fees based services include Credit Card Membership Fees, Loan processing fees etc.
	Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Emerging and Commercial, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
Brokerage Business	Act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments.
Investment Business	Trading, margin loan and corporate finance activities
Asset Management Business	Fund management activities

The Group's Management Committee reviews internal management reports from each segment at least monthly.

37.2. Information about reportable segments

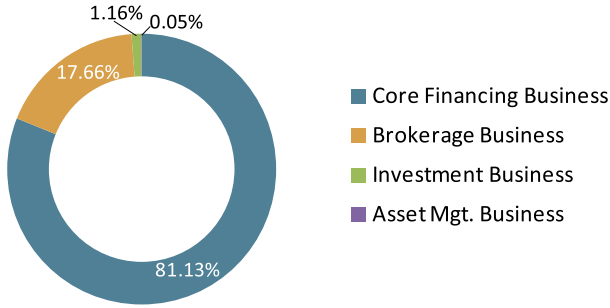
Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's management committee, is used to measure performance because management believes that this information is the most relevant in evaluating the 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.

Particulars	Amount in Taka				
	For the year 2018				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	8,265,104,724	740,691,840	89,190,287	265,997	9,095,252,849
Revenue from investment	111,324,841	353,570,838	(17,068,706)	(13,795,880)	434,031,094
Commission, exchange and brokerage income	-	707,137,576	490,000	-	707,627,576
Other operational income	549,777,453	198,042,209	57,439,905	18,993,219	824,252,786
Total revenue from external customers	8,926,207,018	1,999,442,464	130,051,487	5,463,336	11,061,164,305
Revenues from transactions with other operating segments of the same entity :					
Interest revenue	302,020,407	-	1,537,806	-	303,558,214
Other operational income	4,750,000	10,892,059	-	-	15,642,059
Total revenues from transactions with other operating segments of the same entity	306,770,407	10,892,059	1,537,806	-	319,200,273
Total segment revenue	9,232,977,425	2,010,334,523	131,589,294	5,463,336	11,380,364,577
Interest expenses					
Segment interest expenses	6,188,140,646	415,269,477	1,874,167	462,707	6,605,746,997
Revenues from transactions with other operating segments of the same entity	1,537,806	23,369,706	278,650,701	-	303,558,214
Total segment interest expenses	6,189,678,453	438,639,183	280,524,868	462,707	6,909,305,211
Operating expenses					
Segment operating expenses	1,615,571,315	849,744,191	90,472,692	40,026,715	2,595,814,915
Revenues from transactions with other operating segments of the same entity	10,892,059	-	-	4,750,000	15,642,059
Total segment operating expenses	1,626,463,374	849,744,191	90,472,692	44,776,715	2,611,456,974
Depreciation and amortization	123,618,730	41,090,419	5,499,308	3,982,438	174,190,895
Net operating income	1,293,216,868	680,860,729	(244,907,574)	(43,758,523)	1,685,411,497
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	477,483,902	234,270,000	264,583,418	-	976,337,321
Profit before tax and reserve	815,732,966	446,590,729	(509,490,992)	(43,758,523)	709,074,177
Provision for tax made during the period	101,576,334	156,691,704	891,948	118,414	259,278,400
Deferred tax (expense)/ Income	-	5,176,791	-	174,886	5,351,678
	101,576,334	161,868,495	891,948	293,300	264,630,078
Net profit after tax	714,156,631	284,722,234	(510,382,940)	(44,051,824)	444,444,099
Total segment assets	80,668,141,733	11,134,106,826	2,700,306,864	1,048,678,860	95,551,234,283
Inter segmental assets	2,183,411,028	-	-	-	2,183,411,028
Net segment assets	78,484,730,705	11,134,106,826	2,700,306,864	1,048,678,860	93,367,823,255
Amount of addition to non-current fixed assets	405,949,383	403,212,549	5,355,420	-	814,517,352
Segment capital employed	9,044,707,384	4,924,323,283	420,727,265	976,273,605	15,366,031,537
Segment liability	71,623,434,349	6,036,080,161	269,871,954	72,405,255	78,001,791,718
Inter segmental liabilities	-	173,703,382	2,009,707,645	-	2,183,411,027
Total segmental liability	80,668,141,733	11,134,106,826	2,700,306,864	1,048,678,860	95,551,234,283

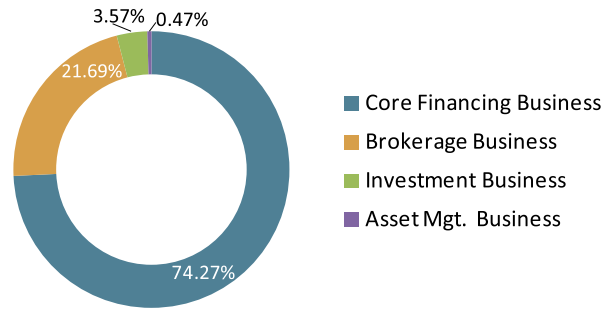
Particulars	Amount in Taka				
	For the year 2017				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	6,350,551,049	595,106,033	130,098,348	333,855	7,076,089,286
Revenue from investment	369,662,561	364,010,592	142,599,682	37,949,651	914,222,486
Commission, exchange and brokerage income	-	1,134,600,280	1,401,250	-	1,136,001,530
Other operational income	561,766,751	179,741,105	101,461,514	11,497,244	854,466,614
Total revenue from external customers	7,281,980,361	2,273,458,010	375,560,795	49,780,750	9,980,779,915
Revenues from transactions with other operating segments of the same entity :					
Interest revenue	272,621,168	-	-	-	272,621,168
Revenue from investment	259,632,560	-	-	-	-
Other operational income	4,750,000	10,119,756	-	-	14,869,756
Total revenues from transactions with other operating segments of the same entity	537,003,728	10,119,756	-	-	287,490,923
Total segment revenue	7,818,984,089	2,283,577,765	375,560,795	49,780,750	10,268,270,839
Interest expenses					
Segment interest expenses	4,542,057,908	296,297,211	-	485,750	4,838,840,868
Revenues from transactions with other operating segments of the same entity	-	22,896,347	249,724,821	-	272,621,168
Total segment interest expenses	4,542,057,908	319,193,558	249,724,821	485,750	5,111,462,036
Operating expenses					
Segment operating expenses	1,514,851,238	888,297,339	79,888,257	32,891,255	2,515,928,090
Inter segment operation expenses	10,119,756	-	-	4,750,000	14,869,756
Total segment operation expenses	1,524,970,994	888,297,339	79,888,257	37,641,255	2,530,797,845
Depreciation and amortization	109,033,809	37,959,199	4,060,264	4,198,699	155,251,972
Net operating income	1,642,921,379	1,038,127,669	41,887,452	7,455,045	2,470,758,986
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	245,531,162	(76,109,546)	37,526,605	-	206,948,220
Profit before tax and reserve	1,397,390,217	1,114,237,215	4,360,848	7,455,045	2,263,810,766
Provision for tax made during the period	44,599,710	288,059,813	-	1,615,362	334,274,885
Deferred tax (expense)/ Income	-	4,312,573	-	(1,065,851)	3,246,722
	44,599,710	292,372,386	-	549,511	337,521,607
Net profit after tax	1,352,790,507	821,864,830	4,360,848	6,905,534	1,926,289,159
Total segment assets	78,247,606,210	10,792,308,115	2,989,287,609	1,042,652,712	93,071,598,662
Inter segmental assets	2,598,171,054	-	-	-	2,598,171,054
Net segment assets	75,649,435,156	10,792,308,115	2,989,287,609	1,042,652,712	90,473,427,608
Amount of addition to non-current assets	187,714,299	300,888,952	3,551,669	631,575	492,786,495
Segment capital employed	7,267,806,392	4,639,601,049	446,110,205	1,020,325,429	13,374,683,604
Segment liability	70,979,799,818	5,945,288,789	152,424,625	22,327,284	77,098,744,005
Inter segmental liabilities	-	207,418,276	2,390,752,778	-	2,598,171,054
Total segmental liability	78,247,606,210	10,792,308,115	2,989,287,609	1,042,652,712	93,071,598,663

37.2. Information about reportable segments (continued)

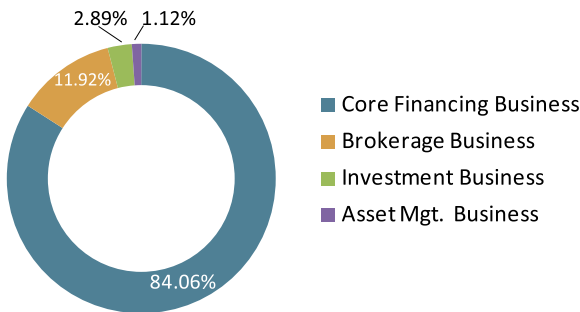
Revenue- 2018



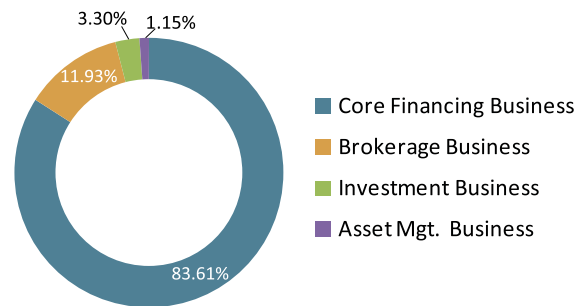
Revenue- 2017



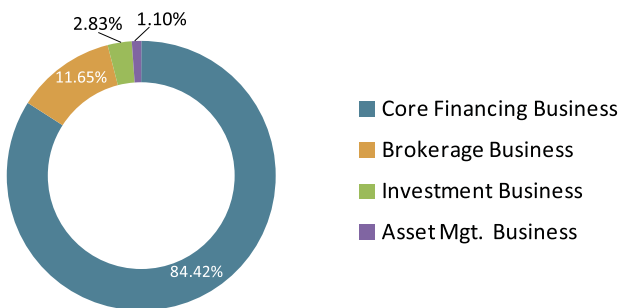
Assets- 2018



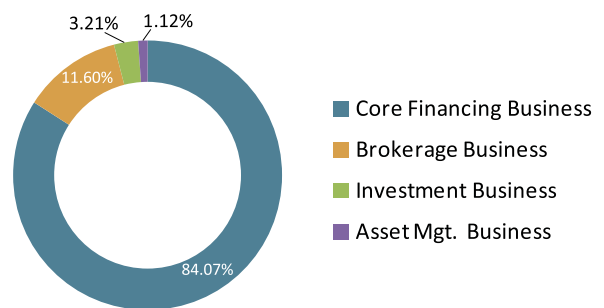
Assets- 2017



Liabilities- 2018



Liabilities- 2017



38. Group subsidiaries

38.1 List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Group

Sl.	Name of the subsidiaries	Name of Auditors	Place of business	Ownership Interest
1	LankaBangla Securities Limited	Ahmed Zaker & Co.	Bangladesh	96.5522510%
2	LankaBangla Investments Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9999972%
3	LankaBangla Asset Management Company Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9999980%
4	LankaBangla Information System Limited	Sayful Shamsul Alam & Co.	Bangladesh	96.3591465%
5	BizBangla Media Limited	Ahmed Zaker & Co.	Bangladesh	77.2418008%

38.2 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-39**). Other than those no other financial support has been given to any of the subsidiaries in the year 2018.

38.3 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.

38.4 Non-controlling interest (NCI) in subsidiaries

Name	% of NCI	Profit allocated to NCI	
		2018	2017
		Taka	Taka
LankaBangla Securities Limited	3.4477490%	9,702,755	28,558,557
LankaBangla Investments Limited	0.0000028%	(16.72)	0.16
LankaBangla Asset Management Company Limited	0.0000020%	(0.88)	0.15
LankaBangla Information System Limited	3.6408535%	60,634	26,753
BizBangla Media Limited	22.7581992%	371,860	(1,141,601)
Total		10,135,232	27,443,709

39.00 Related party disclosure

i) Names of the Directors together with list of entities in which they have interest are stated below:

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.	
1)	Mr. Mohammad A. Moyeen	Chairman	1	Airline Cargo Resources Limited
			2	Arrow Aviation Limited
			3	Anyeshan Limited
			4	AVS Cargo Management Services Ltd.
			5	APS Logistics International Limited
			6	BizBangla Media Limited
			7	Bengal Meat Processing Industries Limited
			8	Colloid Enterprises Limited
			9	Cross Freight Lines Limited
			10	Datafort Limited

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.
			11 Expo Express Services Limited
			12 Expo Holdings (BD) Limited
			13 Freight Options Limited
			14 Freight Care Aviation Services Limited
			15 First Forwarding Limited
			16 Global Aviation Services Limited
			17 Global Ground Services Limited
			18 Interairsea Limited
			19 Innoweb Limited
			20 Infosapex Limited
			21 Joules Power Ltd.
			22 LankaBangla Securities Limited
			23 LankaBangla Investments Limited
			24 LankaBangla Information System Limited
			25 Orchid Aviation Limited
			26 SG Logistics (Pvt.) Limited
			27 Standard Paper Products Limited
			28 STS Educational Group Limited
			29 STS Holdings Limited
			30 Swift Logistics Services Limited
			31 The M & M Limited
			32 Tropica Garments Limited
			33 Technaf Solartech Energy Limited
			34 Uniworld Logistics Limited
			35 Voytech Limited
			36 WAC Logistics Limited
			37 Wings Express Limited
			38 Wings Logistics Limited
			39 Wings Ocean Freight Limited
			40 Wings Aviation Limited
			41 Wings Spence Aviation Limited
			42 Wings Tours & Travels Limited
			43 Wings Classic Tours & Travels Limited
2)	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	1 American President Lines (Lanka) Agencies Limited
			2 LankaBangla Securities Limited
			3 IWS Holdings (Pvt.) Limited
3)	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	1 Lanka Financial Services Bureau Limited
4)	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	N/A
5)	Mr. Mahbulul Anam	Director	1 Allied Aviation Bangladesh Limited
			2 Airline Cargo Resources Limited
			3 Airlines Services Ltd.
			4 Aramex Dhaka Limited
			5 Aeroness International
			6 Arrow Aviation Limited

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.	
			7	Anyeshan Limited
			8	Aristeus Agriculture Limited
			9	BizBangla Media Limited
			10	Bengal Meat Processing Industries Limited
			11	Bollore Logistics Bangladesh Limited
			12	BAY Cargo Centre Limited
			13	Cargo Center Limited
			14	Colloid Enterprises Limited
			15	Cross Freight Lines Limited
			16	Cross Freight Limited
			17	Datafort Limited
			18	Expo Freight Limited
			19	Expo Express Services Ltd.
			20	Expo Holdings (BD) Limited
			21	Freight Care Aviation Services Limited
			22	First Forwarding Limited
			23	Global Aviation Services Limited
			24	Innoweb Limited
			25	Infosapex Limited
			26	Joules Power Limited
			27	LankaBangla Securities Limited
			28	LankaBangla Information System Limited
			29	Masco International Limited
			30	Orchid Aviation Limited
			31	SG Logistics (Pvt.) Limited
			32	Standard Paper Products Limited
			33	STS Educational Group Limited
			34	STS Holdings Limited
			35	The M & M Limited
			36	Tropica Garments Limited
			37	Technaf Solartech Energy Limited.
			38	Voyager Aviation Services Limited
			39	Voytech Limited
			40	Wings Spence Aviation Limited
			41	Wings Classic Tours & Travels Limited
			42	Wings Express Limited
			43	Wings Ocean Freight Limited
6)	Mrs. Aneesha Mahial Kundanmal	Director	1	Royal Park Residence Hotel
7)	Mr. Tahsinul Huque	Director		N/A
8)	Mrs. Zaitun Sayef	Independent Director		N/A
9)	Mr. Abdul Malek Shamsher	Independent Director	1	LankaBangla Securities Limited, LankaBangla Investments Limited, LankaBangla Asset Management Company Limited

ii)	Significant contracts where Company is a party and wherein Directors have interest during the year 2018	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 International Accounting Standards-24 (Related Party Disclosures) as noted below:

SL No	Name of Related Party	Relationship	% of Holding	Outstanding 01.01.2018	Amount of transaction during the year 2018		Outstanding 31.12.2018	Nature of Transaction	Outstanding balance present in note
					Debit	Credit			
1	STS Holdings Limited	Concern related to Directors	-	27,996,338	28,764,176	767,838	-	TDR	11.1
2	Colloid Enterprises Limited	Concern related to Directors	-	10,634,809	104,705	922,048	11,452,152	TDR	11.1
3	Global Aviation Services Limited	Concern related to Directors	-	16,000,000	1,480,000	1,480,000	16,000,000	TDR	11.1
4	WAC Logistics Ltd.	Concern related to Directors	-	10,461,600	103,018	28,305,178	38,663,760	TDR	11.1
5	Wings Spence Aviation Limited	Concern related to Directors	-	62,018,086	687,629	59,040,076	120,370,533	TDR	11.1
6	Wings Tours And Travels Ltd.	Concern related to Directors	-	10,000,000	447,500	937,500	10,490,000	TDR	11.1
7	LankaBangla Securities Limited	Subsidiary Company	96.55	207,418,276	23,407,428	57,122,322	173,703,382	Term loan	7.1
8	LankaBangla Investment Limited	Subsidiary Company	99.99	2,390,752,778	81,173,785	662,218,918	2,009,707,645	Term loan	7.1
9	LankaBangla Investment Limited	Subsidiary Company	99.99	-	181,106	21,469,181	21,288,075	TDR	11.1
10	LankaBangla Securities Limited	Subsidiary Company	96.55	1,546,237,023	-	-	1,546,237,023	Equity Investment	9
11	LankaBangla Asset Management Company Limited	Subsidiary Company	99.99	929,700,000	-	-	929,700,000	Equity Investment	9
12	LankaBangla Investment Limited	Subsidiary Company	99.99	1,669,999,940	485,000,000	485,000,000	2,154,999,940	Equity Investment	9

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

40. Audit committee disclosures

As per clause number 3 (Ka) of Bangladesh Bank DFIM Circular No. 13 dated October 26, 2011 and clause number 2.2(b) of "Corporate Governance Code" Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of Bangladesh Securities and Exchange Commission (BSEC) Audit Committee of LankaBangla Finance Limited (LBFL) was re-constituted in 112th meeting of the Board of Directors held on October 24, 2018.

Sl. No.	Name of Member	Status in the Organization	Status in the Committee	Educational Qualification
01	Mrs. Zaitun Sayef	Independent Director	Chairperson	MBA from Institute of Business Administration (IBA) of Dhaka University
02	Mr. Nanda Fernando	Director	Member	MBA degree specializing in Marketing from Sikkim Manipal University, India.
03	Mr. Mahbulul Anam	Director	Member	B. Sc. Engineer from BUET
04	Mr. M. Fakhru Alam	Director	Member	MBA from Institute of Business Administration (IBA) of Dhaka University
05	Mr. Abdul Malek Shamsher	Independent Director	Member	Passed Higher Secondary Certificate (First Division) in 1966 from Faujdharhat Cadet College and completed part-1 of the Institute of Banker's Examination, Karachi in 1969 from Pakistan.

The Company Secretary acts as Secretary of the Audit committee of the Board.

During the year 2018, the Audit Committee conducted 4 (four) meetings in which, among other things, the following issues were reviewed/discussed:

- The integrity of the financial statements of LBFL and its subsidiaries;
- The Company's external auditors' qualifications and independence,
- Performance and effectiveness of the Company's internal and external audits,
- Internal controls and the measurement of operational risk,
- Compliance by the Company with legal and regulatory requirements.
- Examine any matter relating to the financial and other connected issues 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.

41. 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 IAS/IFRS specifically suggests to measure some assets/liabilities at fair value. Such as IFRS 9 requires equity investments to be measured at fair value.

42. Others

a) Reasons for significant deviation in Net Profit after Tax

Consolidated Net Profit after tax for the year 2018 was BDT 444 million which was 77% less than that of 2017 (BDT 1,926 million).

Reasons for the decline are as follows:

Name of the Company	2018	2017	Y-O-Y Growth		Major factors for decline in net profit after tax.
			Amount	%	
LankaBangla Finance Limited (LBFL)	714,156,632	1,352,790,507	(638,633,875)	(47%)	<ul style="list-style-type: none"> In 2017 LBFL has earned cash dividend of BDT 244,573,260 from one of its subsidiaries (LankaBangla Securities Limited) but in 2018 there was no dividend from subsidiaries. Income from investment in shares has declined by BDT 273,397,019 compared to last year. Moreover, provision for diminution in value of investment has increased by BDT 108,016,156. Due to decline in asset quality provisions for leases, loans and advances has increased by BDT 120,326,584 in 2018 compare to 2017.
LankaBangla Securities Limited (LBSL)	284,722,233	821,864,830	(537,142,597)	(65%)	<ul style="list-style-type: none"> LBSL's main source of income "Brokerage Commission" decreased by BDT 427,462,704 compared to last year due to significant slump of overall daily turnover in the stock exchanges. Both the exchanges also lost around 40% turnover compared to the last year. Capital market experienced a major decline in index in 2018. Accordingly, provision for diminution in value of investment increased by BDT 310,379,546 compare to the year 2017.
LankaBangla Investment Limited (LBIL)	(510,382,940)	4,360,848	(514,743,788)	(11804%)	<ul style="list-style-type: none"> Income from investment had declined by BDT 159,668,388. For the year 2018 total investment income was BDT (17,068,706) which BDT 142,599,682 in 2017. Due to decline in asset quality provision for margin loan for the year 2018 reached at BDT 261,083,418 which was BDT 36,766,605 in 2017. So, In the year 2018 provision has increased by BDT 224,316,814. Interest income has declined by BDT 42,844,714 in 2018 compared to the year 2017. Fee based income for the year 2018 was BDT 56,439,645 which was BDT 102,010,307 in 2017. So, Fee based income has decreased by BDT 45,570,662. Due to increase in borrowing rate, interest expense has increased by BDT 30,800,047 compare to last year.
LankaBangla Assets Management Company Limited (LBAMCL)	(44,051,824)	6,905,534	(50,957,358)	(738%)	<ul style="list-style-type: none"> Income from investment has declined by BDT 51,745,531. For the year 2018 total investment income was BDT (13,795,880) which was BDT 37,949,651 in 2017.
Inter Company Dividend	-	(259,632,560)	259,632,560	(100%)	<ul style="list-style-type: none"> There was no inter-company dividend for the year 2018.
Consolidated Net Profit After Tax	444,444,099	1,926,289,159	(1,481,845,060)	(77%)	

b) Board meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each Board Meeting. No other remuneration or special payment was made to the directors for attending the Board Meetings or otherwise during the year 2018. Nothing is due from any director of the Company as on the date of closing the accounts. During year under audit five meetings of Board of Directors were held. Details are as under.

