



**ANNUAL REPORT 2019**



# Annual Report 2019



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## NOTICE OF THE THIRTY FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty First Annual General Meeting (AGM) of the shareholders of United Finance Limited will be held on **Tuesday, July 21, 2020 at 4:00 p.m.** through a digital platform in accordance with the Bangladesh Securities and Exchange Commission (BSEC) Order SEC/SRMIC/04-231 dated March 24, 2020 to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2019.
2. To declare Dividend for 2019.
3. To elect Directors.
4. To consider the appointment of Statutory Auditors for the year 2020 and fix their remuneration.
5. To consider the appointment of Corporate Governance Compliance Auditors for the year 2020 and fix their remuneration.
6. To confirm appointment of the Independent Director.

By order of the Board

Sharmi Noor Nahar  
Company Secretary

Dated: Dhaka  
July 6, 2020

### Notes :

1. The Shareholders whose name appeared in the Members'/Depository Register on Record Date i.e., March 12, 2020 will be eligible to attend/participate and vote in the Annual General Meeting through digital platform and to receive Dividend.
2. A shareholder entitled to attend/participate and vote at the meeting may appoint a proxy to attend/participate and vote in his/her stead. The scanned copy of the proxy form duly affixed with a revenue stamp of Tk 20.00 must be e-mailed to [investor.relations@unitedfinance.com.bd](mailto:investor.relations@unitedfinance.com.bd) no later than 48 hours before the day of the Annual General Meeting.
3. The link for participating in the AGM through a digital platform will be notified to the e-mail addresses provided in the Beneficiary Owners (BO) account of the respective shareholders held with Depository Participant (DP).
4. Shareholders who changed/amended their e-mail addresses or opened new e-mail addresses after the Record Date are requested to e-mail the details to [investor.relations@unitedfinance.com.bd](mailto:investor.relations@unitedfinance.com.bd) along with full name, Folio/BO ID to receive the digital platform meeting invitation.
5. Full login/participation process to the digital platform meeting will also be available in the Company's website [www.unitedfinance.com.bd](http://www.unitedfinance.com.bd).
6. The soft form of Annual Report 2019 will be forwarded to the e-mail address of the shareholders available in their Beneficiary Owners (BO) account maintained with Depository Participant (DP). The Annual Report 2019 and proxy form will be available in the Company's website [www.unitedfinance.com.bd](http://www.unitedfinance.com.bd).



## CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors I welcome you all to the 31<sup>st</sup> 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 2019.

### Global Economic Performance

The cyclical slowdown of the global economy which started in 2018 continued into 2019 on the heels of the imposition and counter imposition of taxes between the two largest economies of the world (China and USA). That coupled with the initial impact of the Corona Virus crisis at end 2019 dampened the prospects of global value chain activities, private consumption and investment.

Average closing price for 1 barrel of Brent Crude priced at USD 69.42 during calendar year 2019 compared to USD 71.34 in the previous calendar year.

Increasing financial market volatility and rising risk premiums have contributed to the slowdown of global annualised GDP growth to around 3% compared to 3.6% in the previous calendar year. The emerging economies struggled at 3.8% growth compared to the projected 4.1% and the advanced economies marked a growth of 2% which is 0.1% higher than estimated.

Large emerging and developing economies experienced further intensification of capital outflows and pressure on exchange rate due to the continued strengthening of USD.

### Bangladesh Economic Performance

The Bangladesh economy experienced a GDP growth rate of 8.13% in FY 2019, supported by rising exports, infrastructural development and remittance. The inflation rate remained stable throughout the year; overall inflation stood at 5.47% in FY19, below the targeted 5.6%. The per capita national income increased by 11.4% and investment-GDP increased to 31.6% from 31.2% in the preceding fiscal year.

Exports grew by 10.1% in FY19 only to slow down to negative 7% during the first six months of FY20 due to stiffer global competition faced by RMG manufacturers/exporters. Imports growth also slowed down to 10% from over 25% in FY18. Remittances grew by 9.8% to USD 16.4 billion following improved government incentives. In FY19, FDI increased by 50.71% to USD 3.89 billion from USD 2.58 billion in the previous year primarily due to significant investment by Japan.

As the trade and service account deficit fell and remittances increased, the Current Account Deficit (CAD) and Balance of payment (BOP) improved significantly.

The fiscal deficit has reached to 4.6% of GDP in FY19 as expenditure increased and revenue collection remained below target. Total revenue collection in FY19 was BDT 2,239 billion which was 20% lower than the targeted BDT 2,800 billion. Poor revenue mobilisation compelled the government to borrow heavily from the financial sector; raising the Public Debt growth to 20% at the end of FY19.

Foreign exchange reserves declined slightly to USD 32.5 billion at the end of FY19 (6 months of import cover) from USD 32.9 billion. Due to strengthening of US dollar, Bangladesh Bank sold USD 2.3 billion in the foreign exchange market to stabilise the BDT/USD exchange rate. However, rising exports and strong remittances have offset foreign exchange reserve declines. At the end of CY19, the BDT/USD exchange rate increased to BDT 84.67 to the US Dollar.

### Financial Services Sector

Regulators has achieved growth and inflation targets for FY19 by facing adverse circumstances head on. This was achieved through controlled interest rates and modest growths in broad money of 9.9% against the targeted 12%.

