



**ANNUAL REPORT 2018**



# **Annual Report 2018**



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## NOTICE OF THE THIRTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of the shareholders of United Finance Limited will be held at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka on April 24, 2019 at 10:00 a.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2018.
2. To declare Dividend for 2018.
3. To elect/re-elect Directors and to approve the appointment of Directors.
4. To consider the appointment of statutory and compliance auditors for the year 2019 and fix their remuneration.

By order of the Board

Sharmi Noor Nahar  
Company Secretary

Dated: Dhaka  
February 20, 2019

### Notes :

1. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. The proxy form must be affixed with a revenue stamp of Tk 20.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. March 18, 2019 is the Record Date.
3. Shareholders are requested to update their respective BO Accounts with 12 digits Taxpayer's Identification Number (e-TIN) through Depository Participant (DP) latest by March 18, 2019, failing which Income Tax at source will be deducted from payable Dividend @ 15% (fifteen percent) instead of @ 10% (ten percent) as per amended IT Ordinance-1984 under section 54.
4. Shareholders are requested to update their email addresses in respective BO accounts through Depository Participant (DP) latest by March 18, 2019.
5. Shareholders are requested to submit their queries on the Directors' Report and Audited Accounts, if any, at the Registered Office of the Company by Monday, April 22, 2019.
6. Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.
7. The Annual Report 2018 is available in Company's website [www.unitedfinance.com.bd](http://www.unitedfinance.com.bd)
8. The Annual Report 2018 will be forwarded in soft form to the email addresses of the shareholders available in their Beneficial Owner (BO) accounts maintained with Depository Participant (DP).
9. Shareholders may request in written beforehand for printed Annual Report 2018.

**N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 30<sup>th</sup> AGM.**



## CHAIRMAN'S STATEMENT

### Dear Shareholders:

On behalf of the Board of Directors, I welcome you to the 30th Annual General Meeting of United Finance Limited. I take this opportunity to brief you on the state of the economy, the financial services sector and the performance of the Company during 2018.

### Global Economic Conditions

In 2018, the global economy witnessed the strengthening of US dollar, increased financial market volatility and rising risk premiums. This caused an intensification of capital outflows and pressures on exchange rates for some large emerging and developing economies. This pressure was substantial for countries where there was significant import growth like Bangladesh. Energy prices have fluctuated mainly due to supply factors with sharp falls towards the end of 2018. With fiscal stimulus, the economic activities remained solid in the USA throughout 2018. In contrast, activity in the Euro area was weaker than previously expected, owing to slowing net exports. The growth in advanced economies decelerated to 2.2% in 2018. Similarly the growth in emerging and developing economies edged down to an estimated 4.2%. Burgeoning current account deficits creating pressure on financial markets was the main reason behind this slowdown in growth.

### Bangladesh Economy

The GDP growth rate of Bangladesh was 7.86% in FY18, attributable largely to the contributions of the manufacturing and construction sectors with each growing by over 10% in FY18, in addition to strong public sector investment. The per capita national income increased by 8.14%; while inflationary pressures have been contained below 6%. Net tax receipts have grown by 15%, leaving the government in a good position to support the large infrastructure and development projects in its pipeline.

Despite a worsening of net exports, improvements in remittance inflows have buoyed the country's foreign reserves. In CY2018, the total remittance inflow was BDT 1,297 billion, up from BDT 1,089 billion in the previous year. This 19% increase shows that the income inflows from the Middle East are recovering after a slowdown in the previous year. Despite this improvement, the gross reserves stood at USD 31,956 million at the end of 2018, down from 33,105 million in the previous year.

FY18 also saw contractions in gross inflow of FDI by 7.90% from USD 3,038 million to USD 2,798 million and a positive balance of USD 5,785 million in the Medium and Long-term Loans (MLT) account. At the end of CY2018, the Bangladeshi Taka had depreciated by 1.6% from BDT 82.55 to BDT 83.87 to the US Dollar.

### Bangladesh Financial Services Sector

In FY18 broad money grew by 9.2% well below the target of 13.3% which kept the inflationary pressures under control. Similarly, narrow money growth stalled to 6.17% from 13.01% in the last fiscal year, attributable to the decrease in the supply of hard currency in the country. However, a prudent monetary policy with controlled interest rates and expansion in money supply through other policy measures and ensuring credit flows to priority sectors (agriculture, manufacturing and SMEs) have enabled the financial services sector to weather the overall challenges presented during the course of this year.

Non-performing loans in the industry increased despite preventive measures taken by the regulators. The gross non-performing loans at the end of FY18 was 10.4% which increased by 1.1% in the first quarter of FY19. Domestic credit grew by 14.6 percent, below the targeted growth of 15.8 percent for FY18 but higher than the actual growth of 10.7 percent in FY17, mainly resulted from the negative growth of credit to the public sector from the banking system and strong growth of private sector credit. According to the first quarter report of FY 19 by BB, the ADR ratio, liquidity position and overall capitalisation in the market are in stable condition.

### Business Performance

#### Deposit Products

Deposits from corporate entities, organisations and individuals increased by 7.94% from BDT 9.91 billion to BDT 10.70 billion whereas those from public institutions, banks and financial institutions shrank by 25.22% from BDT 5.15 billion to BDT 3.81 billion.

#### Asset Products

The Company's asset portfolio grew by 5.79% to BDT 17.94 billion from BDT 16.91 billion over 2017. This portfolio consists of both short term revolving working capital and long term asset financing facilities.

#### Long Term Financing

The long term portfolio of the Company constituted 80% of its asset portfolio at the end of 2018 and primarily consisted of lease and term financing facilities to businesses and home loans aimed at lower to middle income households. During the year, this portfolio grew by 6.22%, reaching BDT 14.27 billion.



### Working Capital Solutions

Working capital finance stood at BDT 3.66 billion or around 20% of the total asset portfolio at the end of 2018.

Credit-Sale Financing, with a growth rate of 44.82%, was one of the main contributors to the increase in the short term portfolio. The Distributor Finance portfolio decreased by 13.27% due to product conversion.

### Geographic Diversification

The Company continued to deliver financial services in all corners of the country through its offices in 2018. To widen its service reach, new branches were opened in Narshingdi, Jinjira and Shyamoli during the year.

### Cost Administration

The sourcing and retention of deposits was a major challenge for all financial institutions in 2018. Through prudent liquidity management, your Company was able to sustain its deposit. However the cost of deposits increased for all banks and financial institutions. The interest expense of your Company increased by 32.20% against an increase in interest income of 29.14%.

Salaries and allowances increased by 8.81% mainly due to the deployment of additional human resources to accommodate the expansion of your Company's distribution network through the addition of 3 new branches. On the other hand, rental expenses decreased by 19.14% due to the relocation of support units from rented space to Company-owned premises in the fourth quarter of 2017. Other costs increased in tandem with growing business volumes and the impact of inflation. In all, total operating costs increased by 9.38%.

### Company Performance

I am pleased to inform you that in 2018 the Company registered a 24.23% growth in operating revenue over 2017. This growth has contributed to an 8.03% increase in growth in the net profit of your Company despite fierce competition and volatile market conditions.

On the basis of the current number of shares, Earnings per Share (EPS) increased by 8.03% (from BDT 1.37 in 2017 to BDT 1.48 in 2018) and Net Asset Value (NAV) increased by 3.26% (from BDT 16.14 in 2017 to BDT 16.67 in 2018).

### Risk Management

Risk is an inherent part of your Company's activities and is managed through a process of constant and ongoing identification, measurement and monitoring. The Company addressed its three key risk management components during 2018 as follows:

#### Pre-emptive Risk Management

Standard operating procedures (SOP) were in place to bring efficiency in day to day operational activities. Business and operational processes were further strengthened during the year. These activities are helping to create a solid operational foundation which will enable the Company to achieve robust growth in its chosen areas in the future.

The Company continued to enhance the capacity of its human resources in 2018. During the year, the Company provided in-house, local and foreign training equivalent to 481 man days, to 250 employees.

#### Contemporaneous Risk Management

The loan collection, follow up and recovery activities of the Company were further strengthened by deployment of additional personnel at the branch level.

#### Post-facto Risk Management

The Company's Research and Advisory Services continued to enable the management to take informed and strategic business decisions. The initiatives taken by your Company to use data analytics in decision making and performance evaluation is expected to significantly improve its operational efficiency in the coming years.

Both Compliance and Internal Audit activities were bolstered by the adoption of more rigorous audit standards thereby allowing the Board Audit Committee to exercise oversight over the activities of the Company.

Your Company's risk management policies have been established in accordance with Central Bank guidelines to identify and analyse risks and set appropriate benchmarks in order to monitor and control various levels of risk. Risk management policies and systems were reviewed during 2018 to reflect changes in market conditions and the consequential impacts on the activities of the Company. The Company aims to maintain an effective control environment at all times.

### Sustainability Initiatives

The Company places great importance on the environment and is committed to advance sustainability by considering not only the environmental but also the social and governance aspects in our operations. In recognising the risks posed to the community by unchecked climate change and environmental degradation, the Company supports sustainability



ventures wherever possible, be it through financing and internal day-to-day activities, or through developing a strong company culture. To this end, the Company has prepared a sustainability report in line with global GRI standards which has been included in this Annual Report.

### Post Balance Sheet Date Events

Subsequent to the balance sheet date, the Directors recommended cash dividend of Tk. 1 (One) per share. There were no circumstances in the Company in which non-disclosure affected the ability of the users of the financial statements to make proper evaluation and decisions.

### Outlook

Bangladesh economy is continuing in its trajectory of stable growth (around 7%), controlled inflation (under 6%), moderate public debt (debt-to GDP stable at around 30%), and resilience in economic performance. Bangladesh has made steady progress in reducing poverty and is improving key social indicators. Both private and public investment projects are poised to post strong numbers. The inflow of remittances and government revenue receipts are both expected to stabilise and grow in the upcoming year.

In the financial sector, Bangladesh Bank is expected to continue facilitating the financial sector by encouraging higher private investment whilst keeping inflation in check. Regulations and resolution frameworks for troubled banks are on the cards in the coming year, especially in light of the high non-performing loans of many institutions in the financial sector. The central bank is also likely to continue to monitor lending activities to check the growth of non-performing loans.

The key challenges in 2019 will be to maintain profitability in light of shrinking spreads and acute competition among financial institutions. Therefore, working towards a sustainable balance sheet growth and building a healthy investment portfolio will continue to be the primary focus of the Company in the coming year.

### Acknowledgement

I wish to thank our valued shareholders, customers, regulators and other stakeholders for their continuous support and cooperation.

I would like to thank my colleagues on the Board of Directors of the Company for their contribution towards the sustainable growth of the Company and the support rendered to me during the year in conducting the meetings of the Board of Directors.

Lastly, I express my sincere gratitude to all employees of the Company for their dedication and professionalism in discharging their responsibilities during the year.

Sincerely,

Imran Ahmed  
Chairman of the Board



## BOARD OF DIRECTORS' REPORT

### Dear Shareholders:

We are pleased to submit herewith the 30<sup>th</sup> annual report of the Company together with the audited financial statements for the year ended December 31, 2018 and the auditors' report thereon.

### Principal activities

The principal activities of the Company are:

- Mid to long term finance in the form of lease, home loan, term loan and assignment backed financing.
- Working capital finance in the form of credit-sale financing, distributor financing, short term revolving loan and pre-delivery financing.
- Investment products in the form of insured and uninsured build-up deposit schemes, earners deposit schemes and term deposits.

There was no significant change in the nature of these activities during the year 2018.

### Financial results

The Company's before and after tax profit for the year 2018 were BDT 473 million and BDT 277 million compared to BDT 408 million and BDT 256 million respectively in the previous year.

The financial results are summarised below:

	<b>2018 BDT</b>	<b>2017 BDT</b>
Operating Income	1,130,598,943	969,064,569
Operating expenses and provision	(657,300,901)	(560,687,844)
Profit before tax	473,298,042	408,376,725
Provision for taxation	(196,530,029)	(152,175,640)
Profit after tax	276,768,013	256,201,085
Retained earning brought forward	2,801,758	1,207,258
Available profit	279,569,771	257,408,343
Proposed transfer from general reserve	-	64,000,000
Profit available for appropriation	279,569,771	321,408,343
Appropriation:		
Profit transferred to statutory reserve	55,400,000	51,300,000
Profit transferred to general reserve	34,000,000	-
Proposed cash dividend	187,114,614	178,204,395
Proposed bonus share	-	89,102,190
Un-appropriated profit carried forward	3,055,157	2,801,758
	<b>279,569,771</b>	<b>321,408,343</b>

### Dividend

The Board recommended cash dividend of Taka one per ordinary share amounting to BDT 187.11 million for 187.11 million ordinary shares held on record date March 18, 2019 for the year ended December 31, 2018.

### Directors

As per Articles 154, 155 and 156 the Articles of Association of the Company, Mrs. Susan Ann Walker representing Lawrie Group Plc and Mr. A. Rouf representing United Insurance Company Limited will retire by rotation from the office and are eligible for re-election.

Mr. M. A. Wahed and Mr. D. K. Panni are going to complete their six years term as Independent Directors of the company. Therefore, new Independent Directors will be appointed in their places. The matter will be placed before the shareholders in the Annual General Meeting for ratification.

### Statutory Auditors

The auditors of the Company, A. Qasem & Co, Chartered Accountants shall retire and, being eligible, have offered themselves for reappointment.

The Board of Directors recommended the appointment of A. Qasem & Co, Chartered Accountants for 2019 and Bangladesh Bank accorded its consent in this regard. The matter will be placed before the shareholders in the Annual General Meeting.

### Corporate Governance Compliance Auditor

As per the Corporate Governance Code of Bangladesh Securities and Exchange Commission dated June 3, 2018, a professional is required to be appointed for certifying compliance with Corporate Governance Code by the shareholders for the year 2019 in the Annual General Meeting



The Board of Directors recommended the appointment of Hoque Bhattacharjee Das & Co for the year 2019. The matter will be placed before the shareholders in the Annual General Meeting.

### Statement of Directors on Financial Reports

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules, 1987. These statements present fairly the Company's statement of affairs, the result of its operation, cash flow, and statement of changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements except those referred to in the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) The presentation of Financial Statements has been made in accordance with the Bangladesh Bank DFIM circular no.11 dated December 23, 2009.
- e) IAS/IFRS as applicable in Bangladesh have been followed in preparation of the financial statements.
- f) Internal Control System is sound in design and has been effectively implemented and monitored.
- g) There are no significant doubts about the ability of the Company to continue as going concern.
- h) There is no significant deviation from the operating result of the last year.
- i) The interests of the minority shareholders have been duly protected in the Company.
- j) There is no stock dividend has been recommended by the Board of Directors of the Company as interim dividend.

### Board Meeting and Attendance

During the year, five (5) Board Meetings were held. The attendance of the Directors is shown in annexure-1.

### Shareholding Pattern

The shareholding pattern as per clause 1.5 (xxiii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is shown in annexure -2.

### Key Operating and Financial Data

Summarised key operating and financial data of the Company for last five years is shown in annexure-3.

### Segment-wise performance

The segment wise performance of the Company as per clause 1.5 (ii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is shown in annexure-4.

### Management Discussion and Analysis

Pursuant to the clause 1.5(xxv) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is shown in annexure-5.

### Declaration and Certification of Managing Director and Chief Financial Officer

Pursuant to the clause 1.5 (xxvi) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is shown in annexure-6.

### Brief resume of the Directors who will seek re-appointment in the AGM

Brief resume of the Directors as per clause 1.5 (xxiv) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is shown in annexure-7.

### Report on the Activities of Audit Committee

Pursuant to the clause 5.7 of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 we attach the Company's compliance status as annexure-8.

### Certification on Compliance of Corporate Governance Code

Certificate from a professional on compliance with the conditions as per clause 9 (1) of Corporate Governance Code is shown in annexure-9.

For and on behalf of the Board of Directors.

Imran Ahmed  
Chairman of the Board

February 20, 2019

**Board meeting and attendance****Annexure-1**

Name of Directors	Meetings attended
Mr. Imran Ahmed	5
Mrs. Susan Ann Walker	5
Mr. A. Rouf	4
Mr. M. A. Wahed	5
Mr. Daud Khan Panni	5
Mr. L. H. Khan	3
Mrs. Shama Rukh Alam	5
Mr. C. K. Hyder	5
Mr. A.F. Nesaruddin	4
Mr. A.F.M.M Samad Choudhury	4
Mr. Syed Ehsan Quadir	5

In all five (5) Board meetings were held during 2018. Leave of absence was granted in all cases of non-attendance.

**Annexure-2****Shareholding pattern as at December 31, 2018****Shareholdings of Parent/Subsidiary/Associated companies and other related parties**

Sl. No	Name of shareholders	Number of shares	% of holdings
1	Lawrie Group Plc, U.K.	37,422,921	20.00
2	United Insurance Co. Ltd.	37,116,828	19.84
3	Surmah Valley Tea Co. Ltd.	15,481,242	8.27
4	Camellia Duncan Foundation	2,283,470	1.22
5	Macalms Bangladesh Trust	2,144,514	1.15
6	Duncan Brothers (BD) Ltd.	1,871,145	1.00
7	Octavius Steel & Co. of BD Ltd.	1,336,510	0.71
8	The Lunqla (Sylhet) Tea Co. Ltd.	1,085,324	0.58
9	Amo Tea Co. Ltd.	554,773	0.30
10	The Chandpore Tea Co. Ltd.	130,835	0.07
11	Chittaqonq Warehouses Ltd.	111,414	0.06
12	The Allynugger Tea Co. Ltd.	111,274	0.06
13	The Mazdehee Tea Co. Ltd.	111,191	0.06
14	Duncan Products Ltd.	111,132	0.06

**Shareholdings of the Directors', Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and Compliance and their Spouses and Minor Children**

Name	Status	Number of shares	% of holdings
Mr. A. Rouf	Director	13,500	0.007
Mrs. Shama Rukh Alam	Director	19,473	0.010
Mrs. Khurshid Ara Rouf	Wife of Mr. A. Rouf, Director	44,926	0.024
Mr. Syed Ehsan Quadir	Chief Executive Officer	-	-
Mr. Zafar Ullah Khan	Chief Financial Officer	-	-
Ms. Sharmi Noor Nahar	Company Secretary	-	-
Mr. Sushil Kumar Mondal	Head of Internal Audit & Compliance	-	-

**Shareholdings of top five executives other than directors**

Name	Status	Number of shares	% of holdings
Mr. Kaiser Tamiz Amin	Deputy Managing Director	-	-
Mr. Jamal Mahmud Choudhury	General Manager	-	-
Mr. Quazi Nizam Ahmed	General Manager	-	-
Mr. Mohammed Abul Ahsan	Deputy General Manager	-	-
Mr. Fahad Rahman	Assistant General Manager	-	-

**10% and above shareholdings of the Company**

Name	Status	Number of shares	% of holdings
Lawrie Group Plc, U.K	Sponsor	37,422,921	20.00
United Insurance Co. Ltd.	Sponsor	37,116,828	19.84



## Key Operating and Financial Data

		2018	2017	2016	2015	2014
<b>Operating Result</b>						
Net Operating Income	MBDT	1,131	969	975	953	944
Profit before tax	MBDT	473	408	468	523	538
Provision for tax	MBDT	197	152	155	180	214
Profit after tax	MBDT	277	256	313	343	324
<b>Balance Sheet</b>						
Total investment portfolio	MBDT	17,942	16,960	13,803	11,939	10,727
Total assets	MBDT	24,073	23,944	20,675	19,375	15,847
Financial liabilities	MBDT	17,800	18,085	15,273	14,119	11,107
Total Liabilities	MBDT	20,953	20,923	17,741	16,676	13,421
Shareholders' equity	MBDT	3,119	3,021	2,934	2,699	2,425
Shares outstanding	MNos	187.11	178.20	169.72	154.29	140.26
<b>Financial ratios</b>						
Debt-equity ratio <sup>1</sup>	Times	6.7	6.9	6.0	6.2	5.5
Return on equity <sup>2</sup>	%	9.01	8.6	11.1	13.4	14.1
Financial expenses coverage <sup>3</sup>	Times	1.30	1.35	1.43	1.50	1.53
Provision on doubtful assets to total lease, loan and advances	%	2.7	2.5	3.0	3.9	4.7
Net asset value per share (NAV)	BDT	16.67	16.95	17.29	17.49	17.29
Earnings per share (EPS)	BDT	1.48	1.44	1.84	2.22	2.31
Cash dividend (per share)	%	10.0	10.0	10.0	5.0	5.0
Stock dividend (bonus share)		-	20:1	20:1	10:1	10:1
<b>Number of offices</b>	<b>Nos.</b>	<b>24</b>	<b>21</b>	<b>19</b>	<b>19</b>	<b>19</b>
<b>Number of employees</b>	<b>Nos.</b>	<b>482</b>	<b>452</b>	<b>463</b>	<b>468</b>	<b>315</b>
<b>Restatements <sup>4</sup> :</b>						
<b>EPS</b>	<b>BDT</b>	<b>1.48</b>	<b>1.37</b>	<b>1.67</b>	<b>1.83</b>	<b>1.73</b>
<b>NAV</b>	<b>BDT</b>	<b>16.67</b>	<b>16.14</b>	<b>15.68</b>	<b>14.42</b>	<b>12.96</b>

MBDT= Bangladeshi Taka in Million, BDT= Bangladeshi Taka, Mnos= Number in Million

1. Debt-equity ratio is the ratio between total debt and total equity.
2. Return on equity is the ratio between net profit and average equity.
3. Financial expenses coverage is the ratio between profit before interest & tax and interest expenses.
4. Restatements have been calculated based on shares outstanding at the end of the year 2018 and accordingly restated for the previous years.

## Income segments

Segments	2018	2017	Growth
Net Interest income from Long term activities	792,333,188	614,691,512	29%
Net interest income from Short term activities	306,290,407	320,472,168	-4%
Investment income	31,975,348	33,900,888	-6%



## Management Discussion and Analysis

### 1. Accounting and Book keeping Policies and Estimation

Financial statements are prepared in accordance with International Accounting Standards (IAS), International Financial Reporting Standard (IFRS), the Financial Institutions Act 1993, the Financial Institutions Regulation 1994, Companies Act 1994, Securities and Exchange Rules 1987, Bangladesh Bank guidelines and the listing regulations of Dhaka Stock Exchange. In case any requirement (s) of the Country's laws, acts, guidelines and circulars issued by the local regulatory bodies differ with those of IFRS or IAS, the national requirements have prevailed. In case of any requirement of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank differing from those of IFRSs, IASs and BSEC, the requirements of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank have prevailed. A brief description of the accounting policies and the basis of estimation used for preparation of the financial statements of your Company are disclosed in Note-2 of the financial statements published in the annual report.

### 2. Changes in Accounting Policies and Estimation

The Company has been maintaining consistent accounting policies and bases of estimation. There was no change in the accounting policies and bases of estimation which had an impact on the financial statements for 2018.