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	109 th Board meeting	February 13, 2018	8
2	110 th Board meeting	May 14, 2018	7
3	111 th Board meeting	July 29, 2018	7
4	112 th Board meeting	October 24, 2018	9
5	113 th Board meeting	November 20, 2018	9

Notes:

- Directors who could not attend meetings were granted leave of absence by the Board.
- The tenure of office of Independent Director, Mr. Al-Mamoon Md. Sanaul Huq has expired on March 27, 2018.
- Mr. Nanda Fernando has been appointed as Director of the Board of LBFL in place of Mr. M. Y. Aravinda Perera representing Sampath Bank PLC w. e. f. February 13, 2018.
- Mr. Abdul Malek Shamsheer has been appointed as Independent Director in the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq.

c) Meeting and directors' remuneration**i) Executive Committee (EC) meeting and directors' remuneration**

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Executive Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2018. During the year under audit six meetings of the Executive Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	74th EC meeting	January 4, 2018	4
2	75th EC meeting	May 13, 2018	4
3	76th EC meeting	May 31, 2018	3
4	77th EC meeting	October 1, 2018	3
5	78th EC meeting	November 14, 2018	4
6	79th EC meeting	December 20, 2018	3

Notes:

- Directors who could not attend meetings were granted leave of absence.
- Mrs. Zaitun Sayef has been included as a member of Executive Committee of the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq.

ii) Audit Committee meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Audit Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2018. During the year under audit four meetings of Audit Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	51st Audit Committee meeting	February 7, 2018	4
2	52nd Audit Committee meeting	May 9, 2018	3
3	53rd Audit Committee meeting	July 25, 2018	4
4	54th Audit Committee meeting	October 23, 2018	4

Notes:

- Directors who could not attend meetings were granted leave of absence.
- Mr. Abdul Malek Shamsheer has been included as a member of Audit Committee of the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq.

d) Employees' details

	Year-2018	Year-2017
No. of employee received TK.3,000 per month	0	0
No. of employee received more than Tk.3,000 per month	896	832
	896	832

e) Event after the Reporting Period**i) Dividend Information**

The Board of Director in its 114th Meeting held on 12 February 2019 has recommended to the shareholders @ 15% of Cash Dividend for the year ended 31 December 2018. This will be considered for approval of shareholders at 22nd Annual General Meeting (AGM) of the company scheduled to be held on 27 March 2019.

ii) Receipts of foreign currency loan

On 13 January 2019, LankaBangla Finance Limited received USD 19,984,730 against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. The tenure of the foreign currency loan is 40 months. Payments will be made in 14 (fourteen) quarterly instalments starting from the end of the three months from the receipts of the loan.

f) Capital expenditure commitment

There were capital expenditures contracted but not incurred or provided for LankaBangla Tower amounting to Tk. 24 crore (approx.) as on 31 December 2018. There was no other material capital expenditure authorized by the Board but not contracted for as on 31 December 2018.

g) Foreign remittances

During the year 2018, the company remitted **USD 595,689.72, GBP 5,982.20, SGD 15,030.75 and RS 702,100.00 (Total in BDT 51,851,275.27)** against Various Technical Service Fees to the Foreign Shareholders and training & services provider.

Sl #	Purpose	Paid to	USD*	GBP*	SGD*	RS*	BDT
01.	Annual Maintenance Fee	TSYS Card Tech	59,435.97	-	-	-	4,961,656.70
02.	Annual Membership Fee	Asian Financial Services Association	250.00	-	-	-	22,087.75
03.	Annual License Fee	TSYS Card Tech	33,000.00	-	-	-	2,795,535.00
04.	Annual Service Fee	TSYS Card Tech	4634.63	5,982.20	-	-	1,069,716.35
05.	Dividend Payment	Sampath Bank PLC	128,919.72	-	-	-	10,861,487.00
		Mr. Tahsinul Huque	353,109.31	-	-	-	29,524,475.00
06.	Professional fee	Design2Occupancy Services LLP, India	6,000.00	-	-	-	502,500.00
07.	Online registration fee for LEED Certification	Green Business Certification Inc. USA	1,200.00	-	-	-	101,999.25
08.	Training Fee-2018	Various training providers abroad	9,140.09	-	15,030.75	702,100.00	2,255,466.00
Total			595,689.72	5,982.20	15,030.75	702,100.00	51,851,275.27

*USD=United States Dollar

*GBP=Great Britain Pound

*SGD=Singapore Dollar

*RS= Indian Rupees

h) Financial highlights

Key financial highlights of the Company are annexed as “Annexure-D”.

i) Interim financial statements

LankaBangla Finance Limited published its quarterly interim financial statements as requirement of the Bangladesh Securities and Exchange Commission and as per IAS 34 “Interim Financial Reporting”.

Interim Reporting Period	Publication Date
January to March (1st quarter)	15 May 2018
January to June (Half Year ended)	30 July 2018
January to September (3rd quarter ended)	25 October 2018

j) Change in and disagreement with Auditors

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

k) 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.

l) General

- i) All shares have been fully called up and paid up.
- ii) Company Balances shown in the accounts are duly reconciled.
- iii) No amount was spent by the Company for compensating any members of the board for special services rendered during the year.


Director

Director

Managing Director

Company Secretary

Chief Financial Officer

Dhaka,
12 February 2019


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FIXED ASSETS SCHEDULE

As at 31 December 2018

Annexure -A

Particulars	COST			DEPRECIATION				Written down value as at 31.12.2018		
	Balance as at 01.01.2018	Addition during the year	Sales/Transfer Adjustment during the year	Balance as at 31.12.2018	Rate %	Balance as at 01.01.2018	Charged during the year		Adjustment during the year	Balance as at 31.12.2018
I. Freeholds assets										
Land	779,519,083	8,000,000	-	787,519,083		-	-	-	-	787,519,083
Building	343,703,850	380,141,857	-	723,845,707	2.5	20,318,025	8,592,596	-	28,910,622	694,935,085
Furniture and Fittings	240,407,611	24,492,209	3,490,926	261,408,895	20	114,677,479	43,280,253	3,503,042	154,454,690	106,954,205
Office Equipment	202,728,970	16,191,604	9,451,449	209,469,125	20	123,856,501	26,483,780	8,884,221	141,456,060	68,013,065
IT Equipment	160,011,503	86,472,988	31,859,947	214,624,545	33.33	73,355,084	43,946,137	(912,936)	118,214,157	96,410,387
Office Renovation	99,213,922	3,937,767	9,902,481	93,249,208	20	55,989,181	13,351,046	9,902,481	59,437,746	33,811,462
Motor Vehicles	44,674,179	10,450,790	2,601,500	52,523,469	20	27,755,669	7,322,629	2,601,499	32,476,799	20,046,670
	1,870,259,117	529,687,215	57,306,302	2,342,640,030		415,951,939	142,976,441	23,978,307	534,950,073	1,807,689,957
II. Intangible assets and goodwill										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
System Software	193,308,155	109,817,901	8,925,210	294,200,846	25	142,998,982	24,523,773	3,850,210	163,672,546	130,528,300
	427,451,441	109,817,901	8,925,210	528,344,132		142,998,982	24,523,773	3,850,210	163,672,546	364,671,586
III. Capital Work In Progress										
Tangible Assets	26,295,972	168,768,804	-	195,064,776	-	-	-	-	-	195,064,776
Intangible Assets	14,762,055	7,243,432	-	22,005,487	-	-	-	-	-	22,005,487
	41,058,027	176,012,236	-	217,070,263		-	-	-	-	217,070,263
IV. Lease Hold Assets										
Motor Vehicle	58,036,000	-	11,460,000	46,576,000	20	35,023,163	6,690,680	11,460,000	30,253,843	16,322,157
Total	2,396,804,586	815,517,352	77,691,512	3,134,630,425		593,974,084	174,190,895	39,288,517	728,876,462	2,405,753,963

Annexure -A

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FIXED ASSETS SCHEDULE

As at 31 December 2017

Particulars	COST			DEPRECIATION				Written down value as at 31.12.2017		
	Balance as at 01.01.2017	Addition during the year	Sales/Transfer Adjustment during the year	Balance as at 31.12.2017	Rate %	Balance as at 01.01.2017	Charged during the year		Adjustment during the year	Balance as at 31.12.2017
I. Freeholds assets										
Land	739,573,710	39,945,373	-	779,519,083		-	-	-	-	779,519,083
Building	106,454,150	237,249,700	-	343,703,850	2.5	14,691,050	5,626,975	-	20,318,025	323,385,825
Furniture and Fittings	219,110,635	39,423,211	18,126,235	240,407,611	20	89,180,276	42,059,641	16,562,438	114,677,479	125,730,132
Office Equipment	189,758,111	38,503,571	25,532,712	202,728,970	20	132,699,361	27,418,921	36,261,781	123,856,501	78,872,469
IT Equipment	108,894,806	62,645,658	11,528,961	160,011,503	33.33	37,259,498	30,717,217	(5,378,369)	73,355,084	86,656,419
Office Renovation	75,550,920	25,989,507	2,326,505	99,213,922	20	45,374,784	12,940,902	2,326,505	55,989,181	43,224,741
Motor Vehicles	39,441,179	5,388,000	155,000	44,674,179	20	21,664,387	6,205,650	114,368	27,755,669	16,918,510
	1,478,783,511	449,145,020	57,669,414	1,870,259,117		340,869,356	124,969,307	49,886,724	415,951,939	1,454,307,178
II. Intangible assets and goodwill										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
System Software	167,031,089	26,277,066	-	193,308,155	25	118,878,529	23,626,643	(493,810)	142,998,982	50,309,173
	401,174,375	26,277,066	-	427,451,441		118,878,529	23,626,643	(493,810)	142,998,982	284,452,459
III. Capital Work In Progress										
Tangible Assets	5,342,062	20,953,910	-	26,295,972	-	-	-	-	-	26,295,972
Intangible Assets	-	14,762,055	-	14,762,055	-	-	-	-	-	14,762,055
	5,342,062	35,715,965	-	41,058,027		-	-	-	-	41,058,027
IV. Lease Hold Assets										
Motor Vehicle	42,004,990	20,322,000	4,290,990	58,036,000	20	32,658,132	6,656,021	4,290,990	35,023,163	23,012,838
Total	1,927,304,938	531,460,051	61,960,404	2,396,804,586		492,406,017	155,251,971	53,683,904	593,974,084	1,802,830,502

LANKABANGLA FINANCE LIMITED

SCHEDULE OF FIXED ASSETS

As at 31 December 2018

Annexure -B

Particulars	COST			DEPRECIATION			Written down value as at 31.12.2018		
	Balance as at 01.01.2018	Addition during the year	Sales/Transfer Adjustment during the year	Balance as at 31.12.2018	Rate %	Balance as at 01.01.2018		Charged during the year	Adjustment during the year
I. Freeholds assets									
Land	779,519,083	8,000,000	-	787,519,083		-	-	-	787,519,083
Furniture & Fittings	202,223,608	23,479,109	2,948,097	222,754,620	20	101,931,279	38,643,223	3,104,408	137,470,094
Office Equipment	86,158,298	9,068,616	5,044,219	90,182,695	20	44,679,070	14,712,297	4,584,126	54,807,241
IT Equipment	157,243,188	86,472,988	31,859,947	211,856,230	33.33	71,515,479	43,423,224	(912,936)	115,851,639
Motor Vehicles	19,322,935	2,833,333	770,000	21,386,268	20	14,874,530	2,820,442	770,000	16,924,971
II. Intangible assets	1,244,467,111	129,854,046	40,622,262	1,333,698,895		233,000,357	99,599,185	7,545,598	325,053,944
Systems and Software	106,591,025	100,083,101	5,075,000	201,599,125	25	61,434,117	20,028,325	-	81,462,442
III. Capital Work In Progress									
Tangible Assets	26,295,972	168,768,804	-	195,064,776		-	-	-	195,064,776
Intangible Assets	14,762,055	7,243,432	-	22,005,487		-	-	-	22,005,487
	41,058,027	176,012,236	-	217,070,263		-	-	-	217,070,263
IV. Leaseholds assets									
Motor Vehicles	24,857,000	-	-	24,857,000	20	8,786,463	3,991,220	-	12,777,683
Total	1,416,973,162	405,949,383	45,697,262	1,777,225,283		303,220,937	123,618,730	7,545,598	419,294,070

As at 31 December 2017

Particulars	COST			DEPRECIATION			Written down value as at 31.12.2017		
	Balance as at 01.01.2017	Addition during the year	Sales/Transfer Adjustment during the year	Balance as at 31.12.2017	Rate %	Balance as at 01.01.2017		Charged during the year	Adjustment during the year
I. Freeholds assets									
Land	739,573,710	39,945,373	-	779,519,083		-	-	-	779,519,083
Furniture & Fittings	190,946,678	29,111,254	17,834,325	202,223,608	20	80,355,702	37,924,763	16,349,187	101,931,279
Office Equipment	92,280,057	17,282,766	23,404,525	86,158,298	20	61,966,539	16,988,435	34,275,904	44,679,070
IT Equipment	106,638,494	62,108,655	11,503,961	157,243,188	33.33	35,926,102	30,200,008	(5,389,369)	71,515,479
Motor Vehicles	16,554,935	2,768,000	-	19,322,935	20	11,876,405	2,998,125	-	14,874,530
	1,145,993,874	151,216,048	52,742,811	1,244,467,111		190,124,748	88,111,332	45,235,722	233,000,357
II. Intangible assets									
Systems and Software	82,215,183	24,375,842	-	106,591,025	25	42,955,051	17,985,256	(493,810)	61,434,117
III. Capital Work In Progress									
Tangible Assets	5,342,062	20,953,910	-	26,295,972		-	-	-	26,295,972
Intangible Assets	-	14,762,055	-	14,762,055		-	-	-	14,762,055
	5,342,062	35,715,965	-	41,058,027		-	-	-	41,058,027
IV. Leaseholds assets									
Motor Vehicles	9,777,000	15,080,000	-	24,857,000	20	5,849,243	2,937,220	-	8,786,463
Total	1,243,328,118	226,387,855	52,742,811	1,416,973,162		238,929,041	109,033,809	44,741,912	303,220,937

Annexure -C

LANKABANGLA FINANCE LIMITED

CLASSIFICATION OF LEASES, LOANS AND ADVANCES WITH PROVISIONS AND INTEREST SUSPENSES

As on 31 December 2018

Amount in Taka

Products	Total	Balance Outstanding				Base for Provision				Interest in Suspense			
		Unclassified (UC)		Classified		SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)	Amount of Provision Required	SMA	Classified	Total
		Standard	Standard-SME	SMA	Sub Standard (SS)								
Corporate Finance													
Lease finance	3,945,261,503	3,611,941,056	59,009,002	1,104,321	2,355,044	270,852,081	56,086,553	422,103	1,114,264	146,904,925	2,922,449	46,432,341	49,354,790
Secured overdraft	149,957,645	149,957,645	-	-	-	-	-	-	-	-	-	-	-
Short term finance	3,743,042,728	3,743,041,711	-	-	-	1,017	-	-	-	-	-	-	-
Short term loan to subsidiaries	2,183,411,028	2,183,411,028	-	-	-	-	-	-	-	-	-	-	-
Term loan	8,313,306,029	7,807,816,458	227,634,003	-	151,472,722	126,382,846	206,549,730	-	119,561,952	17,157,486	21,084,272	57,581,396	78,665,668
Term loan syndication finance	382,829,593	382,829,593	-	-	-	-	-	-	-	-	-	-	-
Work order finance	3,454,296	-	-	-	-	3,454,296	-	-	-	1,954,296	-	-	-
SUB-TOTAL	18,771,262,822	17,878,997,491	286,643,004	1,104,321	153,827,766	400,690,240	262,636,283	422,103	120,676,217	166,016,707	24,006,721	104,013,737	128,020,458
Retail Finance													
Auto Loan	5,473,403,921	4,941,723,293	364,887,469	142,521,200	9,179,779	15,092,180	355,698,044	136,181,254	7,830,333	13,424,325	9,189,425	8,486,708	17,676,133
Home Loan	13,159,050,491	12,363,147,374	376,479,352	97,241,259	5,737,969	316,444,537	330,076,531	7,874,446	339,532	18,686,394	46,402,821	98,949,779	145,352,600
Credit Cards	3,608,608,001	3,152,062,791	159,495,852	41,302,518	28,008,261	227,738,578	146,751,697	36,979,558	25,218,029	217,232,425	12,744,155	17,619,346	30,363,501
Personal Loan	5,308,547,125	4,837,062,461	271,156,926	110,015,331	36,401,848	53,910,560	264,024,468	103,863,184	32,003,700	44,506,090	7,132,458	19,954,765	27,087,223
SUB-TOTAL	27,549,609,539	25,293,995,919	1,172,019,599	391,080,308	79,327,857	613,185,856	1,096,550,740	284,899,442	65,391,594	293,849,234	75,468,859	145,010,597	220,479,456
SME													
Term loan	9,783,266,470	-	8,782,658,661	174,044,387	22,732,593	181,192,612	549,795,866	125,636,731	11,888,351	82,285,246	72,842,351	49,525,424	122,367,775
Lease finance	2,340,122,172	-	2,105,719,151	63,849,151	17,372,615	14,015,081	130,177,821	50,972,106	8,222,135	13,724,712	39,803,389	7,619,390	16,607,743
Auto loan	1,690,755,528	-	1,520,320,467	29,256,791	2,233,437	1,399,808	135,230,882	28,003,951	1,949,650	1,030,310	18,168,270	2,314,144	1,689,011
Emerging and commercial	1,320,342,824	-	1,291,446,817	14,327,212	7,941,883	6,626,912	13,728,491	7,023,060	4,829,270	-	7,734,289	598,721	1,516,686
Home Loan	738,936,545	-	655,013,712	25,305,487	-	58,617,346	24,944,917	-	-	-	2,884,780	360,570	15,355,564
Real state developer finance	37,568,657	-	-	-	37,568,657	-	-	-	7,128,366	-	3,564,183	-	5,132,291
Secured Overdraft	31,532,629	-	31,532,629	-	-	-	-	-	-	-	-	-	-
Short term loan	1,369,397,539	-	1,344,680,830	-	24,716,709	-	-	-	17,254,030	-	11,988,717	-	4,704,709
Syndication finance	184,121,034	-	184,121,034	-	-	-	-	-	-	-	460,303	-	-
Work order finance	17,664,300	-	-	-	-	17,664,300	-	-	-	7,764,300	7,764,300	-	-
SUB-TOTAL	17,513,707,697	-	15,915,493,301	938,982,115	111,250,923	272,889,146	853,877,976	211,635,849	51,271,802	104,804,567	255,250,270	85,104,139	170,286,644
Total	63,784,580,057	43,172,993,410	15,915,493,301	2,397,644,718	344,406,545	1,286,765,241	2,213,064,999	496,956,393	237,339,613	564,670,508	184,579,719	384,206,840	518,786,559

* 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

* 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

Amount in taka (million)

Sl no.	Key indicators	LankaBangla Group		LankaBangla Finance Limited	
		2018	2017	2018	2017
1	Paid-up capital	5,131.80	3,182.51	5,131.80	3,182.51
2	Total capital	9,823.21	8,327.00	9,044.71	7,267.81
3	Capital surplus	4,612.27	1,425.89	4,577.59	1,197.62
4	Total assets	87,888.68	85,442.72	80,668.14	78,247.61
5	Total deposits	53,404.55	51,675.16	53,425.83	51,675.16
6	Total loans, advances and leases	68,676.03	66,544.36	63,784.58	61,913.59
7	Total contingent liabilities and commitments	3,691.86	8,554.74	3,691.86	8,554.74
8	Credit deposit ratio	1.29	1.29	1.19	1.20
9	Percentage of classified loans against total loans, advances and leases	3.35%	2.85%	3.60%	3.07%
10	Profit after tax and provision	444.44	1,926.29	714.16	1,352.79
11	Amount of classified loans during current period	2,298.45	1,899.36	2,298.45	1,899.36
12	Provisions kept against classified loans	782.73	709.25	782.73	709.25
13	Provision surplus against classified loan	-	-	-	-
14	Cost of fund	9.92%	7.82%	9.92%	7.82%
15	Interest earnings assets	76,431.97	75,780.55	69,815.79	69,142.45
16	Non-interest earnings assets	11,456.71	9,662.17	10,852.35	9,105.16
17	Return on investment (ROI)	0.55%	2.72%	0.94%	2.08%
18	Return on assets (ROA)	0.51%	2.58%	0.90%	1.99%
19	Income from investment	434.03	914.22	111.32	629.30
20	Earnings Per Share (EPS) (restated :2017)	0.85	4.15	1.40	2.95
21	Net income per share (restated:2017)	0.85	4.15	1.40	2.95
22	Market price per share	22.90	47.80	22.90	47.80
23	Price earnings ratio	26.81	11.53	16.30	16.18

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES

LANKABANGLA SECURITIES LIMITED

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AHMED ZAKER & Co.
CHARTERED ACCOUNTANTS

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Independent Auditors' Report

To the Shareholders of

LankaBangla Securities Limited

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of LankaBangla Securities Limited which comprise the consolidated Statement of Financial Position as at December 31, 2018, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of LankaBangla Securities Limited as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable rules & regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of consolidated the Financial Statements* section of our report. We are independent of LankaBangla Securities Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable rules & 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.

In preparing the consolidated financial statements, management is responsible for assessing LankaBangla Securities Limited ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LankaBangla Securities Limited or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing

LankaBangla Securities Limited financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements of the company based on our audit. The assets and liabilities as at December 31, 2018 and revenue and expenses for the year ended December 31, 2018 of the company's Two subsidiaries namely BizBangla Media Ltd. and LankaBangla Information system Ltd. have been consolidated and accounted for in the consolidated financial statements. The financial statements of the subsidiary LankaBangla Information system Ltd. is audited by other auditor whose report has been furnished to us and our opinion is as so far as it relates to the amounts included in respect of the company's subsidiaries based on the reports. In addition, we have performed our audit procedure for consolidated purpose, based on which the financial statements of the subsidiary have been consolidated.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on other legal and regulatory requirements

We also report the following:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by LankaBangla Securities Limited so far as it appeared from our examination of those books; and
- the consolidated statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Location : Dhaka

Dated : February 12, 2019

Ahmed Zaker & Co.