However, several challenges remain that need to be addressed. Firstly, the financial sector has seen sustained double-digit NPL ratio since January 2018, ending at 11.69%, in FY19. This growth has pushed down bank spreads from 4.45% to 4.15%. Secondly, high public sector credit growth of 20%, against the growth target of 11% has raised concerns of crowding out private sector credit; given the low private sector credit growth of 12%, against a target of 16.5%.

Furthermore, the sector is also faced with liquidity problems as the growth in bank deposits has slowed to 9.95% in FY19, from 10.23% in FY18. Excess reserve balance with Bangladesh Bank above the minimum CRR and SLR requirement has fallen sharply from BDT 223 billion FY18 to BDT 139 billion at the end of FY19.

2019 also saw a dramatic increase in interest rates for 10-Year Treasury Bonds (from 7.53% to 9.15%) and 91-day Treasury Bill (from 2.18% to 5.82%).

### Company Performance

Earnings per Share (EPS) decreased from BDT 1.48 in 2018 to BDT 1.31 in 2019 and Net Asset Value (NAV) increased from BDT 16.67 in 2018 to BDT 16.98 in 2019.



The Company registered a 18.60% decline in operating revenue from 2018. This decline has contributed to a 11.60% decrease in the net profit due to adverse liquidity conditions which led to significantly lower disbursements of credit facilities.

## Business

### Deposit Products

Deposits from corporate entities, organisations and individuals increased by 0.32% from BDT 10.75 billion to BDT 10.78 billion whereas those from public institutions, banks and financial institutions shrank by 72.63% from BDT 3.80 billion to BDT 1.04 billion. The sourcing and retention of deposits was a major challenge for the financial industry in 2019 as liquidity crisis reached crisis level in 2019.

### Lease, Loans and Advances Products

The lease, loans and advances portfolio of the Company shrank by 16.5% from BDT 17.9 billion to BDT 14.9 billion over 2019. The asset portfolio consists of both short term revolving working capital and long term asset financing facilities.

### Cost Administration

The interest expense of the Company decreased by 1.9% and interest income decreased by 2.6%.

Salaries and allowances increased by 10.5% due to fresh recruitment of human resources in the deposit mobilisation area.

Rental expenses decreased by 50.53% due to implementation of IFRS-16 Leases (office rent).

In all, total operating costs increased by 8.7%.

### Risk Management

The risk management policies of the Company have been established in accordance with the Central Bank guidelines and are updated as such to identify and analyse risks as well as set fitting benchmarks to monitor and control various levels of risks.

Business and operational processes were further strengthened during the year to reflect the ever-increasing levels of credit, market and operational risks.

The Company continued to enhance the capacity of its human resources in 2019 by imparting role-specific in-house, local and foreign trainings.

The Research and Advisory capabilities of the Company were enhanced in order to produce more timely and reliable inputs for sound decision making.

Both Compliance and Internal Audit activities were bolstered by adopting more rigorous audit standards which have allowed the Board Audit Committee to exercise oversight over the activities of your Company.

### Sustainability Initiatives

The commitment of the Company to sustainable business practices is reflected in the sustainability report which is appended to this Annual Report and has been prepared in line with the global GRI standards.

### 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 has continued in its trajectory of steady growth (around 7.5%), controlled inflation (under 6%), moderate public debt (Debt-to-GDP ratio at around 30%) and resilience in economic performance.

The trend towards higher public sector credit and comparatively lower private sector credit growth which started in 2018 is expected to continue on to 2020.

Government borrowing through banks is expected to further tighten market liquidity. Moreover, the proposal to impose regulatory ceilings on lending and deposit rates may have an adverse impact on the business of banks and financial institutions.

The key challenge for your Company in 2020 will be to improve its performance in the face of tighter liquidity, global economic slowdown, more stringent regulation and shrinking interest rate margins. Therefore, achieving sustainable business results will be at the core of the strategy of the Company throughout the coming year.



### Acknowledgement

I wish to thank our valued customers, shareholders, 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,

A handwritten signature in black ink, appearing to read 'Imran Ahmed', written over a horizontal line.

Imran Ahmed  
Chairman of the Board



## BOARD OF DIRECTORS' REPORT

### Dear Shareholders:

We are pleased to submit herewith the 31<sup>st</sup> annual report of the Company together with the audited financial statements for the year ended December 31, 2019 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 2019.

### Financial results

The Company's before and after tax profit for the year 2019 were BDT 385 million and BDT 245 million compared to BDT 473 million and BDT 277 million respectively in the previous year.

The financial results are summarised below:

|   | 2019<br>BDT        | 2018<br>BDT        |
|---|--------------------|--------------------|
| Operating Income                        | 1,058,791,964      | 1,130,598,943      |
| Operating expenses and provision        | (673,445,126)      | (657,300,901)      |
| Profit before tax                       | 385,346,838        | 473,298,042        |
| Provision for taxation                  | (140,674,487)      | (196,530,029)      |
| Profit after tax                        | 244,672,351        | 276,768,013        |
| Retained earning brought forward        | 3,055,157          | 2,801,758          |
| Profit available for appropriation      | 247,727,508        | 279,569,771        |
| Appropriation:                          |                    |                    |
| Profit transferred to statutory reserve | 50,000,000         | 55,400,000         |
| Profit transferred to general reserve   | -                  | 34,000,000         |
| Proposed cash dividend                  | 187,114,614        | 187,114,614        |
| Un-appropriated profit carried forward  | 10,612,894         | 3,055,157          |
|   | <b>247,727,508</b> | <b>279,569,771</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 12, 2020 for the year ended December 31, 2019.