### 3. Comparative Analysis of Financial Performance

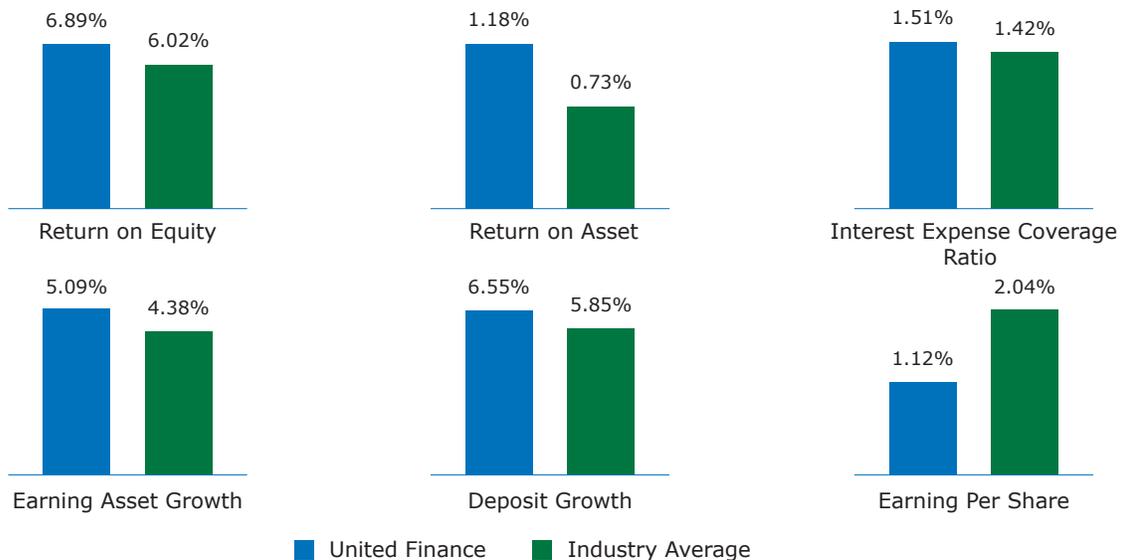
The financial performance of your Company over last 5 years is appended in Annexure-03 of Director's Report. Changes in 2018 over last year in the key operating and financial position indicators from the financial statements are discussed below:

	Performance Indicators	2018 over 2017 (%)	Explanations
Income Statement	Interest income	29.14%	Interest income increased due to increased business portfolio, increase in rate of interest for existing and new business, and improvement in collection.
	Interest paid on deposits, borrowings, etc.	32.20%	Liquidity tightening lead to higher deposit rate of new and retention of existing deposit at higher rate.
	Investment income	(4.73%)	Investment portfolio decreased the last year due to redemption of instalment and our early repayment of full principal.
	Salaries and allowances	8.81%	Salary expenses increased due to increase in number of employees in line with opening of new branches, regular increment and promotion.
	Rent, rate and taxes	(19.14%)	Office rent decreased due to relocation of the Operations annex of the Head Office to our own premise.
	Total provision for taxation	29.15%	Provision for taxation increased due to higher income and provision as well as less write-off and gratuity paid.
	EPS	8.03%	Increased interest income and efficiency in cost control.
Balance Sheet- Assets	Lease, loans and advances	5.79%	Portfolio increased only marginally due to the tightness of liquidity.
	Investments	(26.28%)	Decreased due to regular instalment payment and early termination of a large bond.
	Balance with banks and other financial institutions	(19.68%)	Repaid short term borrowing and deposit encashment.
	Fixed assets including furniture and fixtures	3.13%	Increased due to relocation of one branch and opening of three new branches.
	Other Assets	11.13%	Mainly increased for payment of corporate tax, payment of advance rent and security deposit of new branches.



Performance Indicators		2018 over 2017 (%)	Explanations	
Balance Sheet – Liabilities and Shareholders' Equity	Term Deposits	(3.40%)	Despite having a growth in deposit collection from public, overall term deposit decreased due to paying off large institutional deposits.	
	Borrowing from banks, other financial institutions and agents	6.28%	Receipt of Refinance loan and repayment of short term loan and KFW loan.	
	Other Liabilities	11.07%	Increased due to provision for taxation, lease/loan and non-payment of foreign shareholder dividend.	
	Paid-up Capital	5.00%	Increased due to issuance of bonus share.	
	Statutory Reserve	7.16%	Increased in order to comply with regulatory requirement.	
	General Reserve	(11.76%)	Decreased due to transfer to retained earnings for the payment of dividend.	
Cash Flows (in million BDT)		FY18	FY17	Explanation
Cash Flows	Cash Flow from Operation	(1,256.55)	80.62	Operating cash flow was negative due to our repaying large institutional deposits and short term loans.
	Cash Flow from Investing Activities	276.39	(472.31)	Investing cash flow is positive as we have received the proceeds from our investments in shares and commercial bonds.
	Cash Flow from Financing Activities	271.06	81.25	Financing cash flow increased as we received refinancing from Bangladesh Bank against Sustainable Financing, Women Entrepreneurship and Agriculture financing.

4. Comparisons of Performance with the Peers



All numbers presented above are based on Q3 2018 performance. As indicated in the graph, United Finance was above average in terms of Return on Equity, Return on Asset, Interest Coverage Ratio, Earning Asset Growth and Deposit Growth across the industry. During a volatile 2018, your Company was able to manage market pressures and maintain a steady growth.



## 5. FINANCIAL AND ECONOMIC OVERVIEW

### 5.1 Global

Global GDP growth in 2018 was slightly lower than that of the previous year mainly because of the trade issues between China and the USA, slower economic activities in the UK and the EU and geopolitical tensions worldwide.

The economic climate of the Asia and Pacific was conducive to high growth in 2018 and according to IMF, the region continued to be the most dynamic with in the global economy. The inflation in this region continued to be low despite the higher growth.

### 5.2 Financial And Economic Overview Of Bangladesh

#### 5.2.1 Economic Overview

Bangladesh registered an impressive GDP growth rate of 7.86% in FY18 up from 7.28% in the preceding year. Both the agricultural and industrial sectors grew faster than in the previous year, whereas the service sector grew by 6.39%, which was 0.3% less than in the previous year. Though both gross domestic savings and national savings decreased slightly, the investment to GDP ratio increased to 31.23 % in FY18, from 30.51% in the previous fiscal year indicating investor confidence in the economy. The involvement of the private sector in development projects through PPP initiatives also fuelled investment. The focus has been recast on the railways and inland waterways by the Government.

The inflation level continued to remain on the lower side at 5.78% in FY18 despite GDP growth reflecting the effectiveness of both fiscal and monetary policies. Revenue receipts also increased in FY18 to 11.53% of GDP from 10.00% of GDP in the last fiscal year, which is expected to encourage the authorities to take on more development projects. The stock market performed sluggishly in FY18 and the benchmark index, DSEX closed at 5,405.5 points after booking a loss of 4.4% during the year. As on June 28, 2018, the DSE market capitalization stood at BDT 3,847 billion against BDT 3,801 billion on June 29, 2017.

In terms of interactions with external economies, exports have risen by 6.43% on the back of the garments industry. Garments industry exports, grew at 13% and accounted for almost 80% of all exports. Despite strong exports, a 25.23% growth in imports has led to a worsening of the balance of payments in FY18. This gap is largely due to the import of intermediate goods which was over 50% of total imports and a 140% growth in food grain imports in FY18. In comparison, growth in the import of capital goods was only 33% and that of consumer goods was 0.16%. A growth in workers' remittances of 17.32% to USD 14.98 billion brought down the overall current account deficit to some extent. The foreign exchange reserves stood at USD 32.02 billion at the end of CY 2018 down from USD 33.23 billion last year.

#### 5.2.2 Financial Sector Overview

The financial sector of the country faced tightening of liquidity in FY18; triggered by a decrease in the minimum Loan to Deposit Ratio by Bangladesh Bank intended to curb the excessive sub-prime lending by banks and financial institutions in 2017 which had continued into 2018. However, the monetary policy continued to remain expansionary to accommodate growth demand by keeping inflation in check. The monetary policy strategy was drawn to keep the inflation level below 6% and banks and financial institutions acted in line with this strategy.

The Central Bank adopted multiple initiatives to support the liquidity position of banks, monitor bank exposure and bank investment in commercial paper. These policies were designed to combat the high non-performing loans in the financial sector; the gross NPL ratio reached 28.24% at the end of FY 18 from 26.84% last year. Despite the financial slowdown and policies adopted, private sector credit grew by 17% whereas deposits grew by 10% only. In response, the Central Bank reduced the repo rate to 6% from 6.75%, while the reverse repo rate remained unchanged; making it easier for banks and financial institutions to access cheaper fund sources.

The weighted average lending rate of commercial banks increased to 9.95% at the end of FY 18 from 9.56% in the previous year. Similarly, the deposit rate increased to 5.50% from 4.84%, leading to the interest rate spread decreasing to 4.45% from 4.7%. However, downward pressure on interest rates resumed in the second half of the year, with lending rates going down to 9.47% and borrowing rates down to 5.25% in October, 2018. This led to an intensification of the price-driven competitive strategy amongst industry players.

## 6. Risks And Concerns

The details of the Risk Management related to Financial Statements are explained in note 2.17.2 of the financial statements published in the annual report and the risks and threats related to sustainability and negative impact on environment are detailed in the Sustainability Report which is included in this annual report.

## 7. Way Forward

The Government is undertaking a stream of infrastructural initiatives which are expected to create investment prospects downstream. Your Company is revamping its business initiatives to tap this opportunity. We shall expand our geographical presence further to expand our customer base and better serve our existing customers. Operational process is being restructured to bring efficiency and cut turnaround time of business proposals. We shall continue to invest in developing sophisticated technological infrastructure capable of facilitating quick and informed business decision making. Further, the Company has taken a number of steps to bolster internal checks and balances to enhance its risk management capabilities. Alongside these internal initiatives, channelling the most cost efficient funding sources to support the sustainable business expansion will be the cornerstone of your Company's activities in 2019.

Sincerely yours,

Syed Ehsan Quadir  
Managing Director



## Declaration by Managing Director and Chief Financial Officer

February 20, 2019

The Board of Directors'  
United Finance Limited  
22 Kazi Nazrul Islam Avenue  
Dhaka

**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 United 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 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 concern 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,

Syed Ehsan Quadir  
Managing Director

Zafar Ullah Khan  
Chief Financial Officer



## **Brief résumé of the Directors who are going to retire and seek re-appointment/approval at the Annual General Meeting**

### **Mrs. Susan A. Walker**

Mrs. Susan A. Walker is a Chief Financial Officer of Camellia Plc., UK, the holding company of Lawrie Group. She joined Camellia Group with more than 25 years' work experience, majority of which (21 years) was with KPMG. In Bangladesh, she represents Lawrie Group Plc on the Board of United Finance Limited and is also a Board member of The Lungla (Sylhet) Tea Co. Ltd., The Allynugger Tea Co. Ltd., Amo Tea Co. Ltd., The Chandpore Tea Co. Ltd., The Mazdehee Tea Co. Ltd., Surmah Valley Tea Co. Ltd. She is a Fellow of the Associate of Chartered Certified Accountants (FCCA).

### **Mr. A. Rouf**

Mr. A. Rouf is a Chartered Accountant and carries with him over 50 years' of professional experience in Accounting, Finance and Management. In his early professional life, he worked in a Public Sector Corporation. He then joined the private sector in the American Petroleum Company, ESSO Eastern Inc. and worked in senior position including Director in one of its Associates. In 1975, he joined in Duncan Brothers group of companies and has been working as Director in several of the sterling tea companies under its management operating in Bangladesh. He was also the founding Managing Director of United Finance Limited. He had been associated with various Chambers of Commerce and Associations such as MCCI, FBCCI and Tea Association of Bangladesh. He has been trustee of various charitable and educational institutions such as Camellia Duncan Foundation which runs hospital, school and other charities. Mr. Rouf represents United Insurance Company Limited on the Board of Directors of United Finance Limited.

### **Mr. M. M. Alam**

Mr. M. M. Alam is a member of the Canadian Institute of Chartered Accountants. He obtained M.A in Economics from University of Dhaka and an MBA from American University of Beirut. He was Managing Director of United Finance Limited from 1995 to 2005. Between 2012 and 2018 he was Independent Director of United Insurance Company Limited. He has over 40 years' experience in marketing, banking and financial services.

### **Mr. M. Hafizullah**

Mr. M. Hafizullah is a Senior Advocate of the Supreme Court of Bangladesh and Chief Executive of Orr, Dignam & Company, a leading law firm of the country. He was enrolled in the High Court in 1966 upon passing the Chamber ship examination securing first position. Mr. Hafizullah was elected as the Secretary of the Bangladesh Supreme Court Bar Association for 1978-79. He was nominated by the Chief Justice of the Supreme Court of Bangladesh to attend the Academy of American & International Law in 1982 conducted by International & Comparative Law Centre in Dallas, USA. He was elected as the President of the Bangladesh Supreme Court Bar Association for the year 1994-95.



## Report on the Activities of Audit Committee

During 2018, the Audit Committee discharged the following responsibilities:

- Reviewed the Company's draft financial statements for the year ended on December 31, 2017 and recommended that the same be placed before the Board for approval.
- Recommended that the report of the Committee be adopted by the Board for publishing in the Annual Report 2017.
- Advised the Board on appointment of external auditors for the year 2018 and their audit fee.
- Advised the Board on appointment of professional for certification on compliance of Corporate Governance for the year 2017.
- Reviewed the quarterly reports on Compliance and Internal Audit.
- Reviewed the report on development of pending legal cases.
- Reviewed the quarterly financial statements and recommended that the same be placed to the Board for approval.
- Reviewed the Management Report of the external auditors for the year 2017 along with the management responses on the Company's internal control.
- Reviewed and adopted the Operational Guidelines on Internal Control and Compliance.
- Reviewed the revised Terms of Reference of the Audit Committee.
- Reviewed and approved the Compliance Calendar-2018.
- Reviewed and approved the Audit Calendar for 2019.
- Reviewed the Lease/Loan Write Off cases.

The Audit Committee comprised of:

Sl.	Name	Status in the Company	Status with Committee	Educational qualification
1	M. Abdul Wahed	Independent Director	Chairman	B.Sc.(Pharm.)
2	Daud Khan Panni	Independent Director	Member	Graduate
3	L.H. Khan	Director	Member	B.A.
4	Shama Rukh Alam	Director	Member	Chartered Accountant
5	C. K. Hyder	Director	Member	M.Com, LL.B
6	Sharmi Noor Nahar	Company Secretary	Secretary	Chartered Secretary

The Audit Committee held five meetings during the year 2018. On invitation, Company's Managing Director, Deputy Managing Director, Chief Financial Officer (CFO) and Head of Internal Audit and Compliance attended the meeting to meet the queries of the Audit Committee and take directives for improvement.

  
M. Abdul Wahed  
Chairman  
Audit Committee



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

We have examined the compliance status to the Corporate Governance Code by United 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 there of 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;
- d) The standard of governance in the Company is satisfactory.

Hoque Bhattacharjee Das & Co  
Chartered Accountants

Dhaka, March 27, 2019



**Status on compliance of Corporate Governance code by BSEC**

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	<b>Board of Directors'</b>			
1.1	<b>Board's Size</b>	✓		
<b>1.2</b>	<b>Independent Director:</b>			
1.2 (a)	One fifth (1/5) of the total number of directors	✓		
1.2 (b) (i)	Does not hold any share or holds less than 1% share of the total paid-up shares.	✓		
1.2 (b) (ii)	Not connected with any sponsor/director/shareholder who holds 1% or more shares of the total paid-up shares on the basis of family relationship.	✓		
1.2 (b) (iii)	Who has not been an executive of the Company in the last two years	✓		
1.2 (b) (iv)	Does not have any other relationship, whether or otherwise, with the company or its subsidiary/associated companies	✓		
1.2 (b) (v)	Not a Member, Director or Officer of any Stock Exchange or Trading Right Entitlement Certificate (TREC) holder	✓		
1.2 (b) (vi)	Not a shareholder, Non-Independent Director, member or officer of any capital market intermediary	✓		
1.2 (b) (vii)	Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm.	✓		
1.2 (b) (viii)	Not an Independent Director in more than 5(five) listed companies;	✓		
1.2 (b) (xi)	Not been convicted of any crime, and not a loan defaulter	✓		
1.2 (b) (x)	Not been convicted of any criminal offence involving moral turpitude	✓		
1.2 (c)	Appointed by the Board of Directors and approved in the AGM	✓		
1.2 (d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	✓		
1.2 (e)	Tenure of office of an independent director shall be for a period of 3 (three) years and may be extended for one more term	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID):</b>			
1.3 (a)	Knowledge of Independent Directors	✓		
1.3 (b) (i)	Business leader	✓		
1.3 (b)(ii)	Corporate leader	✓		
1.3 (b) (iii)	Former government official	✓		
1.3 (b)(iv)	University Teacher in Economics, Commerce or business studies of law	✓		
1.3 (b) (v)	Professional who is/was an accountant, secretary, advocate/ equivalent qualification	✓		
1.3 (c)	The Independent Director shall have at least 10 (ten) years of experience	✓		
1.3 (d)	Special cases for qualification			N/A
<b>1.4</b>	<b>Duality of Chairperson of the Board and Managing Director /Chief Executive Officer</b>			
1.4 (a)	The Chairperson and MD/CEO shall be filling by two different individuals	✓		
1.4 (b)	MD/CEO of a listed Company shall not hold the same position in another listed company.	✓		
1.4 (c)	The Chairperson shall be elected from the non-executive directors.	✓		
1.4 (d)	The Board shall clearly define the roles and responsibilities of the Chairperson and MD/CEO.	✓		
1.4 (e)	In absence of Chairperson, the remaining members may elect one from non-executive directors as chairperson for that meeting	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>1.5</b>	<b>The Directors' Report to Shareholders:</b>			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	✓		
1.5 (vi)	Basis for related party transactions	✓		
1.5 (vii)	Utilisation of proceeds from public issues, rights issues and/or through any others			N/A
1.5 (viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing			N/A
1.5 (ix)	Explanation about significant variance occurs between Quarterly Financial performance and Annual Financial Statements			N/A
1.5 (x)	Remuneration to directors including independent directors	✓		
1.5 (xi)	Fairness of Financial Statements	✓		
1.5 (xii)	Proper books of accounts maintained	✓		
1.5 (xiii)	Adoption of appropriate accounting policies and estimates	✓		
1.5 (xiv)	Followed IAS/IFRS as applicable in Bangladesh in preparation financial statements	✓		
1.5 (xv)	The system of internal control sound in design & effectively implemented & monitored	✓		
1.5 (xvi)	The minority shareholders have been protected from abusive actions of majority shareholders and that there are effective means of redress	✓		
1.5 (xvii)	There is no significant doubt regarding the company's ability to continue as a going concern	✓		
1.5 (xviii)	Reporting of significant deviations from the last year's in operating results	✓		
1.5 (xix)	Key operating and financial data of at least preceding 5 (five) years	✓		
1.5 (xx)	No dividend declared			N/A
1.5 (xxi)	Board's statement that no interim bonus share or stock dividend has been/shall be declared			N/A
1.5 (xxii)	Number of Board meeting held & attendance reporting	✓		
1.5 (xxiii)	Pattern of shareholdings held by category:	✓		
1.5 (xxiii)(a)	Parent/Subsidiary/Associated Companies and other related parties	✓		
1.5 (xxiii)(b)	Directors, CEO,CFO,CS, HIAC and their spouses and minor children	✓		
1.5 (xxiii)(c)	Executives (five top executives other than MD,CFO,CS,HIAC)	✓		
1.5 (xxiii)(d)	10% or more voting interest	✓		
1.5 (xxiv)	Appointment/re-appointment of director:	✓		
1.5 (xxiv)(a)	Resume of the director	✓		
1.5 (xxiv)(b)	Expertise in specific functional areas	✓		
1.5 (xxiv)(c)	Holding of directorship and membership of committees of the Board other than this company	✓		
1.5 (xxv)	Management discussion and analysis by CEO/MD covering the Company's position with a brief discussion of changes in the financial statements:	✓		
1.5 (xxv)(a)	Accounting policies and estimation for preparation of financial statements.	✓		
1.5 (xxv)(b)	Changes in accounting policies and estimation	✓		
1.5 (xxv)(c)	Comparative analysis of financial performance	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (xxv)(d)	Comparison of financial performance or results with the peer industry	✓		
1.5 (xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe	✓		
1.5 (xxv)(f)	Risks and concerns related to the financial statements; explaining such risk and concerns mitigation plan	✓		
1.5 (xxv)(g)	Future plan or projection or forecast for company's operation , performance & position with justification	✓		
1.5 (xxvi)	Declaration of MD and CFO to the Board, annexure A attached	✓		
1.5 (xxvii)	Certification by a practicing professional regarding compliance with Corporate Governance code and shall be disclosed in the Annual report, annexure B attached	✓		
<b>1.6</b>	<b>Meeting of the Board of Directors</b>			
	Compliance under Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of BD (ICSB)	✓		
<b>1.7</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1.7 (a)	The Board shall lay down a code of conduct for the Chairperson, Board members and CEO	✓		
1.7 (b)	The code of conduct shall be posted in the website of the Company	✓		
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company</b>			
2 (a)	Composition of the Board of Directors			N/A
2 (b)	At least (one) independent director to the subsidiary company			N/A
2 (c)	Submission of Minutes to the holding company			N/A
2 (d)	Review of Minutes by the holding company			N/A
2 (e)	Review of Financial Statement by the holding company			N/A
<b>3</b>	<b>Managing Director (MD)/Chief Executive Officer, Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)</b>			
<b>3.1</b>	<b>Appointment</b>			
3.1 (a)	The Board shall appoint MD/CEO, CS, CFO and HIAC	✓		
3.1 (b)	The positions of the MD or CEO, CS, CFO and HIAC shall be filled by different individuals	✓		
3.1 (c)	The MD/CEO, CFO, CS 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, CS and HIAC	✓		
3.1 (e)	Position of MD/CEO, CFO, CS and HIAC shall not be removed without approval of the Board and immediate dissemination to BSEC and Stock exchange(s)	✓		
<b>3.2</b>	<b>Requirement to attend Board of Directors' Meetings</b>			
3.2	The MD/CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board	✓		
3.3 (a)(i)	Reviewed the truthfulness of the Financial Statements and certified to the Board by MD & CFO	✓		
3.3 (a) (ii)	Reviewed compliance of the accounting standard by MD & CFO	✓		
3.3 (b)	Reviewed the absence of fraudulent or illegal transactions or violation of the Company's Code of Conduct	✓		
3.3 (c)	Certification of the Financial Statement by MD/CEO and CFO shall be disclosed in the Annual Report	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>4</b>	<b>Board of Directors' Committee</b>			
4 (i)	Audit Committee (AC)	✓		
4 (ii)	Nomination and Remuneration Committee (NRC)			Financial Institutions are permitted to form only two sub Committees of the Board; an Executive Committee and another Audit Committee as per DFIM circular no. 18 dated October 26, 2011. The issue has been raised at the industry level with Bangladesh Bank. We are awaiting Bangladesh Bank's decision.
<b>5</b>	<b>Audit Committee</b>			
<b>5.1</b>	<b>Responsibility to the Board of Directors</b>			
5.1 (a)	Sub-committee of the Board	✓		
5.1 (b)	Assistance of the Audit Committee to the Board of Directors	✓		
5.1 (c)	Responsibility of the Audit Committee	✓		
<b>5.2</b>	<b>Constitution of the Audit Committee :</b>			
5.2 (a)	At least 3 (three) members	✓		
5.2 (b)	Appointment of members of the Audit Committee	✓		
5.2 (c)	Qualification of Audit Committee members	✓		
5.2 (d)	Term of service of Audit Committee members	✓		
5.2 (e)	Secretary of the Audit Committee	✓		
5.2 (f)	Quorum of the Audit Committee	✓		
<b>5.3</b>	<b>Chairperson of the Audit Committee</b>			
5.3 (a)	Board of Directors shall select the chairperson			
5.3 (b)	In absence of Chairperson, the remaining members may elect one from non-executive directors as chairperson for that meeting	✓		
5.3 (c)	Chairman of the Audit Committee shall remain present in the AGM	✓		
<b>5.4</b>	<b>Meetings of the Audit Committee:</b>			
5.4 (a)	At least four meetings in a financial year	✓		
5.4 (b)	Quorum of Audit Committee, presence of 2 or 2/3 members whichever is higher	✓		
<b>5.5</b>	<b>Role of the Audit Committee</b>			
5.5 (a)	Oversee the financial reporting process	✓		
5.5 (b)	Monitor choice of accounting policies and principles	✓		
5.5 (c)	Monitor Internal Control Risk management process	✓		
5.5 (d)	Oversee hiring and performance of external auditors	✓		
5.5 (e)	Hold meeting with the external auditor to review the annual financial statements	✓		
5.5 (f)	Review the annual financial statements before submission to the Board for approval	✓		
5.5 (g)	Review 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	✓		
5.5 (k)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.m (m)	Disclosure about the uses/applications of funds raised by IPO/RPO/Rights issue			N/A
<b>5.6</b>	<b>Reporting of the Audit Committee</b>			
5.6 (a)	Reporting to the Board of Directors	✓		
5.6 (a)(i)	Activities of Audit Committee	✓		
5.6 (a)(ii)(a)	Conflicts of Interest	N/A		No such event found
5.6 (a)(ii)(b)	Material defect in the internal control system	N/A		
5.6 (a)(ii)(c)	Infringement of laws, rules and regulations	N/A		
5.6 (a)(ii)(d)	Any other matter	N/A		
5.6 (b)	Reporting to the authorities	✓		
5.7	Reporting to the Shareholders & General Investors	✓		
<b>6</b>	<b>Nomination and Remuneration Committee (NRC)</b>	Financial Institutions are permitted to form only two sub Committees of the Board; an Executive Committee and another Audit Committee as per DFIM circular no. 18 dated October 26, 2011. The issue has been raised at the industry level with Bangladesh Bank. We are awaiting Bangladesh Bank's decision.		
<b>6.1</b>	<b>Responsibility to the Board of Directors</b>			
6.1 (a)	Sub-committee of the Board			
6.1 (b)	NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications			
6.1 (c)	The Terms of Reference shall be clearly set forth in writing			
<b>6.2</b>	<b>Constitution of NRC</b>			
6.2 (a)	The Committee shall comprise 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 casual vacancy the Board shall fill the vacancy within 180 days			
6.2 (f)	The Chairperson of the Committee may appoint or co-opt any external expert to the Committee as advisor			
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 other than Directors' fees from the Company			
<b>6.3</b>	<b>Chairperson of the NRC</b>			
6.3 (a)	The NRC Chairperson shall be an independent director			
6.3 (b)	In absence of Chairperson, any other member from the Committee shall be selected to be present that meeting			
6.3 (c)	The Chairperson of the NRC shall attend the AGM			
<b>6.4</b>	<b>Meeting of the NRC</b>			
6.4 (a)	The Committee shall conduct at least one meeting in a financial year			
6.4 (b)	The Chairperson can call an emergency meeting upon request by any member of the NRC			
6.4 (c)	Quorum shall be two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must			
6.4 (d)	Minutes of each meeting shall be recorded and confirmed in the next meeting			