Chartered Accountants



INDEPENDENT MEMBE

Uttara Office :

Plot # 15(G.Floor), Road # 17, Sector # 4, Uttara Model Town, Dhaka-1230. Tel: (R) 8918246, 8923233 Mobile: 01755-603600-11 E-mail: sultanahmed1@ahmed-zaker.com

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LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 31 December 2018

Particulars	Notes	Amount In Taka	
		31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	793,228,715	431,357,912
Long term loan to employees'	5	22,201,782	27,159,251
Long Term Investment in Shares	6	1,121,727,403	1,621,485,668
Intangible Assets		234,143,286	234,143,286
Total non-current assets		2,171,301,186	2,314,146,116
Current assets			
Advances, deposits and prepayments	7	48,303,764	54,379,097
Advance income tax	8	541,419,364	350,493,534
Investments	9	1,308,595,059	902,855,166
Inventories	10	3,021,076	556,720
Current portion of loans and advances	11	12,832,142	13,838,172
Accounts receivable	12	5,690,910,993	5,429,703,372
Accrued interest		1,123,731	932,916
Cash and cash equivalents	13	1,356,599,511	1,725,403,022
Total current assets		8,962,805,640	8,478,161,999
TOTAL ASSETS		11,134,106,826	10,792,308,115
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14	2,690,303,320	2,690,303,320
Share premium	15	1,200,000,000	1,200,000,000
General reserve	16	54,942,982	52,688,811
Retained earnings		1,033,519,124	751,381,185
Shareholder's Equity		4,978,765,426	4,694,373,316
Non controlling interest		(54,442,143)	(54,772,267)
Total equity		4,924,323,283	4,639,601,049
Liabilities			
Non-current liabilities			
Term loan	17	701,840,807	846,504,838
Zero coupon bond		267,645,858	286,309,875
Deferred tax liabilities	18	12,181,274	7,004,484
Finance lease obligation	19	3,420,137	5,195,419
Total non-current liabilities		985,088,077	1,145,014,616
Current liabilities			
Accounts payable	20	1,317,344,105	1,627,788,911
Short term loans	21	2,335,923,220	2,173,130,809
Provision for current tax	22	576,277,764	419,586,060
Current portion of lease obligation	23	1,794,402	2,492,781
Current portion of term loan	24	403,943,751	391,627,062
Provision for negative equity & others	25	384,240,230	149,970,230
Interest Suspense	26	136,075,813	174,103,328
Other liabilities	27	69,096,183	68,993,269
Total current liabilities		5,224,695,467	5,007,692,450
Total liabilities		6,209,783,544	6,152,707,066
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		11,134,106,826	10,792,308,115

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

Particulars	Notes	Amount In Taka	
		31.12.2018	31.12.2017
Revenue			
Interest Income	28	740,079,046	594,360,758
Income from investment	29	318,593,021	364,010,592
Brokerage income	30	707,137,576	1,134,600,280
Capital gain		34,977,817	-
Revenue from advertisement & circulation	31	167,300,224	150,614,126
Other operational income	32	28,339,885	26,031,411
Total Revenue		1,996,427,570	2,269,617,167
Cost of services		(655,793,954)	(543,481,512)
Interest expenses	33	438,639,184	319,193,558
Other costs directly attributable to services	34	217,154,771	224,287,954
Gross profit		1,340,633,615	1,726,135,655
Other non-operational income	35	13,906,953	13,960,599
Operating expenses		(673,679,840)	(701,968,584)
Salary and allowances	36	411,681,731	432,930,625
Rent, taxes, insurance, electricity etc.	37	64,415,036	61,391,697
Legal & professional fees	38	3,650,400	2,009,430
Postage, stamp, telecommunication etc.	39	5,974,150	5,503,092
Stationery, printing, advertisement	40	11,937,500	12,619,602
Director fees and expenses	41	828,000	845,250
Audit fees	42	235,750	304,750
Repairs, maintenance and depreciation	43	39,807,967	36,537,986
Other expenses	44	135,149,305	149,826,152
Profit before tax (PBT)		680,860,729	1,038,127,670
Other Provisions		(234,270,000)	76,109,546
For diminution in value of investment		234,270,000	(76,109,546)
Profit before tax (PBT)		446,590,729	1,114,237,216
Income tax income/ (expense)		(161,868,495)	(292,372,386)
Current tax expense		156,691,704	288,059,813
Deferred tax expense		5,176,791	4,312,573
Profit after tax (PAT)		284,722,233	821,864,830
Attributable to			
Shareholders of the company		284,392,110	822,866,288
Non controlling interest		330,123	(1,001,457)
		284,722,233	821,864,830
Earnings Per Share (EPS)			
Basic	45	1.06	3.05

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
February 12, 2019




Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total
Balance at January 01, 2017	2,445,730,290	1,200,000,000	48,460,890	446,346,180	4,140,537,360	(53,770,809)	4,086,766,551
Changes in equity for 2017							
Total comprehensive income for the year	-	-	-	822,866,288	822,866,288	(1,001,457)	821,864,830
Stock dividend	244,573,030	-	-	(244,573,030)	-	-	-
Interim cash dividend	-	-	-	(269,030,332)	(269,030,332)	-	(269,030,332)
Transfer to general reserve	-	-	4,227,921	(4,227,921)	-	-	-
Balance at December 31, 2017	2,690,303,320	1,200,000,000	52,688,811	751,381,185	4,694,373,316	(54,772,267)	4,639,601,049
Changes in equity for 2018							
Total comprehensive income for the year	-	-	-	284,392,110	284,392,110	330,123	284,722,233
Stock dividend	-	-	-	-	-	-	-
Transfer to general reserve	-	-	2,254,171	(2,254,171)	-	-	-
Balance at December 31, 2018	2,690,303,320	1,200,000,000	54,942,982	1,033,519,124	4,978,765,426	(54,442,143)	4,924,323,283


Director

Dhaka
February 12, 2019


CEO & Director

Signed as per our separate report of same date.


Company Secretary


Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

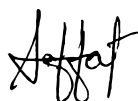
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

Particulars	Amount In Taka	
	31.12.2018	31.12.2017
Cash Flows from Operating Activities		
Brokerage income	707,137,576	1,134,600,280
Interest Income	739,647,952	594,393,383
Received against revenue	148,597,619	123,567,799
Capital gain from investment in shares	275,914,712	307,448,514
Cash dividend income	39,852,754	45,698,624
Capital gain from sell of DSE shares	34,977,817	-
Other operational income	23,714,079	22,165,655
Non-operating Income	11,504,853	10,865,031
DSE/CSE (payment)/received	(104,439,733)	(222,520,246)
Payment to suppliers & others	(160,296,524)	(142,034,427)
Payment to CDBL	(30,130,022)	(44,146,541)
Operating expenses	(655,140,061)	(552,479,477)
	1,031,341,022	1,277,558,595
Other Operating Activities		
Advance, deposits & prepayments	16,444,014	(27,662,746)
Income Tax paid	(190,925,630)	(242,136,758)
	(174,481,616)	(269,799,504)
Net cash used in operating activities	856,859,406	1,007,759,090
Cash Flows from Investing Activities		
Investment in Shares	94,018,371	(154,117,869)
Margin loan to clients	(263,444,732)	(1,092,474,886)
Leased assets	(2,473,661)	(4,097,118)
Sale of fixed assets	2,402,100	3,136,200
Acquisition of fixed assets	(403,212,549)	(103,678,952)
Net Cash used in Investing Activities	(572,710,471)	(1,351,232,625)
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	250,000,000	700,000,000
Zero Cupon Bond	(18,664,017)	(111,753,213)
Repayment of Loan	(382,347,342)	(366,230,176)
Interest payment	(431,352,354)	(296,605,014)
Interim Cash dividend	(2,419,322)	(267,224,457)
Clients deposit/(withdrawals)	(230,961,822)	(187,549,296)
Short term Loan	162,792,411	714,938,494
Net Cash flow from Financing Activities	(652,952,446)	185,576,338
Net increase in Cash and Cash Equivalents	(368,803,511)	(157,897,197)
Cash & Cash Equivalent as on January 01, 2018	1,725,403,022	1,883,300,219
Cash & Cash Equivalent as on December 31, 2018	1,356,599,511	1,725,403,022



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT FINANCIAL POSITION

As at December 31, 2018

Particulars	Notes	Amount In Taka	
		31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	779,357,303	414,872,640
Long term loan to employees'	5	22,201,782	27,159,251
Long Term Investment in Shares	6	1,440,725,404	1,940,483,668
Total non-current assets		2,242,284,488	2,382,515,559
Current assets			
Advances, deposits and prepayments	7	127,319,389	132,480,986
Advance income tax	8	535,736,423	347,064,462
Investments	9	1,307,421,258	901,747,497
Current portion of loans and advances	11	12,138,546	13,463,494
Accounts receivable	12	5,564,954,266	5,325,985,554
Accrued interest		1,123,731	932,916
Cash and cash equivalents	13	1,352,551,093	1,722,437,821
Total current assets		8,901,244,705	8,444,112,730
TOTAL ASSETS		11,143,529,194	10,826,628,289
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14	2,690,303,320	2,690,303,320
Share premium	15	1,200,000,000	1,200,000,000
General reserve	16	54,942,982	52,688,811
Retained earnings		1,074,087,233	794,918,515
Total equity		5,019,333,535	4,737,910,646
Liabilities			
Non-current liabilities			
Term loan	17	701,840,807	846,504,838
Zero coupon bond		267,645,858	286,309,875
Deferred tax liabilities	18	15,342,187	7,004,484
Finance lease obligation	19	3,285,813	4,241,214
Total non-current liabilities		988,114,664	1,144,060,410
Current liabilities			
Accounts payable	20	1,294,278,813	1,610,660,216
Short term loans	21	2,275,924,625	2,130,785,736
Provision for current tax	22	573,766,379	418,092,863
Current portion of lease obligation	23	1,001,930	1,568,631
Current portion of term loan	24	403,943,751	391,627,062
Provision for negative equity & others	25	384,240,230	149,970,230
Interest Suspense	26	136,075,813	174,103,328
Other liabilities	27	66,849,454	67,849,166
Total current liabilities		5,136,080,995	4,944,657,232
Total liabilities		6,124,195,659	6,088,717,643
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		11,143,529,194	10,826,628,289

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2018

Particulars	Notes	Amount In Taka	
		31.12.2018	31.12.2017
Revenue			
Interest Income	28	739,838,768	594,263,745
Income from investment	29	318,593,021	364,010,592
Brokerage income	30	707,137,576	1,134,600,280
Capital gain		34,977,817	-
Other operational income	32	23,714,079	22,165,655
Total Revenue		1,824,261,261	2,115,040,272
Cost of services		(516,010,560)	(443,010,888)
Interest expenses	33	433,073,626	315,728,587
Other costs directly attributable to services	34	82,936,934	127,282,301
Gross profit		1,308,250,701	1,672,029,384
Other non-operational income	35	13,906,953	13,892,031
Operating expenses		(642,453,546)	(644,433,792)
Salary and allowances	36	403,942,213	411,223,467
Rent, taxes, insurance, electricity etc.	37	62,984,434	55,949,947
Legal & professional fees	38	3,061,900	1,534,430
Postage, stamp, telecommunication etc.	39	5,573,538	5,139,645
Stationery, printing, advertisement	40	11,788,020	11,280,884
Director fees and expenses	41	828,000	845,250
Audit fees	42	143,750	143,750
Repairs, maintenance and depreciation	43	39,468,027	34,153,843
Other expenses	44	114,663,663	124,162,577
Operating profit before provisions		679,704,108	1,041,487,623
Other Provisions		(234,270,000)	76,109,546
For diminution in value of investment		234,270,000	(76,109,546)
Profit before tax (PBT)		445,434,108	1,117,597,169
Income tax income/ (expense)		(164,011,219)	(291,450,703)
Current tax expense		155,673,515	287,138,130
Deferred tax expense		8,337,704	4,312,573
Profit after tax (PAT)		281,422,889	826,146,466
Earnings Per Share (EPS)			
Basic	45	1.05	3.07

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total Equity
Balance at January 01, 2017	2,445,730,290	1,200,000,000	48,460,890	486,603,332	4,180,794,512
Changes in equity for 2017					
Total comprehensive income for the year	-	-	-	826,146,466	826,146,466
Stock dividend	244,573,030	-	-	(244,573,030)	-
Interim cash dividend	-	-	-	(269,030,332)	(269,030,332)
Transfer to general reserve	-	-	4,227,921	(4,227,921)	-
Balance at December 31, 2017	2,690,303,320	1,200,000,000	52,688,811	794,918,515	4,737,910,646
Changes in equity for 2018					
Total comprehensive income for the year	-	-	-	281,422,889	281,422,889
Stock dividend	-	-	-	-	-
Transfer to general reserve	-	-	2,254,171	(2,254,171)	-
Balance at December 31, 2018	2,690,303,320	1,200,000,000	54,942,982	1,074,087,233	5,019,333,535



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

Particulars	Amount In Taka	
	31.12.2018	31.12.2017
Cash Flows from Operating Activities		
Brokerage income	707,137,576	1,134,600,280
Interest Income	739,647,952	594,393,383
Capital gain from investment in shares	275,914,712	307,448,514
Cash dividend income	39,852,754	45,698,624
Capital gain from sell of DSE shares	34,977,817	-
Other operational income	23,714,079	22,165,655
Non-operating Income	11,504,853	10,865,031
DSE/CSE (payment)/received	(104,439,733)	(222,520,246)
Payment to CDBL	(30,130,022)	(44,146,541)
Operating expenses	(655,853,827)	(552,475,786)
	1,042,326,161	1,296,028,913
Other Operating Activities		
Advance, deposits & prepayments	11,444,014	(34,662,746)
Income Tax paid	(188,671,961)	(240,342,083)
	(177,227,947)	(275,004,830)
Net cash used in operating activities	865,098,214	1,021,024,084
Cash Flows from Investing Activities		
Investment in Shares	94,084,504	(154,067,289)
Margin loan to clients	(263,444,732)	(1,092,474,886)
Leased assets	(1,522,102)	(4,097,118)
Sale of fixed assets	2,402,100	3,027,000
Acquisition of fixed assets	(402,427,003)	(102,682,875)
	(570,907,233)	(1,350,295,168)
Net Cash used in Investing Activities		
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	250,000,000	700,000,000
Zero Coupon Bond	(18,664,017)	(111,753,213)
Repayment of Loan	(382,347,342)	(365,392,982)
Interest payment	(424,824,097)	(293,140,043)
Interim Cash dividend	(2,419,322)	(267,224,457)
Clients deposit/(withdrawals)	(230,961,822)	(187,549,296)
Short term Loan	145,138,890	695,479,862
	(664,077,710)	170,419,871
Net Cash flow from Financing Activities		
Net increase in Cash and Cash Equivalents	(369,886,729)	(158,851,213)
Cash & Cash Equivalent as on January 01, 2018	1,722,437,821	1,881,289,035
Cash & Cash Equivalent as on December 31, 2018	1,352,551,093	1,722,437,821



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
February 12, 2019



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1.00 Company and its activities

1.01 Legal status of the company

LankaBangla Securities Limited (here in after referred to as “LBSL” or “the Company”) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated July 03, 1997 as a Private Company Limited by Shares namely: Vanik (BD) Securities Limited. Subsequently the company renamed as LankaBangla Securities Limited on April 27, 2005. On March 02, 2010 the Company was emerged as a Public Limited Company with its registered office at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Company was entitled to commence its business from July 03, 1997 and the Company is a subsidiary of LankaBangla Finance Limited, a Non Banking Financial Institution incorporated in Bangladesh under the Bangladesh Bank.

1.02 Principal activities of the company

The principal activities of the company are to act as a member of Dhaka Stock Exchanges Ltd. and Chittagong Stock Exchange Ltd. to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Islampur, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj- Narayangonj Branch.

1.03 Information regarding subsidiary companies

As on 31 December 2018 LankaBangla Securities Limited has 02 (Two) subsidiaries company to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 10, ‘Consolidated Financial Statements’. A brief description of the companies is described below:

LankaBangla Information System Limited (Subsidiary Company)

LankaBangla Information System Limited is a private limited company incorporated on 02 May 2013 in Bangladesh under the Companies Act 1994. The main objectives of the company are to restructure and improve the infrastructure to ensure the security, mobility, enhancement and service to all business concerns. LankaBangla Information System Limited holds 99.8 percent shares in its subsidiary.

BizBangla Media Limited (Subsidiary Company)

BizBangla Media Limited is a private limited company incorporated on 18 January 2011 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of printing publishes of newspaper, Journals, magazines, periodicals, books, pamphlets and other literary and non literary works and undertakings, radio, television broadcastings and any other media to deal with copy right, patent, trade mark, intellectual property and IT related products. BizBangla Media Limited holds 80 percent shares in its subsidiary.

2.00 Basis of preparation and Significant Accounting Policies

2.01 Components of the financial statements

The financial statements referred to here comprise:

- a) Statement of Financial Position;
- b) Statement of Profit or Loss and Other Comprehensive Income;
- c) Statement of Changes in Equity;
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements.

2.02 Statement of compliance

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with the Companies Act 1994, The Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as International Financial Reporting Standards (IFRS's) including International Accounting Standards (IASs) and other applicable laws and regulations.

2.03 Basis of measurement

The financial statements have been prepared based on historical cost convention basis, except Investment for Membership in Dhaka Stock Exchange and Chittagong Stock Exchange which have been re-measured at fair value. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

2.04 Basis of consolidation

The financial statements of the company and its subsidiary have been consolidated in accordance with International Financial Reporting Standard (IFRS) 10: 'Consolidated Financial Statements'. The consolidation of the financial statements has been prepared by using uniform accounting policies and after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiary are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the company and of its subsidiary are shown in the consolidated Statement of Financial Position. The interest of minority shareholders of the subsidiary are shown separately in the consolidated Statement of Financial Position under the heading 'Non-controlling Interest'.

2.05 Date of authorization

The Board of Directors accorded its approval and authorized these financial statements on February 12, 2019

2.06 Presentation and functional currency and level of precision

The financial statements have been presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest integer.

2.07 Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

Provisions and accrued expenses are recognized in the financial statements in line with the International Accounting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

- The Company has a legal or constructive obligation as a result of past event.
- It is probable that an outflow of economic benefit will be required to settle the obligation.
- A reliable estimate can be made for the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.08 Going concern

The Company has adequate resources to continue its operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations to continue.

2.09 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.10 Property, Plant and equipment**i) Recognition and measurement****Freehold Assets**

The cost of an item of property and equipment is recognized as an asset if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of item can be measured reliably.

Property and Equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition includes purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use as per International Accounting Standard (IAS) 16 "Property, Plant and Equipment".

Leasehold assets

Leasehold assets of which the Company assumes substantially all the risks and rewards of ownership are accounted for as finance

leases and capitalized at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payment, which ever is lower as per International Accounting Standard (IAS) 17 "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on property and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

iii) Depreciation

Depreciation is calculated on the cost of fixed assets in order to write off such amounts over the estimated useful lives of such assets. The rates of depreciation used on a straight-line method are as follows:

Building	2.5%
Office equipment	20%
Furniture and fixtures	10%
Office renovation	20%
Motor Vehicle	20%
Data Center & Dr.	30%
Software	33.33%
Lease Assets	20%

Half year's depreciation is charged in the year in which the related assets are put into use and disposed off irrespective of the date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the Comprehensive Income statement.

2.11 Intangible assets and amortization of intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is treated as expense as incurred.

2.12 Investment in stock exchanges for membership

In accordance with section 8 (Gha) of the Exchanges Demutualization Act, 2013, both stock exchange membership has been converted into shares through the issuance of "Trading Right Entitlement Certificate (TREC)" by the DSE & CSE. Currently Trading Right Entitlement Certificate has no value due to the stock exchanges did not issue any TREC other than existing members.

2.13 Investment in securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to the acquisition of the shares. After initial recognition, a financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. A financial asset is designated as fair value through profit or loss if the company manages such investments and make purchase and sale decisions based on their fair value in accordance with company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value.

As at the date of statement of financial position the company has financial assets and recognized the unrealized loss at fair value through Statement of profit or loss and other comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institutions and short term liquid investments that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

Cash flow statement has been prepared in accordance with the International Accounting Standards (IAS) 7, "Cash flow statement" under direct method.

2.15 Provision for tax

Current tax

Provision for current tax is made in accordance with the provision of Income Tax Ordinance, 1984 and subsequent amendments made thereto from time to time.

Deferred Tax

Deferred Tax is calculated as per International Accounting Standard (IAS) 12 "Income Taxes". Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences.

Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date

2.16 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the International Accounting Standard (IAS) 18 "Revenue Recognition".

a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

b. Interest Income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

c. Dividend income and profit/ (loss) on sale of marketable securities

Dividend income is recognized when right to receive payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

2.17 Earning per share

The Company calculates earning per share in accordance with International Accounting Standard (IAS) 33 "Earning per Share" which has been shown in the face of the Profit and Loss Account.

2.18 General reserve

The Board of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.

2.19 LB Foundation

The Board of LankaBangla Securities Limited has decided at 69th Board Meeting to contribute 1% of net profit after tax to LB Foundation for CSR.

2.20 Employee benefit Obligation

a. Defined contribution plan

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by the equal contribution both by the Company and employees at a predetermined rate. This fund is invested separately from the Company's assets and is audited by an external auditor.

b. Defined benefit plan (Gratuity scheme)

The Company has an unfunded gratuity scheme for all eligible employees who have completed minimum 02 (two) years of confirmed service with the Company. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.

Following benefits are payable on retirement, death or leaving service:

<u>Year of confirmed service</u>	<u>% of entitlement</u>
2 years and above but less than 4 years	50% of last basic salary
4 years and above but less than 5 years	100% of last basic salary
5 years and above	150% of last basic salary

2.21 Related party disclosure

As per International Accounting Standards (IAS)-24 "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

Related party disclosures have been given in Note- 46.

2.22 Events after the Reporting date:

As per IAS-10 "Event after the Reporting Period" are those event favorable and unfavorable, that occur between the end of the reporting year and the date when the financial statements are authorized for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting year (adjusting events after balance sheet date); and
- Those that are indicative of conditions that arose after the reporting year (Non-adjusting events after balance sheet date).

The Board of Directors has proposed 5% Cash dividend on the paid up capital of the company's shareholders which is to be confirmed in the next Annual General Meeting (AGM) by the shareholders.

2.23 Reclassifications

To facilitate comparison, certain relevant balances pertaining to the previous year has been rearranged/restated/reclassified whenever considered necessary to conform to current year's presentation.

2.24 Branch accounting

The Company has a total ten number of Branch offices (excluding Head Office), with no overseas branch as on December 31, 2018. Accounts of the branches are maintained at the head offices which are included in the accompanying financial statements.

2.25 Comparative:

Comparative information have been disclosed in respect of the previous year for all numerical information in the financial statements including narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Previous year's figure has been re-arranged whenever considered necessary to ensure comparability with the current year's presentation as per IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". During the year prior year adjustment has been made in the interest income, Provision for negative equity shares & others and provision for doubtful loan & advances.

2.26 Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. The following IASs are applicable for the financial statements for the period under review:

IAS-1	Presentation of Financial Statements
IAS-7	Statement of Cash Flows
IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS-10	Events after the Reporting Period
IAS-12	Income Taxes
IAS-16	Property, Plant and Equipment
IAS-17	Leases
IAS-18	Revenue
IAS-19	Employees Benefit
IAS-23	Borrowing Cost
IAS-24	Related Party Disclosure
IAS-32	Financial Instruments Presentation
IAS-37	Provisions, Contingent Liabilities and Contingent Assets
IAS-39	Financial Instruments : Recognition and Measurement
IFRS-7	Financial Instruments : Disclosures
IFRS-10	Consolidated Financial Statements
IFRS-13	Fair Value Measurement

3.00 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements as per section 183 of companies Act 1994.

3.01 Reasons for significant deviation in Net Profit after Tax

LankaBangla Securities Limited's separate Net Profit after Tax (NPAT) for the year 2018 stood at BDT 281.42 million which was BDT 826.15 million in 2017. NPAT has declined by 66% compared to last year.

Reasons for the decline are as follows:

- LBSL's main source of Income "Brokerage Commission" decreased 37% compared to last year due to significant slump of overall daily turnover in the stock exchanges. Both the exchanges also lost around 40% turnover compared to the last year.
- LBSL has to take provision of BDT 234.27 million against diminution in value of investment this year.

