

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 2019 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 2019, 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.

Emphasis of Matter – Subsequent event: The impact of the uncertainty of COVID-19

We draw attention to Notes 2.45 and 42(e) in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on LankaBangla Finance Limited's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

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>First time adoption of IFRS 16 for Office rentals and impact of it in financial year 2019</p> <p>IFRS 16 replaces the existing standard IAS 17 and specifies a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group must adopt IFRS 16 Leases for reporting periods beginning on or after 1 January 2019 and is required to disclose the expected impact of adopting IFRS 16.</p> <p>IFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.</p> <p>Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term, the componentisation of the ROU asset where appropriate, the accounting for return obligations and the determination of appropriate discount rates. The adjustments arising from applying IFRS 16 are material to the Group, and this disclosure of impact is a key focus area in our audit.</p> <p>The impact on transition as at 1 January 2019: Right-of-use assets and Lease liabilities of the group and company are BDT 512.77 million and BDT 401.83 million respectively. The net impact at year end of the Right-of-use assets of the group and company are BDT 339.28 million and BDT 272.59 million and Lease liabilities of the group and company are BDT 358.06 million and 290.62 million respectively.</p> <p>See note no 2.9.1.4 to the financial statements</p>	<p>The implementation of IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions.</p> <p>We have evaluated the application of IFRS 16 and tested the resulting impact on the balance sheet and income statement. We have assessed whether the accounting regarding leases is consistent with the definitions of IFRS 16 including factors such as lease term, discount rate and measurement principles.</p> <p>Furthermore, we have assessed the retrospective application and verified whether this is consistent with the definition and expedients of IFRS 16.</p> <p>The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognized in retained earnings at 1 January 2019. We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed computation checks.</p>
<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 2019 the Group reported total gross leases, loans and advances of BDT 65,117.08 million (2018: BDT 68,676.03 million) and provision for leases, loans and advances of BDT 2,204.02 million (2018: 1,598.35 million). The total provision for leases, loans and advances shown in the profit and loss for this year stands BDT 702.95 million (2018: BDT 629.85 million).</p> <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>	<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; 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 2019 the carrying value of this investment is BDT 5,651.17 million and the previous year figure has been restated at BDT 5,923.15 million.</p> <p>Management has decided to change cost method of accounting and applied IFRS 9 (as permitted by IAS 27) for accounting of investment in subsidiaries in the separate financial statements of the Company. As per IFRS 9, Investment in subsidiary is measured at fair value through other comprehensive income.</p> <p>However, as per Bangladesh Bank guidelines, the Company cannot present "Other Comprehensive Income" and thus any change in fair value will directly be recognized in Revaluation Reserve under Equity in the balance sheet. This departure from IFRS is disclosed in Note – 2.5.12.</p> <p>See note no 9 to the financial statements</p>	<p>We have reviewed Management's analysis of fair value assessment in accordance with IFRS 13 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 fair value approach, the key assumptions used in the model, the reasonably possible alternative assumptions, particularly where they had the most impact on the fair value calculation.</p> <p>We also checked mathematical accuracy of the model, recalculated the adjusted net asset method 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. The impact has been disclosed in Note 15A of the notes to the financial statements.</p>
<p>Investment and provision for diminution in value of investment</p> <p>Group investments comprise of marketable ordinary shares of BDT 4,154.84 million, non marketable ordinary shares of BDT 235.84 million, subordinate bond BDT 800 million and discretionary corporate fund BDT 201.82 million.</p> <p>Group investments are valued at BDT 5,392.51 million and represent 6.4% 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 1,268.47 million, non-marketable ordinary shares of BDT 123.57 million subordinate bond BDT 800 million and discretionary corporate fund BDT 201.82 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 2.17, 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>
<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 2019.</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 2.38b 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 a 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 92.27 million (2018: BDT 72.76 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 2.37.2 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 engaged to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We engaged 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>
<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 10,172.73 million from lease finance, term finance, credit cards, term deposit receipts and related activities. 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>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;

Key Audit Matter	How our audit addressed the key audit matter
<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>	<ul style="list-style-type: none"> 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>

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.