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>6.5</b>	<b>Role of the NRC</b>			
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 submit a report with recommendations to the Board:			
6.5 (b)(i)(a)	Formulate the criteria regarding the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate 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.			
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 top executives			
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 - selection, transfer or replacement and promotion criteria			
6.5 (b)(vi)	Developing, recommending and reviewing annually the company’s HR and training policies			
6.5 (c)	The Company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC in its Annual Report			
<b>7.</b>	<b>Engagement of External/Statutory Auditors</b>			
7(1) (i)	Appraisal or valuation services or fairness opinions	✓		
7 (1) (ii)	Financial information systems design and implementation	✓		
7 (1) (iii)	Book keeping	✓		
7 (1) (iv)	Broker-dealer services	✓		
7.1 (v)	Actuarial services	✓		
7.1 (vi)	Internal audit services	✓		
7.1 (vii)	Any service that the Audit Committee determines	✓		
7.1 (viii)	Audit or certification services on compliance of Corporate Governance	✓		
7.1 (ix)	Any other service that creates conflict of interest	✓		
7.2	Audit firms shall not hold any share of the company they audit at least during the tenure of audit	✓		
7.3	Representative of external auditors shall present in the AGM/ EGM.	✓		
<b>8.</b>	<b>Maintaining a website by the Company</b>			
8.1	The Company shall have an official website linked with the website of the Dhaka 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	✓		
<b>9.</b>	<b>Reporting and Compliance of Corporate Governance</b>			
9.1	Obtain certificate regarding compliance of conditions of Corporate Governance Code	✓		
9.2	The professional who will certify on compliance of Corporate Governance code shall be appointed by the shareholders in the AGM			on progress
9.3	Annexure C attached, in the Directors' Report	✓		



# Financial Statements



## Independent Auditor’s Report To the Shareholders of United Finance Limited Report on the audit of the financial statements

### Opinion

We have audited the financial statements of United Finance Limited (the “Company”), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, statement of changes in equity and cash flow statement 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 of the Company give a true and fair view of the balance sheet of the Company as at 31 December 2018, and of its profit and loss accounts and its cash flows for the year then ended in accordance with International Financial Reporting Standards ( IFRSs) as explained in note # 2.1 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and 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 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 Bank and Bangladesh Securities and Exchange Commission (BSEC), 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 judgement, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk	Our response to the risk
<b>Measurement of provision for loans and advances</b>	
<p>The process for estimating the provision for 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,</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>● Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li> <li>● Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li> <li>● Identification of loss events, including early warning and default warning indicators;</li> </ul>



Risk	Our response to the risk
<p>assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end the Company reported total gross loans and advances of BDT 17,942,410,956 and provision for loans and advances of BDT 480,035,964.</p> <p>We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> <li>● 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;</li> <li>● 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;</li> <li>● Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</li> </ul>	<ul style="list-style-type: none"> <li>● Reviewed quarterly Classification of Loans (CL);</li> </ul> <p>Our substantive procedures in relation to the provision for loan and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>● Reviewed the adequacy of the companies general and specific provisions;</li> <li>● Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</li> <li>● Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul>
<p>See note #7 and 12 to the financial statements.</p>	
<p><b>Measurement of deferred tax assets</b></p>	
<p>The Company reports net deferred tax assets to totaling BDT 9,087,543 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>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company’s key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Company’s future taxable income.</p> <ul style="list-style-type: none"> <li>● We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</li> <li>● We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTAs’s.</li> <li>● Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</li> </ul>
<p>See note # 9 to the financial statements.</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 financial statements and our auditor’s 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 financial statements does not cover 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. If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements and internal controls**

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note # 2 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. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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.

**Auditor's 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 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 entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 there of;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the balance sheet and 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 and payments made 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) statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and duties collected and deposited in the government treasury by the Company as per government instructions were 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, net worth, cash & liquid assets and procedure for sanctioning and disbursing loans/leases were found satisfactory;



- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 936 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 the Financial Institutions Act, 1993 in preparing these financial statements; 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.

Dated; Dhaka  
Dated: 20 February, 2019

  
A. Qasem & Co.  
Chartered Accountants


**BALANCE SHEET** as at 31 December, 2018

	Notes	2018 BDT	2017 BDT
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
	3		
In hand		884,000	248,000
Balance with Bangladesh Bank and its agent bank(s)		266,228,532	275,396,465
		<b>267,112,532</b>	<b>275,644,465</b>
<b>Balance with banks and other financial institutions</b>			
	4		
In Bangladesh		3,062,864,083	3,813,429,684
Outside Bangladesh		-	-
		<b>3,062,864,083</b>	<b>3,813,429,684</b>
<b>Money at call and short notice</b>			
	5	<b>50,000,000</b>	-
<b>Investments</b>			
	6		
Government		-	-
Others		865,778,573	1,180,822,451
		<b>865,778,573</b>	<b>1,180,822,451</b>
<b>Lease, loans and advances</b>			
	7		
Lease receivable		9,212,515,954	8,889,939,400
Loans, cash credits, overdrafts, etc.		8,729,895,002	8,069,880,245
		<b>17,942,410,956</b>	<b>16,959,819,645</b>
<b>Fixed assets including land, building, furniture and fixtures</b>			
	8	270,859,200	262,650,862
<b>Other assets</b>			
	9	1,613,542,474	1,451,964,278
<b>Non - financial institutional assets</b>			
		-	-
<b>Total assets</b>		<b>24,072,567,818</b>	<b>23,944,331,385</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from banks, other financial institutions and agents</b>			
	10	2,630,346,031	2,474,979,117
<b>Deposits and other accounts</b>			
	11		
Current deposits & other accounts, etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		14,548,159,949	15,060,503,157
Bearer certificates of deposit		-	-
Other deposits		621,371,708	549,064,789
		<b>15,169,531,657</b>	<b>15,609,567,946</b>
<b>Other liabilities</b>			
	12	3,153,224,219	2,838,882,029
<b>Total liabilities</b>		<b>20,953,101,907</b>	<b>20,923,429,092</b>
<b>Capital / Shareholders' equity</b>			
	13	1,871,146,140	1,782,043,950
Paid-up capital			
Statutory reserve	14	829,400,000	774,000,000
Share premium	15	3,750,000	3,750,000
General reserve	16	225,000,000	255,000,000
Retained earnings	17	190,169,771	206,108,343
<b>Total Shareholders' equity</b>		<b>3,119,465,911</b>	<b>3,020,902,293</b>
<b>Total liabilities and Shareholders' equity</b>		<b>24,072,567,818</b>	<b>23,944,331,385</b>
<b>Net asset value per share (NAV)</b>			
	18	<b>16.67</b>	<b>16.95</b>
<b>Restatement of NAV:</b>			
		<b>3,119,465,911</b>	<b>3,020,902,293</b>
Net asset			
Number of outstanding shares (current year's)		<b>187,114,614</b>	<b>187,114,614</b>
NAV per share		<b>16.67</b>	<b>16.14</b>

**BALANCE SHEET** as at 31 December, 2018

	Notes	2018 BDT	2017 BDT
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
	19		
Acceptances and endorsements		-	-
Letters of guarantee		6,137,915	32,500,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		<b>6,137,915</b>	<b>32,500,000</b>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		<b>6,137,915</b>	<b>32,500,000</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>			

The annexed notes 1 to 49 form an integral part of these financial statements.

**Syed Ehsan Quadir**  
Managing Director

**A. F. M. M. Samad Choudhury**  
Director

**A. F. Nesaruddin**  
Director

**Imran Ahmed**  
Chairman

See annexed auditors' report to the Shareholders of same date.

Dhaka, 20 February, 2019

**A. Qasem & Co.**  
Chartered Accountants

**PROFIT AND LOSS ACCOUNT** for the year ended 31 December, 2018

	Notes	2018 BDT	2017 BDT
<b>OPERATING INCOME</b>			
Interest income	21	2,468,827,202	1,911,763,676
Interest paid on deposits, borrowings, etc.	22	(1,557,342,134)	(1,178,033,835)
<b>Net interest income</b>		<b>911,485,068</b>	<b>733,729,841</b>
Investment income	23	111,367,176	116,891,833
Commission, exchange and brokerage		-	-
Other operating income	24	107,746,699	118,442,895
<b>Total operating income (A)</b>		<b>1,130,598,943</b>	<b>969,064,569</b>
<b>OPERATING EXPENSES</b>			
Salaries and allowances	25	350,535,427	322,142,632
Rent, taxes, insurance, electricity, etc.	26	54,115,542	56,634,804
Legal expenses	27	9,078,444	10,341,238
Postage, stamp, telecommunication, etc.	28	13,988,271	12,735,395
Stationery, printing, advertisements, etc.	29	4,738,173	3,339,330
Managing Director's salary and benefits	30	9,681,567	9,321,172
Directors' fees	31	396,111	325,837
Auditors' fees	32	345,000	345,000
Charges on loan losses		-	-
Depreciation and repair of assets	33	60,568,508	44,769,670
Other expenses	34	52,795,421	48,592,073
<b>Total operating expenses (B)</b>		<b>556,242,464</b>	<b>508,547,151</b>
<b>Profit before provision C=(A-B)</b>		<b>574,356,479</b>	<b>460,517,418</b>
Provision for lease, loans and advances	35	101,058,437	52,140,693
Provision for diminution in value of investments		-	-
Other provisions		-	-
<b>Total provision (D)</b>		<b>101,058,437</b>	<b>52,140,693</b>
<b>Operating profit before taxes E=(C-D)</b>		<b>473,298,042</b>	<b>408,376,725</b>
<b>PROVISION FOR TAXATION</b>			
Current Tax	36	193,727,897	144,480,346
Deferred Tax	36	2,802,132	7,695,294
<b>Total provision for taxation (F)</b>		<b>196,530,029</b>	<b>152,175,640</b>
<b>Net profit after taxation (E-F)</b>		<b>276,768,013</b>	<b>256,201,085</b>
<b>Appropriations</b>			
Statutory reserve	14	55,400,000	51,300,000
General reserve	16	34,000,000	-
Dividends, etc.		-	-
		89,400,000	51,300,000
<b>Retained surplus</b>		<b>187,368,013</b>	<b>204,901,085</b>
<b>Earnings per share (EPS)</b>	37	<b>1.48</b>	<b>1.37</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Syed Ehsan Qadir  
Managing Director

  
A. F. M. M. Samad Choudhury  
Director

  
A. F. Nesaruddin  
Director

  
Imran Ahmed  
Chairman

See annexed auditors' report to the Shareholders of same date.

Dhaka, 20 February, 2019

  
A. Qasem & Co.  
Chartered Accountants

**CASH FLOW STATEMENT** for the year ended 31 December, 2018

	Notes	2018 BDT	2017 BDT
<b>A) Cash flows from operating activities</b>			
Interest receipts		2,500,907,607	1,927,673,418
Interest payments		(1,563,268,942)	(1,073,439,750)
Dividend receipts		40,609,013	35,251,276
Amount realised from written off client	7.7 (xi) d	14,241,563	14,529,836
Payments to employees		(355,501,101)	(331,463,804)
Payments to suppliers		(357,252,320)	(261,360,375)
Income taxes paid	9.3	(149,054,792)	(151,703,916)
Receipts from other operating activities	38	106,224,937	117,489,049
Payments for other operating activities	39	(120,197,097)	(110,308,312)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>		<b>116,708,868</b>	<b>166,667,422</b>
<b>Increase / (decrease) in operating assets and liabilities</b>			
Lease, loans and advances to customers		(952,978,828)	(3,073,420,012)
Other assets		(2,899,002)	161,220,898
Term and other deposits		(440,036,289)	2,553,387,559
Accrued expenses and payables		27,919,935	61,824,209
Net draw down/(payment) of short term loan		(260,727,316)	8,961,478
Interest suspense		(95,030)	57,280,699
Deferred liability-employee gratuity		5,261,945	(3,034,486)
Other liabilities		250,299,680	147,732,303
		(1,373,254,905)	(86,047,352)
<b>Net cash from operating activities</b>		<b>(1,256,546,037)</b>	<b>80,620,070</b>
<b>B) Cash flows from investing activities</b>			
Investment in shares		129,793,878	(158,572,451)
Investment in Commercial Bond		185,250,000	(84,250,000)
Purchase of fixed assets		(41,780,805)	(234,461,774)
Proceeds from sale of fixed assets		3,122,477	4,976,954
<b>Net cash from investing activities</b>		<b>276,385,550</b>	<b>(472,307,271)</b>
<b>C) Cash flows from financing activities</b>			
Receipts of long term loan		881,391,747	608,825,950
Repayment of long term loan		(465,311,203)	(359,258,966)
Dividend paid		(145,017,591)	(168,315,614)
<b>Net Cash from financing activities</b>		<b>271,062,953</b>	<b>81,251,370</b>
D) Net increase in cash and cash equivalents (A+B+C)		(709,097,534)	(310,435,831)
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		4,089,074,149	4,399,509,980
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>3,379,976,615</b>	<b>4,089,074,149</b>
<b>Cash and cash equivalents at end of the year</b>			
Cash in hand		884,000	248,000
Balance with Bangladesh Bank and its agent bank(s)		266,228,532	275,396,465
Balance with banks and other financial institutions		3,062,864,083	3,813,429,684
Money at call and short notice		50,000,000	-
		<b>3,379,976,615</b>	<b>4,089,074,149</b>
<b>Net operating cash flow per share</b>		<b>(6.72)</b>	<b>0.43</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
**Syed Ehsan Quadir**  
 Managing Director

  
**A. F. M. M. Samad Choudhury**  
 Director

  
**A. F. Nesaruddin**  
 Director

  
**Imran Ahmed**  
 Chairman

See annexed auditors' report to the Shareholders of same date.

Dhaka, 20 February, 2019

  
**A. Qasem & Co.**  
 Chartered Accountants

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December, 2018

Particulars	Paid-up capital	Statutory reserve	Share premium	General reserve	Retained earnings	Total
<b>Balance as at 01 January, 2017</b>	<b>1,697,184,720</b>	<b>722,700,000</b>	<b>3,750,000</b>	<b>255,000,000</b>	<b>255,784,966</b>	<b>2,934,419,686</b>
Cash dividend paid for the year 2016	-	-	-	-	(169,718,478)	(169,718,478)
Issuance of bonus share for the year 2016	84,859,230	-	-	-	(84,859,230)	-
Net profit after tax for the year 2017	-	-	-	-	256,201,085	256,201,085
Movement of general reserve	-	-	-	-	-	-
Appropriation made during the year	-	51,300,000	-	-	(51,300,000)	-
<b>Balance as at 31 December, 2017</b>	<b>1,782,043,950</b>	<b>774,000,000</b>	<b>3,750,000</b>	<b>255,000,000</b>	<b>206,108,343</b>	<b>3,020,902,293</b>
Surplus / deficit on account of revaluation of properties	-	-	-	-	-	-
Surplus / deficit on account of revaluation of investments	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-	-	-
Issuance of bonus share for the year 2017	89,102,190	-	-	-	(89,102,190)	-
Cash dividend for the year 2017	-	-	-	-	(178,204,395)	(178,204,395)
Net profit after taxation for the year	-	-	-	-	276,768,013	276,768,013
Movement of general reserve	-	-	-	(64,000,000)	64,000,000	-
Appropriation made during the year	-	55,400,000	-	34,000,000	(89,400,000)	-
<b>Balance as at 31 December, 2018</b>	<b>1,871,146,140</b>	<b>829,400,000</b>	<b>3,750,000</b>	<b>255,000,000</b>	<b>190,169,771</b>	<b>3,119,465,911</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Syed Ehsan Quadir  
Managing Director

  
A. F. M. M. Samad Choudhury  
Director

  
A. F. Nesaruddin  
Director

  
Imran Ahmed  
Chairman

  
A. Qasem & Co.  
Chartered Accountants

See annexed auditors' report to the Shareholders of same date.

Dhaka, 20 February, 2019





**LIQUIDITY STATEMENT** as at 31 December, 2018  
(Analysis of maturity of assets and liabilities)

(Amount in BDT)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Assets:</b>						
Cash in hand	884,000	-	-	-	-	884,000
Balance with Bangladesh Bank and its agent bank(s)	266,228,532	-	-	-	-	266,228,532
Balance with banks and other financial institutions	462,864,083	1,725,000,000	875,000,000	-	-	3,062,864,083
Money at call and short notice	50,000,000	-	-	-	-	50,000,000
Investments	-	9,698,470	246,095,408	594,984,695	15,000,000	865,778,573
Leases, loans and advances	1,869,110,931	1,650,241,023	5,950,287,859	7,551,553,439	921,217,704	17,942,410,956
Fixed assets including land, building, furniture and fixtures	-	-	-	-	270,859,200	270,859,200
Other assets	28,811,668	45,159,439	15,494,446	327,623,424	1,196,453,497	1,613,542,474
<b>Total assets (A):</b>	<b>2,677,899,214</b>	<b>3,430,098,932</b>	<b>7,086,877,713</b>	<b>8,474,161,558</b>	<b>2,403,530,401</b>	<b>24,072,567,818</b>
<b>Liabilities:</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	1,005,990,378	496,159,092	356,295,914	771,900,647	-	2,630,346,031
Term deposits	2,765,343,521	4,448,448,550	6,093,968,799	1,162,446,156	77,952,923	14,548,159,949
Other deposits	61,178,447	51,008,656	209,274,798	276,652,444	23,257,363	621,371,708
Other liabilities	82,024,304	187,081,292	321,697,597	1,858,182,389	704,238,637	3,153,224,219
<b>Total liabilities (B):</b>	<b>3,914,536,650</b>	<b>5,182,697,590</b>	<b>6,981,237,108</b>	<b>4,069,181,636</b>	<b>805,448,923</b>	<b>20,953,101,907</b>
<b>Net liquidity gap (A - B):</b>	<b>(1,236,637,436)</b>	<b>(1,752,598,658)</b>	<b>105,640,605</b>	<b>4,404,979,922</b>	<b>1,598,081,478</b>	<b>3,119,465,911</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
**Syed Ehsan Quadir**  
Managing Director

  
**A. F. M. M. Samad Choudhury**  
Director

  
**A. F. Nesaruddin**  
Director

  
**Imran Ahmed**  
Chairman

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December, 2018**1 General Information****1.1 Domicile and legal form**

The Company is domiciled in Bangladesh. It was granted license under the Financial Institutions Act, 1993. The shares of the Company are quoted on the Dhaka Stock Exchange Limited since 1994 and are transacted in dematerialised form through Central Depository Bangladesh Limited since 14 October 2004. The Company has its registered office at Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka.

**1.2 Nature of operations and principal activities**

The Company provides financial services which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, short-term working capital solutions and home loans to cater the needs of its diverse client base. The Company offers various deposit investment opportunities of predefined tenure ranging from 3 months to 11 years 3 months.

**2.0 Summary of significant Accounting Policies and basis of preparation of the financial statements:****2.1 Statement of compliance**

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is formed and it is yet to issue financial reporting standards for public interest entities such as non-banking financial institutes. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as approved by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Company continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Financial Institutions Act, 1993, the rules and regulations issued by Bangladesh Bank (BB), the Companies Act, 1994. In case any requirement of the Financial Institutions Act, 1993 and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Financial Institutions Act, 1993, and provisions and circulars issued by Bangladesh Bank shall prevail. Material deviations from the requirements of IFRS are as follows:

**i) Investment in shares and securities**

IFRS: As per requirements of IFRS 9: classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit and loss account" or under "at fair value through other comprehensive income" where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.

Bangladesh Bank: As per FID Circular 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; otherwise investments are recognised at cost.

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (FID Circular No. 08 dated 03 August 2002) of Bangladesh Bank. During this year, there is no impact in the financial statements due to this departure as market price of share are more than cost price.

**ii) Provision for lease, loans and advances**

IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 months expected credit losses.



Bangladesh Bank: As per FID Circular No. 8 dated 3 August 2002, FID Circular No. 3 dated 3 May 2006 and FID Circular no 03 dated 29 April 2013 a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for lease, loans and advances depending on the duration of overdue.

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (FID Circular No. 8 dated 3 August 2002, FID Circular No. 3 dated 3 May 2006 and FID Circular no 03 dated 29 April 2013) of Bangladesh Bank. An amount of BDT 101.06 million has been charged as incremental provision for lease, loan and advances for 2018. As at 31 December 2018 accumulated provision for lease, loans and advances stand at BDT 480.04 million.

#### iii) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

Bangladesh Bank: As per FID Circular No. 3 dated 3 May 2006, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest suspense account, which is presented as liability in the balance sheet.

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (FID Circular No. 3 dated 3 May 2006) of Bangladesh Bank. At the year end, interest suspense account has decreased to BDT 122.42 million from BDT 122.51 million resulting decrease of BDT 0.10 million of interest suspense. This amount has been shown in other liabilities in note 12.2.

#### iv) Presentation and disclosure of Financial Statements and Financial Instruments

IFRS: 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 32 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank neither include other comprehensive income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a single comprehensive income statement. As per Bangladesh Bank guidelines, financial instruments are categorised, recognised and measured differently from those prescribed in IAS 39. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.

Financial or presentation effect of the departure: Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

#### v) Cash flow statement

IAS: 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.