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
4.00 Property, Plant & Equipment				
Cost:				
Opening balance	694,078,039	402,156,581	644,298,745	353,218,364
Add: Addition during the year	403,212,549	300,888,952	402,427,003	299,892,875
	1,097,290,588	703,045,533	1,046,725,748	653,111,239
Less: Disposal during the year	30,036,350	8,967,495	30,036,350	8,812,495
Closing balance	1,067,254,238	694,078,039	1,016,689,398	644,298,745
Depreciation:				
Opening balance	262,720,127	233,542,555	229,426,104	204,902,450
Add: Charged during the year	41,090,419	37,959,199	37,691,014	33,190,913
	303,810,546	271,501,755	267,117,118	238,093,364
Less: Adjustment made during the year	29,785,023	8,781,628	29,785,023	8,667,260
Accumulated depreciation	274,025,523	262,720,127	237,332,095	229,426,104
Carrying amount	793,228,715	431,357,912	779,357,303	414,872,640
A schedule of property, Plant & Equipment is given in Annexure-A				
5.00 Long term loan to employees				
Staff transport loan	17,262,230	25,241,094	17,262,230	25,241,094
Loan against salary	4,939,552	1,918,157	4,939,552	1,918,157
	22,201,782	27,159,251	22,201,782	27,159,251
6.00 Investment				
Investment in equity of unlisted company (Note-6.01)	74,261,310	133,064,080	393,259,310	452,062,080
Investment in equity of strategic company (Note-6.02)	1,011,466,093	1,488,421,588	1,011,466,093	1,488,421,588
Investment in equity of strategic company (Note-6.03)	36,000,000	-	36,000,000	-
	1,121,727,403	1,621,485,668	1,440,725,404	1,940,483,668
6.01 Investment in equity of unlisted company				
Particulars				
Financial Excellence Limited	3,000,000	3,000,000	3,000,000	3,000,000
DSE Membership at Cost (Note-6.01.A)	8,704,500	11,606,000	8,704,500	11,606,000
CSE Membership at Cost (Note-6.01.A)	5,000,000	5,000,000	5,000,000	5,000,000
LankaBangla Information Technology Limited	-	-	998,000	998,000
Bengal Meat Processing Industries Limited	50,000,000	50,000,000	50,000,000	50,000,000
Al-Arafah Shariah Unit Fund	-	60,000,000	-	60,000,000
Bashundhara Paper Mills	-	3,458,080	-	3,458,080
Esquire Knitting Ltd	1,880,100	-	1,880,100	-
AND Telecom Limited	569,040	-	569,040	-
Genex Infosys Limited	107,670	-	107,670	-
EDGE Bangladesh Mutual Fund	5,000,000	-	5,000,000	-
BizBangla Media Limited	-	-	318,000,000	318,000,000
	74,261,310	133,064,080	393,259,310	452,062,080

6.01.A DSE and CSE Membership at Cost

LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges:

Stock Exchange	Type of Shares	Number of Shares	Face Value
Dhaka Stock Exchange Limited	Floated (53.33%)	2,886,042	10
	Blocked (46.67%)	2,525,287	10
		5,411,329	
Chittagong Stock Exchange Limited	Floated (40.00%)	1,714,932	10
	Blocked (60.00%)	2,572,398	10
		4,287,330	

Valuation of membership has been shown at cost in the financial statements.

		Amount in Taka			
		Consolidated		Separate	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
6.02	Investment in equity of strategic company				
	IT	18,217,927	23,564,676	18,217,927	23,564,676
	Textiles	319,872,838	319,872,838	319,872,838	319,872,838
	Non Banking Financial Institution	335,912,204	335,912,204	335,912,204	335,912,204
	Pharmaceuticals & Chemical	-	38,461,538	-	38,461,538
	Mutual Fund	9,139,000	9,139,000	9,139,000	9,139,000
	Insurance	-	433,147,206	-	433,147,206
	Bank	328,324,125	328,324,125	328,324,125	328,324,125
		1,011,466,093	1,488,421,588	1,011,466,093	1,488,421,588
6.03	Investment in equity of strategic company				
	IT	36,000,000	-	36,000,000	-
		36,000,000	-	36,000,000	-
LankaBangla Securities Limited has invested an amount of Tk. 36,000,000/= from the sell proceed of 25% shares of Dhaka Stock Exchange Limited to full fill the requirements of DSE circular no. DSE/COM/TAD/CLR/SRO_Rate_Cap_Gain_Tax/1519-7152, Dated 04 November 2018, BSEC Directive no. SEC/SRMIC/94-231/723, Dated 13 November 2018 & RSO no. 319-Law/Income Tax/2018, Dated 30 October 2018.					
7.00	Advances, Deposits and Prepayments				
	Advances				
	Office rent	25,344,486	35,280,549	25,344,486	35,280,549
	Advance for Bank guarantee margin	145,833	163,706	145,833	163,706
	BizBangla Media Limited	-	-	87,000,000	82,000,000
	Advance against expenses	9,348,395	5,955,086	5,142,501	4,791,278
		34,838,714	41,399,341	117,632,820	122,235,533
	Deposits				
	Clearing house	25,000	25,000	25,000	25,000
	Lease Deposit	1,903,070	2,277,772	1,903,070	2,277,772
	PCS Bangladesh (Pvt.) Ltd.	64,000	64,000	64,000	64,000
	Jai Jai Din Printers	500,000	500,000	-	-
	Security deposit with agencies	270,069	270,069	-	-
	Security deposit with CDBL	102,500	102,500	102,500	102,500
	Security deposit for office space	6,307,632	5,263,454	3,299,220	3,299,220
		9,172,271	8,502,795	5,393,790	5,768,492
	Prepayments				
	Group and health insurance	3,532,504	3,426,268	3,532,504	3,426,268
	Insurance for office equipment	536,637	832,099	536,637	832,099
	Insurance for motor vehicle	223,639	218,595	223,639	218,595
		4,292,780	4,476,962	4,292,780	4,476,962
		48,303,764	54,379,097	127,319,389	132,480,986
8.00	Advance Income Tax				
	Opening Balalce	350,493,534	108,356,776	347,064,462	106,722,378
	Add: Paid during year				
	Advance tax	49,762,488	41,122,896	49,722,488	40,926,054
	Advance tax deducted at source	23,365,851	21,104,249	21,151,982	19,506,417
	Tax deducted at source on turnover	117,797,491	179,909,613	117,797,491	179,909,613
		190,925,830	242,136,758	188,671,961	240,342,083
		541,419,364	350,493,534	535,736,423	347,064,462
	Less: Adjusment during the year	-	-	-	-
		541,419,364	350,493,534	535,736,423	347,064,462
9.00	Investments				
	Investment in listed securities (Note-9.01)	1,265,855,603	861,276,061	1,265,855,603	861,276,061
	Fixed deposits receipt (FDR) (Note-9.02)	42,739,456	41,579,105	41,565,655	40,471,436
		1,308,595,059	902,855,166	1,307,421,258	901,747,497

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
9.01 Investment in listed securities				
Pharmaceuticals & Chemical	472,916,171	377,263,667	472,916,171	377,263,667
Fuel Power	350,983,935	421,806,232	350,983,935	421,806,232
Tannery	31,254,372	50,094,868	31,254,372	50,094,868
Non Banking Financial Institution	12,487,978	-	12,487,978	-
Telecommunication	356,105,471	-	356,105,471	-
Engineering	134,920	127,046	134,920	127,046
Paper & Printing	864,560	-	864,560	-
Textiles	258,991	-	258,991	-
Food Allied	13,500,000	2,605,507	13,500,000	2,605,507
Insurance	26,847,292	8,866,000	26,847,292	8,866,000
Mutual Fund	499,982	499,982	499,982	499,982
Cash form	1,931	12,758	1,931	12,758
	1,265,855,603	861,276,061	1,265,855,603	861,276,061
9.02 Fixed deposit receipts (FDR)				
FDR with Standard Chartered Bank	41,565,655	40,471,436	41,565,655	40,471,436
FDR with One Bank Limited	1,173,802	1,107,669	-	-
	42,739,456	41,579,105	41,565,655	40,471,436
10.00 Inventories				
Newspaper	2,999,301	522,315	-	-
P. S plate	500	11,200	-	-
Polyester film	21,275	23,205	-	-
	3,021,076	556,720	-	-
11.00 Current portion of loans and advances				
Loan Against Salary	1,896,398	2,890,108	1,202,802	2,515,430
Staff Transport Loan	10,935,744	10,948,064	10,935,744	10,948,064
	12,832,142	13,838,172	12,138,546	13,463,494
12.00 Accounts receivable				
Receivable from clients (Note - 12.01)	5,633,943,946	5,383,462,265	5,507,987,219	5,279,744,447
Receivable from DSE & CSE (Note - 12.02)	56,967,047	46,241,107	56,967,047	46,241,107
	5,690,910,993	5,429,703,372	5,564,954,266	5,325,985,554
12.01 Receivable from clients				
Cash dividend receivable	13,689,010	10,863,454	13,689,010	10,863,454
Sundry debtors against advertisement	118,461,184	97,823,773	-	-
Sundry debtors against circulation	7,495,542	5,894,045	-	-
Other clients	5,494,298,210	5,268,880,993	5,494,298,210	5,268,880,993
	5,633,943,946	5,383,462,265	5,507,987,219	5,279,744,447
Other clients				
Other clients includes receivable from share trading.				
12.02 Receivable from DSE & CSE				
ABG&N	12,225,818	7,209,109	12,225,818	7,209,109
ABG&N	7,383,599	-	7,383,599	-
Z	7,609,096	3,898,800	7,609,096	3,898,800
Z	6,506,005	6,739,740	6,506,005	6,739,740
Z	2,920,492	3,490,527	2,920,492	3,490,527
Z	3,237,288	1,776,114	3,237,288	1,776,114
Z	2,853,296	4,811,793	2,853,296	4,811,793
Z	1,821,789	3,679,861	1,821,789	3,679,861
Z	1,728,128	2,441,573	1,728,128	2,441,573
Z	2,487,306	2,820,248	2,487,306	2,820,248
Z	5,741,711	7,495,545	5,741,711	7,495,545
Total DSE	54,514,527	44,363,309	54,514,527	44,363,309

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ABG&N	740,811	-	740,811	-
ABG&N (Spot)	-	-	-	-
Z	300,116	357,402	300,116	357,402
Z	76,144	110,024	76,144	110,024
Z	201,633	75,683	201,633	75,683
Z	175,048	206,696	175,048	206,696
Z	63,223	644,472	63,223	644,472
Z	115,915	106,723	115,915	106,723
Z	134,507	109,599	134,507	109,599
Z	243,245	179,570	243,245	179,570
Z	401,877	87,629	401,877	87,629
Total CSE	2,452,520	1,877,798	2,452,520	1,877,798
Grand Total DSE & CSE	56,967,047	46,241,107	56,967,047	46,241,107
13.00 Cash and Cash Equivalents				
Cash in hand	197,310	131,456	113,165	85,470
Cash at bank (Notes 13.01)	1,356,402,201	1,725,271,566	1,352,437,928	1,722,352,351
	1,356,599,511	1,725,403,022	1,352,551,093	1,722,437,821
13.01 Cash at Bank /NBF				
Standard Chartered Bank	6,530,521	238,702,968	6,530,521	238,268,159
ONE Bank Limited	1,143,335,075	1,437,671,718	1,139,835,986	1,435,624,896
Commercial Bank of Ceylon	2,274,941	45,480,214	2,274,941	45,480,214
Shahajalal Islami Bank limited	101,279	1,026,956	101,279	1,026,956
South Bangla Agriculture & Commerce Bank	35,966	52,305	35,966	52,305
Standard Bank Limited	63,509	126,475	-	-
Bangladesh Development Bank Ltd	89,076	28,463	-	-
National Credit and Commerce Bank Ltd	203,615,890	1,726,523	203,615,890	1,726,523
Uttara Bank Limited	5,000	5,000	-	-
Sonali Bank Limited	307,599	277,646	-	-
Midland Bank Limited	40,738	169,540	40,738	169,540
Meghna Bank Limited	2,607	3,757	2,607	3,757
	1,356,402,201	1,725,271,566	1,352,437,928	1,722,352,351
14.00 Share Capital				
Authorized Capital				
500,000,000 ordinary shares of Taka 10 each	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Issued, Subscribed and Paid-up Capital	2,690,303,320	2,690,303,320	2,690,303,320	2,690,303,320
269,030,332 ordinary shares of Taka 10 each fully paid	2,690,303,320	2,690,303,320	2,690,303,320	2,690,303,320
Detail of Shareholding Position of the Company				
Name of the Sponsor & Directors Shareholders		No. of Shares		
LankaBangla Finance Ltd.		244,573,260	2,445,732,600	2,445,732,600
Mr. Mohammad A. Moyeen		122,290	1,222,900	1,222,900
Mr. Mahbubul Anam		119,841	1,198,410	1,198,410
Mr. B W Kundanmal		2	20	20
Mr. Mohammed Nasiruddin Chowdhury		2,797	27,970	27,970
		244,818,190	2,448,181,900	2,448,181,900
General Shareholders		24,212,142	242,121,420	242,121,420
		269,030,332	2,690,303,320	2,690,303,320
15.00 Share Premium				
Premium amount received against issue of 5,000,000 shares @ 240 per share in 2010.	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
16.00 General Reserve				
Opening balance	52,688,811	48,460,890	52,688,811	48,460,890
Add: Addition during the year	2,254,171	4,227,921	2,254,171	4,227,921
	54,942,982	52,688,811	54,942,982	52,688,811
Less: Adjustment during the year	-	-	-	-
Closing balance	54,942,982	52,688,811	54,942,982	52,688,811
The Board of Directors of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.				
17.00 Long Term Loan				
Opening balance	846,504,838	594,301,425	846,504,838	594,301,425
Add: Drawdown during the year	250,000,000	700,000,000	250,000,000	700,000,000
	1,096,504,838	1,294,301,425	1,096,504,838	1,294,301,425
Less: Payment during the year	-	56,169,525	-	56,169,525
Less: Conversion to Short term	394,664,031	391,627,062	394,664,031	391,627,062
Closing balance	701,840,807	846,504,838	701,840,807	846,504,838
Detail of long term portion of the above balance is presented below:				
LankaBangla Finance Limited	137,054,366	168,257,969	137,054,366	168,257,969
Shahjalal Islami Bank Limited	-	12,615,117	-	12,615,117
Shahjalal Islami Bank Limited 2	66,170,959	40,713,319	66,170,959	40,713,319
Midland Bank Limited	21,077,510	30,806,715	21,077,510	30,806,715
South Bangla Agriculture & Commerce Bank Ltd	-	67,366,581	-	67,366,581
South Bangla Agriculture & Commerce Bank Ltd 2	4,105,818	55,689,831	4,105,818	55,689,831
South Bangla Agriculture & Commerce Bank Ltd 3	16,650,237	38,965,260	16,650,237	38,965,260
South Bangla Agriculture & Commerce Bank Ltd 4	113,152,506	143,317,481	113,152,506	143,317,481
South Bangla Agriculture & Commerce Bank Ltd 5	165,285,894	-	165,285,894	-
Phonix Finance ltd	113,720,745	147,563,678	113,720,745	147,563,678
Standard Bank Limited	64,622,772	141,208,887	64,622,772	141,208,887
Sub total	701,840,807	846,504,838	701,840,807	846,504,838
18.00 Deferred tax Liabilities				
Deferred Tax has been calculated based on deductible/ taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 "Income Taxes".				
Assets:				
WDV of fixed assets as per accounts	793,228,716	414,872,645	779,357,305	414,872,645
WDV of fixed assets as per tax base	758,425,075	394,859,835	735,522,486	394,859,835
Taxable /(Deductible) Temporary Difference	34,803,641	20,012,810	43,834,819	20,012,810
Applicable Tax Rate	35%	35%	35%	35%
Deferred Tax Liability/(Asset)	12,181,274	7,004,484	15,342,187	7,004,484
Deferred Tax Liabilities/(Assets)	12,181,274	7,004,484	15,342,187	7,004,484
19.00 Finance lease obligation				
Opening balance	5,195,419	1,911,106	4,241,214	-
Add: Addition during the year	-	5,242,000	-	5,242,000
	5,195,419	7,153,106	4,241,214	5,242,000
Less: Conversion to Short term	1,775,282	1,957,686	955,401	1,000,786
Closing Balance	3,420,137	5,195,419	3,285,813	4,241,214
20.00 Accounts payable				
Payable to clients (Note-20.01)	1,253,223,547	1,483,355,222	1,247,530,879	1,478,492,701
Payable to DSE and CSE (Note - 20.02)	11,364,099	51,620,807	11,364,099	51,620,807
Accrued expenses (Note - 20.03)	52,756,459	92,812,882	35,383,835	80,546,708
	1,317,344,105	1,627,788,911	1,294,278,813	1,610,660,216

		Amount in Taka			
		Consolidated		Separate	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
20.01	Payable to Clients				
	Payable for IPO clients	645,000	700,000	645,000	700,000
	IDLC of Bangladesh Ltd	633,030	147,518	633,030	147,518
	LankaBangla Investments Ltd.	3,224,687	78,039,822	3,224,687	78,039,822
	Prattashee Traders	1,223,254	564,137	-	-
	Reaz Enterprize	3,000,000	3,031,464	-	-
	Jai Jai Din Printers	1,469,414	1,266,920	-	-
	Payable suspense	2,068,779	1,000,500	2,068,779	1,000,500
	Other client	1,240,959,384	1,398,604,861	1,240,959,384	1,398,604,861
		1,253,223,547	1,483,355,222	1,247,530,879	1,478,492,701
	Other Clients				
	Other clients includes payable from share trading.				
20.02	Payable to DSE & CSE				
	ABG&N	375,110	464,686	375,110	464,686
	Z	1,983,315	6,152,713	1,983,315	6,152,713
	Total DSE	2,358,426	6,617,399	2,358,426	6,617,399
	ABG&N	8,743,722	44,522,623	8,743,722	44,522,623
	Z	261,951	480,786	261,951	480,786
	Total CSE	9,005,673	45,003,409	9,005,673	45,003,409
	Grand Total DSE & CSE	11,364,099	51,620,807	11,364,099	51,620,807
20.03	Accrued Expenses				
	Telephone bill	100,009	114,321	71,694	74,878
	Electricity bill	1,794,959	1,201,280	1,441,702	957,827
	Office rent	8,323,238	3,706,883	4,583,680	2,240,978
	Printing & stationeries	444,337	529,637	444,337	529,637
	News paper and periodicals	100,245	49,226	-	-
	Office maintenance	1,587,851	832,285	1,279,976	581,710
	Vehicle maintenance	214,447	142,700	-	-
	Water and sewerage bill	115,723	118,914	115,723	118,914
	Audit fees	236,730	259,730	144,730	144,730
	Legal and professional fees	333,000	126,000	-	-
	News agency service charge	1,022,260	667,361	-	-
	Advertisement commission	21,757	-	-	-
	Incentive	25,522,096	73,465,591	25,522,096	73,465,591
	Contribution to provident fund	9,178,758	7,180,059	-	-
	Honorarium	1,981,152	1,986,452	-	-
	Salaries & Allowances	37,627	40,000	37,627	40,000
	CDBL charges	1,742,271	2,392,444	1,742,271	2,392,444
		52,756,459	92,812,882	35,383,835	80,546,708
21.00	Short Term Loan				
	Opening Balance	2,173,130,809	1,458,192,316	2,130,785,736	1,435,305,874
	Loan taken during the year	162,792,410	714,938,494	145,138,890	695,479,862
		2,335,923,220	2,173,130,809	2,275,924,625	2,130,785,736
	Re-scheduled/repayment during the year	-	-	-	-
	Closing Balance	2,335,923,220	2,173,130,809	2,275,924,625	2,130,785,736
	Detail of the above balance is presented below:				
	Loan taken as a short term				
	One Bank Limited	830,163,936	712,173,106	770,165,342	669,828,032
	Standard Chartered Bank	540,009,020	392,582,122	540,009,020	392,582,122
	Shahjalal Islami Bank Limited	100,391,667	98,491,305	100,391,667	98,491,305
	Midland Bank Limited	103,365,987	102,766,955	103,365,987	102,766,955
	United Finance Limited	251,895,834	255,937,500	251,895,834	255,937,500
	South Bangla Agriculture & Commerce Bank Ltd	207,001,968	205,400,680	207,001,968	205,400,680
	Hajj Finance Limited	200,000,000	201,134,697	200,000,000	201,134,697
	National Credit and Commerce Bank Ltd	103,094,808	-	103,094,808	-
	Phonix Finance Ltd	-	204,644,444	-	204,644,444
	Sub total	2,335,923,220	2,173,130,809	2,275,924,625	2,130,785,736

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
22.00 Provision for Current Tax				
Opening Balance	419,586,060	131,526,247	418,092,863	130,954,733
Add: Provision during the year	156,691,704	288,059,813	155,673,515	287,138,130
	576,277,764	419,586,060	573,766,379	418,092,863
Less: Adjustment during the year	-	-	-	-
	576,277,764	419,586,060	573,766,379	418,092,863
23.00 Current portion of lease obligation				
Opening balance	2,492,781	5,469,408	1,568,631	4,664,963
Add: Conversion from Long Term	1,775,282	1,957,686	955,401	1,000,786
	4,268,063	7,427,094	2,524,032	5,665,749
Less: Paid during the year	2,473,661	4,934,313	1,522,102	4,097,118
Closing balance	1,794,402	2,492,781	1,001,930	1,568,631
24.00 Current portion of term loan				
Opening balance	391,627,062	309,223,456	391,627,062	309,223,456
Add: Conversion from Long Term	394,664,031	391,627,062	394,664,031	391,627,062
	786,291,093	700,850,518	786,291,093	700,850,518
Less: Paid during the year	382,347,342	309,223,456	382,347,342	309,223,456
Closing balance	403,943,751	391,627,062	403,943,751	391,627,062
Detail current portion of long term loan above balance is presented below:				
LankaBangla Finance Limited	36,649,015	39,160,307	36,649,015	39,160,307
Shahjalal Islami Bank Limited 2	8,762,657	42,027,167	8,762,657	42,027,167
Shahjalal Islami Bank Limited 3	18,040,660	8,466,661	18,040,660	8,466,661
Midland Bank Limited	10,854,335	9,962,839	10,854,335	9,962,839
South Bangla Agriculture & Commerce Bank Ltd	69,679,267	74,191,273	69,679,267	74,191,273
South Bangla Agriculture & Commerce Bank Ltd 2	53,330,465	48,590,068	53,330,465	48,590,068
South Bangla Agriculture & Commerce Bank Ltd 3	24,444,358	22,832,133	24,444,358	22,832,133
South Bangla Agriculture & Commerce Bank Ltd 4	33,864,475	33,905,979	33,864,475	33,905,979
South Bangla Agriculture & Commerce Bank Ltd 5	28,788,657	-	28,788,657	-
Phonix Finance Ltd	36,314,568	34,119,632	36,314,568	34,119,632
Standard Bank Limited	83,215,295	78,371,001	83,215,295	78,371,001
Sub total	403,943,751	391,627,062	403,943,751	391,627,062
25.00 Provision for negative equity & others				
Provision for negative equity (Note-25.01)	149,970,230	149,970,230	149,970,230	149,970,230
Diminution value of investment (Note-25.02)	234,270,000	-	234,270,000	-
	384,240,230	149,970,230	384,240,230	149,970,230
25.01 Provision for negative equity				
Opening balance	149,970,230	184,419,523	149,970,230	184,419,523
Add: Addition during the year*	-	-	-	-
	149,970,230	184,419,523	149,970,230	184,419,523
Less: Write off during the year	-	34,449,293	-	34,449,293
Closing balance	149,970,230	149,970,230	149,970,230	149,970,230
25.02 Diminution value of investment				
Opening balance	-	76,109,546	-	76,109,546
Add: Addition during the year	234,270,000	-	234,270,000	-
	234,270,000	76,109,546	234,270,000	76,109,546
Less: Adjustment during the year	-	76,109,546	-	76,109,546
Closing balance	234,270,000	-	234,270,000	-
26.00 Interest Suspense				
Opening balance	174,103,328	810,164,046	174,103,328	810,164,046
Add: Addition during the year	-	-	-	-
	174,103,328	810,164,046	174,103,328	810,164,046
Less: Write off during the year	38,027,515	636,060,718	38,027,515	636,060,718
Closing balance	136,075,813	174,103,328	136,075,813	174,103,328