### Directors

As per Articles 154, 155 and 156 of the Articles of Association of the Company, Mr. Imran Ahmed representing Lawrie Group. PLC, Mr. L.H. Khan and Mr. A.F.M.M. Samad Choudhury representing United Insurance Company Limited will retire by rotation from the office and are eligible for re-election.

Mr. M. Hafizullah, Independent Director, passed away on April 24, 2019. We recall his presence in the Board of Directors and pray for the eternal peace of his soul. A new Independent Director, Mr. Mahbub Mustafizur Rahman was appointed in place of Late Mr. Hafizullah. A brief profile of Mr. Mahbub Mustafizur Rahman is shown in annexure-7. The matter will be placed before the shareholders in the Annual General Meeting for ratification.

### Managing Director

Mr. Syed Ehsan Quadir resigned as Managing Director from United Finance Limited on July 17, 2019 with effect from August 31, 2019. The Board placed on record its deep appreciation for his services during the past fourteen years and highlighted his immense contribution to the Company.

The Board appointed a new Managing Director, Mr. Kaiser Tamiz Amin for a period of three years with effect from September 1, 2019 to August 31, 2022 with Bangladesh Bank approval in accordance with FID Circular No. 2 dated March 25, 2015 issued by Bangladesh Bank.

### Statutory Auditors

A. Qasem & Co, Chartered Accountants who have served as Auditors of the Company for three consecutive years retire and are ineligible for re-appointment as per Bangladesh Bank and Bangladesh Securities and Exchange Commission rules. Therefore, a new auditor is required to be appointed by the shareholders for the year 2020 in the 31<sup>st</sup> Annual General Meeting.

The Board of Directors recommended the appointment of Nurul Faruk Hasan & Co., Chartered Accountants for the year 2020 and Bangladesh Bank has 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 2020 in the Annual General Meeting.

The Board of Directors recommended the appointment of Hoque Bhattacharjee Das & Co. for the year 2020. 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, seven (7) 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/approval 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 and BSEC Notification No. BSEC/CMRRCD/2009-193/3/Admin/104 dated February 5, 2020 is shown in annexure-7.

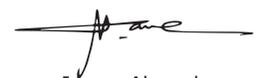
### Report on the Activities of Audit Committee

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, 2020

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

| Name of Directors             | Meetings attended |
|-------------------------------|-------------------|
| Mr. Imran Ahmed               | 7                 |
| Mrs. Susan Ann Walker         | 6                 |
| Mr. A. Rouf                   | 6                 |
| Mr. L. H. Khan                | 6                 |
| Mr. M.M. Alam*                | 4                 |
| Mr. C. K. Hyder               | 7                 |
| Mr. A.F. Nesaruddin           | 5                 |
| Mr. Mahbub Mustafizur Rahman* | 4                 |
| Mr. A.F.M.M Samad Choudhury   | 6                 |
| Mr. Kaiser Tamiz Amin**       | 2                 |

In all seven (7) Board meetings were held during 2019. Leave of absence was granted in all cases of non-attendance. \*Mr. M.M. Alam and \*Mr. Mahbub Mustafizur Rahman were appointed on April 9, 2019 and July 15, 2019 respectively. \*\*Mr. Kaiser Tamiz Amin was appointed as Managing Director with effect from September 1, 2019.

**Annexure-2****Shareholding pattern as at December 31, 2019****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       | 4,855,602        | 2.59          |
| 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 Lungla (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     | Chittagong 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. Khurshid Ara Rouf  | Wife of Mr. A. Rouf, Director               | 44,926           | 0.024         |
| Mrs. Shama Rukh Alam    | Wife of Mr. M.M. Alam, Independent Director | 19,473           | 0.010         |
| Mr. Kaiser Tamiz Amin   | 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 and above mentioned executives**

| Name                              | Status                    | Number of shares | % of holdings |
|-----------------------------------|---------------------------|------------------|---------------|
| Mr. Jamal Mahmud Choudhury        | General Manager           | -                | -             |
| Mr. Mohammed Abul Ahsan           | Deputy General Manager    | -                | -             |
| Mr. Md. Enayet Latif              | Deputy General Manager    | -                | -             |
| Mr. Fahad Rahman                  | Assistant General Manager | -                | -             |
| Mr. Md. Ashfaquul Haque Chowdhury | 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