After going through the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company.

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:

- 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 accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- the consolidated balance sheet and 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;
- the expenditures incurred were for the purpose of the Company's business for the year;
- 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;
- 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;
- 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;
- the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- 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;
- nothing has come to our attention that the Company has adopted any unethical means i.e. "window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- 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;
- 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;
- 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;
- the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- 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
- all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.






Dhaka, 08 June 2020

Md. Enamul H. Choudhury
Engagement Partner
S. F. Ahmed & Co.
Chartered Accountants

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Amount in Taka	
	31.12.2019	31.12.2018
PROPERTY AND ASSETS		
Cash	877,735,689	1,002,028,777
Cash in hand (including foreign currencies)	777,880	904,527
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	876,957,809	1,001,123,850
Balance with other banks and financial institutions	8,332,124,314	8,431,276,535
Inside Bangladesh	8,332,124,314	8,431,276,535
Outside Bangladesh	-	-
Money at call and short notice	-	-
Investment	5,392,515,912	5,713,587,671
Government securities	-	-
Other investments	5,392,515,912	5,713,587,671
Leases, loans and advances	65,117,083,059	68,676,032,831
Loans, cash credit and overdraft etc.	65,117,083,059	68,676,032,831
Bills discounted and purchased	-	-
Fixed assets including land, building, furniture and fixtures	2,861,198,566	2,405,753,963
Other assets	1,782,294,566	1,660,000,929
Non-Banking assets	-	-
TOTAL PROPERTY AND ASSETS	84,362,952,106	87,888,680,706
LIABILITY AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from Bangladesh Bank, other banks and financial institutions	18,672,238,771	16,263,240,621
Deposits and other accounts	46,894,962,510	53,404,546,419
Current deposits and other accounts etc.	-	-
Bills payable	-	-
Saving bank deposit	-	-
Term deposits	46,750,813,434	53,231,132,604
Bearer certificate of deposits	-	-
Other deposits	144,149,076	173,413,815
Other liabilities	9,140,721,458	8,286,435,375
TOTAL LIABILITIES	74,707,922,739	77,954,222,415
Shareholders' Equity	9,482,329,484	9,823,214,683
Paid up capital	5,131,796,410	5,131,796,410
Share premium	1,090,888,800	1,090,888,800
Statutory reserve	1,762,635,872	1,615,433,347
General reserve	49,919,671	53,048,686
Retained earnings	1,447,088,731	1,932,047,440
Non controlling interest	172,699,883	111,243,680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	84,362,952,106	87,888,680,706
Net asset value per share - (NAV)	18.48	19.14
OFF-BALANCE SHEET ITEMS		
CONTINGENT LIABILITIES		
Acceptances and endorsements	-	-
Letter of guarantee	-	357,182,217
Irrevocable letters of credit	-	-
Bill for collection	-	-
Other contingent liabilities	-	-
TOTAL CONTINGENT LIABILITIES	-	357,182,217
OTHER COMMITMENTS		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	1,694,989,350	3,691,862,631
Undrawn formal standby facilities, credit lines and other commitments	-	-
TOTAL OTHER COMMITMENTS	1,694,989,350	3,691,862,631
TOTAL OFF BALANCE SHEET ITEM	1,694,989,350	4,049,044,848

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

Director: 
 Director: 
 Managing Director: 

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Dhaka, 08 June 2020
S. F. Ahmed & Co. Chartered Accountants