Bangladesh Bank: As per DFIM Circular 11 dated 23 December 2009, cash flow is the combination of direct and indirect methods.

Financial or presentation effect of the departure: Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

#### vi) Cash and Cash equivalents

IAS: Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is liquid asset and not available for use in day to day operations.



Bangladesh Bank: Bangladesh Bank has issued templates for financial statements vide DFIM circular no. 11 dated 23 December 2009 which will strictly be followed by all NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.

Financial or presentation effect of the departure: Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline issued through DFIM Circular 11 dated 23 December 2009 of Bangladesh Bank.

vii) Current/Non-current distinction

IAS: 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".

Bangladesh Bank: As per DFIM Circular No. 11, dated 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

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

viii) Off balance sheet items

IFRS and IAS: There is no concept of off-balance sheet items in any IFRS and IAS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per DFIM Circular No. 11, dated 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.

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.

ix) Complete set of Financial Statements

IAS: As per IAS 1: Presentation of Financial Statement, complete set of financial statements comprises:

- i) a statement of financial position as at the end of the period;
- ii) a statement of profit or loss and other comprehensive income for the period;
- iii) a statement of changes in equity for the period;
- iv) a statement of cash flows for the period;
- v) notes, comprising significant accounting policies and other explanatory information; and
- vi) comparative information in respect of the preceding period; and
- vii) a statement of financial position at the beginning of preceding period for retrospective restatement.

Bangladesh Bank: As per DFIM Circular No. 11 dated 23 December 2009 complete set of Financial Statements includes:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) statement of cash flows;
- v) statement of liquidity and
- vi) notes, comprising significant accounting policies and other explanatory information.

Financial or presentation effect of the departure: Financial statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.



## 2.2 Basis of preparation of the financial statements

The financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, except the circumstances where local regulations differ, and the Companies Act, 1994, the Financial Institutions Act, 1993, Securities and Exchange Rules, 1987 & the (Listing) Regulations, 2015 of Dhaka & Chittagong Stock Exchanges and other applicable laws and regulations.

## 2.3 Use of Estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities as at the date of the financial statements. Management believes that these estimates and assumptions are reasonable and prudent. However, the actual results could differ from estimates.

## 2.4 Reporting currency and level of exactitude

The figures in the financial statements have been stated in Bangladeshi Taka which is the Company's functional currency and have been rounded off to the nearest integer.

## 2.5 Comparative information

Prior year figures and account titles have been rearranged to conform current year presentation in accordance with the Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009.

## 2.6 Authorisation for Issue of the Financial Statements

The Board of Directors of the Company has authorised these financial statements for issue on 20 February 2019.

## 2.7 Materiality of financial statements

Each material item, as considered by management significant, has been presented separately in the financial statements wherever applicable.

## 2.8 Cash flow statement

Cash flow statement is prepared in accordance with IAS 7: Cash Flow Statement and Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009 under the direct method for the period, classified by operating, investing and financing activities in cash and cash equivalents during the financial year.

## 2.9 Statement of changes in equity

Statement of changes in equity is prepared in accordance with IAS 1: Presentation of Financial Statements and Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009 which reflects the increase and decrease in net assets or wealth.

## 2.10 Liquidity statement (asset and liability maturity analysis)

Liquidity statement is prepared in accordance with Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009 on residual maturity term of assets and liabilities as on the reporting date based on the following assumptions:

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;
- ii) Investments are on the basis of their respective maturity;
- iii) Lease, Loans and advances are on the basis of their repayment schedule;
- iv) Fixed assets are on the basis of their useful lives;
- v) Other assets are on the basis of their realisation/amortisation;
- vi) Borrowing from other banks, financial institutions and agents, etc. are as per their maturity/repayment terms;
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal;
- viii) Provisions and other liabilities are on the basis of their payment/adjustments schedule.



## 2.11 Assets and basis of their valuation

### 2.11.1 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held at call with banks and financial institutions and short term liquid investments that are readily convertible to known amount of cash which are unlikely to be affected by any insignificant risk of change in value.

### 2.11.2 Accounting for leases

Following IAS 17: Leases, accounting for lease transactions have been recorded under finance lease method since all the risks and rewards incidental to ownership are substantially transferred to the lessee as per agreement. Accordingly the aggregate lease receivables excluding un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of net lease receivables over the total acquisition cost constitutes the unearned lease income.

The unearned lease income is amortised to revenue over the primary lease term yielding a constant rate of return over the period. Initial direct costs, if any, are charged in the year in which such costs are incurred.

### 2.11.3 Accounting for loans

Receivables against term loans including short term loan and home loan comprise of principal amounts due from customers against these loans. Accrued interest thereon are accounted for on accrual basis and shown separately.

### 2.11.4 Accounting for investment

Investments are carried at the lower of cost or market value on an individual basis in accordance with the instruction of Bangladesh Bank.

### 2.11.5 Fixed assets and depreciation

#### *Recognition*

The cost of an item of property, plant and equipments shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably. The cost comprise of its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use inclusive of duties and non-refundable taxes.

Subsequent costs of enhancement of existing assets shall be recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of such items can be measured reliably. All other expenditures are charged to the profit & Loss account during the financial period in which they are incurred.

Fixed asset acquired under finance lease shall be accounted for at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset.

#### *Depreciation*

Depreciation is charged based on straight line method throughout the estimated span of useful life. For addition to fixed assets, depreciation is charged when it is available for use. No depreciation is charged for the month of disposal. The rates of depreciation is used as follows:

Furniture & Fixture	12.50%
Office Equipment	15.00%
Electrical Equipment	20.00%
Motor Vehicle	20.00%
Office Space	2.50%

#### *Derecognition*

An item of Furniture & Fixture, Office Equipment, Electrical Equipment, Motor Vehicle and Office Space is de-recognised on its disposal. The gain or loss arising from de-recognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.



#### 2.11.6 Account receivable

Account receivable at the balance sheet date is stated at amounts which are considered realisable. Specific allowance is made for receivables considered to be doubtful for recovery.

#### 2.12 Liabilities and basis of their valuation

##### 2.12.1 Provision for doubtful assets

Provisions, specific and general, are made on outstanding exposure on the basis of quarter end review by the management as per Bangladesh Bank's provision policy.

The Company has made adequate provision in excess of regulatory requirement on the basis of management's assessment where there are possibilities of impairment in future.

##### 2.12.2 Income taxes

###### *Current tax*

Current tax expense is provided on estimated taxable profit for the year at the tax rate applicable for the year.

###### *Deferred tax*

Deferred taxation is provided in full for all temporary differences arising between tax bases of assets and carrying amount of assets in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Tax rate prevailing at the Balance Sheet date is used to determine deferred tax.

##### 2.12.3 Provision for accrued expenses

Provisions have been recognised in the balance sheet as follows:

- a. when the Company has a present obligation, legal or constructive as a result of a past event;
- b. when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation; and
- c. when a reliable estimate can be made of the amount of the obligation.

##### 2.12.4 Employee benefits

###### *Short term employee benefits*

Salaries, bonuses and allowances are accrued in the financial year in which the associated services are rendered by the employees of the Company.

###### *Post-employment benefits*

###### *Provident fund*

A contributory Provident Fund is operated by the Company on equal participation from both parties, the Company and the employee. The Fund is recognised by the National Board of Revenue and is administered by a Board of Trustees.

###### *Gratuity fund*

A separate funded gratuity scheme is maintained by the Company to motivate its employees for long term retention. Gratuity scheme is applicable for all its permanent employees who have completed their length of service at least for five years without any break. Provision for gratuity is made annually considering all its eligible employees available at the end of the year.

###### *Other long term benefits*

The Company operates a group life insurance scheme for all of its permanent employees. It maintains a health insurance scheme for all of its permanent employees, their spouse and children.



### 2.12.5 Contingent liabilities and contingent assets

The contingent liability and contingent asset are not reflected in the balance sheet but the existence of contingent liability is disclosed in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognised because outflow of resources is not likely or obligation cannot be measured reliably.

### 2.12.6 Proposed dividend

Dividend proposed by the Board of Directors for the year is recognised and is accounted for after approval by the shareholders at the annual general meeting.

## 2.13 Revenue recognition

### 2.13.1 Interest income

Interest income comprises of interest income from lease, loans and advances and interest on placement of fund with banks and other financial institutions. Interest due is recognised on accrual basis using the effective interest method. Interest due over ninety days is not recognised as revenue rather it is recognised as interest suspense. Suspended interest is recognised as income on cash basis when it is received.

### 2.13.2 Lease income

The excess of gross lease rentals receivable over the cost of the leased asset represents the total unearned income at the time of execution of lease. The unearned income is allocated over the period of lease in a pattern reflecting a constant return on the net investment.

### 2.13.3 Income from long term and short term finance

Income from long and short term finance is recognised as revenue when the interest is due. Interest due over ninety days is not recognised as revenue rather it is recognised as interest suspense. Suspended interest is recognised as income on cash basis when it is received.

### 2.13.4 Income from dividend

Dividend income from investment in equity shares is recognised when the right to receive the payment is established. Dividend income from preference shares is recognised on accrual basis considering the establishment of right to receive the same.

### 2.13.5 Income from deposits (maintaining with Banks and NBFIs)

Interests from short term deposits and fixed deposits are recognised on accrual basis taking into account the principal outstanding and the effective interest rate.

### 2.13.6 Fee based income

Fee based income is recognised as revenue when it is received.

### 2.13.7 Interest paid on deposits, borrowings, etc.

Interest paid comprises of the interest payable on external borrowing, individual and institutional deposits and direct deposit expenses and are recognised as they accrue.

### 2.13.8 Impairment of assets

The carrying amount of the property, plant and equipment and intangible assets are reviewed at each balance sheet date or whenever there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

## 2.14 Related party disclosure

The Company carried out transaction in the ordinary course of business on an arms length basis at commercial rate with its related parties. Parties are considered to be related if one party has the ability to control the other



party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions have been disclosed in note 43. Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

#### 2.15 Earnings per share

Earnings per share has been calculated in accordance with IAS 33: Earnings Per Share and shown on the face of profit and loss account and computation shown in note - 37.

#### 2.16 Events after the reporting period

The financial statements were authorised for issue on 20 February 2019 by Board of Directors who has the power to amend the financial statements after issue. There is no other significant event that has occurred between the Financial Position date and the date when the Financial Statements were authorised for issue by the Board of Directors of the Company.

Subsequent to the Balance Sheet date, the Board of Directors recommended BDT 1 per share as cash dividend, in its Board meeting held on 20 February 2019. The dividend proposal is subject to shareholders' approval at the forthcoming AGM. Except the fact as stated above, no circumstances have arisen since the statement of financial position date which would require adjustments, or disclosure in the Financial Statements.

#### 2.17 Financial risk management policies and objectives

The Board of Directors of the Company sets the overall risk appetite and philosophy; the risk and capital framework underpins delivery of the Board's strategy. It is the Company's policy to optimise return to shareholders while maintaining a strong capital base and credit rating to support business growth and meet regulatory capital requirements at all times.

The main financial risks facing the Company and its management are as follows:

##### 2.17.1 Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of customers to meet their obligations. The Company has segregated duties for the officers involved in credit related activities. Credit evaluation, credit administration and credit monitoring and recovery functions are segregated and delegated to credit evaluation department, operations department, collection and special assets management department respectively.

Risk Review department is entrusted with the task of managing the internal risk rating model. This Internal Rating Based (IRB) approach, recommended by the BASEL-II committee and also by the Bangladesh Bank in its supervisory review process, coupled with the data integrity management process of monthly credit audit, helps manage asset quality and establishing a prudent credit culture within the Company that is efficient and transparent.

##### 2.17.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company's liquidity policy is designed to ensure that it can at all times meet its obligations as they fall due. Liquidity management focuses on overall balance sheet structure and the control, within prudent limits, of risk arising from exposure to the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The management of liquidity risk is carried out by Treasury department under approved policy guidelines. Compliance is monitored and coordinated by Treasury both in respect of internal policy and the regulatory requirements. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A contingency plan is in place for managing extreme situation. The risk of short term mismatch can be met by the undrawn commitment and expected renewal of deposits.

##### 2.17.3 Market risk

Market risk is defined as the risk of loss resulting from adverse changes in risk factors such as interest rates, and equity prices together with related factors such as market volatilities. The Company is exposed to market risk because of positions held in its trading portfolios and its non-trading businesses.

Interest rate risk arises from the Company's treasury activities and lending businesses due to mismatches between the future yield and funding cost is managed daily by the treasury department and monthly reviewed



by Asset Liability Committee to monitor the interest rate movement and devise a number of alternative options to mitigate possible interest rate risks.

Equity positions can result in changes in the Company's non-trading income and reserves arising from changes in equity prices/income. Such exposure may take the form of listed and unlisted equity. The type, nature and amount of equity exposure held by the Company is not significant. The market value of the equity assets held by the Company at the balance sheet date is much higher than cost price.

#### 2.17.4 Operational risk

Operational risk arises from inadequate process, misuse of process, from human or system error or from external factors.

The Operation Risk Management Committee is responsible for identifying operational risks and take steps to mitigate such risks. The Committee Comprises of the Head of Development, Head of Human Resources and the Head of Information, Communication and Services. The Committee reviews operational processes and evaluates the process in terms of efficiency and adequacy of the process to ensure adequate control. Processes are re-engineered to improve efficiency without diluting the control/risk. The re-engineered process is documented and imparted among the stakeholders of the process to ensure the process delivers as expected. To prevent misuse, 'maker and checker' concept is implemented in every step of operational processes. Also appropriate trainings are arranged regularly to reduce human errors. New products are also designed with internal risk mitigating features.

#### 2.17.5 Prevention of Money Laundering & Anti Terrorism

Money Laundering & Terrorist Financing risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in Prevention of Money Laundering & Anti Terrorism Act. In order to manage the risk, the Company has set up an effective Program in line with Prevention of Money Laundering & Anti Terrorism Act and Bangladesh Bank guidelines. The Company has assigned Chief Anti Money Laundering Compliance Officer - CAMLCO at Head Office and Branch Anti-money Laundering Compliance Officers- BAMLCO at branches who independently review the transactions of the accounts to verify suspicious transactions. The Company developed Guidelines for Prevention of Money Laundering & Anti Terrorism Act to comply the requirements of the Acts. Continuous training is being imparted to all categories of Officers and Executives to enhance expertise for identifying suspicious activities and transactions.



### 3 Cash

Cash in hand (note-3.1)  
Balance with Bangladesh Bank and its agent bank(s) (note-3.2)

	2018 BDT	2017 BDT
	884,000	248,000
	266,228,532	275,396,465
	<b>267,112,532</b>	<b>275,644,465</b>

#### 3.1 Cash in hand

In local currency  
In foreign currency

	884,000	248,000
	-	-
	<b>884,000</b>	<b>248,000</b>

#### 3.2 Balance with Bangladesh Bank and its agent bank(s)

In local currency (with Bangladesh Bank)  
Sonali Bank as agent of Bangladesh Bank (local currency)

	266,228,532	275,396,465
	-	-
	<b>266,228,532</b>	<b>275,396,465</b>

#### 3.3 Statutory deposits

##### Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, regulation 5 of the Financial Institution Regulations 1994 and FID Circular No.6 dated 06 November 2003 and FID Circular No. 02 dated 10 November 2004.

The Cash Reserve Requirement on the Company's term deposits received from public at the rate of 2.5% has been calculated and maintained with Bangladesh Bank in current account and 5% Statutory Liquidity Reserve, including CRR, on the total liabilities has been maintained in the form of balance with banks and the Company's call money deposit. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below:

##### a) Cash Reserve Requirement (CRR)

Actual reserve maintained (note-3.2)  
Required reserve (2.5% on deposits)  
Surplus

	266,228,532	275,396,465
	262,145,070	244,708,588
	<b>4,083,462</b>	<b>30,687,877</b>

Surplus reserve is maintained for Bangladesh Bank refinance installment payment.

##### b) Statutory Liquidity Reserve (SLR)

Required reserve (5% on average total liabilities)  
Actual reserve maintained including CRR (note-3.4)  
Surplus

	662,205,901	606,177,905
	3,329,976,615	4,089,074,149
	<b>2,667,770,714</b>	<b>3,482,896,244</b>

The surplus for SLR mostly comprises of interest earnings deposits are maintained as FDR (Lien) BDT 2,120 million against secured overdraft & short term credit facility, BDT 547 million as short term placement are maintained with different banks and financial institutions.

#### 3.4 Actual reserve maintained (including CRR)

Cash in hand  
Balance with Bangladesh Bank and its agent bank(s)  
Balance with banks and other financial institutions (note-4)

	884,000	248,000
	266,228,532	275,396,465
	3,062,864,083	3,813,429,684
	<b>3,329,976,615</b>	<b>4,089,074,149</b>

### 4 Balance with banks and other financial institutions

In Bangladesh (note-4.1)  
Outside Bangladesh

	3,062,864,083	3,813,429,684
	-	-
	<b>3,062,864,083</b>	<b>3,813,429,684</b>



**United Insurance Company Limited**

The Company purchased 600,000 ordinary shares of United Insurance Company Limited, a listed public limited company, @ BDT 25 per share in 2001. Subsequently the Company received bonus shares in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2016.

The total number of ordinary shares of United Insurance Company Limited now held by the Company is as follows:

	<u>No. of Shares</u>
Original purchase in 2001	600,000
Bonus share received in 2007	180,000
Bonus share received in 2008	220,000
Bonus share received in 2009	1,500,000
Bonus share received in 2010	500,000
Bonus share received in 2011	300,000
Bonus share received in 2012	330,000
Bonus share received in 2013	370,000
Bonus share received in 2016	200,000
	<b><u>4,200,000</u></b>

As on December 31, 2018 the market value @ BDT 25.10 (closing market price) of the above 4,200,000 shares was BDT 105,420,000 against cost price of 600,000 shares (@ BDT 25) at BDT 15,000,000.

**6.2 Investment in preference shares**

Preference share of Regent Energy and Power Ltd.  
 Redeemable Cumulative Preference Share: Star Ceramics Limited  
 Redeemable Cumulative Preference Share: Raj Lanka Power Company Ltd

	<b>2018 BDT</b>	<b>2017 BDT</b>
	32,000,000	48,000,000
	75,000,000	150,000,000
	135,778,573	174,572,451
	<b><u>242,778,573</u></b>	<b><u>372,572,451</u></b>

**6.3 Investment in bonds**

Subordinate Bond-Mercantile Bank Ltd.  
 Subordinate Bond-The City Bank Ltd.  
 Mudaraba Sub-ordinated Bond- SIBL  
 Second Subordinated Bond- UCBL  
 Mudaraba Sub-ordinated Bond - Al-Arafah Islami Bank  
 Subordinate Bond: Mutual Trust Bank Ltd.  
 Subordinate Bond: Standard Bank Ltd.

	60,000,000	80,000,000
	-	59,250,000
	78,000,000	104,000,000
	80,000,000	100,000,000
	160,000,000	200,000,000
	180,000,000	200,000,000
	50,000,000	50,000,000
	<b><u>608,000,000</u></b>	<b><u>793,250,000</u></b>

**6.4 Maturity grouping of investments**

On demand  
 Up to 1 month  
 Over 1 month but not more than 3 months  
 Over 3 months but not more than 6 months  
 Over 6 months but not more than 1 year  
 Over 1 year but not more than 5 years  
 Over 5 years

	-	-
	-	26,000,000
	9,698,470	9,698,470
	71,698,470	36,000,000
	174,396,938	220,146,939
	594,984,695	753,977,042
	15,000,000	135,000,000
	<b><u>865,778,573</u></b>	<b><u>1,180,822,451</u></b>

**7 Lease, loans and advances****7.1 Broad category-wise break up****Inside Bangladesh**

Lease receivable (note-7.2)  
 Loans (note-7.3)

	9,212,515,954	8,889,939,400
	8,729,895,002	8,069,880,245
	<b><u>17,942,410,956</u></b>	<b><u>16,959,819,645</u></b>

**Outside Bangladesh**

	-	-
	<b><u>17,942,410,956</u></b>	<b><u>16,959,819,645</u></b>



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>7.2 Lease receivable</b>		
Net lease receivable (note-7.2.1)	9,144,298,235	8,835,803,914
Advance for leases (note-7.2.3)	-	5,779,000
Interest receivable	68,217,719	48,356,486
	<b>9,212,515,954</b>	<b>8,889,939,400</b>
<b>7.2.1 Net lease receivable</b>		
Gross lease receivable	10,746,485,968	10,224,740,037
Less: Unearned finance income	(1,602,187,733)	(1,388,936,123)
	<b>9,144,298,235</b>	<b>8,835,803,914</b>
<b>7.2.2 Movement of net lease receivables</b>		
Balance as at 01 January	8,835,803,914	6,948,422,541
Addition during the year	4,673,181,414	5,536,179,274
Realisation during the year	(4,364,687,093)	(3,648,797,901)
	<b>9,144,298,235</b>	<b>8,835,803,914</b>
<b>7.2.3 Advance for leases</b>		
This represent disbursements made to clients for procuring assets under lease and quarterly capitalised interest on disbursements. On execution, advances are transferred to lease finance.		
<b>7.3 Loans</b>		
Term loan	3,828,578,379	3,534,367,506
Home loan	1,096,576,076	1,003,411,134
Short term loan and CSF advances	3,653,386,498	3,390,498,806
Interest receivable	151,354,049	141,602,799
	<b>8,729,895,002</b>	<b>8,069,880,245</b>
<b>7.4 Maturity grouping of lease, loans and advances</b>		
On demand	-	-
Up to 1 month	1,869,110,931	1,640,277,457
Over 1 month but not more than 3 months	1,650,241,023	1,375,254,774
Over 3 months but not more than 1 year	5,950,287,859	5,580,369,766
Over 1 year but not more than 5 years	7,551,553,439	7,460,694,489
Over 5 years	921,217,704	903,223,158
	<b>17,942,410,956</b>	<b>16,959,819,645</b>
<b>7.5 Lease, loans and advances on the basis of significant concentration</b>		
a) Lease, loans and advances to companies or firms in which the Directors of the Company have interests	10,193,803	10,011,572
b) Lease, loans and advances to Chief Executive and other Senior Executives	-	-



	<b>2018 BDT</b>	<b>2017 BDT</b>
c) Number of clients with outstanding amount and classified lease, loans and advances exceeding 15% of total capital of the Company is as follows:		
Total capital of the Company	3,119,465,911	3,020,902,293
Number of clients	Nil	Nil
Amount of outstanding advances	Nil	Nil
Amount of classified advances	Nil	Nil
Measures taken for recovery	Not applicable	Not applicable
d) Industry-wise distribution of lease, loans and advances:		
1. Agricultural sector	1,480,512,563	1,485,345,736
2. Industrial sector:		
a) Service industry	1,679,126,468	1,663,520,335
b) Food production/processing industry	1,774,667,097	1,624,429,353
c) Chemical & Pharmaceutical	1,160,301,945	1,150,914,988
d) Plastic industry	449,880,353	644,993,191
e) Garments	440,245,786	644,383,625
f) Textile	656,488,815	676,584,512
g) Paper, Printing and packaging industry	1,128,713,555	1,049,868,466
h) Iron, Steel & Engineering industry	559,826,514	568,322,790
i) Leather & leather products	134,955,553	95,394,958
j) Electronics and electrical industry	402,626,635	423,324,915
k) Telecommunication/information Technology	143,919,067	126,870,425
l) Jute and jute products	306,295,720	306,792,738
m) Cement/Concrete and allied industry	449,722,210	120,979,608
n) Glass and ceramic industry	56,094,580	55,336,532
o) Ship Manufacturing Industry	-	-
3. Power, Gas, Water and sanitary service	171,391,320	180,077,209
4. Transport & Communication	1,339,420,303	1,491,787,565
5. Real Estate & Housing	1,194,220,929	1,089,204,009
6. Trade and Commerce	3,729,860,413	3,429,378,814
7. Others	684,141,130	132,309,874
	<b>17,942,410,956</b>	<b>16,959,819,645</b>
e) Geographical location-wise lease, loans and advances		
<b>Inside Bangladesh</b>		
<b>Urban</b>		
Dhaka Division	10,936,509,717	9,728,398,286
Chittagong Division	2,096,737,261	2,361,115,661
Khulna Division	1,441,297,365	1,436,782,204
Rajshahi Division	1,361,029,007	1,276,390,837
Rangpur Division	1,053,425,316	1,027,437,300
Barisal Division	274,436,083	275,766,054
Mymensingh Division	397,014,862	385,655,527
Sylhet Division	121,357,685	134,193,464
	<b>17,681,807,296</b>	<b>16,625,739,333</b>
<b>Rural</b>		
Barisal Division	8,939,975	14,379,616
Rajshahi Division	2,408,073	5,170,524
Chittagong Division	244,874,856	301,463,763
Rangpur Division	4,380,756	13,066,409
	<b>260,603,660</b>	<b>334,080,312</b>
	<b>17,942,410,956</b>	<b>16,959,819,645</b>
<b>Outside Bangladesh</b>	-	-
	<b>17,942,410,956</b>	<b>16,959,819,645</b>