|  |             | 2019         | 2018         | 2017         | 2016         | 2015         |
|--|-------------|--------------|--------------|--------------|--------------|--------------|
| <b>Operating Result</b>  |             |              |              |              |              |              |
| Net Operating Income   | MBDT        | 1,059        | 1,131        | 969          | 975          | 953          |
| Profit before tax  | MBDT        | 385          | 473          | 408          | 468          | 523          |
| Provision for tax  | MBDT        | 141          | 197          | 152          | 155          | 180          |
| Profit after tax   | MBDT        | 245          | 277          | 256          | 313          | 343          |
| <b>Balance Sheet</b>   |             |              |              |              |              |              |
| Total investment portfolio                                     | MBDT        | 14,989       | 17,942       | 16,960       | 13,803       | 11,939       |
| Total assets   | MBDT        | 21,730       | 24,073       | 23,944       | 20,675       | 19,375       |
| Financial liabilities  | MBDT        | 15,096       | 17,800       | 18,085       | 15,273       | 14,119       |
| Total Liabilities  | MBDT        | 18,553       | 20,953       | 20,923       | 17,741       | 16,676       |
| Shareholders' equity   | MBDT        | 3,177        | 3,119        | 3,021        | 2,934        | 2,699        |
| Shares outstanding   | MNos        | 187.11       | 187.11       | 178.20       | 169.72       | 154.29       |
| <b>Financial ratios</b>  |             |              |              |              |              |              |
| Debt-equity ratio <sup>1</sup>                                 | Times       | 5.8          | 6.7          | 6.9          | 6.0          | 6.2          |
| Return on equity <sup>2</sup>                                  | %           | 7.77         | 9.01         | 8.6          | 11.1         | 13.4         |
| Financial expenses coverage <sup>3</sup>                       | Times       | 1.25         | 1.30         | 1.35         | 1.43         | 1.50         |
| Provision on doubtful assets to total lease, loan and advances | %           | 3.0          | 2.7          | 2.5          | 3.0          | 3.9          |
| Net asset value per share (NAV)                                | BDT         | 16.98        | 16.67        | 16.95        | 17.29        | 17.49        |
| Earnings per share (EPS)                                       | BDT         | 1.31         | 1.48         | 1.44         | 1.84         | 2.22         |
| Cash dividend (per share)                                      | %           | 10.0         | 10.0         | 10.0         | 10.0         | 5.0          |
| Stock dividend (bonus share)                                   |             | -            | -            | 20:1         | 20:1         | 10:1         |
| <b>Number of offices</b>                                       | <b>Nos.</b> | <b>24</b>    | <b>24</b>    | <b>21</b>    | <b>19</b>    | <b>19</b>    |
| <b>Number of employees</b>                                     | <b>Nos.</b> | <b>516</b>   | <b>482</b>   | <b>452</b>   | <b>463</b>   | <b>468</b>   |
| <b>Restatements <sup>4</sup> :</b>                             |             |              |              |              |              |              |
| <b>EPS</b>   | <b>BDT</b>  | <b>1.31</b>  | <b>1.48</b>  | <b>1.37</b>  | <b>1.67</b>  | <b>1.83</b>  |
| <b>NAV</b>   | <b>BDT</b>  | <b>16.98</b> | <b>16.67</b> | <b>16.14</b> | <b>15.68</b> | <b>14.42</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 2019 and accordingly restated for the previous years.

## Income segments

| Segments                                       | 2019        | 2018        | Growth  |
|--|-------------|-------------|---------|
| Net Interest income from Long term activities  | 773,639,191 | 792,333,188 | -2.36%  |
| Net interest income from Short term activities | 262,718,803 | 306,290,407 | -14.23% |
| Investment income                              | 22,433,970  | 31,975,348  | -29.84% |



## 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 of 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 2019.

### 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 2019 over last year in the key operating and financial position indicators from the financial statements are discussed below:

|                       | Performance Indicators                              | 2019 over 2018 (%) | Explanations  |
|-----------------------|---|--------------------|---|
| Income Statement      | Interest income                                     | (2.57%)            | Decreased due to decrease in business portfolio.  |
|                       | Interest paid on deposits, borrowings, etc.         | (1.95%)            | Decreased due to encashment of large institutional deposits.  |
|                       | Investment income                                   | (27.31%)           | Decreased due to decrease in investment portfolio as a result of redemption of instalments.         |
|                       | Salaries and allowances                             | 10.50%             | Increased due to new recruitment and regular increments and promotions.                             |
|                       | Rent, rate and taxes                                | (50.53%)           | Decreased due to implementation of IFRS-16 Leases (office rent). Details in Note - 26.              |
|                       | Total provision for taxation                        | (28.42%)           | Decreased due to lower income and provision as well as write-off collection.                        |
|                       | EPS   | (11.60%)           | Decreased due to decrease in operating income and increase in operating expenses.                   |
| Balance Sheet- Assets | Lease, loans and advances                           | (16.46%)           | Decreased due to tight market liquidity and slowdown in disbursement of facilities.                 |
|                       | Investments   | (16.95%)           | Decreased as a result of redemption of instalments and no additional investments during the year    |
|                       | Balance with banks and other financial institutions | 14.96%             | Increased due to underutilisation of funds.   |
|                       | Fixed assets including furniture and fixtures       | 60.37%             | Increased due to implementation of IFRS-16 Leases (office rent). Details in Note -8 and Annexure A. |
|                       | Other Assets  | 9.41%              | Increased for payment of advance corporate tax.   |