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Amount in Taka	
	2019	2018
A) Cash flows from operating activities		
Interest received	10,217,294,760	9,100,352,454
Interest paid	(7,082,810,513)	(6,037,422,733)
Dividend received	108,560,777	67,614,353
Fees and commission received	841,027,509	1,131,493,341
Income from investment	223,309,168	365,527,356
Cash paid to employees (including directors)	(1,508,376,964)	(1,507,015,841)
Cash paid to suppliers	(144,193,285)	(135,351,794)
Income taxes paid	(217,918,275)	(256,764,724)
Received from other operating activities	402,525,283	396,575,396
Paid for other operating activities	(830,878,590)	(999,049,638)
Cash generated from operating activities before changes in operating assets and liabilities	2,008,539,922	2,125,958,170
Increase/(decrease) in operating assets & liabilities:		
Loans and advances to customers	3,553,032,960	(2,502,462,489)
Other assets	57,937,615	166,538,173
Deposits from customers	(6,509,583,908)	1,729,388,281
Other liabilities	(473,264,026)	156,670,981
Total increase/(decrease) in operating assets & liabilities	(3,371,877,360)	(449,895,055)
Net cash flows from/(used in) operating activities	(1,363,337,438)	(1,676,093,115)
B) Cash flows from investing activities		
Investment in securities	1,122,895,993	(494,417,960)
Purchase of fixed assets	(326,222,184)	(815,517,352)
Sales proceeds of fixed assets	9,417,178	41,963,461
Investment in commercial paper	200,000,000	250,000,000
Investment in discretionary corporate fund	(201,824,234)	-
Investment in Subordinated bond	(800,000,000)	-
Acquisition of shares from non-controlling interest	(13,250,000)	(13,250,000)
Net cash flows from/(used in) investing activities	(1,883,246)	(1,019,221,851)
C) Cash flows from financing activities		
Receipt of term loan, overdraft and REPO	2,039,422,446	(2,293,645,817)
Payment of lease liabilities-Vehicles	(5,885,814)	(6,799,775)
Payment of lease liabilities-Office premises	(154,708,848)	-
Right Share Subscription	-	1,430,947,040
Transaction cost against right issue	-	(10,170,363)
Dividend paid	(729,954,513)	(374,109,324)
Net cash flows from/(used in) financing activities	(1,148,873,271)	(1,253,778,239)
Net increase/(decrease) in cash & cash equivalents	(223,447,412)	(596,906,975)
E) Effect of exchange rates on cash and cash equivalents	2,102	(168)
F) Cash and cash equivalents at the beginning of the year	9,433,305,313	10,030,212,456
G) Cash and cash equivalents at the end of the year	9,209,860,003	9,433,305,313
* Closing cash and cash equivalents		
Cash in hand (including foreign currencies)	777,880	904,927
Balance with Bangladesh Bank and its agent bank (s)	876,957,809	1,001,123,850
Balance with other banks and financial institutions	8,332,124,314	8,431,276,535
9,209,860,003	9,433,305,313	
Net Operating Cash Flows Per Share - (NOCFPS)	(2.66)	3.30

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

Director: 
 Director: 
 Managing Director: 

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

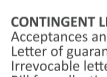


Particulars	Amount in Taka						
	Share Capital	Share money deposit for right issue	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total
Balance as at 01 January 2019	5,131,796,410	-	1,090,888,800	1,615,433,347	53,048,686	1,932,047,440	9,823,214,683
Items involved in changes in equity	-	-	-	-	-	1,932,047,440	1,932,047,440
Net profit for the year	-	-	-	-	-	1,932,047,440	1,932,047,440
Transaction cost against right issue	-	-	-	-	-	(10,170,363)	(10,170,363)
Appropriation to statutory reserve	-	-	-	147,202,525	-	(147,202,525)	-
Appropriation to general reserve	-	-	-	-	(3,129,015)	3,129,015	-
Dividend	-	-	-	-	-	(729,954,513)	(729,954,513)
Cash dividend (15%)	-	-	-	-	-	(729,954,513)	(729,954,513)
Balance as at 31 December 2019	5,131,796,410	-	1,090,888,800	1,762,635,872	49,919,671	1,447,088,731	9,482,329,484
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
Items involved in changes in equity	-	-	-	-	-	1,430,947,040	1,430,947,040
Right Share Subscription	1,591,254,700	(160,307,660)	-	-	-	(1,430,947,040)	-
Changes in non-controlling interest	-	-	-	-	-	(89,014)	(89,014)
Net profit for the year	-	-	-	-	-	434,308,867	434,308,867
Transaction cost against right issue	-	-	-	-	-	(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	-	-	-	-	-	(358,032,300)	(358,032,300)
Stock dividend (7.5%)	358,032,300	-	-	-	-	(358,032,300)	-
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