7.6 Sector-wise lease, loans and advances

Public sector  
Co-operative sector  
Private sector

	2018 BDT	2017 BDT
	-	-
	-	-
	17,942,410,956	16,959,819,645
	<b>17,942,410,956</b>	<b>16,959,819,645</b>

7.7 Particulars of lease, loans and advances

- i) Leases, loans and advances considered good in respect of which the Company is fully secured
- ii) Leases, loans and advances considered good in respect of which the Company is partially secured
- iii) Leases, loans and advances considered good against which the Company holds no security other than the debtors' personal guarantee
- iv) Leases, loans and advances considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors
- v) Classified Leases, loans and advances against which no provision has been made
- vi) Leases, loans and advances due by Directors, Officers of the Company or any of them either separately or jointly with any other persons
- vii) Leases, loans and advances due from Companies or firms in which the Directors have interest as Directors, Partners or managing agents Companies, as members.
- viii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Company or any of them either separately or jointly with any other person.
- ix) Maximum total amount of advances, including temporary advances granted during the year to the Companies or firms in which the Directors have interest as Directors, Partners or Managing agents or in the case of private Companies, as members.
- x) Due from banking Companies and other financial institutions
- xi) Classified lease, loans and advances
  - a) Classified lease, loans and advances on which interest has not been charged
  - b) Increase/(decrease) of specific provision against classified lease/loan
  - c) Amount of loan written off
  - d) Amount realised against loan previously written off
  - e) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet (note-7.8)
  - f) Interest credited to Interest Suspense account (note-12.2)

	1,455,009,613	1,043,552,687
	9,400,326,035	9,177,380,608
	-	-
	7,087,075,309	6,738,886,350
	-	-
	<b>17,942,410,956</b>	<b>16,959,819,645</b>
	-	-
	10,193,803	10,011,572
	-	-
	-	-
	-	-
	309,943	607,304
	13,692,183	11,534,734
	75,949,818	74,726,822
	14,241,563	14,529,836
	346,137,523	350,776,298
	122,416,062	122,511,091



xii) Written off lease, loans and advances		
Opening Balance	736,873,786	662,146,964
During the year	75,949,818	74,726,822
Cumulative to-date	812,823,604	736,873,786
The amount of written-off leases, loans and advances for which law suits have been filed	812,823,604	736,873,786

#### 7.8 Classification of lease, loans and advances

##### Unclassified

Standard	17,099,411,600	16,108,247,810
Special mention account (SMA)	312,656,334	346,266,354
	17,412,067,934	16,454,514,164

##### Classified

Sub-standard	94,346,868	81,326,140
Doubtful	89,858,631	73,203,043
Bad/Loss	346,137,523	350,776,298
	530,343,022	505,305,481
	<b>17,942,410,956</b>	<b>16,959,819,645</b>

#### 8 Fixed assets including land, building, furniture and fixtures

##### Cost

Office space	177,890,411	177,890,411
Furniture and fixtures	111,951,984	106,780,383
Office equipment	419,679	451,939
Electrical equipment	99,326,466	85,393,411
Motor vehicles	68,079,263	66,728,263
	<b>457,667,803</b>	<b>437,244,407</b>

Less: Accumulated depreciation

	(186,808,603)	(174,593,545)
<b>Net book value at the end of the year (Annexure - A)</b>	<b>270,859,200</b>	<b>262,650,862</b>

#### 9 Other assets

##### Inside Bangladesh

##### Income generating:

Income receivable (note-9.1)	81,666,377	72,041,975
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##### Non-income generating:

Deferred tax assets (note-9.2)	9,087,543	11,889,675
Advance, deposit and prepaid expenses	34,383,958	29,712,703
Other receivables	2,348,449	1,318,570
Advance corporate tax (note-9.3)	1,486,056,147	1,337,001,355
	<b>1,613,542,474</b>	<b>1,451,964,278</b>

##### Outside Bangladesh

	<b>1,613,542,474</b>	<b>1,451,964,278</b>
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9.1 Income receivable amount represents interest receivable on other investment and fixed deposits.

#### 9.2 Deferred tax asset

Deferred tax has been calculated based on deductible/taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of International Accounting Standard IAS 12

"Income Taxes" and under the guidelines of Bangladesh Bank DFIM Circular no. 07 dated 31 July 2011.

	Carrying amount at balance sheet	Tax base	Deductible temporary difference
Fixed assets at book value	270,859,199	288,797,803	17,938,604
Liability to employees gratuity fund	6,294,844	-	6,294,844
	277,154,043	288,797,803	24,233,448



	2018 BDT	2017 BDT
Applicable tax rate		37.5%
Deferred tax asset as on 31 December, 2018		9,087,543
Deferred tax asset as on 31 December, 2017		11,889,675
Deferred tax expenses during the year 2018 - Note 36		<u><u>(2,802,132)</u></u>
<b>9.3 Advance corporate tax</b>		
Balance as on January 01	1,337,001,355	1,185,297,439
Paid during the year	149,054,792	151,703,916
	<u><u>1,486,056,147</u></u>	<u><u>1,337,001,355</u></u>
<b>10 Borrowing from banks, other financial institutions and agents</b>		
In Bangladesh (note-10.1)	2,630,346,031	2,474,979,117
Outside Bangladesh	-	-
	<u><u>2,630,346,031</u></u>	<u><u>2,474,979,117</u></u>
<b>10.1 In Bangladesh</b>		
<b><u>Bank overdraft</u></b>		
Private Commercial Bank	584,911,677	729,250,301
Foreign Commercial Bank	294,391,618	180,766,624
	<u><u>879,303,295</u></u>	<u><u>910,016,925</u></u>
<b><u>Short term loan</u></b>		
Foreign Commercial Bank	495,000,000	495,000,000
	<u><u>495,000,000</u></u>	<u><u>495,000,000</u></u>
<b><u>Call borrowing</u></b>		
Nationalised Commercial Bank	-	230,000,000
	-	<u><u>230,000,000</u></u>
<b><u>Long term loan</u></b>		
Bangladesh Bank (Refinance)	1,196,155,083	769,752,486
Kreditanstalt Für Wiederaufbau (KfW)	59,887,653	70,209,706
	<u><u>1,256,042,736</u></u>	<u><u>839,962,192</u></u>
	<u><u>2,630,346,031</u></u>	<u><u>2,474,979,117</u></u>
<b>10.2 Analysis by security against borrowing from banks, other financial institutions and agents</b>		
Secured (FDR pledged as security)	1,780,000,000	1,620,000,000
Secured (Corporate guarantee)	-	-
Unsecured	850,346,031	854,979,117
	<u><u>2,630,346,031</u></u>	<u><u>2,474,979,117</u></u>
<b>10.3 Maturity grouping of borrowing from banks, other financial institutions and agents</b>		
On demand	-	1,140,016,925
Up to 1 month	1,005,990,378	278,966,111
Over 1 month but within 3 months	496,159,092	68,779,395
Over 3 months but within 1 year	356,295,914	420,612,862
Over 1 year but within 5 years	771,900,647	205,375,224
Over 5 years	-	361,228,600
	<u><u>2,630,346,031</u></u>	<u><u>2,474,979,117</u></u>



**11 Deposits and other accounts**

Current deposits & other accounts, etc.  
 Bills payable  
 Savings bank deposits  
 Term deposits (note -11.1)  
 Bearer certificates of deposit  
 Other deposits (note-11.2)

2018 BDT	2017 BDT
-	-
-	-
-	-
14,548,159,949	15,060,503,157
-	-
621,371,708	549,064,789
<b>15,169,531,657</b>	<b>15,609,567,946</b>

**11.1 Term deposits**

Deposits from banks and financial institutions  
 Deposits from other than banks and financial institutions

3,800,000,000	5,150,000,000
10,748,159,949	9,910,503,157
<b>14,548,159,949</b>	<b>15,060,503,157</b>

These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than three months.

**11.1.1 Sector-wise break-up of term deposits**

Government  
 Banks and financial institutions  
 Other public  
 Foreign currency  
 Private

-	-
3,800,000,000	5,150,000,000
-	-
-	-
10,748,159,949	9,910,503,157
<b>14,548,159,949</b>	<b>15,060,503,157</b>

**11.1.2 Maturity analysis of term deposits**

**a) Maturity analysis of deposits from banks & financial institutions**

Payable on demand  
 Up to 1 month  
 Over 1 month but within 3 months  
 Over 3 months but within 1 year  
 Over 1 year but within 5 years  
 Over 5 years but within 10 years  
 Over 10 years

-	-
700,000,000	1,500,000,000
2,700,000,000	1,300,000,000
400,000,000	850,000,000
-	1,500,000,000
-	-
-	-
<b>3,800,000,000</b>	<b>5,150,000,000</b>

**b) Maturity analysis of deposits from other than banks & financial institutions**

Payable on demand  
 Up to 1 month  
 Over 1 month but within 3 months  
 Over 3 months but within 1 year  
 Over 1 year but within 5 years  
 Over 5 years but within 10 years  
 Over 10 years

-	-
2,065,343,521	79,743,935
1,748,448,550	1,381,525,883
5,693,968,799	4,224,251,232
1,162,446,156	4,187,195,326
76,205,603	37,786,781
1,747,320	-
<b>10,748,159,949</b>	<b>9,910,503,157</b>
<b>14,548,159,949</b>	<b>15,060,503,157</b>



11.2 Other deposits

This represents deposits against financing which is advance rental and security deposits received from clients at the inception of allowing any lease/loan facility to the clients adjustable or refundable at the expiry of the facility.

	2018 BDT	2017 BDT
Non-interest bearing deposit	558,949,643	483,109,851
Interest bearing deposit	62,422,065	65,954,938
	<b>621,371,708</b>	<b>549,064,789</b>

11.2.1 Maturity analysis of other deposits

Payable on demand	-	-
Up to 1 month	61,178,447	54,059,319
Over 1 month but within 3 months	51,008,656	45,072,952
Over 3 months but within 1 year	209,274,798	184,922,199
Over 1 year but within 5 years	276,652,444	244,459,336
Over 5 years but within 10 years	23,257,363	20,550,983
Over 10 years	-	-
	<b>621,371,708</b>	<b>549,064,789</b>

12 Other liabilities

Provision for gratuity	6,294,844	1,032,899
Unclaimed dividend	45,091,657	11,904,852
KfW interest differential fund (note-12.1)	13,742,510	13,384,410
Interest suspense account (note-12.2)	122,416,062	122,511,091
Accrued expenses and payables (note-12.3)	664,541,005	640,361,892
Provision for lease, loans and advances (note-12.4)	480,035,964	422,312,605
Provision for income tax (note-12.5)	1,821,102,177	1,627,374,280
	<b>3,153,224,219</b>	<b>2,838,882,029</b>

12.1 Kreditanstalt Für Wiederaufbau (KfW) interest differential fund

This represents the difference between interest on loan from KfW @ 9.5% per annum and the Bangladesh Bank rate. This interest differential fund is being used for the financing of training of personnel or for other activities for the promotion or development of small enterprises in Bangladesh.

Balance as on January 01	13,384,410	22,090,296
Addition during the year	2,927,191	3,380,623
	16,311,601	25,470,919
Adjusted against training programme	(2,569,091)	(12,086,509)
	<b>13,742,510</b>	<b>13,384,410</b>

12.2 Interest suspense account

This represents interest receivable on lease, term finance and short term finance due over ninety days as per Bangladesh Bank guidelines.

Balance as on January 01	122,511,091	65,230,392
Add: Amount transferred to "interest suspense" account during the year	205,349,171	142,002,226
Less: Amount recovered from "interest suspense" account during the year	(187,071,023)	(68,192,694)
Less: Written off during the year	(18,373,177)	(16,528,833)
	<b>122,416,062</b>	<b>122,511,091</b>



12.3 Accrued expenses and payables

Liabilities for expenses  
Liabilities other than expenses

	2018 BDT	2017 BDT
	554,662,371	545,320,029
	109,878,634	95,041,863
	<b>664,541,005</b>	<b>640,361,892</b>

Liabilities for expenses represent interest accrued but not paid on borrowing and deposits as well as administrative expenses.

Liabilities other than expenses represent income tax and VAT deducted at source from depositors, suppliers, employees and collection against leases, loans and advances etc.

12.4 Provision for lease, loans and advances

General provision on lease, loans and advances

Balance as on January 01  
Provision made for the year (note-35)

	119,146,500	129,193,901
	65,594,511	(10,047,401)
	<b>184,741,011</b>	<b>119,146,500</b>

Specific Provision on unclassified lease, loans and advances

Balance as on January 01  
Provision made for the year (note-35)

	45,687,065	38,701,857
	(21,563,335)	6,985,208
	<b>24,123,730</b>	<b>45,687,065</b>

Specific provision on classified lease, loans and advances

Balance as on 01 January  
Fully provided debts written off during the year  
Amount realised from written off clients  
Provision made for the year (note-35)

	257,479,040	245,944,307
	(57,576,641)	(58,197,989)
	14,241,563	14,529,836
	57,027,261	55,202,886
	<b>271,171,223</b>	<b>257,479,040</b>
	<b>480,035,964</b>	<b>422,312,605</b>

**Provision surplus/(shortage):**

	2018		2017	
	Required	Maintained	Required	Maintained
General provision on lease, loans and advances	115,965,687	184,741,011	106,772,749	119,146,500
Specific Provision on unclassified lease, loans and advances	15,043,235	24,123,730	16,814,978	45,687,065
Specific provision on classified lease, loans and advances	265,836,592	269,946,593	256,948,541	256,948,540
Other provisions	1,224,630	1,224,630	530,500	530,500
	<u>398,070,144</u>	<u>480,035,964</u>	<u>381,066,768</u>	<u>422,312,605</u>
<b>Total surplus</b>		<b>81,965,820</b>		<b>41,245,837</b>

12.5 Provision for income tax

Balance as on January 01  
Add: Corporate tax for the year (note-36)

	1,627,374,280	1,482,893,934
	193,727,897	144,480,346
	<b>1,821,102,177</b>	<b>1,627,374,280</b>



### 13 Share capital

#### 13.1 Authorised capital

300,000,000 ordinary shares of BDT 10 each

2018 BDT	2017 BDT
<b>3,000,000,000</b>	<b>3,000,000,000</b>

#### 13.2 Issued, subscribed and fully paid-up capital

7,000,000 ordinary shares of BDT 10 each issued for cash  
 180,114,614 ordinary shares of BDT 10 each issued as bonus shares

70,000,000	70,000,000
1,801,146,140	1,712,043,950
<b>1,871,146,140</b>	<b>1,782,043,950</b>

#### 13.3 Capital adequacy ratio

As per BASEL Accord guideline incorporated by Bangladesh Bank vide DFIM Circular no.08 dated 02 August 2010 all Financial Institution should calculate capital adequacy ratio based on solo basis as well as consolidated basis.

A Eligible Capital :		
Tier-1 Capital	3,119,465,911	3,020,902,293
Tier-2 Capital	158,521,960	165,158,565
Total Eligible Capital (1+2) :	<b>3,277,987,871</b>	<b>3,186,060,858</b>
B Total Risk Weighted Assets (RWA):	20,069,780,531	18,563,671,912
C Capital Adequacy Ratio (CAR) $(A_3 / B) * 100$	16.33%	17.16%
D Core Capital to RWA $(A_1 / B) * 100$	15.54%	16.27%
E Supplementary Capital to RWA $(A_2 / B) * 100$	0.79%	0.89%
F Minimum Capital Requirement (MCR)	2,006,978,053	1,856,367,191
<b>Surplus</b>	<b>1,271,009,818</b>	<b>1,329,693,667</b>
<b>Core capital (Tier-I)</b>		
Paid up capital (note-13.2)	1,871,146,140	1,782,043,950
Statutory reserve (note-14)	829,400,000	774,000,000
Share premium (note-15)	3,750,000	3,750,000
General reserve (note-16)	225,000,000	255,000,000
Retained earnings (note-17)	190,169,771	206,108,343
	<b>3,119,465,911</b>	<b>3,020,902,293</b>
<b>Eligible supplementary capital (Tier-II)</b>		
General provision maintained against unclassified loan	158,521,960	165,158,565
Assets Revaluation Reserves up to 50%	-	-
Revaluation Reserve for Securities up to 50%	-	-
All other preference shares	-	-
Other (if any item approved by Bangladesh Bank)	-	-
	<b>158,521,960</b>	<b>165,158,565</b>
General provision (Unclassified+SMA+Off balance sheet exposure)	158,521,960	165,158,565
Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital	231,657,263	213,943,267
Risk Weighted Assets (RWA)		
A Credit Risk	18,532,581,059	17,115,461,388
On- Balance sheet	18,524,908,665	17,074,836,388
Off-Balance sheet	7,672,394	40,625,000
B. Market Risk	-	-
C. Operational Risk	1,537,199,472	1,448,210,524
<b>Total: RWA (A+B+C)</b>	<b>20,069,780,531</b>	<b>18,563,671,912</b>



13.4 Percentage of shareholding at the closing date

	No. of Shares		Percentage	
	2018	2017	2018	2017
(i) Sponsors -				
Foreign	37,422,921	35,640,878	20.00	20.00
Domestic	43,799,425	43,142,311	23.41	24.21
	<u>81,222,346</u>	<u>78,783,189</u>	<u>43.41</u>	<u>44.21</u>
(ii) Financial Institutions and Companies				
Foreign	17,474,639	16,223,511	9.34	9.10
Domestic	50,271,021	45,942,849	26.87	25.78
	<u>67,745,660</u>	<u>62,166,360</u>	<u>36.21</u>	<u>34.88</u>
(iii) General public – Domestic	38,146,608	37,254,846	20.39	20.91
	<u><b>187,114,614</b></u>	<u><b>178,204,395</b></u>	<u><b>100.00</b></u>	<u><b>100.00</b></u>

13.5 Shareholding range on the basis of shareholding as at 31 December 2018

No. of shares	Number of Shareholders	Total number of shares	Percentage of total holdings
1 Less than 500	2,670	437,484	0.23
2 500 to 5,000	3,431	6,466,690	3.46
3 5,001 to 10,000	693	4,681,400	2.50
4 10,001 to 20,000	413	5,695,068	3.04
5 20,001 to 30,000	128	3,051,342	1.63
6 30,001 to 40,000	84	2,941,401	1.57
7 40,001 to 50,000	38	1,738,249	0.93
8 50,001 to 100,000	88	6,012,242	3.21
9 100,001 to 1,000,000	80	19,782,215	10.57
10 Above 1,000,000	17	136,308,523	72.85
	<u><b>7,642</b></u>	<u><b>187,114,614</b></u>	<u><b>100.00</b></u>

13.6 Composition of shareholders' equity:

Particulars	No. of shares	Face value	Face value
Paid-up capital	187,114,614	10	1,871,146,140
Share premium			3,750,000
Preference share capital			-
Statutory reserve			829,400,000
General reserve			225,000,000
Retained earnings			190,169,771
<b>Total shareholders' equity</b>			<u><b>3,119,465,911</b></u>

Date of issue & other information:

Date	Types of paid-up capital	No. of shares	Face value per share	BDT
27-04-1989	Sponsors share capital	7,000	100	700,000
23-11-1989	Sponsors share capital	618,000	100	61,800,000
27-03-1994	Initial public offering	75,000	100	7,500,000
18-04-2005	Bonus (100%)	700,000	100	70,000,000
20-04-2006	Bonus (50%)	700,000	100	70,000,000
25-03-2008	Bonus (10%)	210,000	100	21,000,000
31-03-2009	Bonus (14.29%)	330,000	100	33,000,000
25-03-2010	Bonus (100%)	2,640,000	100	264,000,000
09-06-2011	Bonus (75%)	3,960,000	100	396,000,000
	<b>Before split</b>	<b>9,240,000</b>		<b>924,000,000</b>

**Date of issue & other information:**

Date	Types of paid-up capital	No. of shares	Face value per share	BDT
	<b>After split</b>	<b>92,400,000</b>	<b>10</b>	<b>924,000,000</b>
09-04-2012	Bonus (20%)	18,480,000	10	184,800,000
28-03-2013	Bonus (15%)	16,632,000	10	166,320,000
10-04-2014	Bonus (10%)	12,751,200	10	127,512,000
23-04-2015	Bonus (10%)	14,026,320	10	140,263,200
21-04-2016	Bonus (10%)	15,428,952	10	154,289,520
27-04-2017	Bonus (5%)	8,485,923	10	84,859,230
26-04-2018	Bonus (5%)	8,910,219	10	89,102,190
	<b>Paid up capital</b>	<b>187,114,614</b>		<b>1,871,146,140</b>

**14 Statutory reserve**

Balance as on January 01  
Addition during the year

2018 BDT	2017 BDT
774,000,000	722,700,000
55,400,000	51,300,000
<b>829,400,000</b>	<b>774,000,000</b>

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of its current year profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). Accordingly during the year the Company has transferred BDT 55,400,000 to the statutory reserve fund.

**15 Share premium**

This represents a premium of 50% over the par value of share received against the issue of 750,000 shares in 1994 amounting to BDT 3,750,000.

**16 General reserve**

Balance as on January 01  
Transfer to retained earnings during the year  
Transfer from retained earnings during the year

255,000,000	255,000,000
(64,000,000)	-
34,000,000	-
<b>225,000,000</b>	<b>255,000,000</b>



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>17 Retained earnings</b>		
Balance as on January 01	206,108,343	255,784,966
Less: Cash dividend for last year	(178,204,395)	(169,718,478)
Less: Issue of bonus shares for last year	(89,102,190)	(84,859,230)
Add: Transfer from general reserve during the year	64,000,000	-
Balance remaining	2,801,758	1,207,258
Addition during the year:		
Net profit after taxation	276,768,013	256,201,085
Transfer to general reserve during the year	(34,000,000)	-
Transfer to statutory reserve during the year	(55,400,000)	(51,300,000)
	<b>190,169,771</b>	<b>206,108,343</b>
<b>18 Net asset value per share (NAV)</b>		
Total assets	24,072,567,818	23,944,331,385
Total liabilities	20,953,101,907	20,923,429,092
Net asset	3,119,465,911	3,020,902,293
Number of share outstanding (current year's)	187,114,614	178,204,395
Net asset value per share	<b>16.67</b>	<b>16.95</b>
<b>Restated NAV:</b>		
Net asset	3,119,465,911	3,020,902,293
Number of ordinary shares as on 31 December 2018 is 187,114,614		
Restated NAV	<b>16.67</b>	<b>16.14</b>
<b>19 Contingent liabilities</b>		
<b>19.1 Letters of guarantee</b>		
Letters of guarantee (Local)	6,137,915	32,500,000
Letters of guarantee (Foreign)	-	-
Foreign counter guarantees	-	-
	<b>6,137,915</b>	<b>32,500,000</b>

### Guarantees

The Company gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that the Company will pay to third parties and it converts into lease or loan on the basis of an agreement with the customers. The maximum amount that the Company could be required to pay under a guarantee is its principal amount.