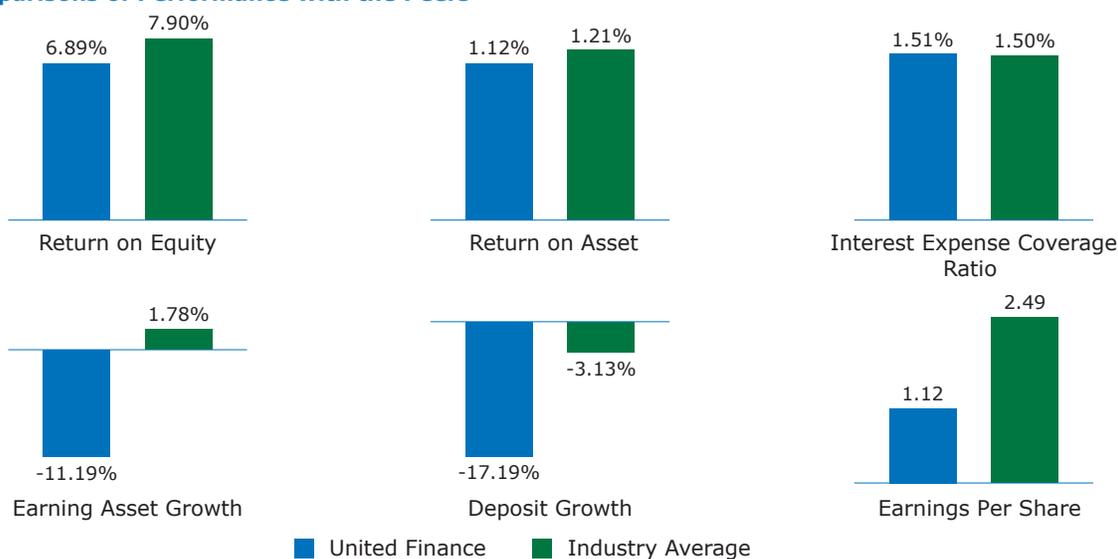


| Performance Indicators                               |   | 2019 over 2018 (%) | Explanations   |
|--|---|--------------------|--|
| Balance Sheet – Liabilities and Shareholders' Equity | Term Deposits   | (18.74%)           | Decreased due to encashment of large institutional deposits.   |
|  | Borrowing from banks, other financial institutions and agents | 4.85%              | Increased due to full utilization of secured overdraft facilities with Banks and slowdown of net receipt of refinancing. |
|  | Other Liabilities   | 9.63%              | Increased mainly due to increase in provision for taxation   |
|  | Paid-up Capital   | 0%                 | No movement since only cash dividend was paid in 2018.   |
|  | Statutory Reserve   | 6.03%              | Regular increase due to regulatory compliance.   |
|  | General Reserve   | 0%                 | No transfer made in 2019.  |

| Cash Flows (in million BDT) |                                      | FY19     | FY18       | Explanation  |
|-----------------------------|--------------------------------------|----------|------------|--|
| Cash Flows                  | Cash Flows from Operating Activities | 664.40   | (1,256.55) | Positive due to collection from written off clients and increase in accrued expenses and payables. |
|                             | Cash Flows from Investing Activities | 110.85   | 276.39     | Positive due to redemptions of investments in shares and commercial bonds.                         |
|                             | Cash Flows from Financing Activities | (333.51) | 271.06     | Negative due to repayment of refinance loans to Bangladesh Bank and dividend payment.              |

**4. Comparisons of Performance with the Peers**



All numbers presented above are based on Q3 2019 performance. As indicated, United Finance was above average in terms of Interest Coverage Ratio across the industry. During a volatile 2019, 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 2019 continued to slow down as a consequence of lingering trade issues between China and the USA, slower economic activities in the UK and the EU and worldwide geopolitical tensions.

The economic climate of the Asia-Pacific region has remained moderate despite the continuation of the global trade slowdown. The Asia-Pacific economy is expected to register moderate growth over next year absorbing the impact of food inflation and muted rise in public and private debt.



## 5.2 Financial and Economic Overview of Bangladesh

### 5.2.1 Economic Overview

Bangladesh registered a GDP growth rate of 8.13% in FY19 up from 7.86% in the preceding year. The growth acceleration in FY19 reflects better performance in agricultural, manufacturing and service sector than previous year. Gross savings rate increased to 29.5% from the 27.4% growth in the previous year.

The investment to GDP ratio increased slightly to 31.6% in FY19, from 31.23% in the previous fiscal year indicating investor confidence in the economy. The involvement of the private sector in development projects through Public Private Partnership (PPP) initiatives fuelled investment. The inflation level continued to remain on the lower side at 5.47% in FY19 against the targeted 5.6%. Despite high GDP growth, inflation remained low reflecting the effectiveness of both fiscal and monetary policies. Consequently, Bangladesh was able to bring down the poverty rate to 20.5% in FY 19 compared to 21.8% in the previous fiscal year.

Revenue receipts posed a greater concern. Total revenue collection at the end of FY19 was BDT 2,238.9 billion which was 20% lower than the targeted BDT 2,800.6 billion. Due to the shortfall in revenue receipts, government borrowing increased significantly. In the first five months of FY20, the government had already borrowed 92% of its full-year target from the banking sector.

In FY19, Balance of payment (BOP), the Current Account Deficit (CAD) and the trade balance all improved significantly as exports grew faster and import growth dropped significantly. Exports have risen by 10.1% on the back of the garments industry. Garments industry exports grew at 11.5% in FY19 and accounted for almost 80% of the export basket. On the other hand, import grew at just over 10% in FY19, compared to over 25% in FY18. Moreover, in FY 19, remittance inflow increased by 9.8% to USD 16.4 billion following the government incentive. The foreign exchange reserves stood at USD 31.72 billion at the end of CY 2019 down from USD 32.02 billion last year.

DSEX closed at 4452.93 points or 17.31% less than in the previous year and the stock market in general performed sluggishly in CY19.

### 5.2.2 Financial Sector Overview

Financial sector continued to face liquidity pressure in FY19 despite the increase in the minimum Loan to Deposit Ratio by Bangladesh Bank which was intended to increase the cash flow to the economy to bring down the lending rate and stimulate private credit growth.

Monetary policy continued to remain expansionary to accommodate growth demand by keeping inflation in check. Banks and financial institutions acted in line with the monetary policy strategy which was drawn to keep the inflation level below 5.6%. The Central Bank continued its efforts to ensure funds were allocated to historically underserved industries.

The Central Bank adopted multiple initiatives to support the liquidity position of banks, monitor bank exposure and bank investment in commercial paper. Amongst these, the opportunity for regularisation of the non-performing loans by payment of 2% of the outstanding balance at a single digit rate was significant. These policies were intended to combat the high non-performing loans in the financial sector. However, the industry NPL ratio reached 11.69% at the end of FY 19 from 10.41% last year.