	Amount in Taka			
	Consolidated		Separate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
27.00 Other Liabilities				
Interest on short term loan	49,312,487	41,062,957	49,312,487	41,062,957
Liabilities for other expenses	4,266,983	4,265,357	2,793,123	3,787,123
Brokerage sharing	5,704,366	6,105,019	5,704,366	6,105,019
Liabilities for security deposit	72,608	72,608	-	-
Premium brokerage service	3,687,825	3,620,833	3,687,825	3,620,833
LB Foundation	2,842,656	8,344,914	2,842,656	8,344,914
Cash dividend payable	927,962	2,941,013	927,962	2,941,013
Tax and VAT deducted at source	700,261	593,261	-	-
Un-claimed cash dividend	1,581,036	1,987,307	1,581,036	1,987,307
	69,096,183	68,993,269	66,849,454	67,849,166

	Amount in Taka			
	Consolidated		Separate	
	2018	2017	2018	2017
28.00 Interest income				
Interest on debit balance of clients	662,458,712	495,894,420	662,458,712	495,894,420
Interest on bank deposit (Note-28.01)	77,620,334	98,466,339	77,380,055	98,369,326
	740,079,046	594,360,758	739,838,768	594,263,745
28.01 Interest Income				
Interest on Bank Deposit				
One Bank Limited	65,486,576	94,865,050	65,246,298	94,768,037
Commercial Bank of Ceylon	177,762	331,551	177,762	331,551
National Credit and Commerce Bank Ltd	10,426,890	1,926,414	10,426,890	1,926,414
South Bangla Agriculture & Commerce Bank	78,130	48,145	78,130	48,145
Shahajalal Islami Bank limited	181,736	-	181,736	-
Midland Bank Limited	3,362	32,541	3,362	32,541
Interest on FDR	1,265,877	1,262,638	1,265,877	1,262,638
	77,620,334	98,466,339	77,380,055	98,369,326
29.00 Income from investment				
Capital gain from shares investment (Note-29.01)	275,914,712	307,448,514	275,914,712	307,448,514
Dividend	42,678,310	56,562,077	42,678,310	56,562,077
	318,593,021	364,010,592	318,593,021	364,010,592
29.01 Capital gain from shares investment				
Sales price of shares	1,549,808,652	2,550,140,826	1,549,808,652	2,550,140,826
Less: Cost price of shares	1,273,862,940	2,242,671,446	1,273,862,940	2,242,671,446
	275,945,712	307,469,379	275,945,712	307,469,379
Less: CDBL & Other charges	31,000	20,865	31,000	20,865
	275,914,712	307,448,514	275,914,712	307,448,514
30.00 Brokerage income				
DSE	650,119,898	1,040,277,123	650,119,898	1,040,277,123
CSE	57,017,678	94,323,157	57,017,678	94,323,157
	707,137,576	1,134,600,280	707,137,576	1,134,600,280
31.00 Revenue from advertisement & circulation				
Revenue from advertisement	146,807,093	130,717,503	-	-
Revenue from circulation	13,688,951	12,353,621	-	-
Round table conference income	1,375,750	1,670,845	-	-
Sponsorship income	5,428,429	5,872,157	-	-
	167,300,224	150,614,126	-	-
32.00 Other operational income				
Service charge from clients for CDBL	23,529,869	21,724,305	23,529,869	21,724,305
Scrap sales	2,279,318	3,133,984	121,660	299,900
IT enable and Cloud services	2,468,148	1,031,672	-	-
Monthly review	62,550	141,450	62,550	141,450
	28,339,885	26,031,411	23,714,079	22,165,655
33.00 Interest expenses				
Interest on term loan	437,739,447	318,485,572	432,366,631	315,320,210
Interest on lease finance	899,737	707,987	706,996	408,378
	438,639,184	319,193,558	433,073,626	315,728,587
34.00 Other costs directly attributable to services				
Service charge paid to CDBL	29,479,849	43,408,593	29,479,849	43,408,593
Cost of goods sold	26,016,366	23,830,946	-	-
Factory overhead	108,201,471	73,174,707	-	-
Hawla charges	262,010	926,578	262,010	926,578
Laga charges	53,195,075	82,947,130	53,195,075	82,947,130
	217,154,771	224,287,954	82,936,934	127,282,301
35.00 Other non-operational income				
Income from office space rent	10,892,059	10,119,756	10,892,059	10,119,756
Interest on loans and advances to employees	612,794	745,275	612,794	745,275
Gain on disposal of fixed assets	2,402,100	3,095,568	2,402,100	3,027,000
	13,906,953	13,960,599	13,906,953	13,892,031

	Amount in Taka			
	Consolidated		Separate	
	2018	2017	2018	2017
36.00 Salary and allowances				
Salary and allowances	360,110,721	320,857,848	352,603,081	300,004,773
Provident fund contribution	16,274,933	14,123,917	16,151,966	13,780,094
Gratuity	10,577,332	25,009,390	10,468,422	24,499,130
Incentive	24,718,745	72,939,470	24,718,745	72,939,470
	411,681,731	432,930,625	403,942,213	411,223,467
37.00 Rent, taxes, insurance, electricity etc.				
Office rent	47,685,349	45,739,952	46,558,801	42,247,182
Insurance premium	8,387,669	7,171,762	8,387,669	6,413,310
Electricity	8,342,017	8,479,984	8,037,964	7,289,455
	64,415,036	61,391,697	62,984,434	55,949,947
38.00 Legal and professional fees				
Legal and professional fees	3,650,400	2,009,430	3,061,900	1,534,430
	3,650,400	2,009,430	3,061,900	1,534,430
39.00 Postage, stamp, telecommunication etc.				
Postage and courier	369,843	366,269	330,468	326,287
Telephone and mobile bill	5,604,307	5,136,823	5,243,070	4,813,358
	5,974,150	5,503,092	5,573,538	5,139,645
40.00 Stationery, printing, advertisement				
Printing and stationery	9,207,694	10,245,884	9,058,215	8,924,416
Advertisement	2,729,805	2,373,718	2,729,805	2,356,468
	11,937,500	12,619,602	11,788,020	11,280,884
41.00 Director fees and expenses				
Director fees and expenses	828,000	845,250	828,000	845,250
	828,000	845,250	828,000	845,250
42.00 Audit fees				
Audit fees	235,750	304,750	143,750	143,750
	235,750	304,750	143,750	143,750
43.00 Repairs, maintenance and depreciation				
Repairs and maintenance	1,777,012	962,930	1,777,012	962,930
Depreciation	38,030,955	35,575,056	37,691,014	33,190,913
	39,807,967	36,537,986	39,468,027	34,153,843
44.00 Other expenses				
Training	1,513,827	2,137,750	1,485,004	2,121,653
Membership and renewal fees	3,768,746	5,013,346	3,297,382	4,719,691
Traveling and conveyance	5,457,113	3,977,336	4,598,498	3,561,674
Internet and e-mail	10,999,858	12,118,841	10,999,858	11,266,258
News paper and periodicals	199,751	911,313	199,751	197,727
Fuel expenses	449,495	463,622	449,495	463,622
Vehicle maintenance/Registration	29,048,952	27,138,363	29,048,952	25,621,198
Water and sewerage bill	898,969	877,084	898,969	877,084
Office maintenance	15,400,457	14,121,701	15,107,184	11,568,483
Entertainment	7,792,361	7,233,920	7,322,111	6,688,897
Business promotion	9,259,719	26,309,212	9,259,719	19,929,536
Bank charges	1,679,205	1,262,154	1,546,800	1,150,421
AGM related expenses	66,318	68,467	66,318	68,467
Documentation fees	551,080	992,794	551,080	992,794
Loss on disposal of fixed assets	251,327	145,235	251,327	145,235
LB Foundation	2,842,656	8,344,914	2,842,656	8,344,914
Software maintenance fee	9,061,925	6,873,725	9,061,925	6,873,725
Subscription for Bloomberg & Portal	6,507,272	6,281,623	6,507,272	6,281,623
Commission of bank guarantee	10,955,706	12,863,244	10,955,706	12,863,244
Fair and conference	963,134	1,070,922	-	-
Selling & distribution expenses	17,267,779	11,194,255	-	-
Subscriptions	213,649	426,331	213,649	426,331
	135,149,305	149,826,152	114,663,663	124,162,577

	Amount in Taka			
	Consolidated		Separate	
	2018	2017	2018	2017
45.00 Earnings per Share (EPS):				
Net profit after Tax	284,722,233	821,864,830	281,422,889	826,146,466
Number of Ordinary Shares Outstanding	269,030,332	269,030,332	269,030,332	269,030,332
Earnings Per Share (EPS)	1.06	3.05	1.05	3.07

Earnings per Share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".

*** Previous year's EPS has been restated by the current year's outstanding shares.

46.00 Related Party Disclosure

During the year the Company carried out a number of transactions with the related parties in the normal course of business on arm's length basis. Name of those related parties, nature of those transaction and their total value have been shown below in accordance with the provisions of IAS-24- "Related Party Disclosure."

Name of the Party	Relationship	Nature of Transaction	Transaction			
			Opening balance	Addition	Adjustment	Closing balance
LankaBangla Finance Ltd.	Sponsor Shareholder	Term Loan	(207,418,276)	-	33,714,894	(173,703,382)
LankaBangla Investment Ltd.	Sponsor Shareholder	IP Accounts	(78,039,822)	-	74,815,135	(3,224,687)
BizBangla Media Limited	Subsidiary	Advances	82,000,000	5,000,000	-	87,000,000

Annexure -A

LANKABANGLA SECURITIES LIMITED

Consolidated Schedule of Property, Plant & Equipment

For the year ended December 31, 2018

Amount in Taka

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2018
	Balance as on January 1, 2018	Additions during the year	Disposal during the year	Balance on December 31, 2018		Balance as on January 1, 2018	Charged during the year	Disposal during the year	Balance on December 31, 2018	
Building	343,703,850	380,141,857	-	723,845,707	2.5%	20,318,025	8,592,596	-	28,910,622	694,935,085
Furniture & Fixtures	20,239,768	564,096	542,829	20,261,035	10%	6,467,462	1,882,546	398,634	7,951,374	12,309,661
Office Equipment	102,125,760	6,211,572	4,280,830	104,056,502	20%	70,077,868	8,981,172	4,173,698	74,885,343	29,171,159
Data Center & Dr	73,719,677	6,383,550	3,850,210	76,253,017	30%	70,693,289	2,848,669	3,850,210	69,691,748	6,561,269
Office Renovation	99,213,922	3,937,767	9,902,481	93,249,208	20%	55,989,181	13,351,046	9,902,481	59,437,746	33,811,462
Motor Vehicle	13,659,670	3,622,457	-	17,282,127	20%	5,719,569	2,138,666	-	7,858,235	9,423,892
Software	8,236,392	2,351,250	-	10,587,642		7,218,033	596,262	-	7,814,295	2,773,347
Leased Asset	33,179,000	-	11,460,000	21,719,000	20%	26,236,700	2,699,460	11,460,000	17,476,160	4,242,840
Total December 31, 2018	694,078,039	403,212,549	30,036,350	1,067,254,238		262,720,127	41,090,419	29,785,023	274,025,523	793,228,715
Total December 31, 2017	402,156,581	300,888,952	8,967,495	694,078,039		233,542,555	37,959,199	8,781,628	262,720,127	431,357,912

Annexure -A

LANKABANGLA SECURITIES LIMITED

Schedule of Property, Plant & Equipment

For the year ended December 31, 2018

Amount in Taka

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2018
	Balance as on January 1, 2018	Additions during the year	Disposal during the year	Balance on December 31, 2018		Balance as on January 1, 2018	Charged during the year	Disposal during the year	Balance on December 31, 2018	
Building	343,703,850	380,141,857	-	723,845,707	2.5%	20,318,025	8,592,596	-	28,910,622	694,935,085
Furniture & Fixtures	19,507,915	500,948	542,829	19,466,034	10%	6,220,043	1,827,787	398,634	7,649,197	11,816,838
Office Equipment	79,606,052	5,729,309	4,280,830	81,054,531	20%	54,513,977	7,493,556	4,173,698	57,833,835	23,220,695
Data Center & Dr	73,719,677	6,383,550	3,850,210	76,253,017	30%	70,693,289	2,848,669	3,850,210	69,691,748	6,561,269
Office Renovation	87,583,205	3,697,632	9,902,481	81,378,356	20%	47,784,583	12,617,795	9,902,481	50,499,897	30,878,458
Motor Vehicle	3,980,000	3,622,457	-	7,602,457	20%	942,000	1,158,246	-	2,100,246	5,502,211
Software	4,419,046	2,351,250	-	6,770,296		3,400,688	596,262	-	3,996,950	2,773,346
Leased Asset	31,779,000	-	11,460,000	20,319,000	20%	25,553,499	2,556,100	11,460,000	16,649,599	3,669,401
Total December 31, 2018	644,298,745	402,427,003	30,036,350	1,016,689,398		229,426,104	37,691,014	29,785,023	237,332,095	779,357,303
Total December 31, 2017	353,218,364	299,892,875	8,812,495	644,298,745		204,902,450	33,190,913	8,667,260	229,426,104	414,872,640

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES

LANKABANGLA INVESTMENTS LIMITED

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Independent Auditors' Report

To the Shareholders of

LankaBangla Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LankaBangla Investments Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2018 and Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and the Companies Act 1994, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for maintenance of the required books of accounts & records, preparation and fair presentation of the financial statements in accordance with IFRSs 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 and also for disclosure of matters that may affect any fact of the financial statements.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise

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Chartered Accountants

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Syful Shamsul Alam & Co

Place : Dhaka
Date : 12 February 2019

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Taka	
		31.12.2018	31.12.2017
Assets			
Non-current assets			
Property, plant and equipment	4	10,883,125	10,958,350
Intangible assets	5	1,057,002	125,669
Investments	6	415,591,029	205,359,352
Deferred tax asset	19	-	-
Other non-current assets	7	5,335,895	3,815,254
Total non-current assets		432,867,051	220,258,625
Current assets			
Margin loan	8	1,538,262,645	1,915,459,376
Advances, deposits and prepayments	9.02	23,497,672	30,819,495
Investments	10	349,419,407	464,583,185
Accounts receivable	11	54,486,084	120,468,243
Cash and cash equivalents	12	289,096,256	237,698,683
Total current assets		2,254,762,064	2,769,028,984
Total assets		2,687,629,115	2,989,287,609
Equity and liabilities			
Equity			
Share capital	13	2,155,000,000	1,670,000,000
Retained earnings		(1,734,272,735)	(1,223,889,794)
Total equity		420,727,265	446,110,206
Liabilities			
Non current liabilities			
Term loan	14	-	-
Defined benefit obligations (Gratuity)	15	-	10,383,654
Total non-current liabilities		-	10,383,654
Current liabilities			
Accounts payable	16	90,655,884	86,127,246
Short term loans	17	2,089,707,645	2,390,752,778
Provision for current tax	18	2,748,133	14,533,934
Provision for margin loan & others	20	83,475,187	41,086,016
Other liabilities	21	315,001	293,777
Total current liabilities		2,266,901,850	2,532,793,750
Total liabilities		2,266,901,850	2,543,177,404
TOTAL EQUITY AND LIABILITIES		2,687,629,115	2,989,287,609

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



Director



Director



Chief Executive Officer

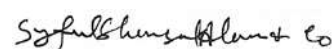


Company Secretary

This is the Statement of Financial Position referred to in our separate report of even date.

Place : Dhaka

Date: 12 February 2019



Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2018

	Note	Taka 2018	Taka 2017
Revenue		130,927,802	375,546,995
Interest income	23	84,092,033	126,936,747
Income from investment	24	(17,068,706)	142,599,682
Fee based income	25	56,439,645	102,010,307
Other operational income	26	7,464,829	4,000,258
Cost of services		282,207,590	253,076,875
Interest expenses	27	280,524,868	249,724,821
Other costs directly attributable to services	28	1,682,722	3,352,054
Gross profit/(loss)		(151,279,788)	122,470,120
Other non-operational income	29	661,492	13,800
Operating expenses		94,289,278	80,596,467
Salary and allowances	30	59,101,968	50,334,947
Rent, insurance, utilities etc.	31	11,997,358	10,772,232
Legal & professional fees	32	705,325	464,776
Postage, stamp, telecommunication etc.	33	945,742	892,620
Stationery, printing, advertisement	34	2,389,030	2,635,049
Director fees and expenses	35	552,000	569,250
Audit fees	36	201,250	143,750
Repairs, maintenance and depreciation	37	9,188,959	7,409,059
Other expenses	38	9,207,647	7,374,784
Net Operating Income/(Loss)		(244,907,574)	41,887,452
Provisions for loans / investments		264,583,418	37,526,605
Provision for margin loan	20	261,083,418	36,766,605
Provision for diminution in value of investments		-	-
Provision for other assets	21	3,500,000	760,000
Profit before tax (PBT)		(509,490,992)	4,360,848
Income tax expense / (income)		891,948	-
Current tax expense / (income)	18.01	891,948	-
Deferred tax expense / (income)		-	-
Profit after tax (PAT)		(510,382,940)	4,360,848
Other comprehensive income/(expense), net of tax		-	-
Total comprehensive income		(510,382,940)	4,360,848
Earning Per Share(EPS)			
Basic- restated (2017)	39	(2.37)	0.02

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



Director



Director




Chief Executive Officer



Company Secretary

This is the Statement of Profit or Loss and Other Comprehensive Income referred to in our separate report of even date.

Place : Dhaka
Date: 12 February 2019

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Particulars	(Amount in Taka)		
	Share Capital	Retained Earnings	Total Equity
Balance at 01 January 2017	1,670,000,000	(1,228,250,642)	441,749,358
Total comprehensive income for the year	-	4,360,848	4,360,848
Balance at 31 December 2017	1,670,000,000	(1,223,889,794)	446,110,206
Balance at 01 January 2018	1,670,000,000	(1,223,889,794)	446,110,206
Issuance of Share Capital	485,000,000	-	485,000,000
Total comprehensive income for the year	-	(510,382,940)	(510,382,940)
Balance at 31 December 2018	2,155,000,000	(1,734,272,735)	420,727,265

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



Director



Director



Chief Executive Officer



Company Secretary

Place : Dhaka

Date: 12 February 2019

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 2018

	Taka 2018	Taka 2017
A) Cash flows from operating activities		
<i>Fees and other income</i>	23,744,302	24,071,818
Repayment of staff loan	1,259,297	1,780,900
Rental expenses	(10,958,155)	(9,421,768)
<i>Advance for office rent</i>	-	(293,400)
IT related expenses	(628,784)	(588,482)
PF bank account	(3,982,200)	(3,649,376)
Gratuity bank account	(12,157,508)	-
Employees' salaries and allowances	(50,938,831)	(46,392,648)
Staff loan	(4,645,000)	(3,855,000)
Other operating expenses	(20,532,104)	(18,708,007)
Cash generated from operating activities before changes in operating assets and liabilities	(78,838,983)	(57,055,963)
Settlement with LankaBangla Securities Limited	424,814,908	555,494,172
Client deposits	341,397,095	461,582,421
Own portfolio investment	(173,000,000)	(10,000,000)
Client withdrawals	(498,593,102)	(473,840,147)
Cash generated from operating activities	15,779,918	476,180,482
Income taxes paid-Corporate	-	-
Income taxes paid-Others	(569,409)	(1,191,006)
Net cash from operating activities	15,210,509	474,989,476
B) Cash flows from investing activities		
Proceeds from sale of own portfolio securities	162,840,000	37,500,000
Proceeds from sale of disposed assets	658,500	24,000
Dividend on own portfolio investment	7,127,664	10,778,800
Interest income on Fixed Deposits Receipt	1,442,306	-
Return for Non-allotted securities	25,799,460	4,438,530
Advance for Right Shares	-	(4,120,000)
Advance for Bidding/Underwriting share	(59,812,000)	(64,471,190)
Advance for capital expenditure	(352,381)	(627,046)
Procurement of property, plant and equipment	(5,402,875)	(3,510,320)
Net cash used in investing activities	132,300,674	(19,987,226)
C) Cash flows from financing activities		
Repayment of loan from ICB	-	(10,789,043)
Interest payment on Loan from ICB	-	(65,034)
Loan received from MIDAS Financing Ltd	240,000,000	-
Repayment of loan from MIDAS	(160,000,000)	-
Interest payment on Loan from MIDAS	(1,417,778)	-
Repayment of loan from LankaBangla Finance Limited	(20,000,000)	(123,620,273)
Interest payment on loan from LankaBangla Finance Limited	(154,695,833)	(260,568,329)
Net cash used in financing activities	(96,113,611)	(395,042,679)
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	51,397,572	59,959,571
E) Cash and cash equivalents at beginning of the year	237,698,683	177,739,112
F) Cash and cash equivalents at the end of the year	289,096,256	237,698,683

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

Director

Director

Chief Executive Officer

Company Secretary

Place : Dhaka

Date: 12 February 2019

LANKABANGLA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1.00 Reporting entity

1.01 Company profile

LankaBangla Investments Limited (hereinafter referred to as “LBIL” or “the Company”) was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C 83568/10 dated 29 March 2010 as a private limited company under the Companies Act, 1994. Later on, the company converted itself into a public limited company with effect from 12 June 2013. The Company has obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Bangladesh Securities and Exchange Commission on 2 January 2011. The registered office of the Company is 20, Kemal Ataturk Avenue, Banani, Dhaka-1213; Besides the registered office, corporate address of the company is City Center, Level # 24, 90/1 Motijheel C/A, Dhaka-1000. This Company is a fully owned subsidiary of LankaBangla Finance Limited.

Currently the company has following licenses, Membership and legal approvals :

SI No.	License/ Membership	Registration/ Membership No.	Date of issue	Issuing Authority	Renewed up to
1	Registration Number	C 83568/10	29 March 2010	Registrar of Joint Stock Companies and Firms (RJSC)	N/A
2	Trade License	0532513	07 July 2010	Dhaka South City Corporation (DSCC)	FY 2018-2019
3	Merchant Banking License	MB-57/2010	2 January 2011	Bangladesh Securities and Exchange Commission (BSEC)	N/A
4	Tax Identification Number (e-TIN)	383900505101	30 July 2013	National Board of Revenue (NBR)	N/A
5	VAT Registration Number (Online)	001115794	29 March 2018	National Board of Revenue (NBR)	N/A
6	Membership of Dhaka Chamber of Commerce & Industries	01302	27 April 2013	Dhaka Chamber of Commerce & Industries (DCCI)	N/A
7	Membership of Bangladesh Merchant Bankers' Association (BMBA)	N/A	N/A	Bangladesh Merchant Bankers' Association (BMBA)	December 2018

1.02 Nature of business

The activities of the Company include services broadly classified as interest income and fee based services, such as underwriting of securities, issue management, register to issue, portfolio management, corporate advisory services etc.

2.00 Basis of preparation

2.01 Components of the financial statements

The financial statements comprise of :

- Statement of Financial Position as at 31 December 2018;
- Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018;
- Statement of Changes in Equity for the year ended 31 December 2018;
- Statement of Cash Flows for the year ended 31 December 2018; and
- Notes to the Financial Statements.

2.02 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), rules and regulations issued by Bangladesh Securities and Exchange Commission and Companies Act 1994. In case of any rules and regulations issued by Bangladesh Securities and Exchange Commission differs from those of other regulatory authorities, the rules and regulations issued by Bangladesh Securities and Exchange Commission shall prevail.