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>20 Profit and loss account</b>		
<b>Income:</b>		
Interest, discount and similar income (note-20.1)	2,543,944,405	1,989,868,540
Dividend income (note- 23)	36,249,973	38,786,969
Other operating income (note- 24)	107,746,699	118,442,895
	<u>2,687,941,077</u>	<u>2,147,098,404</u>
<b>Expenses:</b>		
Interest, fee and commission etc. (note- 22)	1,557,342,134	1,178,033,835
Administrative expenses (note-20.2)	472,034,417	436,407,983
Other operating expenses (note- 34)	52,795,421	48,592,073
Depreciation on Company's fixed assets	31,412,626	23,547,095
	<u>2,113,584,598</u>	<u>1,686,580,986</u>
	<b><u>574,356,479</u></b>	<b><u>460,517,418</u></b>
<b>20.1 Interest, discount and similar income</b>		
Interest on loan, advances and leases (note- 21)	2,468,827,202	1,911,763,676
Interest on bonds (note- 23)	75,117,203	78,104,864
Discount income	-	-
Interest on debentures	-	-
	<u>2,543,944,405</u>	<u>1,989,868,540</u>
<b>20.2 Administrative expenses</b>		
Salaries and allowances	350,535,427	322,142,632
Rent, taxes, insurance, electricity etc.	54,115,542	56,634,804
Legal expenses	9,078,444	10,341,238
Postage, stamp, telecommunication etc.	13,988,271	12,735,395
Stationery, printing, advertisement etc.	4,738,173	3,339,330
Managing Director's salary and benefits	9,681,567	9,321,172
Directors' fees	396,111	325,837
Auditors' fees	345,000	345,000
Repairs and maintenance of the Company's assets	29,155,882	21,222,575
	<u>472,034,417</u>	<u>436,407,983</u>
<b>21 Interest income</b>		
Lease	1,152,113,873	878,515,342
Term loan and home loan	602,705,207	374,978,452
Short term financing	444,507,436	401,057,203
<b>Total interest income</b>	<b><u>2,199,326,516</u></b>	<b><u>1,654,550,997</u></b>
Interest on deposit/balance with banks and other financial institutions	150,325,700	169,740,024
Interest on deposits under lien for credit line facilities	119,174,986	87,472,655
	<u>2,468,827,202</u>	<u>1,911,763,676</u>



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>22 Interest paid on deposits, borrowings etc.</b>		
<b>a) Interest paid on deposits</b>		
Deposits from other than banks and financial institutions	885,483,389	697,878,077
Deposits from banks and financial institutions	516,893,467	340,085,180
Direct deposit expenses	21,052,984	20,741,879
Interest bearing security deposits	3,154,617	3,259,518
	<b>1,426,584,457</b>	<b>1,061,964,654</b>
<b>b) Interest paid for borrowing</b>		
Bank loans	32,683,958	31,531,713
Bangladesh Bank refinance	55,744,263	42,699,936
Call loan	22,484,237	26,066,333
Overdraft	19,845,219	15,771,199
	130,757,677	116,069,181
	<b>1,557,342,134</b>	<b>1,178,033,835</b>
<b>23 Investment income</b>		
Interest on bonds	75,117,203	78,104,864
Dividend on shares	36,249,973	38,786,969
	<b>111,367,176</b>	<b>116,891,833</b>
<b>24 Other operating income</b>		
Reimbursement - invoice processing and collection costs	17,633,765	16,307,077
Early repayment premium	9,105,087	9,841,814
Reimbursement-documentation costs	57,173,538	66,832,104
Late payment charges	15,741,027	16,592,103
Profit on sale of fixed assets	962,635	434,428
Miscellaneous earnings	7,130,647	8,435,369
	<b>107,746,699</b>	<b>118,442,895</b>
<b>25 Salaries and allowances</b>		
Basic salary, provident fund contribution and all other allowances	316,643,632	288,516,001
Festival and incentive bonus	33,891,795	33,626,631
	<b>350,535,427</b>	<b>322,142,632</b>
<b>26 Rent, taxes, insurance, electricity etc.</b>		
Rent, rate and taxes	29,470,696	36,446,545
Insurance	16,996,410	13,407,131
Electricity, gas and water	7,648,436	6,781,128
	<b>54,115,542</b>	<b>56,634,804</b>



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>27 Legal expenses</b>		
Legal expenses	9,078,444	10,341,238
	<b>9,078,444</b>	<b>10,341,238</b>
<b>28 Postage, stamp, telecommunication, etc.</b>		
Stamp expenses	3,679,557	4,110,914
Postage and courier	600,348	559,477
Telephone, mobile and internet	9,708,366	8,065,004
	<b>13,988,271</b>	<b>12,735,395</b>
<b>29 Stationeries, printing and advertisements, etc.</b>		
Printing and stationeries	3,550,050	2,186,525
Publicity and advertisements	1,188,123	1,152,805
	<b>4,738,173</b>	<b>3,339,330</b>
<b>30 Managing Director's salary and benefits</b>		
Remuneration	5,796,000	5,424,000
Other benefits	3,885,567	3,897,172
	<b>9,681,567</b>	<b>9,321,172</b>
<b>31 Directors' fees</b>		
Directors' fees	396,111	325,837
	<b>396,111</b>	<b>325,837</b>
Directors' fees include fees for attending the meeting by the non-executive Directors. Each Director was paid @ BDT 5,000 per meeting as attendance fee after deduction of tax.		
<b>32 Auditors' fees</b>		
Statutory audit fees (including VAT)	345,000	345,000
	<b>345,000</b>	<b>345,000</b>
<b>33 Depreciation and repair of assets</b>		
<b>Depreciation</b> - (Annexure-A)		
Furniture and fixtures	9,519,848	8,707,637
Office equipment	34,249	38,171
Electrical equipment	7,901,899	6,120,799
Motor vehicles	9,509,370	8,309,883
Office space	4,447,260	370,605
	<b>31,412,626</b>	<b>23,547,095</b>
<b>Repairs</b>		
Maintenance of electrical equipment, equipment & other assets	21,761,790	14,030,479
Motor vehicles	7,394,092	7,192,096
	<b>29,155,882</b>	<b>21,222,575</b>
	<b>60,568,508</b>	<b>44,769,670</b>



	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>34 Other expenses</b>		
Training expenses	2,624,888	2,239,069
Books, magazines and newspapers, etc.	82,705	78,129
Staffs' uniforms	826,264	202,411
Medical expenses	711,747	740,153
Fees and subscription	3,107,477	1,940,678
Bank charges	4,788,358	4,480,480
Excise duty expenses	1,350,100	1,601,300
CNG, petrol, oil and lubricant	12,287,754	12,529,156
Entertainment	2,293,627	2,182,841
Office expenses	2,914,616	2,425,477
Security services	8,218,604	6,775,029
Business promotion expenses	4,049,430	3,156,048
Annual General Meeting/Shareholder expenses	2,241,745	2,216,234
Travelling and conveyance expenses	7,298,106	8,025,068
	<b>52,795,421</b>	<b>48,592,073</b>
<b>35 Provision for lease, loans and advances</b>		
General provision on lease, loans and advances (note-12.4)	65,594,511	(10,047,401)
Specific Provision on unclassified lease, loans and advances (note-12.4)	(21,563,335)	6,985,208
Specific provision on classified lease, loans and advances (note-12.4)	57,027,261	55,202,886
	<b>101,058,437</b>	<b>52,140,693</b>
<b>36 Provision for taxation</b>		
<u>Current tax</u>		
Corporate tax for the year on operating profit	193,727,897	144,480,346
	193,727,897	144,480,346
<u>Deferred tax</u>		
Deferred tax (note- 9.2)	2,802,132	7,695,294
	2,802,132	7,695,294
	<b>196,530,029</b>	<b>152,175,640</b>
<b>37 Earnings per share (EPS)</b>		
Net profit after tax	276,768,013	256,201,085
Number of ordinary shares outstanding	187,114,614	178,204,395
<b>Earnings per share (EPS)</b>	<b>1.48</b>	<b>1.44</b>
<b>Restatements of EPS:</b>		
Net profit after tax	276,768,013	256,201,085
Number of ordinary shares as on 31 December 2018 is 187,114,614	<b>1.48</b>	<b>1.37</b>

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2018 as per IAS 33: Earnings per share. According to IAS 33, EPS for 2017 has been restated for the issues of bonus share in 2018.



**38 Receipts from other operating activities**

	<b>2018 BDT</b>	<b>2017 BDT</b>
Reimbursement - invoice processing and collection costs	17,633,765	16,307,077
Early repayment premium	9,105,087	9,841,814
Reimbursement-documentation costs	57,173,538	66,832,104
Late payment charges	15,741,027	16,592,103
Miscellaneous earnings	6,571,520	7,915,951
	<b>106,224,937</b>	<b>117,489,049</b>

**39 Payments for other operating activities**

Rent, taxes, insurance, electricity, etc.	54,100,777	56,770,454
Repairs and maintenance	30,238,553	20,548,447
Travelling and conveyance expenses	7,298,106	8,025,068
Annual General Meeting/Shareholder expenses	2,241,745	2,216,234
Entertainment	2,293,627	2,182,841
Bank charges	6,138,458	6,081,780
Fees and subscription	3,107,477	1,940,678
Medical expenses	711,747	740,153
Directors' fees	396,111	325,837
Books, magazines and newspapers, etc.	82,705	78,129
Training expenses	2,624,888	2,239,069
Office expenses	2,914,616	2,425,477
Security services	8,048,287	6,734,145
	<b>120,197,097</b>	<b>110,308,312</b>

**40 Net operating cash flow per share (NOCFPS):**

Net cash from operating activities	(1,256,546,037)	80,620,070
Number of shares outstanding	187,114,614	178,204,395
NOCFPS	(6.72)	0.45
NOCFPS (Restated)	(6.72)	0.43

Net operating cash flow per share decreased as on 31 December 2018 due to increase in lease and loan portfolio, repayment of short term borrowing and deposit encashment.

**41 Reconciliation of operating activities of cash flows:**

Net profit after tax	276,768,013	256,201,085
Depreciation	31,412,626	23,547,095
Provision for lease, loans, and advances	57,723,358	8,472,540
Provision for taxation	193,727,897	144,480,346
Profit on sale of fixed assets	(962,634)	(434,432)
Increase in short term loans	(260,713,630)	8,961,477
Increase in lease, loans, and advances	(982,591,311)	(3,156,608,010)
Income tax paid	(149,054,792)	(151,703,916)
Increase in deposit and other accounts	(440,036,289)	2,553,387,559
Increase in other liabilities	29,704,129	216,157,662
Increase in other assets	(12,523,404)	178,158,664
<b>Cash flows from operating activities</b>	<b>(1,256,546,037)</b>	<b>80,620,070</b>



**42 Number of employees**

Number of employees who received less than BDT 3,000 per month

Number of employees who received an aggregate amount more than BDT 36,000 for the whole year or part of the year

	<b>2018 BDT</b>	<b>2017 BDT</b>
Number of employees who received less than BDT 3,000 per month	0	0
Number of employees who received an aggregate amount more than BDT 36,000 for the whole year or part of the year	684	574
	<b>684</b>	<b>574</b>

**43 Related Party Disclosures**

**43.1 Particulars of Directors of the Company as on 31 December 2018**

<b>Sl no.</b>	<b>Name of Directors</b>	<b>Designation</b>	<b>Shareholding status</b>
1.	Imran Ahmed	Chairman	Nominated by Lawrie group Plc.,UK having share of 20%
2.	Susan Ann Walker	Director	
3.	A. Rouf	Director	Nominated by United Insurance Co. Ltd. having share of 19.84%
4.	L. H. Khan	Director	
5.	A. F. M. M. Samad Choudhury	Director	
6.	Shama Rukh Alam	Director	Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27%
7.	C. K. Hyder	Director	
8.	A. F. Nesaruddin	Director	
9.	M. Abdul Wahed	Independent Director	Not applicable; no shareholdings.
10.	Daud Khan Panni	Independent Director	Not applicable, no shareholdings.
11.	Syed Ehsan Quadir	Managing Director	Not applicable, Ex-officio capacity



43.2 Name of Directors and their interest in different entities as on 31 December 2018

Sl no.	Name of Directors	Status with United Finance Ltd.	Entities where they have interest
1.	Imran Ahmed	Chairman	<b>Director</b> 1. Eastland Camellia Ltd. 2. Duncan Properties Ltd. 3. Octavius Steel & Co. of BD Ltd. 4. Duncan Brothers (BD) Ltd. 5. Duncan Products Ltd. 6. Chittagong Warehouse Ltd. 7. Surmah Valley Tea Co. Ltd. 8. The Lungla (Sylhet) Tea Co. Ltd. 9. The Allynugger Tea Co. Ltd. 10. Amo Tea Co. Ltd. 11. The Chandpore Tea Co. Ltd. 12. The Mazdehee Tea Co. Ltd.
2.	A. Rouf	Director	<b>Director</b> 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Octavius Steel & Co. of BD Ltd. 7. Duncan Brothers (BD) Ltd. 8. Duncan Products Ltd. 9. Chittagong Warehouse Ltd. 10. Eastland Camellia Ltd. 11. Duncan Properties Ltd.
3.	Susan Ann Walker	Director	<b>Director</b> 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Surmah Valley Tea Co. Ltd.
4.	L. H. Khan	Director	<b>Chairman</b> National Brokers Ltd.
5.	Shama Rukh Alam	Director	<b>Director</b> 1. Duncan Brothers (BD) Ltd. 2. Octavius Steel & Co. of BD Ltd. 3. Duncan Products Ltd. 4. Chittagong Warehouse Ltd. 5. Eastland Camellia Ltd. 6. Duncan Properties Ltd.
6.	A. F. Nesaruddin	Director	1. Independent Director of Singer Bangladesh Limited. 2. A Member of Board of Khulna WASA (nominated by Govt. of Bangladesh) 3. Senior Partner of Hoda Vasi Chowdhury & Co. Chartered Accountants 4. President, Institute of Chartered Accountants of Bangladesh.
7.	C. K. Hyder	Director	-
8.	A.F.M.M. Samad Choudhury	Director	-
9.	M. Abdul Wahed	Independent Director	-
10.	Daud Khan Panni	Independent Director	-
11.	Syed Ehsan Quadir	Managing Director	-



43.3 Significant Contract where the Company is the party and wherein Directors have interest

As on 31 December 2018 no such contract exists.

43.4 Share issued to Directors and executives without consideration or exercisable at a discount.

As on 31 December 2018 no such share issue exists.

43.5 Transactions with Directors and their related entities

Name of the Party	Name of Directors	Related by	Nature of transaction	Amount in BDT	Status of loan and advances
The Lungla (Sylhet) Tea Co. Ltd.	Imran Ahmed	Common Director	Lease	4,250,513	Regular
	Susan Ann Walker	-Do-	Term Deposit	350,317,080	
	A. Rouf	-Do-	Office rent paid	3,215,290	
Duncan Properties Ltd.	Imran Ahmed	-Do-	Term deposit	32,013,000	
	A. Rouf	-Do-	Office rent paid	123,648	
	Shama Rukh Alam	-Do-			
Macalms Bangladesh Trust	Imran Ahmed	-Do-	Term Deposit	22,300,534	
	A. Rouf	-Do-			
	Shama Rukh Alam A.F.M.M Samad Choudhury	-Do-			
National Brokers Limited	L. H. Khan	-Do-	Term Deposit	53,362,851	
Duncan Brothers (BD) Ltd.	Imran Ahmed	-Do-	Term Deposit	10,505,500	
	A. Rouf	-Do-	Office rent paid	2,299,825	
	Shama Rukh Alam	-Do-			
Eastland Camellia Ltd.	Imran Ahmed	-Do-	Term Deposit	93,293,226	
	A. Rouf	-Do-	Lease		
	Shama Rukh Alam	-Do-			
United Insurance Co. Ltd.	A. Rouf	-Do-	Lease	4,567,684	Regular
	L. H. Khan	-Do-	Insurance premium paid	15,487,835	
	A.F.M.M. Samad Choudhury	-Do-	Office rent paid	248,994	
			Term Deposit	4,000,000	
Duncan Products Ltd.	A. Rouf	-Do-	Lease	1,375,605	Regular
	Imran Ahmed	-Do-	Drinking Water Bill	204,876	
	Shama Rukh Alam	-Do-	Term Deposit	24,693,750	
Surmah Valley Tea Co. Ltd.	Imran Ahmed	-Do-	Term Deposit	135,000,000	
	Susan Ann Walker	-Do-			
Amo Tea Co. Ltd.	Imran Ahmed	-Do-	Term Deposit	656,953,328	
	Susan Ann Walker	-Do-	Office rent paid	2,299,825	
	A. Rouf				
The Allynugger Tea Co. Ltd.	Imran Ahmed		Term Deposit	45,000,000	
	Susan Ann Walker				
	A. Rouf				
The Chandpore Tea Co. Ltd.	Imran Ahmed		Term Deposit	65,000,000	
	Susan Ann Walker		Office rent paid	558,210	
	A. Rouf				
The Mazdehee Tea Co. Ltd	Imran Ahmed		Office rent paid	558,210.00	
	Susan Ann Walker				
	A. Rouf				
Camellia Duncan Foundation	Imran Ahmed	-Do-	Term Deposit	10,271,522	
	A. Rouf	-Do-			

**43.6 Lending policy to related parties**

Related parties are allowed lease, loans and advances as per credit policy of the Company.

**43.7 Investment in the Securities of Directors and their related concerns**

As on 31 December 2018 no such investment exists.

**44 Commitment****Capital expenditure**

There was no capital expenditure contracted but not incurred or provided for at 31 December 2018 (2017: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2018 (2017: nil).

**Commitment to lend**

Under a lease/loan commitment the Company agrees to make funds available to customers in the future. Lease/loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the lease/loan facility are satisfied or waived. At the end of the year 2018, the Company had BDT 1,832,702,556 commitment with customers (2017:BDT 1,550,448,951).

**45 Claim against Company not acknowledged as debt**

An unsettled tax claim of BDT 33,509,825 (Assessment year 2012-2013) is pending with the Honorable Supreme Court (High Court division). However, required tax provisions are available to cover the said amount, if any liability arises in future. Excepting above, there were no such claims against the company which required to be acknowledged as debt at 31 December 2018.

**46 Proposal of dividend**

The Board of Directors has recommended a cash dividend of BDT 1 per ordinary share (2017: @ BDT 1 per ordinary share and 1 bonus share for every 20 shares) i.e. a total of BDT 187.11 million for 187.11 million ordinary shares held on the record date 18 March 2019.

**47 Dividend remitted to non-resident shareholders**

Dividend payable to non resident shareholder of BDT 32,048,040.20 was outstanding as on 31 December 2018 due to delay in receiving tax exemption certificate from the International Tax Wing of the National Board of Revenue (NBR). Required exemption certificate was obtained and accordingly outstanding dividend of BDT 32,048,040.20 equivalent to GBP 293,985.54 (2016: BDT 30,492,235.60 equivalent to GBP 286,655.52) was remitted to non resident shareholder on 10 January 2019.

**48 Foreign currency transactions**

There were no foreign currency monetary transactions during the reporting year that would give rise to gains or losses in the profit and loss account.

**49. Highlights on the overall activities**

Sl no.	Particulars		2018	2017
1	Paid-up capital (note-13.2)	MBDT	1,871.15	1,782.04
2	Total eligible capital (note-13.3)	MBDT	3,277.99	3,186.06
3	Capital surplus (note-13.3)	MBDT	1,271.01	1,329.69
4	Total assets	MBDT	24,072.57	23,944.33
5	Total term deposits (note-11.1)	MBDT	14,548.16	15,060.50
6	Total lease, loans and advances (note-7.1)	MBDT	17,942.41	16,959.82
7	Total contingent liabilities and commitments (note-19)	MBDT	6.14	32.50
8	Loan to deposit ratio (note-7.1/note-11.1)		1.23	1.13
9	Percentage of classified lease, loans and advances against total leases, loans and advances (note-7.8)	(%)	2.96	2.98
10	Profit after tax and provision	MBDT	276.77	256.20
11	Amount of loans classified during the year (note -7.8)	MBDT	530.34	505.31
12	Provisions kept against classified loans (note-12.4)	MBDT	271.17	257.48
13	Provision surplus (note-12.4)	MBDT	81.97	41.25
14	Cost of fund	(%)	9.00	7.72
15	Interest earning assets	MBDT	21,921.05	21,954.07
16	Non-interest earning assets	MBDT	2,151.51	1,990.26
17	Return on equity i	(%)	9.01	8.60
18	Net return to total earning assets	(%)	1.26	1.17
19	Return on total assets ii	(%)	1.15	1.15
20	Income from investment in shares and bonds (note-23)	MBDT	111.37	116.89
21	Earnings per share iii	BDT	1.48	1.37
22	Net income per share iv	BDT	1.48	1.37
23	Price earning ratio v	Times	12.03	16.55

MBDT= Bangladeshi BDT in Million, BDT= Bangladeshi BDT

- Return on equity is calculated based on average equity.
- Return on assets is calculated based on average assets.
- Restated EPS
- Since United Finance Limited does not have any minority interest, EPS and net income per share remain same.
- Based on 31 December market price of the respective year.

  
**Syed Ehsan Quadir**  
 Managing Director

  
**A. F. M. M. Samad Choudhury**  
 Director

  
**A. F. Nesaruddin**  
 Director

  
**Imran Ahmed**  
 Chairman



**Annexure - A**  
(From note - 8)

**Fixed assets including land, building, furniture and fixtures**

	<b>Furniture &amp; Fixture</b>	<b>Office equipment</b>	<b>Electrical equipment</b>	<b>Motor Vehicles</b>	<b>Office Space</b>	<b>Total</b>
<b>Cost</b>						
Balance at 01 January, 2018	106,780,383	451,939	85,393,412	66,728,263	177,890,411	437,244,408
Addition during the year	18,495,656	10,090	16,383,559	6,891,500	-	41,780,805
Disposal/adjustment	(13,324,055)	(42,350)	(2,450,505)	(5,540,500)	-	(21,357,410)
<b>Balance at 31 December, 2018</b>	<b>111,951,984</b>	<b>419,679</b>	<b>99,326,466</b>	<b>68,079,263</b>	<b>177,890,411</b>	<b>457,667,803</b>
<b>Accumulated depreciation</b>						
Balance at 01 January, 2018	76,628,537	348,765	63,323,688	33,921,951	370,605	174,593,545
Charge for the year	9,519,848	34,249	7,901,899	9,509,370	4,447,260	31,412,627
Disposal /adjustment	(13,275,946)	(42,133)	(2,403,806)	(3,475,684)	-	(19,197,658)
<b>Balance at 31 December, 2018</b>	<b>72,872,439</b>	<b>340,881</b>	<b>68,821,781</b>	<b>39,955,637</b>	<b>4,817,865</b>	<b>186,808,603</b>
<b>WDV at 31 December, 2018</b>	<b>39,079,545</b>	<b>78,798</b>	<b>30,504,685</b>	<b>28,123,626</b>	<b>173,072,546</b>	<b>270,859,200</b>
<b>WDV at 31 December, 2017</b>	<b>30,151,846</b>	<b>103,174</b>	<b>22,069,722</b>	<b>32,806,312</b>	<b>177,519,806</b>	<b>262,650,862</b>



## Disclosure under Pillar III-Market Discipline

### a) Scope of application

#### Qualitative Disclosures

**(a) The name of the top corporate entity in the group to which this guidelines applies.**

United Finance Limited ("UFL").