In FY 19, private sector credit grew by 11.7% against the target of 16.5%. The poor private sector credit growth has been largely due to the burgeoning public credit growth which was 20% against the target of 11%. Government borrowing from the financial sector increased by 15% from the last financial year, largely owing to disappointing revenue mobilisation.

The weighted average lending rate of commercial banks decreased to 9.58% at the end of FY 19 from 9.95% in the previous year and deposit rate decreased to 5.43% from 5.50%. However, interest rate spread has decreased to 3.81% in FY19 from 4.45% in the previous year. Moreover, the cost of funds of NBFIs increased to 10.60% in FY 19 from 10.16% in FY18. Consequently, the price-driven competitive strategy amongst industry players continued in 2019.

The year 2020 promises to be more challenging as the Central Bank plans to introduce tougher restrictions on lending and deposit rates, which once implemented, will require a fundamental shift in lending and deposit taking activities and treasury management strategies by Banks and NBFIs.

## 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 has undertaken a stream of infrastructural initiatives which are expected to create investment prospects downstream. The Company has been persistently adapting itself to market changes to better serve existing customers and expand its customer base. With more intense competitive factors at play, your Company will work hard to strengthen its operational and technological infrastructure to help meet present and future customer expectations. Simultaneously, in line with the more stringent legal, regulatory and compliance environment, United Finance will continue to assess its changing risk environment and bring about appropriate changes to its policies, guidelines and standard operating procedures. Alongside these internal initiatives, channelling the most cost efficient funding sources to support sustainable business expansion will be the cornerstone of your Company's activities in 2020.

Sincerely yours,

Kaiser Tamiz Amin  
Managing Director



## Declaration by Managing Director and Chief Financial Officer

February 20, 2020

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, 2019.**

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, 2019 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, 2019 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,

Kaiser Tamiz Amin  
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**

### **Mr. Imran Ahmed**

Mr. Imran Ahmed, Chairman of Board of Directors of United Finance Limited represents Lawrie Group Plc. He is also CEO & Managing Director of Duncan Brothers (Bangladesh) Limited. In 2001, he joined Duncan Brothers group of companies and has been a Director in Surmah Valley Tea Co. Limited, The Lungla (Sylhet) Tea Co. Limited, The Allynugger Tea Co. Limited, Amo Tea Co. Limited, The Chandpore Tea Co. Limited, The Mazdehee Tea Co. Limited, Eastland Camellia Limited, Octavius Steel & Co. of BD Limited, Chittagong Warehouse Limited, Duncan Products Limited and Duncan Properties Limited.

Mr. Ahmed started his career at Tea Holdings Limited in 1975. He joined Grindlays Bank Limited in 1980 and in his more than 20 years' association with the Bank, he held various positions including being a member of Management Committee of the Bank. He is associated with Bangladesh Tea Association, British Business Group, Foreign Investors' Chamber of Commerce & Industry, International Chamber of Commerce, Metropolitan Chamber of Commerce and Industry, Bangladesh Employer's Federation, Federation of Bangladesh Chambers of Commerce & Industries, and Shippers' Council of Bangladesh. Mr. Ahmed graduated from the University of Dhaka.

### **Mr. L.H. Khan**

Mr. Lutful Hakim Khan is Director of National Brokers Limited. He has nearly 55 years experience in tea broking. He joined National Brokers in 1965, became its Managing Director in 2006 and was Chairman from 2010 to 2019. He represents United Insurance Company Limited on the Board of Directors of United Finance Limited and is a member of the Board Audit Committee. He is associated with various social activities and is actively involved in Bhatyari Golf and Country Club. Mr. Khan is a graduate from the University of Dhaka.

### **Mr. A.F.M.M. Samad Choudhury**

Mr. A.F.M.M. Samad Choudhury is a Mechanical Engineer, graduated in 1976 with advanced training on transport in Germany. In his early professional life, he worked in Navana Limited, Bangladesh Agricultural Development Corporation (BADC) and then in Bangladesh Railway. Mr. Samad is involved in procurement and operations in Duncan Group. He joined Duncan Group in 1991. Mr. Choudhury is a Fellow of the Institute of Engineers, Bangladesh and is an Executive Committee Member of Bangladesh Tea Association.

### **Mr. Mahbub Mustafizur Rahman**

Mr. Mahbub Mustafizur Rahman has over 34 years of experience in banking. He joined Bangladesh Shilpa Rin Sangstha (renamed BDBL) in 1976 and held various positions there over his 17 years stint. He then joined Pubali Bank Limited in 1994 and retired as its Deputy Managing Director in 2011. In addition to currently being an Independent Director of Aamra Networks Limited, he is associated with two well established training institutes, Pubali Bank Training Institute and Financial Excellence Limited. Mr. Rahman is an MBA from Institute of Business Administration (IBA), University of Dhaka.



## Report on the Activities of Audit Committee

During 2019, the Audit Committee discharged the following responsibilities:

- Met with the external Auditors for discussion on the Company's draft Audited Financial Statements for the year 2018;
- Reviewed the Company's draft financial statements for the year ended on December 31, 2018 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 2018;
- Advised the Board on appointment of external auditors for the year 2019 and their audit fee;
- Advised the Board on appointment of professional for certification on compliance of Corporate Governance for the year 2018 and 2019;
- Reviewed the quarterly reports on Risk Management Forum, Compliance, Internal Audit and System 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 auditor's for the year 2018 along with the management responses on the Company's internal control;
- Reviewed the report on compliance status of external auditor's management letter – 2018;
- Reviewed the Operational Guidelines on Internal Control and Compliance;
- Reviewed and approved the Compliance Calendar-2020;
- Reviewed the Lease/Loan Write Off cases;
- Reviewed Bangladesh Bank inspection report for the year 2018.