2.03 Disclosure of departure

The departures from IAS and IFRS in the financial statements for 31 December 2018 are stated below:

SI No.	Nature of Departure	Title of the IFRS	Treatment of the IFRS	Treatment adopted as per regulator	Financial or presentation effect of departure
1	Valuation of Investments in quoted and unquoted shares	IFRS 9 'Financial Instruments'	IFRS 9 requires all equity investments to be measured at fair value. At initial recognition an entity can make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is held for trading. In all other cases, investments in equity instruments measured at fair value are recognized through profit or loss. In limited circumstances, cost can be an appropriate estimate of fair value for investments in unquoted shares.	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 to align with parent company's adopted policy. 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. As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/203 and dated 28 December 2017, and subsequent BSEC notification dated 19 December 2018 the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018.	If the IFRS 9 would be followed value of investments presented would be higher by BDT 237,858,971 and the same figure would be for 'Unrealized Gain'. There is no unrealized loss(portfolio basis) as at 31 December 2018 and no requirement to keep provision as per the stated circular.
2	Provision for Margin Loan (Loans and receivables)	IFRS 9 'Financial Instruments'	An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses (ie present value of all cash shortfalls) over the expected life of the financial instrument. For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.	As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/203 and dated 28 December 2017, and subsequent BSEC notification dated 19 December 2018, the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018.	As per the requirement of the BSEC circular LBIL kept only erosion of principal portion of Margin Loan as provision. As on 31 December 2018 provision on margin loan is amounting BDT 83,475,187.

2.04 Basis of accounting and measurement

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and financial instruments at fair value through profit or loss.

2.05 Functional and presentation currency and level of precision

The financial statements are presented in Bangladesh currency Taka (Taka/Tk), that is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest Taka.

2.06 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

2.07 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.08 Materiality and aggregation

Each material item as considered significant by management, has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.09 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, LankaBangla Investments Limited applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS-8.

2.10 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.11 Books of account

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

2.12 Reporting period

The financial period of the Company has been determined to be from 1 January to 31 December each period. These financial statements cover the period from 01 January 2018 to 31 December 2018.

2.13 Events after the Reporting Period

Where necessary, all the material events after the reporting period is considered and appropriate adjustments /disclosures is made in the financial statements in accordance with IAS 10 - Events After Balance Sheet Date.

2.14 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December, 2018 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 2017 have been rearranged whenever considered necessary to ensure comparability with the current period.

2.15 Directors' responsibility statement

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

2.16 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 12 February 2019

3.00 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.01 Recognition and measurement (PPE)

Items of property, plant and equipment are measured initially at cost and subsequently at cost less accumulated depreciation in compliance with *International Accounting Standard (IAS) 16 Property, Plant and Equipment*. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the asset to its working condition for its intended use. Expenditures incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. Software and all upgradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.02 Subsequent costs of PPE

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.03 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in Statement of profit or loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. For addition to property, plant and equipment, depreciation is charged from the month of capitalization and no depreciation is charged in the month of disposal. Land is not depreciated.

The rates at which property, plant and equipment are depreciated for current and comparative years are as follows:

<u>Category of assets</u>	<u>Rate of Depreciation</u>
Office equipment	33.33%
Furniture and fixture	15%
Motor vehicle	25%
Interior works movable	15%
Interior works immovable	18%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.04 Disposal of PPE

Gains and losses on disposal of an item of property, plant and equipment are to be determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment disposed off and are recognized net with "other non-operational income" in profit or loss.

3.05 Impairment of PPE

The carrying amounts of PPE are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized in Statement of profit or loss and Other Comprehensive Income if the carrying amount of an asset exceeds its estimated recoverable amount. However, no such condition that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

3.06 Margin Loan

Margin loan represents outstanding loan balance provided to portfolio clients. Margin loan is provided as per the guidelines of Bangladesh Securities and Exchange Commission (BSEC). Margin loan is provided only against the purchase of marginable shares. Margin loan is created if a client purchases shares in excess of his own fund. Margin loan is presented in the financial statements as net of suspense (if any) created against the loan.

3.07 Intangible assets

Intangible assets are to be initially recognized at cost including any directly attributable cost. Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Intangible assets include software, integrated systems along with related hardware. Amortization is to be provided on a straight-line basis at 20% to write off the cost of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.08 Financial instruments

Non-derivative financial instruments comprise investments in shares and FDR, trade receivables, cash and cash equivalents, margin loans, share capital and interest - bearing borrowings.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred indicating a negative effect on the estimated future cash flows from that asset. All impairment losses are recognized in Statement of Profit or Loss and Other Comprehensive Income.

3.09 Investment in FDR (Fixed Deposit Receipt)

If the Company has the positive intent and ability to hold FDR to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3.10 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment or expenses. Deposits are measured at present value. Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to statement of comprehensive income.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Company.

3.13 Share capital

Only ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognized as a deduction from equity, net of any tax effects.

3.14 Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method.

3.15 Employee benefits

The Company operates a recognized gratuity scheme, provision in respect of which is made periodically covering all its permanent eligible employees. This scheme is qualified as defined benefit plan. There is also a recognized provident fund for all permanent employees of the Company. This qualifies as defined contribution plan.

3.15.1 Defined contribution plans (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognized Employees Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

The Company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

3.15.2 Defined benefit plans (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The Company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

The Company operates a funded gratuity scheme. Employees are entitled to get gratuity benefit at the following rates:

Year of Confirmed Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

3.15.3 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

3.16 Corporate Tax

3.16.1 Current tax

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Merchant Bank"; hence the applicable corporate tax rate is 37.50% as per the Finance Act 2018.

3.16.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset/liabilities is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets/liabilities is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

3.16.3 Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.18 Contingencies

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3.19 Revenue recognition

As per International Accounting Standard (IAS) 18 Revenue, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

3.19.01 Interest on Margin Loan

Interest is charged on client's balance (due to LBIL) on daily basis at the applicable rate. Interest charged to margin loan that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company. So, as per paragraph 29 of "IAS-18 : Revenue" this is not recognized in income. Whenever the probability arises that the benefit will flow to the company this is recognized in income.

3.19.02 Management fee

Management fee is charged on client's portfolio value (at market price) on daily basis at the applicable rate. Management fee charged to a client that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company. So, as per paragraph 20 of "IAS-18 : Revenue" this is not recognized in income. Whenever the probability arises that the benefit will flow to the company this is recognized to income.

3.19.03 Fee based income

Fee based income is recognized when a service is rendered in line with the related agreement.

3.19.04 Investment income

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

3.19.05 Dividend income on shares

Dividend income on shares is recognised when the shareholder's right to receive payment is established.

3.19.06 Earnings Per Share (EPS)

Earnings Per Share (EPS) is calculated by dividing total earnings available for ordinary share holders by weighted average number of shares outstanding for the year.

3.20 Statement of cash flows

The net cash flow from operating activities is determined for the year under direct method as per International Accounting Standard (IAS)- 7 Statement of Cash Flows.

3.21 Financial risk management

The company has provided in separate notes the information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risks and the company's management of capital.

- Credit risk
- Liquidity risk
- Market risk

	Taka 31.12.2018	Taka 31.12.2017	
4.00 Property, plant & equipment			
Cost			
Opening balance	29,287,604	25,961,033	
Add: Addition during the year	5,355,420	3,551,669	
	34,643,024	29,512,702	
Less: Disposal during the year	1,957,900	225,098	
Closing balance	32,685,124	29,287,604	
Less: Accumulated depreciation			
Opening balance	18,329,253	14,471,019	
Add: Charged during the year	5,430,641	4,007,599	
	23,759,894	18,478,617	
Less: Adjustment on disposal	1,957,896	149,364	
Closing balance	21,801,998	18,329,253	
Carrying amount	10,883,125	10,958,350	
<i>A schedule of property, plant & equipment is given in Annexure-A.</i>			
5.00 Intangible assets			
Cost			
Opening balance	1,045,654	1,045,654	
Add: Addition during the year	1,000,000	-	
	2,045,654	1,045,654	
Less: Disposal during the year	-	-	
Closing balance	2,045,654	1,045,654	
Less: Accumulated amortization			
Opening balance	919,985	867,320	
Add: Charged during the year	68,667	52,666	
	988,652	919,985	
Less: Adjustment on disposal	-	-	
Closing balance	988,652	919,985	
Carrying amount	1,057,002	125,669	
<i>A schedule of intangible assets is given in Annexure-B.</i>			
6.00 Investments			
Non-Current portion:			
Investments in equity of non-listed company	30,000,000	-	
Investment in equity of strategic company (Note-6.01)	385,591,030	202,359,352	
Investment-LankaBangla Equity Sharing Scheme	-	3,000,000	
	415,591,029	205,359,352	
6.01 Investment in equity of strategic company			
	Cost Price	Market Price as on 31.12.2018	Unrealized Gain/(Loss)
IT Sector	225,431,030	258,722,179	33,291,150
Financial Institutions	160,160,000	438,240,000	278,080,000
	385,591,030	696,962,179	311,371,150
7.00 Other non-current assets			
Non current portion:			
Advances (Note- 9.01)		4,310,975	2,790,334
Deposits (Note- 9.01)		1,024,920	1,024,920
		5,335,895	3,815,254
8.00 Margin loan			
Revolving margin loan to clients		1,538,262,645	1,915,459,376
		1,538,262,645	1,915,459,376

Margin loan refers to the amount provided by the company to the clients for buying shares in proportionate to their own equity as per SEC guideline.

	Taka 31.12.2018	Taka 31.12.2017
9.00 Advances, deposits and prepayments		
Advances (Note-9.01 and 9.02)	27,543,028	33,355,529
Deposits (Note- 9.01)	1,024,920	1,024,920
Prepayments (Note- 9.01 and 9.02)	265,619	254,300
	28,833,567	34,634,749
9.01 Non current portion		
Advances		
Loan to employees	4,310,975	2,790,334
	4,310,975	2,790,334
Deposits		
Security deposit	1,024,920	1,024,920
	1,024,920	1,024,920
	5,335,895	3,815,254
9.02 Current portion		
Advances		
Advance/loan to Employees	1,291,388	812,886
Advance against expenses	63,566	143,730
Advance income tax (Note-9.02.01)	19,323,298	24,295,139
Advance for capital expenditure	-	600,000
Advance for investment in shares	2,553,800	4,713,440
	23,232,053	30,565,195
Prepayments		
Prepayment against expenses	265,619	254,300
	23,497,672	30,819,495
9.02.01 Advance income tax		
Opening balance	24,295,139	22,657,311
Add: Addition during the year	7,705,908	6,183,536
	32,001,047	28,840,847
Less: Adjustment for prior year:		
Assessment year 2017-2018	-	4,545,708
Assessment year 2018-2019	12,677,749	-
	12,677,749	4,545,708
	19,323,298	24,295,139

*As assessment year 2018-2019 have been completed, so respective assessed amount has been reflected in the accounts in accordance with IAS 10.

10.00 Investments		
Current portion :		
Investments in listed securities (Note-10.01)	349,419,407	464,583,185
	349,419,407	464,583,185

10.01 Investments in listed securities

Particulars	Cost Price	Market Price as on 31.12.2018	Unrealized Gain/(Loss)
Bank	56,945,222	34,200,108	(22,745,114)
Cement	39,367,624	25,102,500	(14,265,124)
Engineering	85,535,466	67,679,640	(17,855,826)
Food & Allied	13,707,348	9,729,000	(3,978,348)
Fuel & Power	2,534	7,129	4,595
Miscellaneous	67,978,589	64,419,464	(3,559,125)
Pharmaceuticals & Chemicals	23,726,097	20,748,083	(2,978,014)
Services & Real EState	5,349,564	2,783,000	(2,566,564)
Textile	28,022,805	23,832,193	(4,190,611)
Telecommunication	21,643,922	21,569,325	(74,597)
Ceramic	6,275,677	4,931,160	(1,344,517)
Paper & Printing	864,560	905,627	41,067
	349,419,407	275,907,229	(73,512,178)

		Taka 31.12.2018	Taka 31.12.2017
10.02 Break-up of Investment in listed securities			
	Particulars	Cost Price	Market Price as on 31.12.2018
			Unrealized Gain/(Loss)
	Non-current portion (Note - 6)	385,591,030	696,962,179
	Current portion (Note - 10.01)	349,419,407	275,907,229
	Total	735,010,436	972,869,408
11.00 Accounts receivable			
	Receivable from group entities (Note - 11.01)		6,880,901
	Other receivables (Note - 11.02)		47,605,183
			54,486,084
11.01 Receivable from group entities			
	LankaBangla Securities Limited		6,880,901
11.02 Other receivables			
	Registrar to the Issue fees receivable		3,400,000
	Issue management fees receivable		8,224,783
	Corporate advisory fees receivable		6,300,000
	Accounts receivables - PO department		28,394,577
	Interest Receivable		95,501
	Dividend Receivable-Own Portfolio		1,190,322
			47,605,183
12.00 Cash and cash equivalents			
	Cash in hand		11,089
	Cash at bank (Note- 12.01)		267,797,092
	Fixed deposits receipts with LankaBangla Finance Limited		21,288,075
			289,096,256
	Cash and cash equivalents in the statements of cash flows		289,096,256
12.01 Cash at bank			
	One Bank Limited		266,044,763
	Dhaka Bank Limited		209,487
	Shahjalal Islami Bank Limited		144,044
	The City Bank Limited		79,055
	Standard Chartered Bank		1,319,742
	Islami Bank Bangladesh Ltd		-
			267,797,092
13.00 Share capital			
	Authorized:		
	300,000,000 Ordinary shares of Tk 10 each		3,000,000,000
	Issued, subscribed and paid-up:		
	215,500,000 Ordinary shares of Tk 10 each		2,155,000,000

13.01 Particulars of shareholdings

The shareholding position at the date of statement of financial position was as follows:

Name of shareholders	December 2018			December 2017		
	Number of shares	Value of shares Taka	% of share holding	Number of shares	Value of shares Taka	% of share holding
LankaBangla Finance Limited	215,499,994	2,154,999,940	99.99999618%	166,999,994	1,669,999,940	99.99999618%
Mr. Mohammad A. Moyeen	1	10	0.00000064%	1	10	0.00000064%
Mr. Md. Abdullah Al Karim	1	10	0.00000064%	1	10	0.00000064%
Mr. Al-Mamoon Md. Sanaul Huq	1	10	0.00000064%	1	10	0.00000064%
Mr. Mahbubul Anam	1	10	0.00000064%	1	10	0.00000064%
Mr. Khwaja Shahriar	1	10	0.00000064%	1	10	0.00000064%
Mr. Mohammad Amir Hossain	1	10	0.00000064%	1	10	0.00000064%
	215,500,000	2,155,000,000	100%	167,000,000	1,670,000,000	100%

The company increased its Paid-up share capital from Tk.1,670,000,000 to Tk.2,155,000,000 by issuing 48,500,000 Ordinary shares to the shareholders (Loan Conversion to Equity) as approved in 8th Extraordinary General Meeting (EGM) dated, 17 December 2017.

Bangladesh Securities and Exchange Commission vide its letter number BSEC/CI/CPLC(Pvt.)- 235/10/556 dated August 05, 2018 approved Ordinary shares Issue of LankaBangla Investments Limited.

	Taka 31.12.2018	Taka 31.12.2017
14.00 Term loan		
Opening balance	-	10,789,043
Add: Addition during the year	-	-
	-	10,789,043
Less: Repayment during the year	-	10,789,043
Closing balance	-	-
15.00 Defined benefit obligations (Gratuity)		
Opening balance	10,383,654	7,097,964
Add: Addition during the year	4,015,398	3,601,117
	14,399,051	10,699,081
Less: Paid during the year- Employees' settlement	2,521,753	315,427
Transferred to Gratuity Fund Account	11,877,298	-
	14,399,051	315,427
Closing balance	-	10,383,654
Due to recognition of LankaBangla Investments Limited Employees' Gratuity Fund by National Board of Revenue (NBR), fund balance has been transferred to said account of Gratuity Fund.		
16.00 Accounts payable		
Payable to clients (Note-16.01)	89,295,107	85,466,875
Accrued Expenses (Note - 16.02)	1,360,777	660,371
	90,655,884	86,127,246
16.01 Payable to clients		
Client positive balance (IPA)	67,811,363	75,091,818
Client positive balance (BDA)	959,884	7,356,876
Client positive balance (Nischinto)	19,959,035	2,776,515
Client positive balance-Equity share	444,356	133,551
Customer Deposits -LBIL Islamic Investment Scheme	120,469	108,114
	89,295,107	85,466,875
16.02 Accrued expenses		
Audit fee	143,750	143,750
CDBL charges	376,376	90,392
Security service payable	51,750	51,750
Office maintenance	40,000	30,000
Electricity bill	125,000	100,000
Telephone and mobile payable	57,734	15,000
Internet expenses payable	3,478	-
Accrued interest payable	456,389	-
Medical insurance cost payable	10,640	-
Liabilities for Fixed Assets	-	189,206
Payable for other expenses	95,660	40,274
	1,360,777	660,371
17.00 Short term loan		
Lanka Bangla Finance Limited	2,009,707,645	2,390,752,778
MIDAS Financing Ltd.	80,000,000	-
	2,089,707,645	2,390,752,778
18.00 Provision for current tax		
Opening balance	14,533,934	19,079,642
Add: Provision made during the year (Note- 18.01)	891,948	-
	15,425,882	19,079,642
Less: Adjustment for prior year:		
Assessment year 2017-2018	-	4,545,708
Assessment year 2018-2019	12,677,749	-
Closing balance	2,748,133	14,533,934

As in 2018, assessment of 2018-2019 has been completed, required provision of income tax has been adjusted. Minimum tax has been kept for current year' income tax as per ITO 1984.

The company adjusts its provision for tax upon receiving income tax clearance certificate from the National Board of Revenue (NBR).

	Taka 31.12.2018	Taka 31.12.2017
18.01 Tax expense		
Current tax	891,948	-
Deferred tax expense/(income)	-	-
	891,948	-

19.00 Deferred tax asset/liability

Deferred tax assets are arrived at as follows:

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	(Taxable)/ deductible temporary difference Taka
Year: 2018			
Property, plant and equipment (Note: 4)	10,883,125	19,148,577	8,265,452
Temporary difference			8,265,452
Income tax rate			37.50%
Deferred tax asset (B)			3,099,544
Year: 2017			
Property, plant and equipment (Note: 4)	10,958,350	13,581,539	2,623,188
Provision for Gratuity	10,383,654	3,593,410	6,790,243
Temporary difference			9,413,431
Income tax rate			37.50%
Deferred tax asset (A)			3,530,037
Deferred tax income for 2018 (A-B)			(430,492)

Deferred tax assets (income) amounting Tk. 430,492 has not been recognised due to prudence concept of accounting.

20.00 Provision for margin loan

Opening balance	41,086,016	138,910,361
Add: Provision during the period *	261,083,418	36,766,605
	302,169,434	175,676,966
Less: Write-off/(Reversal) during the period	218,694,247	134,590,950
Closing balance	83,475,187	41,086,016

* As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/203) and dated 28 December 2017, subsequent BSEC notification dated 19 December 2018 the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018.

21.00 Provision for other asstes

Opening balance	-	-
Add: Provision during the period	3,500,000	760,000
	3,500,000	760,000
Less: Writeoff/(Reversal) during the period	3,500,000	760,000
Closing balance	-	-

22.00 Other liabilities

Deposit suspense account	50,239	70,034
Withholding tax payable (Note-22.01)	264,762	223,743
	315,001	293,777

	Taka 31.12.2018	Taka 31.12.2017
22.01 Withholding tax payable		
TDS from suppliers	11,217	22,966
TDS on professional fees	2,389	-
TDS from Rent	36,068	31,966
VAT payable on suppliers	4,009	43,602
VAT payable on professional fees	3,583	-
VAT Payable on Others	76,792	29,311
VAT Payable on Fee Income	22,500	-
VAT Payable on Rent	108,204	95,898
	264,762	223,743
23.00 Interest income		
Interest on margin loan	84,092,033	126,936,747
	84,092,033	126,936,747
24.00 Income/(Loss) from investment		
Dividend income	5,451,765	15,822,189
Income/(loss) from investments in unlisted securities	(160,000)	-
Realized gains/(loss) on LankaBangla Equity Sharing	(291,747)	-
Realized gain/loss on listed securities (Note- 24.01)	(22,068,724)	126,777,493
	(17,068,706)	142,599,682
24.01 Realized gains on listed share		
Sales price of securities	1,615,197,098	1,013,988,545
Less: Cost price of securities	1,637,265,822	887,211,052
	(22,068,724)	126,777,493
25.00 Fee based income		
Management fees	6,142,018	19,723,960
Settlement fees	22,550,558	48,573,547
Underwriting commission	490,000	1,401,250
Issue management fees	14,857,069	19,164,854
Registrar to the Issue fees	2,300,000	2,400,000
Corporate advisory fees	10,100,000	10,746,696
	56,439,645	102,010,307
26.00 Other operational income		
Documentation charges	317,800	258,000
Gain on CDBL annual fees payment	259,300	160,500
Gain on IP client dividend collection	-	113,499
Client portfolio maintenance	768	306,658
Income on excess margin loan from purchase	250,900	-
Interest income on STD balances	4,254,912	2,727,833
Interest income on staff loan	843,343	433,768
Interest Income on FDR	1,537,806	-
	7,464,829	4,000,258
27.00 Interest expenses		
Interest on short term loan (Note-27.01)	280,524,868	249,724,821
	280,524,868	249,724,821
27.01 Interest on short term loan		
Interest on short term loan (group entities)	278,650,701	249,724,821
Interest on short term loan- MIDAS Financing Ltd.	1,874,167	-
	280,524,868	249,724,821

	Taka 2018	Taka 2017
28.00 Other costs directly attributable to services		
CDBL settlement transfer fee	1,674,293	3,339,720
CDBL CDS connection fee	6,000	6,000
Corporate action	2,429	6,335
	1,682,722	3,352,054
29.00 Other non-operational income		
Gain on disposal of fixed assets	658,496	-
Miscellaneous earnings	2,996	13,800
	661,492	13,800
30.00 Salary and allowances		
Salary and allowances	53,094,370	44,909,143
Provident fund contribution	1,992,200	1,824,688
Gratuity fund	4,015,398	3,601,117
	59,101,968	50,334,947
31.00 Rent, insurance, utilities etc.		
Office rent	9,954,768	8,905,048
Insurance premium	812,709	597,337
Utilities	1,229,881	1,269,847
	11,997,358	10,772,232
32.00 Legal and professional fees		
Regulatory Fees	436,920	119,500
Membership and renewal fees	219,850	226,328
Other Professional Fees	48,555	118,948
	705,325	464,776
33.00 Postage, stamp, telecommunication etc.		
Postage and courier	33,019	36,655
Stamp charges	30,599	24,113
Telephone and mobile bill	629,479	548,280
Internet expense	252,645	283,572
	945,742	892,620
34.00 Stationery, printing, advertisement		
Printing	410,964	532,451
Stationery	107,100	110,024
Advertisement	756,411	251,515
Promotional expense	1,114,555	1,741,059
	2,389,030	2,635,049
35.00 Director fees and expenses	552,000	569,250
36.00 Audit fees	201,250	143,750
37.00 Repairs, maintenance and depreciation		
Repairs and maintenance (Note-37.01)	3,689,651	3,348,795
Depreciation (Note-4 & Annexure-A)	5,430,641	4,007,599
Amortization (Note-5 & Annexure-B)	68,667	52,666
	9,188,959	7,409,059
37.01 Repairs and maintenance		
Office maintenance	1,081,023	1,386,482
Office maintenance-supplier	892,088	498,374
Software maintenance fees	324,535	48,331
Vehicle maintenance	486,578	555,298
Repairs	-	5,750
Cleaning	334,102	246,790
Fuel costs	571,325	607,770
	3,689,651	3,348,795

	Taka 2018	Taka 2017
38.00 Other expenses		
Travel and accommodation (Note- 38.01)	7,004,305	5,180,207
Training and business development (Note- 38.02)	673,308	947,561
Bank Charges	140,025	117,664
Security expenses	621,000	621,000
Newspapers and journals	57,564	104,891
Other IT and telecommunication	601,896	272,924
Gain on IP client dividend collection	7,364	-
Loss on disposal of fixed assets	-	51,734
Other expenses - own portfolio	18,588	36,802
Staff recruitment expense	6,546	1,000
Other fees and charges- IPO application & Excise duty	77,050	41,000
	9,207,647	7,374,784
38.01 Travel and accomodation		
Conveyance	378,299	270,626
Traveling	6,340,562	4,617,014
Airfare	137,782	107,000
Per diem	98,753	109,240
Accommodation	48,909	76,327
	7,004,305	5,180,207
38.02 Training and business development		
Corporate conference	313,677	400,658
Training and development	293,341	500,503
Welfare	66,290	46,400
	673,308	947,561
39.00 Earnings Per Share (EPS)		
Earnings attributed to ordinary shareholders	(510,382,940)	4,360,848
Number of ordinary shares outstanding (Note- 39.01)	215,500,000	215,500,000
Basic earnings per share (Restated -prior year)	(2.37)	0.02
39.01 Number of ordinary shares outstanding		
Balance on 01 January	167,000,000	167,000,000
Ordinary shares	48,500,000	48,500,000
	215,500,000	215,500,000

40 Events after reporting period
Income tax assessment of LBIL for the AY 2018-2019 have been completed. As per IAS 10- Events after reporting balance sheet date, Tk. 12,677,749 has been reflected in the financial statements as adjusting events.