**(b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities with in the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).**

This framework is applied on a solo basis as UFL does not have any subsidiaries.

**(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.**

Not Applicable

#### Quantitative Disclosures

**(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.**

Not Applicable

### b) Capital structure

#### Qualitative Disclosures

**(a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.**

a. Tier 1 Capital: Tier 1 capital or "Core Capital" consists of:

1. Paid up capital
2. Non-repayable share premium account
3. Statutory reserve
4. General reserve
5. Retained earnings
6. Minority interest in subsidiaries
7. Non-cumulative irredeemable preference shares
8. Dividend equalization account

b. Tier 2 Capital: Tier 2 Capital or "Supplementary Capital" consists of:

1. General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk
2. Revaluation reserves
  - a. 50% of the Revaluation reserves for Fixed Assets
  - b. 45% of the Revaluation reserves for Securities
3. All other preference shares

c. In addition to the above condition of reserve requirements, the amount of Tier 2 Capital must be limited to 100% of the amount of Tier 1 Capital.

#### Quantitative Disclosures

(b) The amount of Tier 1 capital, with separate disclosure of:

	Amount in Crore BDT
Fully Paid-up Capital/Capital lien with BB	187.11
Statutory Reserve	82.94
Non-repayable Share premium account	0.38
General Reserve	22.50
Retained Earnings	19.02
Minority interest in Subsidiaries	-
Non-Cumulative irredeemable Preferences shares	-
Dividend Equalization Account	-
Other (if any item approved by Bangladesh Bank)	-
<b>Sub-Total:</b>	<b>311.95</b>



(c) The total amount of Tier 2 capital.	15.85
(d) Other deductions from capital.	-
(e) Total eligible capital.	327.80

### c) Capital Adequacy

#### Qualitative Disclosures

##### (a) A summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.

a. At present UFL's CAR is 16.33% of RWA against the minimum requirement of 10% of RWA. As the computation of the CAR requires the value of RWA to be determined on the basis of credit, market and operational risks, UFL identifies the capital charges of the respective risk categories. Capital charge of any particular risk refers to a system whereby a financial institution will allocate its capital in proportion to the risk level of activities. To determine capital charges for credit and market risks, UFL is currently using the Standardized Approach. For determining capital charge for operational risks, UFL is using the Basic Indicator Approach. Total RWA of UFL is determined by multiplying the amount of capital charge for market risk and operational risk by the reciprocal of the minimum Capital Adequacy Ratio (CAR) and adding the resulting figures to the sum of risk weighted assets for credit risk. The CAR is then calculated by taking eligible regulatory capital as numerator and total RWA as denominator.

b. In order to improve the CAR, UFL is taking the following measures to keep its RWA :

1. Focusing on expanding its investment in Small and Medium Enterprises (SME) on a nationwide scale and keeping its lending to large corporate entities at a sustainable level as SME clients have a risk weight of 75% whereas unrated corporate entities have a 125% risk weight.
2. Encouraging unrated corporate clients to be rated from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank and also notifying rated corporate clients to be reassessed before expiration.
3. Focusing on home loan financing on a national scale as it is fully secured against residential property, which allows for a low risk weight.
4. Monitoring overdue clients to minimize loans that are past due for 90 days or more through robust collection mechanisms
5. Giving special effort to increase credit facilities with collateral securities.

#### Quantitative Disclosures

	Amount in Crore BDT
(b) Capital requirement for Credit Risk	185.33
(c) Capital requirement for Market Risk	-
(d) Capital requirement for Operational Risk	15.37
(e) Total and Tier 1 capital ratio:	
CAR on Total capital basis (%)	16.33%
CAR on Tier 1 capital basis (%)	15.54%

### d) Credit Risk

#### Qualitative Disclosures

##### (a) The general qualitative disclosure requirement with respect to credit risk

**Definitions of past due and impaired:** The unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per the risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation. This definition is as per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions.

**Description of approaches followed for specific and general allowances:** Specific and general allowances are maintained in accordance with Bangladesh Bank policies and guidelines as well as its internal policy, UFL is maintaining 1% provision against Standard loans, 0.25% against Standard SME loans, 5% against SMA loans, 20% against Substandard loans, 50% against Doubtful loans and 100% against Bad/loss loans.

**Credit Risk Management policy:** Credit risk can be defined as the possibility for loss due to failure of a client to meet its obligations and make payment to UFL in accordance with agreed terms. In UFL, Credit Risk is managed



in three ways - Pre-Emptive, Contemporaneous and Post-Facto through utilizing policies and practices approved by the Board of Directors. Pre-Emptive risk management is conducted by Risk Management 1 Division, Contemporaneous and Post-Facto by Risk Management 2 and Risk Management 3 respectively.

**1. Pre-Emptive Risk Management: Pre-Emptive Risk Management involves risk management in the pre-disbursement stages.**

**Subsector Analysis:** UFL conducts subsector analysis of various industries of the country and creates their separate risk profiles. These risk profiles are regularly updated and circulated to the Marketing and Credit divisions to ensure that sound lending decisions are made.

**Credit Assessment:** UFL has an independent Credit team for assessment of every credit proposal in order to minimize risk. In order to assess the credit risk associated with any financing proposal, UFL evaluates a variety of risks relating to the borrower and the relevant industry, including borrower's standing, business and market position, management background and financial performance. UFL makes mandatory visits to each and every client before finalizing the proposal. In addition, UFL has adopted advanced credit risk grading models, in accordance with Bangladesh Bank guidelines, which facilitate a rating based approach to identify the risks associated with the obligor and the specific facility separately during the pre-sanction stage.

**Security Determination:** UFL has securitization procedure whereby the security against each financing proposal is determined commensurate with the financing risk.

**2. Contemporaneous Risk Management: Contemporaneous Risk Management involves risk management during the disbursement as well as post disbursement stages.**

**Credit Administration:** UFL's Operations team ensures that all legal risks relating to documentation and security arrangements are complied with. Only after all documents are in order and all security arrangements are completed, credit facilities are processed for disbursement.

**Credit Recovery:** UFL has a robust collections department that monitors the payment performances of all the loan contracts to ensure timely recovery. Different collection methods are applied on the basis of the ageing of overdue to mitigate risks and to improve loan quality.

**Special Asset Management:** The Special Asset Management team handles long overdue accounts, takes corrective measures to mitigate risks, takes legal actions, and ensures effective monitoring of Written-Off Accounts in a timely manner.

**3. Post-Facto Risk Management: Post-Facto Risk Management takes place in the post disbursement stage through various portfolio level reviews and analyses.**

**Early Warning System(EWS):** UFL has developed Early Warning System (EWS) to identify risks of any facility at a nascent stage on a periodic basis which enables UFL to take proactive measures to manage potential non performing loans in a timely and efficient manner.

**Periodic Credit and CRG Model Review:** UFL reviews the Credit Risk Grading (CRG) model and calculate the deviation between the grade and the actual performance of the borrower. If the deviation is significant, UFL takes initiative for required modification in the Credit Risk Grading (CRG) to enhance accuracy of the model and enable appropriate financing. Similarly, if the analysis reveals weakness in credit assessment mechanism then credit assessment methodology is modified.

**Portfolio Analysis:** UFL has developed mechanisms to conduct portfolio level analyses of credit facilities considering loan repayment performance to help maintain the quality of its portfolio.

**Compliance:** The Compliance department of UFL ensures that the company's policies, procedures and practice adhere to relevant laws, regulations, industry standards, corporate values and ethics.

**Quantitative Disclosures**

**(b) Total gross credit risk exposures broken down by major types of credit exposure.**

	Amount in Crore BDT
Lease Finance	921.25
Term Loan	389.73
Home Loan	110.76
Short Term Loan	366.48
Loan against Deposit	6.02
<b>Total</b>	<b>1,794.24</b>

**(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.**

	Amount in Crore BDT
Dhaka	1,093.65
Chattogram	234.16
Khulna	144.13
Rajshahi	136.34
Rangpur	105.78
Barishal	28.34
Sylhet	12.14
Mymensingh	39.70
Total	1,794.24

**(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.**

	Amount in Crore BDT
1. Agricultural sector	148.05
2. Industrial sector:	
a) Service industry	167.91
b) Food production/processing industry	177.47
c) Chemical & Pharmaceutical	116.03
d) Plastic industry	44.99
e) Garments	44.02
f) Textile	65.65
g) Paper, Printing and packaging industry	112.87
h) Iron, Steel & Engineering industry	55.98
i) Leather & leather products	13.50
j) Electronics and electrical industry	40.26
k) Telecommunication/information Technology	14.39
l) Jute and jute products	30.63
m) Cement/Concrete and allied industry	44.97
n) Glass and ceramic industry	5.61
o) Ship Manufacturing Industry	-
p) Power, Gas, Water and sanitary service	17.14
4. Transport & Communication	133.94
5. Real Estate & Housing	119.42
6. Trade and Commerce	372.99
7. Others	68.41
Total	1,794.24

**(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.**

	Amount in Crore BDT
Up to 1 month	186.91
Over 1 month but not more than 3 months	165.02
Over 3 months but not more than 1 year	595.03
Over 1 year but not more than 5 years	755.17
Over 5 years	92.11
Total	1,794.24

**(f) Gross Non Performing Assets ( NPA)**

	Amount in Crore BDT
Gross Non Performing Assets ( NPAs)	53.03
Non Performing Assets ( NPAs) to Outstanding Loans & advances	2.96%

**Movement of Non Performing Assets ( NPAs)**

Opening balance	50.53
Additions	14.10
Reductions	11.59
Closing balance	53.03
<b>Movement of specific provisions for NPAs</b>	
Opening balance	25.75
Provisions made during the period	9.04
Write-off	(5.76)
Write-back of excess provisions	(1.91)
Closing balance	27.12

**e) Equities: banking book positions****Qualitative Disclosures****(a) The general qualitative disclosure requirement with respect to equity risk**

UFL's equity holdings include unquoted redeemable preferred shares and quoted shares. The redeemable preferred shares are not tradable and pay a fixed dividend per annum, thus there is no scope for any capital gains. The holding of the shares of United Insurance Company Limited, is for strategic purposes only.

As UFL does not hold quoted shares for capital gain, there are no policies relating to equity holdings.

**Quantitative Disclosures****(b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.**

	Amount in Crore BDT
Quoted shares	1.50
Unquoted shares*	24.28
Total	25.78

\*Unquoted shares include redeemable preference shares

**(c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.**

Not Applicable

<b>(d) Total unrealized gains (losses)</b>	<b>Not Applicable</b>
<b>Total latent revaluation gains (losses)</b>	<b>Not Applicable</b>
<b>Any amounts of the above included in Tier 2 capital.</b>	<b>Not Applicable</b>

**(e) Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.**

Not Applicable

**f) Interest rate in the banking book****Qualitative Disclosures****(a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits.**

UFL is in the business of lending and taking deposits with different maturities and interest rates. As such, UFL is exposed to movements in interest rates, which results in mismatches between lending rates and funding costs. UFL's Asset Liability Management Committee (ALCO) monitors the movements in the interest rates on monthly basis and formulates strategies to manage changes in market conditions. Continuous monitoring of the funding gaps between rate sensitive assets and liabilities and portfolio wise interest distribution, allows UFL to take quick steps to mitigate any probable risks. In case of significant movement in the market emergency ALCO meetings are held to decide on the course of action.

**Quantitative Disclosures**

**(b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).**

Magnitude of Shock	Minor 2%	Moderate 4%	Major 6%
Change in the Value of Bond Portfolio (BDT in Crore)	0.00	0.00	0.00
Net Interest Income (BDT in Crore)	2.48	4.96	7.44
Revised Regulatory Capital (BDT in Crore)	330.00	332.48	334.96
Risk Weighted Assets (BDT in Crore)	2006.87	2006.87	2006.87
Revised CAR (%)	16.44%	16.57%	16.69%

**g) Market risk****Qualitative Disclosures**

**(a) As UFL does not hold any instruments in the trading book, this risk is not applicable.**

**Quantitative Disclosures**

**(b) The capital requirements for:**

	Amount in Crore BDT
Interest Rate Related instruments	0
Equities	0
Foreign Exchange Position (if any)	0

**h) Operational risk****Qualitative Disclosures**

**(a) Views of BOD on system to reduce Operational Risk**

All the policies have been approved by the Board and related guidelines have been approved by the subcommittees of the Board. The Board has delegated some of its authorities to the Executive Committee as per policy. The Audit Committee of the Board monitors the operational risk management process and reviews the adequacy of the internal audit function.

**Potential external events**

During the time of reporting, there were no external events which could have given rise to any operational risk.

**Policies and processes for mitigating operational risk**

**Internal Audit:** Internal Audit team of UFL examines operational flaws of the company generated from the lack of adequacy, effectiveness and efficiency of internal control mechanism. This department serves as an independent body within the company that aims to add value to its various operations and processes.

**Operational Risk and Systems Audit:** Operational Risk and Systems Audit Department of UFL investigates company's process and identifies flaws/risks of the company's operations. It also examines the UFL's information technology infrastructure, policies and operations, and determines whether IT controls protect the assets, ensure data integrity and are aligned with the business's overall goals.

**Process Review Committee (PRC):** Process Review Committee (PRC) reviews the Operational Risk and System Audit's report regarding operational flaws/risks of the process. The Committee assigns relevant departments of the process or Advisory Services/Process Implementation and Information Management Department depending the level of complexity of the process to resolve the flows/risk of the process. The committee also reviews the modification suggested by the assigned department, advises additional measures to improve the adequacy, effectiveness and efficiency of the process, and finally recommends the modified process for approval.

**Approach for calculating capital charge for operational risk**

For calculating capital charge of operational risks, UFL uses the Basic Indicator Approach where capital charge is equivalent to 15% of the three year average positive annual gross income of UFL.

**Quantitative Disclosures**

**(b) The capital requirements for operational risk**

	Amount in Crore BDT
Capital requirement for operational risk:	15.37



# Sustainability Report



United Finance Limited is committed to pursuing sustainable business practices in every sphere of activity in the communities which it serves.

This report highlights the economic, environmental, and social impacts of the operations of United Finance Limited in Bangladesh for the calendar year 2018. It presents our values and governance model, and demonstrates the link between our strategy and commitment to contributing to a sustainable global economy.

In determining the content of this report, we have considered the material developments and issues that are likely to affect our operations in the future. Specifically, issues that have a strong bearing on the perception of our ability to fulfil the needs of our stakeholders – both internal and external – over the long term, such as economic performance, employment generation and capacity building are deemed to be material to this report.

United Finance within this report shows changes from previous reports and includes material topics and disclosures in accordance with GRI Sustainability Reporting Standards: Core Option, which United Finance has adopted in recent years.

**Key Sustainability Objectives:**

- i. Coordinate and work with our internal and external stakeholders to minimise negative environmental effects to ensure a sustainable business environment
- ii. Engage in environmentally friendly activities by reducing the internal carbon footprint, and financing ecologically sustainable ventures
- iii. Promote initiatives that take into account structural changes that affect our clients and the community as a whole
- iv. Provide products and services which contribute directly or indirectly to sustainability (as defined through the UN Sustainable Development Goals) by addressing environmental or social problems
- v. Create new businesses and transform existing businesses through adoption of new technology
- vi. Promote the development and active participation of a diverse workforce
- vii. Promote equal opportunities and diversity in the workforce
- viii. Ensure a safe, secure and healthy work environment for employees

**I. Coordination with Stakeholders**

The sustainability approach of United Finance spans three dimensions: economic, environmental and social. The key stakeholders from each stated dimension are determined by the degree to which each group is affected by the activities of the Company. Engagement mechanisms for each of these groups are stated in the following table.

Sustainability Dimension	Stakeholders Identified	Primary Objectives of Engagement	Engagement Mechanisms
Economic	Shareholders	<ul style="list-style-type: none"> <li>• Preserve and enhance Company Net worth</li> <li>• Strengthen internal control systems through robust accounting and internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• General meeting of shareholders</li> <li>• Dissemination of information through disclosures and the company website</li> </ul>
	Clients	<ul style="list-style-type: none"> <li>• Provide customer with top class value addition services</li> <li>• Understand the needs of clients, and provide them with professional financial services tailored to their individual needs</li> <li>• Manage the assets of clients with due and diligent care</li> <li>• Supporting financial literacy initiatives for our clients</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue with customers through our relationship managers</li> <li>• Call centres and customer help lines</li> <li>• Customer Satisfaction Surveys</li> <li>• Website providing access to important information</li> <li>• Expansion of formal sector financial inclusion</li> <li>• Provision of a wide array of value addition services</li> <li>• Training on financial literacy and responsible borrowing</li> </ul>
	Regulators	<ul style="list-style-type: none"> <li>• Ensure compliance with all regulatory directives</li> </ul>	<ul style="list-style-type: none"> <li>• Timely and appropriate statutory reporting as and when required</li> </ul>



Sustainability Dimension	Stakeholders Identified	Primary Objectives of Engagement	Engagement Mechanisms
Environmental	Clients	<ul style="list-style-type: none"> <li>Reduce the negative social impact of clients through encouraging the adoption of new technology</li> </ul>	<ul style="list-style-type: none"> <li>Financing firms and initiatives that will have a positive impact on the environment (e.g. financing adoption of environmentally friend equipment or technology)</li> <li>Financing firms and sectors that have a track record of environmental awareness</li> </ul>
Social	Employees	<ul style="list-style-type: none"> <li>Provide employees the opportunities to use their skills and develop their abilities</li> <li>Provide a congenial and healthy work environment</li> </ul>	<ul style="list-style-type: none"> <li>Providing training and increasing awareness</li> <li>Robust grievance handling mechanisms</li> </ul>
	Local Communities	<ul style="list-style-type: none"> <li>Adding value to the society</li> <li>Ensure operations in a manner as to minimise negative social effects</li> </ul>	<ul style="list-style-type: none"> <li>Social contribution activities</li> <li>Presence in social media</li> <li>PR activities</li> </ul>

Engagement activity – by the numbers	2018	2017
Surveys conducted to measure customer feedback	0	3
Grievances from stakeholders raised and handled	0	5

**Memberships of Industry/Associations**

- Bangladesh Association of Publicly Listed Companies
- Bangladesh Employers Federation
- Bangladesh Leasing and Finance Companies Association
- Bangladesh Money Market Dealers Association
- Dhaka Chamber of Commerce & Industry
- Foreign Investors’ Chamber of Commerce & Industry
- Metropolitan Chamber of Commerce & Industry

**II. Environmentally Impactful Activities**

**Internal**

The Company has adopted the following technical and infrastructural changes in order to reduce its carbon footprint:

- Paperless recruitment and approval systems for efficient task handling and significant reduction of paper waste
- Video conferencing for both internal meetings and recruitment interviews.
- Restricted access to hardcopy printing; desks without printing access have been declared ‘green desks’.
- Scanning and electronic transmission of internal documents.
- Replacing conventional lighting systems with energy efficient LED lighting.
- Refurbishing and reusing old furniture and fixtures rather than replacing them.
- A grievance handling mechanism allowing stakeholders (i.e. customer, employee or job applicant) to raise complaints and expect quick resolution.

**External**

Climate change has shifted the business dynamic, both by increasing the inherent risk of operating in certain sectors and presenting opportunities in Green Financing through refinancing options available under new regulations.

The Company is cognisant of the effect its operations may have on individuals, institutions and the community at large. During the period its business activities led to the impacts outlined in the following section.


**III. Initiatives that Affect Our Clients and the Community**

<b>Impact from the Company's Activities</b>	<b>2018</b>	<b>2017</b>
<b>Access to Finance</b>		
Economic activity for the period (No. of new accounts)	1,402	
Financial Inclusion – First Time Institutional Borrowers (No. of enterprises) <sup>1</sup>	1,049	530
Geographical Access (No. of districts) <sup>2</sup>	64	64
Inclusion in Formal Banking System (No. of accounts) <sup>3</sup>	-	-
Enterprise Development (No. of enterprises) <sup>4</sup>	-	-
Financial Assistance received from Government (BDT millions) <sup>5</sup>	881	609
<b>Employment Generation</b>		
Seasonal Employment as a result of Financing Activities (in persons) <sup>6</sup>	128	2,654
Regular Employment as a result of Financing Activities (in persons) <sup>7</sup>	1,445	5,056
<b>Work Efficiency</b>		
Increased Productivity/Month (BDT in millions) <sup>8</sup>	10,815	4,346
Reduced Outsourcing Cost (BDT in millions) <sup>9</sup>	345	89
<b>Environmental</b>		
Noise Reduction (in decibels) <sup>10</sup>	-	-
Reduction in CO2 Emission (gm CO2e/km) <sup>11</sup>	N/A	2,669
Reduction in CO2 Emission (million gm CO2/litre) <sup>12</sup>	86.78	N/A
Electricity Load Reduction(in KW) <sup>13</sup>	338,712	-
<b>Literacy</b>		
Awareness Creation: Responsible Borrowing & Technical Booklet for Construction (Booklets Circulated) <sup>14</sup>	3,260	1,926
Awareness Creation: Reduction of Child Labour in Business Enterprises (No. of undertakings) <sup>15</sup>	-	-
Awareness Creation: Improvement of Hygiene in Food Industry in Business Enterprises (No. of undertakings) <sup>16</sup>	1	5
<b>Empowerment</b>		
Breakout from Traditional Financing (%) <sup>17</sup>	-	-
Women Entrepreneurship Financed (in persons) <sup>18</sup>	274	265
Women Farmers Financed in Agricultural Financing (in persons) <sup>19</sup>	27	278
Landless Farmers Financed in Agricultural Financing (in person) <sup>20</sup>	-	-

1. Measured as how many enterprises/concerns are financed by United Finance who never took any loan/lease from any Non-banking Financial Institution or Bank prior to our financing.
2. Measured by number of districts under financing coverage.
3. Measured by the summation of the number of bank accounts and number of mobile banking accounts opened for the clients who never had any account in any bank.
4. Measured as how many enterprises were developed as a result of agricultural finance to supply agricultural inputs.
5. Measured as how much refinancing have been received from Bangladesh Bank from BB, ADB, Women, Green Finance and JICA's refinance scheme.
6. Measured as how many temporary employments are created from the agricultural financing activities
7. Measured as how many employments are created from the financing activities
8. Increased productivity is calculated when the leased equipment/loan amount increase production capacity by a significant amount. The additional production units are multiplied by its selling price and thus given into the report.
9. Reduced outsourcing cost is calculated as the gap between outsourcing cost and cost incurring from the financing activities
10. Calculated when financed asset use noise reduction or noise cancellation methods. In general canopy or mufflers are used to reduce noise generated from generators which reduce noise by 14% and 6% respectively
11. In 2017, values calculated in gmCO2e/km. Calculated when the financed vehicle is CNG converted, which reduces CO2 emission by 16.50% than a regular combustion engine. (Source: Environmental Protection Agency Report – 2011, USA).
12. In 2018, the calculation methodology was changed to gmCO2/litre. Calculated through evaluating reduced energy consumption. 1 litre of diesel weighs 835 gram. Diesel consist for 86.2% of carbon, or 720 gram of carbon per litre diesel.
13. Calculated as financed equipment replaced the old equipment which will save the electricity load.
14. Measured as number of booklet circulated to create awareness of responsible borrowers of affordable home loans and technical knowhow of construction.
15. Awareness calculated as no. of business entities identified and addressed by issuing undertakings as having significant child labour or unhygienic environment in business operations.