The Audit Committee comprised of:

| Sl. | Name                     | Status in the Company | Status with Committee | Educational qualification |
|-----|--------------------------|-----------------------|-----------------------|---------------------------|
| 1   | M. M. Alam               | Independent Director  | Chairman              | Chartered Accountant      |
| 2   | Mahbub Mustafizur Rahman | Independent Director  | Member                | MBA                       |
| 3   | L.H. Khan                | Director              | Member                | B.A.                      |
| 4   | C. K. Hyder              | Director              | Member                | M.Com, LL.B               |
| 5   | A.F.M.M Samad Choudhury  | Director              | Member                | Mechanical Engineer       |
| 6   | Sharmi Noor Nahar        | Company Secretary     | Secretary             | Chartered Secretary       |

The Audit Committee held four meetings during the year 2019. On invitation, Company's Managing Director, Deputy Managing Director, Chief Financial Officer (CFO), Head of Internal Audit and Compliance, Chief Risk Officer (CRO) and Head of Special Assets Management attended the meeting to meet the queries of the Audit Committee and take directives for improvement.

  
M. M. Alam  
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, 2019. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018 of the Bangladesh Securities and Exchange Commission.

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

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

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

- 1) 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;
- 2) 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;
- 3) Proper books and records have been kept by the Company as required under the Companies Act, 1994, the securities laws and other relevant laws;
- 4) The standard of governance in the Company is satisfactory.

Dhaka, March 8, 2020

Hoque Bhattacharjee Das & Co  
Chartered Accountants



**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 as per Annexure A  | ✓                 |              |         |
| 1.5 (xxvii)   | Certification by a practicing professional regarding compliance with Corporate Governance code and shall be disclosed in the Annual report as per Annexure B  | ✓                 |              |         |
| <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; | ✓   |              |                     |
| 5.5 (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  | ✓                 |              |         |
| 9.3           | As per Annexure C, 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 2019, 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 Company give a true and fair view of the balance sheet of the Company as at 31 December 2019, 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 judgment, were of most significance in the audit of the financial statements for 2019. 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.

| Key audit matters   | How the matters were addressed in our audit  |
|---|--|
| <b>01. 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, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end 2019 the Company reported total gross loans and advances BDT 14,989,346,647 (2018: BDT</p> | <p>Our procedures, in relation to the key audit matter described, included, among others:</p> <ul style="list-style-type: none"> <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> <li>● Reviewed quarterly classification of loans (CL);</li> <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</li> </ul> |



| Risk  | Our response to the risk   |
|---|--|
| <p>17,942,410,956) and provision for loans and advances BDT 452,415,760(2018: BDT 480,035,964).</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> <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>   | <p>the completeness and accuracy of the underlying information;</p> <ul style="list-style-type: none"> <li>● Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul>   |
| <b>02. Implementation of IFRS 16 Leases</b>   |  |
| <p>With reference to Note 2.11.4a to the financial statements, IFRS 16 Leases becomes effective for annual reporting beginning on or after 01 January 2019 which replaces the existing standard IAS 17 Leases. United Finance Limited decided to adopt the modified retrospective approach for the transition accounting. The application of the new lease standard resulted in the recognition, for the 01 January 2019 opening balance sheet, a right-of-use (ROU) asset at BDT 188,442,592 (net present value) and lease liabilities at BDT 168,191,694, the impact of the adaptation of the new standard is disclosed in Note 8 and 12.4 of the notes to the financial statements.</p> <p>We considered the implementation of IFRS 16 Leases as a key audit matter, since the balances recorded are material, management had to apply several judgments and estimates such as lease term, discount rates, measurement basis among others and undertake a significant data extraction exercise to summarize the lease data for input into their lease calculation model.</p> | <p>We obtained an understanding of the management's process for implementing IFRS 16 including financial controls designed by the management to mitigate the risks assessed by us independently. We tested those relevant controls and adopted a control rely strategy. Furthermore, to mitigate the inherent risk in this audit area, our audit approach included testing of the controls and substantive audit procedures, including:</p> <ul style="list-style-type: none"> <li>● Obtained and read the accounting policy for compliance with IFRS 16;</li> <li>● Obtained listing of all contracts from the management and tested the contracts on a sample basis for impact under IFRS 16. In respect of the contracts selected for testing;</li> <li>● Obtained and assess the borrowing rates;</li> <li>● Tested the assumptions used in the calculation model for the sample contracts selected for testing;</li> <li>● Performed test of details on a sample basis on different categories of lease for valuation of the right of use of asset and lease liability;</li> <li>● Assessed the disclosures within the financial statements.</li> </ul> |

**Other information**

Management is responsible for the other information. The other information comprises the director's reports, management discussion and analysis, statement of corporate governance, financial highlights, economic value-added statement (EVA), value added statement and certification on corporate governance but doesn't include the financial statements and our auditor's report. The director's reports, management discussion and analysis, statement of corporate governance, financial highlights, economic value added (EVA) statement, value added statement and certification on corporate governance are 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.