40.01 Related parties

40.01.01 Parent company

LankaBangla Finance Limited has 99.9999618% shareholdings of the company. As a result, the controlling party of the company is LankaBangla Finance Limited.

40.01.02 Related party disclosures

During the period, the Company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of IAS 24: Related Party Disclosures.

Name of the party	Relationship with the entity	Nature of transaction	2018	2017
LankaBangla Finance Limited	Parent	Funding	426,927,778	133,620,273
		Interest expense	278,650,701	249,724,821
		LBIL Fixed Deposits Receipts	21,288,075	-
LankaBangla Securities Limited	Subsidiary of parent	Share trading settlement	1,683,328,764	1,372,340,818
		LBIL Portfolio	3,656,214	77,537,550
		LBSL Portfolio	931	588,258
LankaBangla Asset Management Company Limited	Subsidiary of parent	LBAML Portfolio	442	942

41 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company has exposure to the following risks from its use of financial instruments:

* Credit risk

* Liquidity risk

* Market risk

41.01 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

41.01.01 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
Margin loan	1,538,262,645	1,915,459,376
Investments	765,010,436	669,942,537
Receivable from group entities (LBSL)	6,880,901	78,040,781
Other receivables	47,605,183	42,427,463
Cash and cash equivalents	289,096,256	237,698,683
	2,646,855,421	2,943,568,841

41.02 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

41.03 Market risk

Market risk is the risk that any change in market prices, such as interest rates and capital market condition will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

42 Contingencies and commitments

There are no contingent assets or liabilities and unrecognized contractual commitments at the date of statement of financial position.

43 Number of employees

No. of employees received Tk. 3,000 per month

No. of employees received more than Tk. 3,000 per month(including contractual)

	2018	2017
No. of employees received Tk. 3,000 per month	-	-
No. of employees received more than Tk. 3,000 per month(including contractual)	53	51
	53	51

44 Capital expenditure commitment

There was no capital expenditure commitment as at 31 December 2018.

45 Reasons for significant deviation in Net Profit after Tax

LankaBanglaInvestments Limited's Net Profit after Tax for the year 2018 was BDT (510,382,940) which was 11804% less than BDT 4,360,848 that of 2017. Reasons for the decline are as follows:

- Income from investment had declined by BDT 159,668,388. For the year 2018 total investment income was BDT (17,068,706) which BDT 142,599,682 in 2017.
- Due to decline in asset quality provision for margin loan for the year 2018 reached at BDT 261,083,418 which was BDT 36,766,605 in 2017. So, In the year 2018 provision has increased by BDT 224,316,814.
- Interest income has declined by BDT 42,844,714 in 2018 compared to the year 2017.
- Fee based income for the year 2018 was BDT 56,439,645 which was BDT 102,010,307 in 2017. So, Fee based income has decreased by BDT 45,570,662.
- Due to increase in borrowing rate, interest expense has increased by BDT 30,800,047 compare to last year.

Annexure-A

LANKABANGLA INVESTMENTS LIMITED

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018

Particulars	Amount in Taka						Total
	Office equipment	Furniture and fittings	Motor vehicles	Interior work (movable)	Interior work (immovable)		
Cost							
Balance at 1 January 2017	11,151,452	1,418,148	6,701,574	1,970,161	4,719,698		25,961,033
Acquisition/addition during the year	1,397,180	60,850	-	-	2,093,639		3,551,669
Transferred from CWIP		-	-	-	-		-
Disposal/adjustment	128,810	96,288	-	-	-		225,098
Balance at 31 December 2017	12,419,822	1,382,710	6,701,574	1,970,161	6,813,337		29,287,604
Balance at 1 January 2018	12,419,822	1,382,710	6,701,574	1,970,161	6,813,337		29,287,604
Acquisition/addition during the year	911,416	173,744	3,995,000	-	275,260		5,355,420
Transferred from CWIP	-	-	-	-	-		-
Disposal/adjustment	126,400	-	1,831,500	-	-		1,957,900
Balance at 31 December 2018	13,204,838	1,556,454	8,865,074	1,970,161	7,088,597		32,685,124
Accumulated depreciation							
Balance at 1 January 2017	6,359,171	954,349	5,464,071	1,453,109	240,319		14,471,019
Depreciation for the year	2,089,120	140,212	450,000	295,554	1,032,713		4,007,599
Disposal/adjustment	70,014	79,350	-	-	-		149,364
Balance at 31 December 2017	8,378,277	1,015,211	5,914,071	1,748,663	1,273,032		18,329,253
Balance at 1 January 2018	8,378,277	1,015,211	5,914,071	1,748,663	1,273,032		18,329,253
Depreciation for the year	2,401,530	130,979	1,365,521	221,467	1,311,144		5,430,641
Disposal/adjustment	126,397	-	1,831,499	-	-		1,957,896
Balance at 31 December 2018	10,653,411	1,146,190	5,448,092	1,970,130	2,584,176		21,801,998
Carrying amount							
At 1 January 2017	4,792,280	463,799	1,237,504	517,052	4,479,379		11,490,014
At 31 December 2017	4,041,544	367,499	787,504	221,498	5,540,305		10,958,350
At 31 December 2018	2,551,427	410,264	3,416,982	31	4,504,421		10,883,125

LANKABANGLA INVESTMENTS LIMITED

SCHEDULE OF INTANGIBLES

As at 31 December 2018

Annexure-B
Amount in Taka

Particulars	Software	Total
Cost		
Balance at 1 January 2017	1,045,654	1,045,654
Acquisition/addition during the year	-	-
Disposal/adjustment	-	-
Balance at 31 December 2017	1,045,654	1,045,654
Balance at 1 January 2018	1,045,654	1,045,654
Acquisition/addition during the year	1,000,000	1,000,000
Disposal/adjustment	-	-
Balance at 31 December 2018	2,045,654	2,045,654
Accumulated amortisation		
Balance at 1 January 2017	867,320	867,320
Amortization for the year	52,666	52,666
Disposal/adjustment	-	-
Balance at 31 December 2017	919,985	919,985
Balance at 1 January 2018	919,985	919,985
Amortization for the year	68,667	68,667
Disposal/adjustment	-	-
Balance at 31 December 2018	988,652	988,652
Carrying amount		
At 1 January 2017	178,334	178,334
At 31 December 2017	125,669	125,669
At 31 December 2018	1,057,002	1,057,002

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

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UHY Syful Shamsul Alam & Co

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Independent Auditors' Report

To the Shareholders' of

LankaBangla Asset Management Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LankaBangla Asset Management Company Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2018 and Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and the Companies Act 1994, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether

the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for maintenance of the required books of accounts & records, preparation and fair presentation of the financial statements in accordance with IFRSs 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 and also for disclosure of matters that may affect any fact of the financial statements.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

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UHY Syful Shamsul Alam & Co

Chartered Accountants

provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements:

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Syful Shamsul Alam & Co

Place: Dhaka
Dated: 12 February 2019

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Amount in Taka	
		31-12-2018	31-12-2017
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	8,510,622	11,511,210
Intangible assets	5	-	981,850
Investments (Long Term)	6	800,636,283	799,386,283
Long term loan to employees	7	1,266,652	-
Deferred tax assets	8	1,353,144	1,528,031
Total Non-Current Assets		811,766,701	813,407,373
Current Assets			
Advances, deposits and prepayments	9	18,095,818	18,259,022
Investments (Current Term)	10	151,688,786	188,818,162
Accounts receivable	11	9,309,058	19,365,759
Cash and cash equivalents	12	57,818,497	2,802,395
Total Current Assets		236,912,159	229,245,339
TOTAL ASSETS		1,048,678,860	1,042,652,712
EQUITY AND LIABILITIES			
Equity			
Share capital	13	500,000,000	500,000,000
Share money deposit	14	429,701,000	429,701,000
Retained earnings	15	46,572,605	90,624,429
Total Equity		976,273,605	1,020,325,429
Liabilities			
Non-Current Liabilities			
Finance lease obligation (Non-current portion)	16	2,187,352	3,151,054
Total Non-Current Liabilities		2,187,352	3,151,054
Current Liabilities			
Accounts payable	17	216,199	213,264
Payable to clients	18	50,356,240	-
Provision for current tax	19	12,103,659	11,985,245
Finance lease obligation (Current portion)	20	989,610	902,196
Payable to gratuity fund	21	2,939,725	1,734,706
Other liabilities	22	3,612,470	4,340,818
Total Current Liabilities		70,217,903	19,176,230
Total Liabilities		72,405,255	22,327,284
TOTAL EQUITY AND LIABILITIES		1,048,678,860	1,042,652,712

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



Director



Director



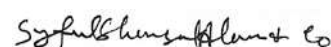
Chief Executive Officer



Company Secretary

Signed as per our separate report of same date

Place : Dhaka
Dated: 12 February 2019


Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Amount in Taka	
		2018	2017
Revenue			
Income from unit fund operation	23	18,993,219	11,497,244
Interest income	24	265,997	333,855
Income from investment	25	(13,795,880)	37,949,651
Total Revenue		5,463,336	49,780,750
Cost of Services			
Interest expenses	26	462,707	485,750
		462,707	485,750
Gross Profit/(Loss)		5,000,629	49,295,000
Operating Expenses			
Salary and allowances	27	24,581,997	21,438,664
Rent, taxes, insurance, electricity etc.	28	7,602,754	6,980,824
Legal and professional fees	29	2,539,166	17,250
Postage, stamp, telecommunication etc.	30	315,386	351,994
Stationery, printing, advertisement	31	156,254	387,403
Director fees & expenses	32	248,400	220,800
Audit fees	33	143,750	69,000
Repairs, maintenance and depreciation	34	4,514,018	4,668,951
Other expenses	35	8,657,427	7,705,067
Total Operating Expenses		48,759,153	41,839,955
Net Operating Income/(Loss)		(43,758,523)	7,455,045
Provision for Investment			
Provision for diminution in value of investments		-	-
Profit Before Tax (PBT)		(43,758,523)	7,455,045
Income Tax Expense/(Income)		293,300	549,511
Current tax expense/(income)		118,414	1,615,362
Deferred tax expense/(income)		174,886	(1,065,851)
Profit After Tax (PAT)		(44,051,824)	6,905,534
Other comprehensive income, net of tax		-	-
Total Comprehensive Income		(44,051,824)	6,905,534
Earnings Per Share	36	(0.88)	0.14

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



Director



Director



Chief Executive Officer



Company Secretary

Signed as per our separate report of same date

Place : Dhaka
Dated: 12 February 2019

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

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total Equity
	Taka	Taka	Taka	Taka
Balance as at 01 January 2017	500,000,000	379,701,000	83,718,895	963,419,895
Share Money Deposit	-	50,000,000	-	50,000,000
Issue of share capital	-	-	-	-
Total comprehensive income	-	-	6,905,534	6,905,534
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2017	500,000,000	429,701,000	90,624,429	1,020,325,429
Changes in Equity for 2018				
Share money deposit	-	-	-	-
Issue of share capital	-	-	-	-
Total comprehensive income	-	-	(44,051,824)	(44,051,824)
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2018	500,000,000	429,701,000	46,572,605	976,273,605

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



Director



Director



Chief Executive Officer



Company Secretary

Place : Dhaka

Dated: 12 February 2019

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Cash Flows from Operating Activities

Interest received	
Dividend received	
Received from unit fund operation	
Paid to employees	
Bank charges paid	
Withholding Tax and VAT payment	
Income taxes paid	
Paid for other operating expenses	
Cash Generated from Operating Activities before changes in operating assets and liabilities	

Increase/(decrease) in Operating Assets & Liabilities

Settlement with LankaBangla Securities Ltd.	
Settlement with Vision Capital Management Ltd.	
Settlement with Al-Arafah Shariah Unit Fund	
Settlement with LB Gratuity Wealth Builder Fund	
Settlement with LB Gratuity Opportunity Fund	
Settlement with LB 1st PE Fund	
Client deposits	
Payable to Provident Fund	
Advance & Prepayment	
Total Increase/(Decrease) in Operating Assets & Liabilities	

Net Cash used in Operating Activities

Cash Flows from Investing Activities

Investments in securities	
Changes in investment in FDR	
Acquisition of fixed assets	
Proceeds from sale of fixed assets	
Net Cash from Investing Activities	

Cash Flows from Financing Activities

Proceed from share money deposit	
Proceed from short term loan	
Repayment of lease finance	
Net Cash from Financing Activities	

Net increase in Cash and Cash Equivalents

Opening Cash & Cash Equivalents

Closing Cash & Cash Equivalents

Closing Cash & Cash Equivalents include:

Cash in hand	
Dhaka Bank Limited	
Standard Chartered Bank	
One Bank Limited	

Amount in Taka	
2018	2017
271,842	310,115
764,578	17,526,833
18,699,205	5,655,999
(20,667,672)	(18,169,832)
(28,631)	(24,410)
(3,259,607)	(2,410,788)
(283,986)	(654,381)
(15,893,511)	(15,387,219)
(20,397,783)	(13,153,684)
23,078,000	(25,550,000)
5,096,812	-
85,700	(85,700)
(25,000)	-
(10,000)	-
(50,000)	-
50,356,240	-
(3,721,199)	-
(1,797,130)	(1,188,226)
73,013,423	(26,823,926)
52,615,640	(39,977,610)
3,276,750	(18,169,710)
-	-
-	(607,392)
-	-
3,276,750	(18,777,102)
-	50,000,000
-	-
(876,288)	(810,246)
(876,288)	49,189,754
55,016,102	(9,564,958)
2,802,395	12,367,353
57,818,497	2,802,395
25,612	15,478
7,368,742	2,719,797
9,993	18,485
50,414,151	48,636
57,818,497	2,802,395

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



Director



Director



Chief Executive Officer



Company Secretary

Place : Dhaka

Dated: 12 February 2019

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 Company and its activities

1.1 Legal status of the company

LankaBangla Asset Management Company Limited (herein after referred to as "LBAMCL" or "the company") was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration # C-67738(289)/2007 dated July 16, 2007 as a private limited company under the Companies Act, 1994. Later on, the company converted itself into a public limited company with effect from 12 February 2018. It got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration code: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company. It also received registration certificate from BSEC on December 20, 2016 vide registration number: AIFM-06/2016 to act as an Alternative Investment Fund Manager. The address of the company's registered office at Safura Tower (11th Floor), 20, Kemal Ataturk Avenue, Banani, Dhaka - 1213. The company is a subsidiary of LankaBangla Finance Limited.

1.2 Principal activities of the company

The principal activities of the company include the following:

- a. To manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust as relevant rules.
- b. To float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being as relevant rules.
- c. To manage and administer mutual funds, provident funds, pension funds, royalty funds, alternative investment funds, hedge funds, private equity funds, venture capital funds, mezzanine funds, leveraged buyout (LBO) funds, growth capital funds, fixed-income funds, bond funds, money market funds, specialty funds, ethical funds, index funds, exchange traded funds (ETF), funds of funds and other collective investment schemes for purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise relevant rules and regulation permit.

2 Basis of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

2.3 Functional currency

The financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.) currency, which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

2.5 Reporting period

The financial period of the Company has been determined to be from 1 January to 31 December each period. These financial statements cover the period from 1 January 2018 to 31 December 2018.

2.6 Cash flow statement

Statement of cash flows is prepared principally in accordance with "IAS 7: Cash Flow Statement" and the cash flow from operating activities have been presented under Direct Method as required by the Securities and Exchange Rules 1987 and considering the provisions that "Enterprises are Encouraged to Report Cash Flow from Operating Activities using the Direct Method".

2.7 Corporate Accounting Standards Practiced

The following IAS's are applicable to the financial statement under review:

IAS	1	Presentation of Financial Statements
IAS	7	Cash Flow Statements
IAS	8	Accounting policies, Changes in Accounting Estimates and Errors
IAS	10	Events after the Balance Sheet date
IAS	12	Income Taxes
IAS	16	Property, Plant and Equipment
IAS	17	Leases
IAS	18	Revenue
IAS	19	Employee Benefit
IAS	23	Borrowing Costs
IAS	24	Related Party Disclosures
IAS	32	Financial Instrument: Presentation
IAS	33	Earnings per Share
IAS	37	Provisions, Contingent Liabilities and Contingent Assets
IAS	38	Intangible Assets
IFRS	9	Financial Instruments

3 Significant accounting policies

3.1 Property, plant & equipment

3.1.1 Recognition and measurement

Freehold Assets

Tangible fixed assets are accounted for according to "IAS 16: Property, plant and equipment". Items of property, plant and equipment are measured at cost or revaluation less accumulated depreciation. The cost of acquisition of an asset comprises its purchase price and any direct attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the year in which it incurs. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

Leasehold Assets

Assets acquired under finance lease are accounted for by the recording the assets at the lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The corresponding obligation under the lease is accounted for as liability.

3.1.2 Depreciation

Depreciation is calculated using 'Straight Line Method' at the following rate so as to write off the assets over their expected useful life. Depreciation is charged in month in the year of acquisition while no depreciation is charged in the month of disposal.

Rates of depreciation of assets considering their useful lives are as follows:

<u>Category of assets</u>	<u>Rate of Depreciation</u>
Furniture & Fixtures	15%
Office equipment	20%
Computer Equipment	33%
Electric Equipment	20%
IT Equipment	33%
Motor Vehicle	20%

3.2 Intangible Assets

Intangible assets that are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are recognized when all the conditions for recognition as per IAS 38: Intangible Assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

3.2.1 Amortization

Amortization is calculated using straight line basis over the estimated useful lives of intangible assets, from the month that they are available for use. The estimated amortization rate is as follows:

<u>Category of assets</u>	<u>Rate of Depreciation</u>
Computer Programs (Software)	33%

3.3 Investment

Investment in securities is measured at cost.

3.4 Revenue recognition

a. Income from management fee is recognised on accrual basis. Such income is calculated considering average weekly Net Asset Value of the fund.

The company charges management fee on the fund managed by them which is paid to the company on semi-annual or annual basis. The annual rates of management fee on weekly average Net Asset Value are as follows:

<u>Weekly Average Net Asset Value at market price</u>	<u>Rate</u>
1 - 50,000,000	2.50%
50,000,000- 250,000,000	2.00%
250,000,000 - 500,000,000	1.50%
500,000,000 & Over	1.00%

b. Mutual Fund formation fee is recognised as mentioned in the published prospectus of the fund approved by Bangladesh Securities & Exchange Commission (BSEC).

c. Interest income is calculated on a time proportion basis.

d. Dividend income is recognized on the declaration of dividend and subsequently approved in the Annual General Meeting.

e. Gain/losses arising on sale of investment are included in the statement of comprehensive income on the day at which transaction takes place.

3.5 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and with banks on current and deposit accounts and short term investments which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

3.6 Taxation

3.6.1 Current Tax

The Company has made income tax provision for quarter concerned as per Finance Act 2018 and also in compliance with International Accounting Standards -12 (IAS-12: Income Taxes).

3.6.2 Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7 Provisions

As per "IAS 37: Provisions, Contingent Liabilities and Contingent Assets" a provision is recognized on the date of statement of financial position if, as a result of past events, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8 Employee benefits**a. Provident fund**

The company operates a contributory provident fund for its permanent employees. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

b. Gratuity

The company has an unfunded gratuity scheme for all eligible employees who have completed minimum 03 (three) years of confirmed service with the company. Employees are entitled to gratuity benefit at the following rates:

Year of confirmed services	% of entitlement
3 years and above but less than 4 years	50% of last one month basic salary for each completed year
4 years and above but less than 5 years	100% of last one month basic salary for each completed year
5 years and above	150% of last one month basic salary for each completed year

3.9 Contingencies

Contingencies arising from claim, litigation assessment, fines, penalties etc. are recorded when it is probable that a liability has been incurred and the amount can be measured reliably in accordance with "IAS 37: Provisions, Contingent Liabilities and Contingent Assets".

3.10 Earnings Per Share

This has been calculated in compliance with the requirements of "IAS 33: Earnings Per Share" by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

3.11 Basic earnings

This represents earnings for the period attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit for the period has been considered as fully attributable to ordinary shareholders. Basic earnings per share have been calculated by dividing the net profit or loss by the number of ordinary shares outstanding during the period.

3.12 Comparative figures

Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

		Amount in Taka													
		31-12-2018	31-12-2017												
4.00	Property, plant and equipment														
	Cost														
	Opening balance	17,561,433	16,954,858												
	Addition during the year	-	631,575												
		17,561,433	17,586,433												
	Adjustment / (Disposal) during the year	-	(25,000)												
	Closing balance	17,561,433	17,561,433												
	Less: Accumulated depreciation														
	Opening balance	6,050,223	3,052,203												
	Charged during the year	3,000,588	3,009,020												
		9,050,811	6,061,223												
	Adjustment / (Disposal) during the year	-	(11,000)												
	Closing balance	9,050,811	6,050,223												
	Carrying amount	8,510,622	11,511,210												
	A schedule of property, plant and equipments are given in Annexure-A														
5.00	Intangible assets														
	Cost														
	Opening balance	3,715,408	3,715,408												
	Addition during the year	-	-												
		3,715,408	3,715,408												
	Adjustment / (Disposal) during the year	-	-												
	Closing balance	3,715,408	3,715,408												
	Less: Accumulated amortization														
	Opening balance	2,733,558	1,543,879												
	Charged during the year	981,850	1,189,679												
		3,715,408	2,733,558												
	Adjustment / (Disposal) during the year	-	-												
	Closing balance	3,715,408	2,733,558												
	Carrying amount	-	981,850												
	A schedule of intangible assets are given in Annexure-B														
6.00	Investments (Long Term)														
	Strategic equity investment (Note:6.01)	800,636,283	799,386,283												
		800,636,283	799,386,283												
6.01	Strategic equity investment														
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>No. of Shares</th> <th>Cost Price</th> <th>Market Price</th> </tr> </thead> <tbody> <tr> <td>LankaBangla Securities Limited</td> <td>15,181,581</td> <td>800,636,283</td> <td>N/A</td> </tr> <tr> <td></td> <td>15,181,581</td> <td>800,636,283</td> <td>-</td> </tr> </tbody> </table>	Particulars	No. of Shares	Cost Price	Market Price	LankaBangla Securities Limited	15,181,581	800,636,283	N/A		15,181,581	800,636,283	-		
Particulars	No. of Shares	Cost Price	Market Price												
LankaBangla Securities Limited	15,181,581	800,636,283	N/A												
	15,181,581	800,636,283	-												
7.00	Long term loan to employees														
	Staff transport loan	1,266,652	-												
		1,266,652	-												

8.00 Deferred tax assets

Deferred tax has been calculated based on deductible / taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of International Accounting Standards (IAS)-12 : Income Taxes.