- 16. Awareness calculated as number of business entities identified and addressed by issuing undertakings as having unhygienic environment in food industry in business operations
- 17. Measured as number of person transferred from traditional financing (Mohajon) to formal financing (Bank/FI).
- 18. Measured as number of women entrepreneurs financed under agricultural financing.
- 19. Measured as number of women farmers financed under agricultural financing
- 20. Measured as number of landless farmers financed under agricultural financing

**IV. Active Participation of a Diverse Workforce**

<b>Impact from the Company's Activities<sup>21</sup></b>	<b>2018</b>	<b>2017</b>
<b>Diversity of Workforce</b>		
<b>Permanent Employees<sup>22</sup></b>		
Male (in persons)	366	373
Female (in persons)	77	86
<b>Non-Permanent Employees<sup>23</sup></b>		
Male (in persons)	345	318
Female (in persons)	116	96
Total Full-Time Employees (in persons) <sup>24</sup>	813	803
Total Part-Time Employees (in persons) <sup>25</sup>	91	70
Ratio of Full-Time Employees: Part Time Employees	~ 9:1	~ 11.5:1
<b>Employment Generation</b>		
<b>Permanent</b>		
New Employees (male)	105	126
New Employees (female)	16	16
Total New Employees	121	142
Total Resignations <sup>26</sup>	79	108
Employment Generation	42	34
<b>Non-Permanent</b>		
New Employees (male)	141	178
New Employees (female)	53	74
Total New Employees	194	252
Total Resignations <sup>26</sup>	209	195
Employment Generation	-15	57
Ratio of new employees by age (Under 30: 30-50: Over 50)	86:19:0	290:103:1
<b>Employee Training</b>		
Employees trained (in persons)	250	402
Total Employee Training Hours	3,849	9,112
Training Ratio- Male: Female	6:1	
Ratio of Training Hours (Employee: Manager: Senior Management)	~3:2:1	~9:2:1
Percentage of Employee Received Career Development Review (Male)	90%	
Percentage of Employee Evaluated Career Development Review (Female)	95%	
<b>Maternity Leave</b>		
Employees entitled to Maternity Leave (in persons)	8	3
Employees availing Maternity Leave (in persons)	2	1
Percentage of Women Employee Retention Rate after Maternity Leave	100%	100%
Percentage of Women Employee Retention Rate 12 months after Maternity Leave	100%	100%

- 21. Social aspects in terms of equality, fair play and development have been identified in this segment of report.
- 22. Permanent employees are those that are eligible for employer's contribution in Provident Fund.
- 23. Non-permanent employees include employees hired for a specific time period, employees hired temporarily for doing certain tasks, and employees that are on probation.
- 24. Full time employees are those whose working hours per day, week, month, or year, are defined as full time according to national legislation and practice regarding working time.
- 25. Part-time employees are those who are not full time employees.
- 26. Considers the effective date of resignation of employees, as opposed to the actual resignation date.



**GRI Index**

Disclosure No.	Requirements	Location	Page No.
<b>Organisation Profile</b>			
102-1	Name of Organisation	United Finance Limited	-
102-2	a. A description of the organisation's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	<a href="https://www.unitedfinance.com.bd/Home/Aboutus">https://www.unitedfinance.com.bd/Home/Aboutus</a>	-
102-3	Location of headquarters	<a href="https://www.unitedfinance.com.bd/Home/Aabtlocate">https://www.unitedfinance.com.bd/Home/Aabtlocate</a>	-
102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Countries served: Bangladesh	-
102-5	Nature of ownership and legal form.	Nature of Ownership and Legal Form: Public Limited Company	-
102-6	Markets served including: i. geographic locations where products and services are offered ii. Sectors served iii Types of customers and beneficiaries	<a href="https://www.unitedfinance.com.bd/Home/Aabtlocate">https://www.unitedfinance.com.bd/Home/Aabtlocate</a>	-
102-7	Scale of the Organisation, including i. Total number of employees ii. Total number of operations iii Net sales (for private sector organisations) or net revenues (for public sector organisations) iv.Total capitalisation (for private sector organisations) broken down in terms of debt and equity v. Quantity of products or services provided.	Shareholding Pattern Key Operating and Financial Data  For more details: <a href="https://www.unitedfinance.com.bd">https://www.unitedfinance.com.bd</a>	9 10
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organisation's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made	Sustainability Report	81
102-9	A description of the organisation's supply chain, including its main elements as they relate to the organisation's activities, primary brands, products, and services.	No proper supply chain, given the nature of industry. Major suppliers restricted to suppliers of stationery, electronic assets, and third-party suppliers of personnel e.g. security guards	-



Disclosure No.	Requirements	Location	Page No.
102-10 <sup>1</sup>	Significant changes to the organisation & supply chain, including i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	<a href="https://www.unitedfinance.com.bd/Home/Abtjrny?Length=7">https://www.unitedfinance.com.bd/Home/Abtjrny?Length=7</a> Shareholding Structure	-
102-11	Whether and how the organisation applies the Precautionary Principle or approach.	Yes, Precautionary Approach to Financing	-
102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	No such charters	-
102-13	A list of the main memberships of industry or other associations, and national or international advocacy organisations.	Sustainability Report	79
<b>Strategy</b>			
102-14	A statement from the most senior decision-maker of the organisation (such as CEO, Chairman, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Chairmen's Statement	4-6
<b>Ethics and Integrity</b>			
102-16	A description of the organisation's values, principles, standards, and norms of behaviour.	<a href="https://www.unitedfinance.com.bd/Home/Abtvsn?Length=7">https://www.unitedfinance.com.bd/Home/Abtvsn?Length=7</a>	-
<b>Governance</b>			
102-18	a. Governance structure of the organisation, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	<a href="https://www.unitedfinance.com.bd/Home/Abtmgt?Length=7">https://www.unitedfinance.com.bd/Home/Abtmgt?Length=7</a>	-
<b>Stakeholder Engagement</b>			
102-40	A list of stakeholder groups engaged by the organisation.	Sustainability Report	78-79
102-41	Percentage of total employees covered by collective bargaining agreements.	100% covered	-
102-42	The basis for identifying and selecting stakeholders with whom to engage.	Sustainability Report	78-79
102-43	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Sustainability Report	78-79
102-44	Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organisation has responded to those key topics and concerns, including through its reporting ii. The stakeholder groups that raised each of the key topics and concerns	No grievances raised	-

<sup>1</sup>Shareholding Structure is Reported in every Annual Report



Disclosure No.	Requirements	Location	Page No.
<b>Reporting Practices</b>			
102-45	a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents. b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	N/A, because single entity	-
102-46	a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organisation has implemented the Reporting Principles for defining report content.	Sustainability Report	78
102-47	A list of the material topics identified in the process for defining report content.	Sustainability Report	78
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	Key Operating and Financial Data, Note 18 to the Financial Statements	10 59
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Management Discussion and Analysis	11-13
102-50	Reporting period for the information provided.	01 January, 2018 to 31 December, 2018	-
102-51	If applicable, the date of the most recent previous report.	February 22, 2018	-
102-52	Reporting cycle	Annual	-
102-53	The contact point for questions regarding the report or its contents.	Sharmi Noor Nahar, Company Secretary	-
102-54	The claim made by the organisation, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	Sustainability Report This report has been prepared in accordance with the GRI Standards: Core option	-
102-55	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. The number of the disclosure (for disclosures covered by the GRI Standards) ii. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials iii. If applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	This table	-
102-56	a. A description of the organisation's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process ii. The relationship between the organisation and the assurance provider iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organisation's sustainability report	No external assurance sought	-



Disclosure No.	Requirements	Location	Page No.
<b>Material Topics</b>			
<b>Economic performance</b>			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic. c. Any specific limitation regarding the topic Boundary	Sustainability Report	78
103-2	a. An explanation of how the organisation manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Grievance mechanisms vi. Specific actions, such as processes and initiatives	<a href="https://www.unitedfinance.com.bd/Home/Abtvsn">https://www.unitedfinance.com.bd/Home/Abtvsn</a> Sustainability Report	78-79
103-3	An explanation of how the organisation evaluates the management approach.	Chairmen's Statement	4-6
201-1	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	Notes to the Financial Statements	36-69
201-2	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure.	Sustainability Report	78-81
201-3	a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities b. If a separate fund exists to pay the plan's pension liabilities i. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been ii. set aside to meet them; The basis on which that estimate has been arrived at iii. When that estimate was made c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Percentage of salary contributed by employee or employer e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.	Sustainability Report	78-81
201-4	a. Total monetary value of financial assistance received by the organisation from any government during the reporting period.	Sustainability Report, Shareholding Structure, and	78-81



Disclosure No.	Requirements	Location	Page No.
201-4	b. The information in 201-4-a by country c. Whether, and the extent to which, any government is present in the shareholding structure	Notes to the Financial Statements	36-69
<b>Employment and Training</b>			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic. c. Any specific limitation regarding the topic Boundary	Sustainability Report	78
103-2	a. An explanation of how the organisation manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Grievance mechanisms vi. Specific actions, such as processes and initiatives	<a href="https://www.unitedfinance.com.bd/Home/Abtvsn">https://www.unitedfinance.com.bd/ Home/Abtvsn</a> Sustainability Report Management Discussion and Analysis	78-79 11-13
103-3	An explanation of how the organisation evaluates the management approach.	Chairmen’s Statement	5
401-1 <sup>2</sup>	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	Sustainability Report	81
401-2	Benefits which are standard for full-time employees of the organisation but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. Life insurance ii. Health care iii. Disability and invalidity coverage iv. Parental leave v. Retirement provision vi. Stock ownership vii. Others	Notes to the Financial Statements	41
401-3	a. Total number of employees that were entitled to parental leave, by gender b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender	Sustainability Report	81
404-1	Average hours of training that the organisation’s employees have undertaken during the reporting period, by: i. Gender; ii. Employee category.	Sustainability Report	81

<sup>2</sup> Turnover values may be calculated from the employment figures at the start and end of the reporting period



<b>Disclosure No.</b>	<b>Requirements</b>	<b>Location</b>	<b>Page No.</b>
404-2	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Sustainability Report No Transition Service Provided	81
404-3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	100% Receive Annual Reviews	-



## **Stakeholders' Segment**



## BOARD OF DIRECTORS

### Chairman

Imran Ahmed

### Nominated by

: Lawrie Group Plc of the U.K.

### Directors

Susan Ann Walker

: Lawrie Group Plc of the U.K.

A. Rouf

: United Insurance Company Limited

L. H. Khan

: United Insurance Company Limited

A. F. M. Misfaqus Samad Choudhury

: United Insurance Company Limited

Shama Rukh Alam

: Surmah Valley Tea Company Limited

C. K. Hyder

: Surmah Valley Tea Company Limited

A. F. Nesaruddin

: Surmah Valley Tea Company Limited

### Independent Directors

M. Abdul Wahed

Daud Khan Panni

### Ex- officio Director

Syed Ehsan Quadir, Managing Director

### Chief Financial Officer

Zafar Ullah Khan

### Company Secretary

Sharmi Noor Nahar



## MILESTONES

Incorporation and commenced operation	1989
Public issue and trading of shares on Dhaka Stock Exchange	1994
Commenced credit-sale financing operation	2005
Commenced public deposit mobilisation	2005
Commenced home loan operation	2007
Increased authorised capital	2011
Changed name from United Leasing Company Limited to United Finance Limited	2014

## Offices opened

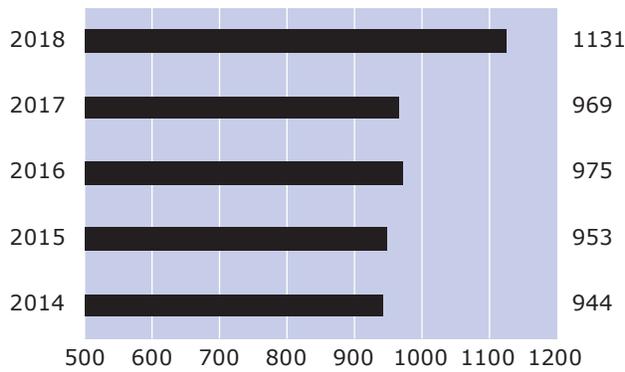
Chattogram, Agrabad	1994
Jashore, R.N. Road	2005
Gazipur, College Gate, Tongi	2006
Bogura, Borogola	2006
Sylhet, East Dargah Gate	2009
Belkuchi, Makundagati Bazar, Sirajgonj	2010
Rangpur, Station Road	2010
Chuadanga, Barabazar	2010
Bongshal, Siddique Bazar, North South Road	2011
Begumganj, Feni Road, Noakhali	2011
Barishal, Sadar Road	2011
Tejgaon, Gulshan-Tejgaon Link Road	2011
Rangamati, Banarupa	2012
Rajshahi, Saheb Bazar	2012
Khulna, Gagan Babu Road	2012
Mymensingh, Chotto Bazar	2013
Cox's Bazar, Main Road	2014
Dinajpur, South Munshipara	2014
Cumilla, Satipotti	2017
Pabna, Shalgaria	2017
Jinjira, Keranigonj	2018
Shyamoli, Mirpur Road	2018
Narsingdi, Pachdona	2018



## PERFORMANCE INDICATORS

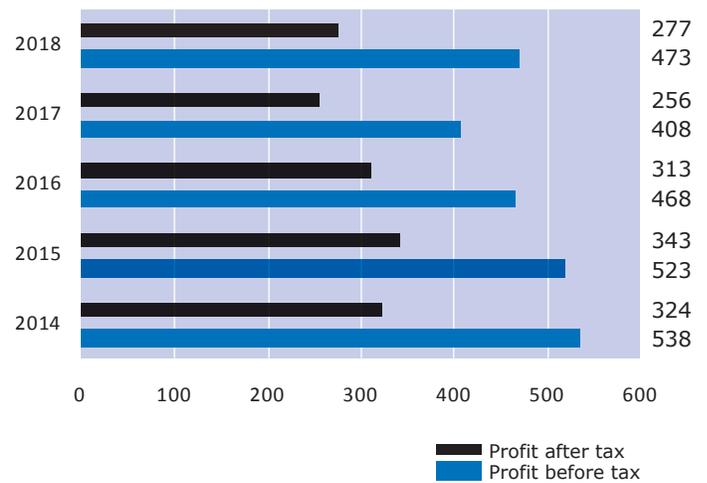
### Operating income

BDT in million



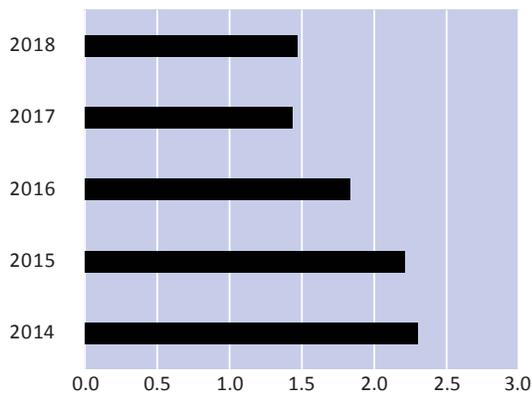
### Profit before & after tax

BDT in million



### Earnings per share (EPS)

Amount in BDT

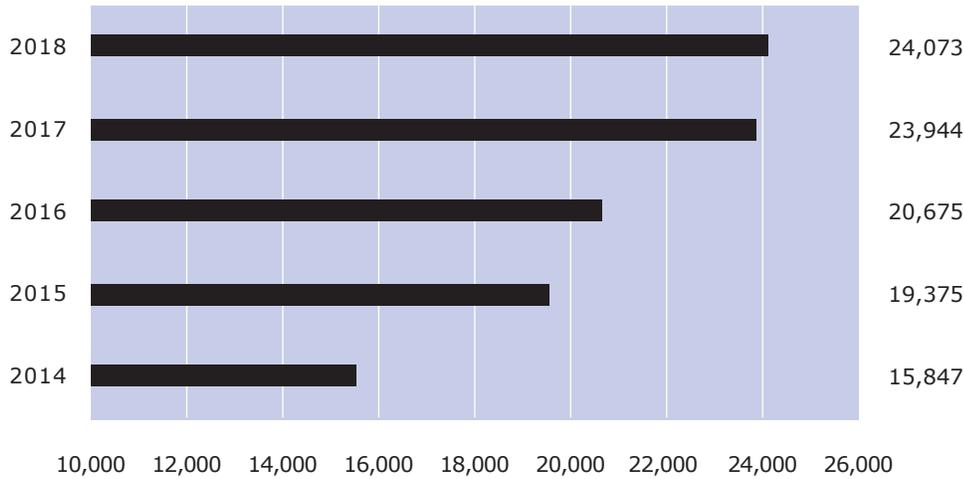




## PERFORMANCE INDICATORS

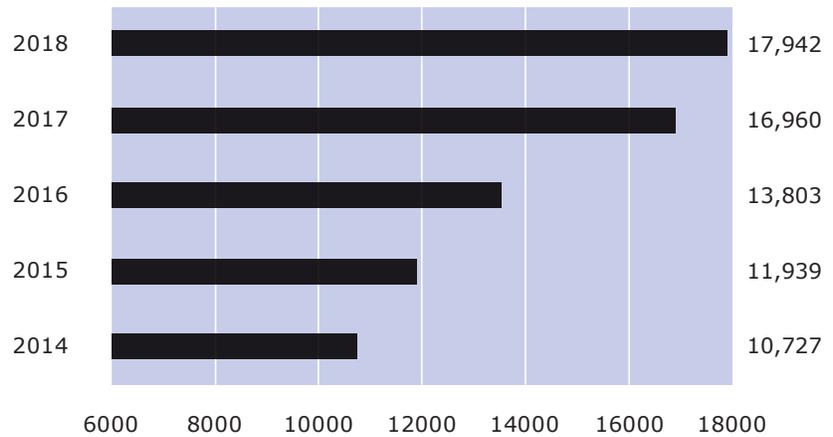
### Total assets

BDT in million



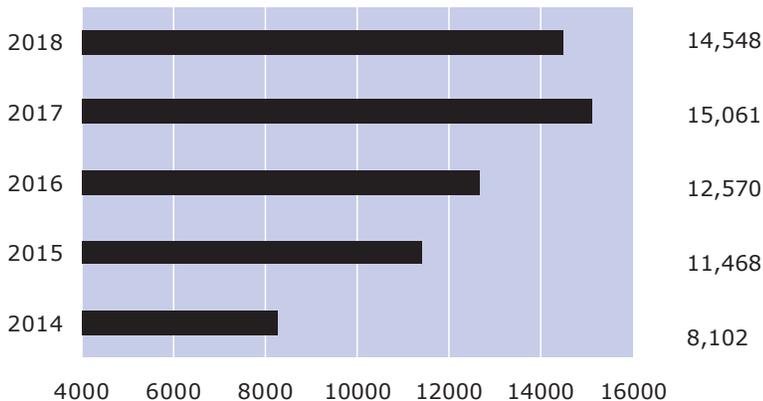
### Lease, loans and advances

BDT in million



### Term deposit

BDT in million

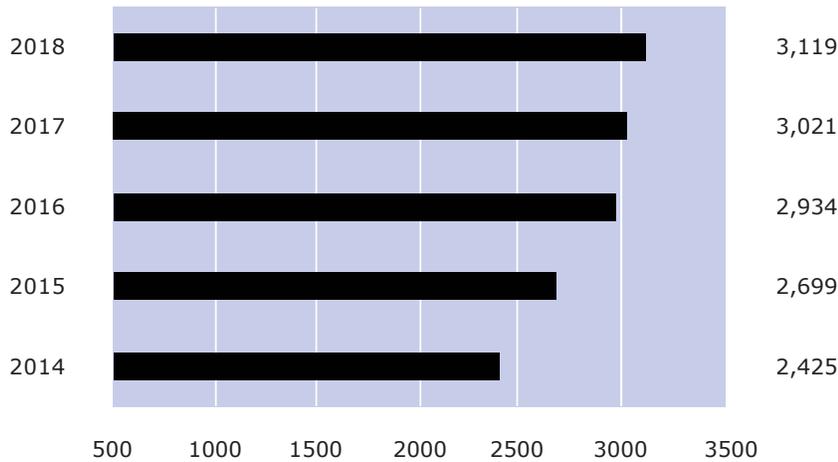




## PERFORMANCE INDICATORS

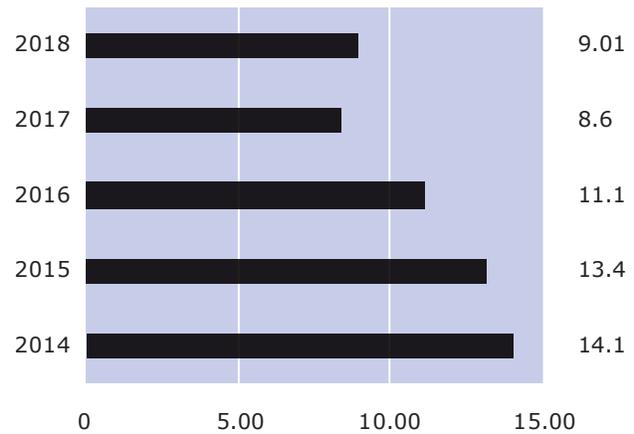
### Shareholder's equity

BDT in million



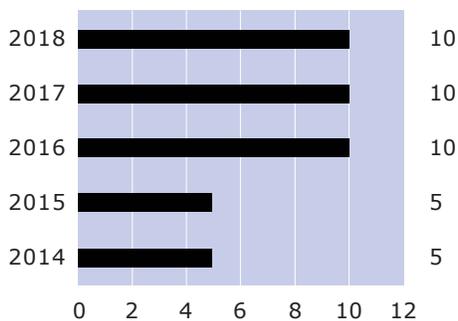
### Return on equity

In percentage



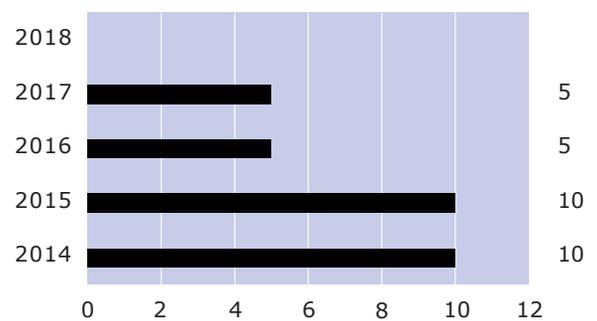
### Cash dividend

In percentage



### Stock Dividend

In percentage





**UNITED FINANCE LIMITED**Camellia House  
22 Kazi Nazrul Islam Avenue, Dhaka-1000**PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of United Finance Limited do hereby appoint

Mr. /Ms. \_\_\_\_\_

of \_\_\_\_\_

or (failing him/her) Mr. / Ms \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy, to vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on April 24, 2019 at 10:00 a.m. and at any adjournment thereof or at any ballot to be taken in consequence thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Revenue  
Stamp  
TK 20/-

Signature of Shareholder \_\_\_\_\_

Folio/BO ID No \_\_\_\_\_

No. of Shares \_\_\_\_\_

\_\_\_\_\_  
Signature of Proxy**N.B: IMPORTANT**

- (1) This Form of Proxy, duly completed, must be deposited at least 48 hours before the meeting at the Company's registered Office. Proxy is invalid if not signed and stamped as explained above.
- (2) Signature of the Shareholder should agree with the specimen Signature registered with the Company and depository register.

**UNITED FINANCE LIMITED**Camellia House  
22 Kazi Nazrul Islam Avenue, Dhaka-1000**ATTENDANCE SLIP**

I hereby record my attendance at the Thirtieth Annual General Meeting of the Company being held on Wednesday, April 24, 2019 at 10:00 a.m. at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka.

Name of Member/Proxy \_\_\_\_\_ Signature \_\_\_\_\_

Folio/BO ID No. \_\_\_\_\_ Date \_\_\_\_\_

N.B: i) Shareholders attending the meeting in person or by Proxy are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall.

ii) Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.

**N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 30<sup>th</sup> AGM .**



Registered Office: Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka 1000, Bangladesh  
Tel: 16354, Fax: +880-2-9662596, E-mail: [webmail@unitedfinance.com.bd](mailto:webmail@unitedfinance.com.bd), [www.unitedfinance.com.bd](http://www.unitedfinance.com.bd)