Director: 
 Director: 
 Managing Director: 

SEPARATE BALANCE SHEET
As at 31 December 2019

	Amount in Taka	
	31.12.2019	31.12.2018
PROPERTY AND ASSETS		
Cash	877,497,557	1,001,794,766
Cash in hand (including foreign currencies)	539,748	670,916
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	876,957,809	1,001,123,850
Balance with other banks and financial institutions	7,011,942,991	6,706,544,902
Inside Bangladesh	7,011,942,991	6,706,544,902
Outside Bangladesh	-	-
Money at call and short notice	-	-
Investment	2,393,868,418	2,409,307,374
Government securities	-	-
Other investments	2,393,868,418	2,409,307,374
Leases, loans and advances	60,662,461,499	63,784,580,057
Loans, cash credit and overdraft etc.	60,662,461,499	63,784,580,057
Bills discounted and purchased	-	-
Fixed assets including land, building, furniture and fixtures	1,762,461,900	1,357,931,214
Other assets (2018 restated)	6,473,187,859	6,700,200,023
Non-Banking assets	-	-
TOTAL PROPERTY AND ASSETS	79,181,420,224	81,960,358,336
LIABILITY AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from Bangladesh Bank, other banks and financial institutions	15,613,095,652	12,639,198,866
Deposits and other accounts	46,894,962,510	53,425,834,494
Current deposits and other accounts	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits	46,750,813,434	53,252,420,679
Bearer certificate of deposits	-	-
Other deposits	144,149,076	173,413,815
Other liabilities	6,655,430,108	5,558,400,989
TOTAL LIABILITIES	69,163,488,270	71,623,434,349
Shareholders' Equity	10,017,931,954	10,336,923,987
Paid up capital	5,131,796,410	5,131,796,410
Statutory reserve	1,762,635,872	1,615,433,347
Retained earnings	2,163,518,264	2,297,477,627
Revaluation reserve for investment in subsidiaries	1,006,981,408	1,292,216,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	79,181,420,224	81,960,358,336
Net asset value per share - (NAV) (2018 restated)	19.52	20.14
OFF-BALANCE SHEET ITEMS		
CONTINGENT LIABILITIES		
Acceptances and endorsements	-	-
Letter of guarantee	-	357,182,217
Irrevocable letters of credit	-	-
Bill for collection	-	-
Other contingent liabilities	-	-
TOTAL CONTINGENT LIABILITIES	-	357,182,217
OTHER COMMITMENTS		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	1,694,989,350	3,691,862,631
Undrawn formal standby facilities, credit lines and other commitments	-	-
TOTAL OTHER COMMITMENTS	1,694,989,350	4,049,044,848
TOTAL OFF BALANCE SHEET ITEMS	1,694,989,350	4,049,044,848

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

Director: 
 Director: 
 Managing Director: 

This is the Balance Sheet referred to in our separate report of even date.

Dhaka, 08 June 2020
S. F. Ahmed & Co. Chartered Accountants

SEPARATE BALANCE SHEET
As at 01 January 2018

	Amount in Taka	
	01.01.2018*	01.01.2018*
PROPERTY AND ASSETS		
Cash	1,155,072,909	1,154,753,702
Cash in hand (including foreign currencies)	319,207	319,207
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	1,154,753,702	1,154,753,702
Balance with other banks and financial institutions	6,867,656,341	6,867,656,341
Inside Bangladesh	6,867,656,341	6,867,656,341
Outside Bangladesh	-	-
Money at call and short notice	-	-
Investment	2,127,660,042	2,127,660,042
Government securities	-	-
Other investments	2,127,660,042	2,127,660,042
Leases, loans and advances	61,913,587,489	61,913,587,489
Loans, cash credit and overdraft etc.	61,913,587,489	61,913,587,489
Bills discounted and purchased	-	-