Particulars	Carrying Amount at December 31, 2018	Tax Base	(Taxable)/ Deductible temporary difference
Property, plant and equipment	8,510,622	9,437,023	926,401
Gratuity payable	2,939,725	-	2,939,725
Total	11,450,347	9,437,023	3,866,126
Applicable Tax Rate			35%
Deferred tax asset as on December 31, 2018			1,353,144
Deferred tax asset as on December 31, 2017			1,528,031
Deferred tax expense accounted for during the year			174,886

9.00 Advances, Deposits and Prepayments

Advances (Note-9.01)
Deposits (Note-9.02)
Prepayments (Note-9.03)

Amount in Taka	
31-12-2018	31-12-2017
15,213,328	15,190,993
2,772,000	2,772,000
110,489	296,029
18,095,818	18,259,022
Advances	
14,659,139	14,174,297
154,181	1,016,696
400,008	-
15,213,328	15,190,993
Deposits	
2,664,000	2,664,000
108,000	108,000
2,772,000	2,772,000
Prepayments	
-	124,500
110,489	171,529
110,489	296,029
Investments (Current Term)	
149,000,066	184,104,682
2,688,720	4,713,480
151,688,786	188,818,162

10.01 Investments held for trading

Particulars	Cost Price	Cost Price
Bank	1,434,508	42,778,648
Financial Institutions	-	103,449,030
Pharmaceuticals & Chemicals	15,148,640	34,110,883
Fuel & Power	10,552,368	-
IT Sector	116,013,489	-
Engineering	4,422,815	127,046
Telecommunication	-	3,639,075
Paper & Printing	864,560	-
Miscellaneous	50,420	-
Textile	513,265	-
	149,000,066	184,104,682

Amount in Taka

31-12-2018

31-12-2017

Investments in listed securities are carried at lower of cost and market value at the balance sheet date. As on December 31, 2018, the investment in listed securities at cost price was BDT 149,000,066 and at market price was BDT 150,998,107. The treatment was provided as per FID circular No. 08 dated 03 August 2002 of Bangladesh Bank (BB) applicable for LankaBangla Finance Limited (LBFL), the parent company of LankaBangla Asset Management Company Ltd. (LBAMCL) which directs to make provision for any loss arising from diminution in value of investment and in case of any unrealized gain, no such gain can be recognized and investments are recognised at cost only. LBAMCL as 99.99% owned subsidiary of LBFL, followed the similar accounting policy for recognising Investment in Listed Securities. If the investment was reported at fair market value as per IFRS-9 "Financial Instruments", the value of investment would be higher by BDT 1,998,041 and the same figure would have been recognised as Unrealised Gain in the "Statement of Profit or Loss & Other Comprehensive Income".

10.02 Investment in non listed securities

Particulars	No. of Shares	Cost Price	Market Price
Esquire Knit Composit Limited	41,780	1,880,100	N/A
ADN Telecom Limited	18,968	569,040	N/A
Genex Infosys Limited	10,466	104,660	N/A
SS Steel Limited	13,492	134,920	N/A
	84,706	2,688,720	-

11.00 Accounts receivable

Interest receivable	-	-	5,844
Dividend receivable	1,343,164	1,343,164	5,706
Receivable from LankaBangla Investments Ltd.	442	442	942
Receivable from LankaBangla Securities Ltd.	449,980	449,980	3,399,423
Receivable from LankaBangla 1st Balanced Unit fund	3,938,912	3,938,912	4,944,915
Receivable from Vision Capital Management Ltd.	-	-	9,186
Receivable from LankaBangla Al-Arafah Shariah Unit Fund	3,491,560	3,491,560	2,277,243
Receivable from CAPM Unit Fund	-	-	8,722,500
Receivable from LB Gratuity Wealth Builder Fund	25,000	25,000	-
Receivable from LankaBangla 1st PE Fund	50,000	50,000	-
Receivable from LB Gratuity Opportunities Fund	10,000	10,000	-
	9,309,058	9,309,058	19,365,759

12.00 Cash and cash equivalent

Cash in hand	25,612	25,612	15,478
Cash at Bank (Note: 12.01)	57,792,885	57,792,885	2,786,917
	57,818,497	57,818,497	2,802,395

12.01 Cash at bank

Dhaka Bank Limited	7,368,742	7,368,742	2,719,797
Standard Chartered Bank	9,993	9,993	18,485
One Bank Limited	50,414,151	50,414,151	48,636
	57,792,885	57,792,885	2,786,917

13.00 Share Capital

Authorized Capital				
100,000,000 Ordinary Shares of Taka 10 each		1,000,000,000	1,000,000,000	
Issued, subscribed and paid up capital				
50,000,000 Ordinary Shares of Taka 10 each fully paid up		500,000,000	500,000,000	

Detail of Shareholding Position of the Company

Name of the Sponsor & Directors Shareholders	No. of Shares	% of share holding		
LankaBangla Finance Limited	49,999,900	99.9998000	499,999,000	499,999,000
Mr. Mahbubul Anam	90	0.0001800	900	900
Mr. A. Malek Shamsher	6	0.0000120	60	100
Mr. Mohammad A. Moyeen	1	0.0000020	10	-
Mr. Mohammed Nasir Uddin Chowdhury	1	0.0000020	10	-
Mr. Khwaja Shahriar	1	0.0000020	10	-
Mr. A. K. M. Kamruzzaman	1	0.0000020	10	-
	50,000,000	100.00	500,000,000	500,000,000

	Amount in Taka	
	31-12-2018	31-12-2017
14.00 Share money deposit		
Opening balance	429,701,000	379,701,000
Add: Addition during the year	-	50,000,000
	429,701,000	429,701,000
Less: Issue of share capital	-	-
Closing balance	429,701,000	429,701,000
15.00 Retained earnings		
Opening balance	90,624,429	83,718,895
Add: Profit during the year	(44,051,824)	6,905,534
	46,572,605	90,624,429
Less: Adjustment during the year	-	-
Closing balance	46,572,605	90,624,429
16.00 Finance lease obligation (Non-current portion)		
Opening balance	3,151,054	4,053,250
Add: Addition during the year	-	-
	3,151,054	4,053,250
Less: Paid during the year	(876,288)	(810,246)
	2,274,766	3,243,004
Less: Conversion to short term	(87,414)	(91,950)
Closing balance	2,187,352	3,151,054
17.00 Accounts payable		
Provision for audit fees	108,100	73,599
Accrued expenses	108,099	139,665
	216,199	213,264
18.00 Payable to clients		
Client deposit balance - Maximizer	50,356,240	-
	50,356,240	-
19.00 Provision for current tax		
Opening balance	11,985,245	10,369,883
Add: Provision made during the year	118,414	1,615,362
	12,103,659	11,985,245
Less: Adjustment during the year	-	-
Closing balance	12,103,659	11,985,245
20.00 Finance lease obligation (Current portion)		
Opening balance	902,196	810,246
Add: Conversion from long term	87,414	91,950
	989,610	902,196
Less: Paid during the year	-	-
Closing balance	989,610	902,196
21.00 Payable to gratuity fund		
Opening balance	1,734,706	1,082,590
Add: Provision made during the year	1,205,019	652,117
	2,939,725	1,734,706
Less: Payment during the year	-	-
Closing balance	2,939,725	1,734,706
22.00 Other liabilities		
Withholding Tax Payable	160,773	102,351
Withholding VAT payable	236	71,150
Payable to employees' provident fund	-	3,310,271
Salary & related expenses payable	1,461	857,046
Payable to LankaBangla Finance Limited	3,450,000	-
	3,612,470	4,340,818

		Amount in Taka	
		2018	2017
23.00	Income from unit fund operation		
	Management fee - Unit Fund	14,878,219	11,497,244
	Formation fee - Unit Fund	4,115,000	-
		18,993,219	11,497,244
24.00	Interest income		
	Interest on Fixed Deposit Receipt (FDR)	-	-
	Interest on Short Term Deposit (STD) account	265,997	333,855
		265,997	333,855
25.00	Income from investment		
	Net income on sale of securities	(16,131,044)	16,153,623
	Dividend income	2,335,164	21,796,028
		(13,795,880)	37,949,651
26.00	Interest expenses		
	Interest on loan	-	-
	Interest on lease finance	462,707	485,750
		462,707	485,750
27.00	Salary and allowances		
	Salary and allowances	22,520,691	20,334,882
	Provident fund contribution	856,288	451,666
	Gratuity fund	1,205,019	652,117
		24,581,997	21,438,664
28.00	Rent, taxes, insurance, electricity etc.		
	Office rent	6,637,800	6,127,200
	Insurance premium	317,800	221,587
	Utility expenses	647,154	632,037
		7,602,754	6,980,824
29.00	Legal and professional fees		
	Legal and professional fees	2,539,166	17,250
		2,539,166	17,250
30.00	Postage, stamp, telecommunication etc.		
	Postage and courier	225	395
	Stamp charges	9,390	10,645
	Telephone and mobile bill	305,771	340,954
		315,386	351,994
31.00	Stationery, printing & advertisement		
	Printing and stationery	132,116	333,739
	Advertisement	24,138	53,664
		156,254	387,403
32.00	Director fees & expenses		
	Director fees & expenses	248,400	220,800
		248,400	220,800
33.00	Audit fees		
	Audit fees	143,750	69,000
		143,750	69,000
34.00	Repairs, maintenance and depreciation		
	Repairs and maintenance	58,390	-
	Software maintenance	473,190	470,252
	Depreciation	3,000,588	3,009,020
	Amortization	981,850	1,189,679
		4,514,018	4,668,951
35.00	Other expenses		
	Training, Seminar and Meeting	224,752	167,068
	Regulatory fees and charges	25,934	85,477
	Membership & Annual fee	137,500	80,000

	Amount in Taka	
	2018	2017
Registration & License fee	668,150	31,952
Conveyance	45,615	44,113
Travelling expenses	138,555	34,501
Data connectivity charge	114,035	96,797
Computer accessories	9,150	24,065
Fuel expenses	331,850	338,625
Vehicle maintenance / registration	217,787	169,182
Office Cleaning and maintenance	482,704	539,170
Management fee	4,750,000	4,750,000
Business promotional expense	277,794	363,445
Entertainment expense	281,136	390,251
Bank charges and others	28,631	24,493
Other fees & charges	3,494	23,975
CDBL fee	8,500	500
Share Bidding Fee	43,000	16,000
Office Plantation maintenance	-	2,800
Newspaper & periodicals	25,019	32,980
Educational expenses reimbursement	63,476	46,722
Loss on disposal of assets	-	14,000
Security Services	207,000	207,000
Overtime allowance	23,150	34,450
Excise duty	51,500	34,000
Commission	149,126	-
Website development expense	188,100	-
Donation	-	100,000
Miscellaneous	161,470	53,500
	8,657,427	7,705,067
36.00 Earnings Per Share (EPS)		
Earning attributable to ordinary shareholders	(44,051,824)	6,905,534
Weighted average number of ordinary shares outstanding	50,000,000	50,000,000
Earnings Per Share (EPS)	(0.88)	0.14

37.00 Related party disclosure

During the period, the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of **IAS 24 : Related Party Disclosures.**

Name of the Party	Relationship	Nature of transaction	Amount in Taka	
			2018	2017
LankaBangla Finance Limited	Parent	TDR	-	-
LankaBangla Investments Ltd.	Subsidiary of Parent	Strategic Investment & Others	442	942
LankaBangla Securities Ltd.	Subsidiary of Parent	Investment in Securities	449,980	3,399,423

38.00 Events after reporting period

There are no events after reporting period

39.00 Reasons for significant deviation in Net Profit After Tax

LankaBangla Asset Management Company Limited (LBAMCL)'s Net Profit After Tax (NPAT) for the year 2018 stood at BDT (44,051,824) which was BDT 6,905,534 in 2017. NPAT declined by 738.40% compared to last year. Reason for the decline is as follows:

- Income from investment has declined by BDT 51,745,531. For the year 2018 total investment income was BDT (13,795,880) which was BDT 37,949,651 in 2017.

Annexure-A

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at 31.12.2018
	Balance as at 01.01.2018	Addition during the year	Adjustment / (Disposal) the year		Balance as at 01.01.2018	Charged during the year	Adjustment / (Disposal) the year	
Furniture & Fittings	7,778,027	-	-	15	2,241,832	1,090,894	-	4,445,300.66
Office Equipment	1,854,685	-	-	20	638,733	363,356	-	852,595.22
Computer Equipment	1,566,074	-	-	33	857,511	375,040	-	333,522.54
Electric Equipment	170,406	-	-	20	82,552	25,424	-	62,429.91
IT Equipment	1,202,241	-	-	33	982,094	147,873	-	72,273.56
Motor Vehicle	4,990,000	-	-	20	1,247,500	998,000	-	2,744,499.91
Total:	17,561,433	-	-		6,050,223	3,000,588	-	8,510,622

As at 31 December 2017

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Adjustment / (Disposal) the year		Balance as at 01.01.2017	Charged during the year	Adjustment / (Disposal) the year	
Furniture & Fittings	7,778,027	-	-	15	1,150,938	1,090,894	-	5,536,195
Office Equipment	1,840,613	14,072	-	20	268,031	370,702	-	1,215,952
Computer Equipment	1,042,521	523,553	-	33	509,338	348,173	-	708,563
Electric Equipment	89,906	80,500	-	20	50,337	32,215	-	87,854
IT Equipment	1,213,791	13,450	(25,000)	33	824,058	169,036	(11,000)	220,147
Motor Vehicle	4,990,000	-	-	20	249,500	998,000	-	3,742,500
Total:	16,954,858	631,575	(25,000)		3,052,203	3,009,020	(11,000)	11,511,210

Annexure-B

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED
SCHEDULE OF INTANGIBLE ASSETS
 As at 31 December 2018

Particulars	COST				Rate (%)	AMORTIZATION				Written down value as at 31.12.2018
	Balance as at 01.01.2018	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2018		Balance as at 01.01.2018	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2018	
Computer Programs (Software)	3,715,408	-	-	3,715,408	33	2,733,558	981,850	-	3,715,408	-
Total:	3,715,408	-	-	3,715,408	-	2,733,558	981,850	-	3,715,408	-

As at 31 December 2017

Particulars	COST				Rate (%)	AMORTIZATION				Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017		Balance as at 01.01.2017	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017	
Computer Programs (Software)	3,715,408	-	-	3,715,408	33	1,543,879	1,189,679	-	2,733,558	981,850
Total:	3,715,408	-	-	3,715,408	-	1,543,879	1,189,679	-	2,733,558	981,850

SAFA BEST PRESENTED ACCOUNTS CHECKLIST

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SL. No	Particulars	Page reference	Chapter/ Section reference
1. Elements of an Integrated Report			
1.1	Organizational overview and external environment		
	<i>An integrated report should disclose the main activities of the organization and the environment of which it operates.</i> An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:		
	The organization's:		
	▶ Culture, ethics and values	10 01	Code of Conduct Guiding Principles Core Values
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	▶ The legislative and regulatory environment in which the organization operates		
	▶ The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy		
1.2	Governance		
	<i>An integrated report should how does the organization's governance structure support its ability to create value in the short, medium and long term.</i> An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:		
	▶ The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	38-42 44-49 50	Profile of Board Directors Profiles of the Management Team Corporate Organogram of LankaBangla Finance
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	▶ The legislative and regulatory environment in which the organization operates	100 180-181 106	Statement on Internal Control PESTEL Analysis Statement on Ethics and Compliance

INTEGRATED REPORTING CHECKLIST

SL. No Particulars		Page reference	Chapter/ Section reference
	<ul style="list-style-type: none"> The responsibility those charged with governance take for promoting and enabling innovation 	103-104	Human Resources & Remuneration Committee Report Human Resources Accounting
	<ul style="list-style-type: none"> How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals. 	189-194	
1.3	<p>Stakeholder Identification/ relationships An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.</p>	165-172	Stakeholders Analysis
	<p>Capitals An integrated report needs to provide insight about the resources and the relationships used and affected by the organization, which are referred to collectively as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term.</p> <p>An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.</p> <p>Eg: financial, manufactured, intellectual , human, social and relationship, and natural, However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects.</p>	160-164	Key Resources of LankaBangla Finance Limited
1.4	<p>Business model An integrated report should describe the organization's business model</p>	152 154	Value Creation Structure Business Model
	An integrated report need to describe the business model, including key:		
	<ul style="list-style-type: none"> Inputs 	160-164	Key Resources of LBFL
	<ul style="list-style-type: none"> Business activities 	10 19-22 23-29 156-157	Organizational Overview Business Divisions of LBFL Subsidiaries of LBFL How we create value
	<ul style="list-style-type: none"> Outputs 	30 152-153	Product Portfolio of LBFL Value Creation Structure
	<ul style="list-style-type: none"> Outcomes 	142-147, 298 156-157 158 209-212 213	Financial Highlights How We Create Value Delivering Value Value Added Statements Contribution to Government Exchequer
1.5	<p>Performance</p>		
	<p>An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?</p> <p>An integrated report should contain qualitative and quantitative information about performance that may include matters such as:</p> <p>Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them</p> <ul style="list-style-type: none"> The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests The linkages between past and current performance, and between 	201-202 52-53 132-134 135-140 142-147 298	Triple Bottom Line Highlights Message from the Chairman Review from the MD CFO's Statement on Performance Financial Highlights Highlights

SL. No	Particulars	Page reference	Chapter/ Section reference
1.6	Risks and opportunities		
	<p><i>An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?</i></p> <p>This can include identifying:</p> <ul style="list-style-type: none"> ▶ The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two. ▶ The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. ▶ The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs. 	112-119 177-180 180-181 182	Statement on Risk Management SWOT Analysis PESTEL Analysis Industry Forces Analysis
1.7	Strategy and resource allocation		
	<p><i>An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there)</i></p> <p>An integrated report need to identify:</p> <ul style="list-style-type: none"> ▶ The organization's short, medium and long term strategic objectives ▶ The strategies it has in place, or intends to implement, to achieve those strategic objectives ▶ The resource allocation plans it has to implement its strategy ▶ How it will measure achievements and target outcomes for the short, medium and long term. 	183 185 186	Drivers Guiding Our Strategy Material Matters that Affect Our Strategies Strategic Focus Areas
1.8	Outlook		
	<p><i>An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?</i></p> <p>An integrated report should highlight anticipated changes over time and provides information on:</p> <ul style="list-style-type: none"> ▶ The organization's expectations about the external environment the organization is likely to face in the short, medium and long term ▶ How that will affect the organization ▶ How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise. 	11 132-134 173-176 177-182	Forward Looking Statement Review from the MD Economic Outlook Business Environment Analysis
1.9	Basis of preparation and presentation		
	<p><i>An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?</i></p> <p>An integrated report describes its basis of preparation and presentation, including:</p> <ul style="list-style-type: none"> ▶ A summary of the organization's materiality determination process ▶ Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters ▶ Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters. ▶ A description of the reporting boundary and how it has been determined ▶ A summary of the significant frameworks and methods used to quantify or evaluate material matters 	06 184-185 197-202	Brief about Integrated Reporting Material Matters that Affect Our Strategies Sustainability Report
2.	Responsibility for an integrated report		
	<p>An integrated report should include a statement from those charged with governance that includes:</p> <ul style="list-style-type: none"> ▶ An acknowledgement of their responsibility to ensure the integrity of the integrated report ▶ An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report ▶ Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework 	06 54 97 100 101 105	Brief about Integrated Reporting Directors' Report Board Audit Committee Report Statement on Directors' Responsibilities Directors' Statement on Internal Control Responsibility Statement of MD and CFO

/ Communication to Shareholders

COMMUNICATION TO SHAREHOLDERS

LankaBangla Finance Limited is listed in both the bourses of the country. Investors can monitor the ticker in the name of LANKABAFIN in both DSE and CSE. Any price sensitive information is disseminated timely. Annual Report of the company summarizes the company's financial performance and provides an overview of the company's major activities. The annual report is duly submitted to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange & Chittagong Stock Exchange in timely manner. Each stockholder is sent copy of the report before AGM. Annual Report, Quarterly Reports and Supplements to the reports are available on the company's website, www.lankabangla.com or copies are available with the Board Secretariat at LankaBangla Finance Limited.

On top of the above information, the company makes available each material information or achievement to the shareholders through the company's web portal. For additional information about the subsidiary companies and the financials, the investors can visit our web portals, www.lankabangla.com.

Redressal of Investors' complaint

Investor Relations Department of LankaBangla Finance Limited always gives extreme priority in mitigating investors' complaints (if any) regarding any inconvenience. Investors can approach to Investor Relations Department with a complaint or can make an email at company's designated e-mail id for investor relations at ir@lankabangla.com. An Investor can make a written complaint to LankaBangla Finance Limited also. Upon receipt of the complaint, designated cell at LankaBangla takes immediate steps to resolve the complaint.



ADDITIONAL INFORMATION

[Financial Highlights](#)[Financial Reports](#)[Price Sensitive Information](#)[Notice For Shareholder](#)[Share Trading Information](#)

LankaBangla |

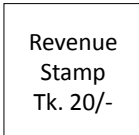


Proxy Form

I/ We
of
being a shareholders of LankaBangla Finance Limited do hereby appointment Mr./Mrs.....
of
(or failing) Mr./ Mrs.
of
and vote on my/our behalf at the 22nd Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on March 27, 2019 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 16 (New), 27 (Old) Dhanmondi, Dhaka-1209 or at any adjournment thereof or any ballot to be taken in consequence thereof.

Signed this day of March, 2019

(Signature of the proxy)



Signature of shareholder (s)

BO ID No.

No. of shares being held

Note

- ▶ This form of proxy, duly completed, must be deposited at least 48:00 hours before the meeting at the company's registered office. Proxy is invalid if not signed and stamped as indicated above.
- ▶ Signature of the Shareholders should agree with the Specimen signature registered with the Company.

Attendance Slip

I/We hereby record my/our attendance at the 22nd Annual General Meeting of the Shareholders of LankaBangla Finance limited to be March 27, 2019 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 16 (New), 27 (Old) Dhanmondi, Dhaka-1209.

Name of the Shareholder(s)/Proxy (in Block Letters)

(Signature of the Proxy)

Signature of the shareholder(s)/Proxy

BO ID No.

No. of shares being held

N. B.: Shareholders attending the Meeting in person or by Proxy are requested to complete Attendance Slip and deposit the same at the entrance of the Meeting Hall.



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