**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 judgment 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 thereof;
- (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  
20 February, 2020

  
A. Qasem & Co.  
Chartered Accountants


**BALANCE SHEET** as at 31 December, 2019

|  | Notes | 2019<br>BDT           | 2018<br>BDT           |
|--|-------|-----------------------|-----------------------|
| <b>PROPERTY AND ASSETS</b>   |       |                       |                       |
| <b>Cash</b>  |       |                       |                       |
|  | 3     |                       |                       |
| In hand  |       | 1,290,000             | 884,000               |
| Balance with Bangladesh Bank and its agent bank(s)                   |       | 299,485,200           | 266,228,532           |
|  |       | <b>300,775,200</b>    | <b>267,112,532</b>    |
| <b>Balance with banks and other financial institutions</b>           |       |                       |                       |
|  | 4     |                       |                       |
| In Bangladesh  |       | 3,520,942,167         | 3,062,864,083         |
| Outside Bangladesh   |       | -                     | -                     |
|  |       | <b>3,520,942,167</b>  | <b>3,062,864,083</b>  |
| <b>Money at call and short notice</b>                                |       |                       |                       |
|  | 5     | -                     | <b>50,000,000</b>     |
| <b>Investments</b>   |       |                       |                       |
|  | 6     |                       |                       |
| Government   |       | -                     | -                     |
| Others   |       | 719,063,714           | 865,778,573           |
|  |       | <b>719,063,714</b>    | <b>865,778,573</b>    |
| <b>Lease, loans and advances</b>                                     |       |                       |                       |
|  | 7     |                       |                       |
| Lease receivable   |       | 7,807,923,700         | 9,212,515,954         |
| Loans, cash credits, overdrafts, etc.                                |       | 7,181,422,947         | 8,729,895,002         |
|  |       | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
| <b>Fixed assets including land, building, furniture and fixtures</b> |       |                       |                       |
|  | 8     | 434,383,031           | 270,859,200           |
| <b>Other assets</b>  |       |                       |                       |
|  | 9     | 1,765,316,317         | 1,613,542,474         |
| <b>Non - financial institutional assets</b>                          |       |                       |                       |
|  |       | -                     | -                     |
| <b>Total assets</b>  |       | <b>21,729,827,076</b> | <b>24,072,567,818</b> |
| <b>LIABILITIES AND CAPITAL</b>                                       |       |                       |                       |
| <b>Liabilities</b>   |       |                       |                       |
| <b>Borrowing from banks, other financial institutions and agents</b> |       |                       |                       |
|  | 10    | 2,757,850,898         | 2,630,346,031         |
| <b>Deposits and other accounts</b>                                   |       |                       |                       |
|  | 11    |                       |                       |
| Current deposits   |       | -                     | -                     |
| Bills payable  |       | -                     | -                     |
| Savings bank deposits  |       | -                     | -                     |
| Term deposits  |       | 11,822,377,508        | 14,548,159,949        |
| Bearer certificates of deposit                                       |       | -                     | -                     |
| Other deposits   |       | 515,699,110           | 621,371,708           |
|  |       | <b>12,338,076,618</b> | <b>15,169,531,657</b> |
| <b>Other liabilities</b>   |       |                       |                       |
|  | 12    | 3,456,875,912         | 3,153,224,219         |
| <b>Total liabilities</b>   |       | <b>18,552,803,428</b> | <b>20,953,101,907</b> |
| <b>Capital / Shareholders' equity</b>                                |       |                       |                       |
|  | 13    | 1,871,146,140         | 1,871,146,140         |
| Paid-up capital  |       |                       |                       |
| Share premium  | 14    | 3,750,000             | 3,750,000             |
| Statutory reserve  | 15    | 879,400,000           | 829,400,000           |
| General reserve  | 16    | 225,000,000           | 225,000,000           |
| Retained earnings  | 17    | 197,727,508           | 190,169,771           |
| <b>Total Shareholders' equity</b>                                    |       | <b>3,177,023,648</b>  | <b>3,119,465,911</b>  |
| <b>Total liabilities and Shareholders' equity</b>                    |       | <b>21,729,827,076</b> | <b>24,072,567,818</b> |
| <b>Net asset value per share (NAV)</b>                               |       |                       |                       |
|  | 18    | <b>16.98</b>          | <b>16.67</b>          |
| <b>Restatement of NAV:</b>   |       |                       |                       |
|  |       | <b>3,177,023,648</b>  | <b>3,119,465,911</b>  |
| Net asset  |       |                       |                       |
| Number of outstanding shares (current year's)                        |       | <b>187,114,614</b>    | <b>187,114,614</b>    |
| NAV per share  |       | <b>16.98</b>          | <b>16.67</b>          |

**BALANCE SHEET** as at 31 December, 2019

|   | Notes | 2019<br>BDT       | 2018<br>BDT      |
|---|-------|-------------------|------------------|
| <b>OFF-BALANCE SHEET ITEMS</b>  |       |                   |                  |
| <b>Contingent liabilities</b>   |       |                   |                  |
|   | 19    |                   |                  |
| Acceptances and endorsements  |       | -                 | -                |
| Letters of guarantee  |       | 61,037,915        | 6,137,915        |
| Irrevocable letters of credit   |       | -                 | -                |
| Bills for collection  |       | -                 | -                |
| Other contingent liabilities  |       | -                 | -                |
|   |       | <b>61,037,915</b> | <b>6,137,915</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>61,037,915</b> | <b>6,137,915</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.

**Kaiser Tamiz Amin**  
Managing Director

**Mahbub Mustafizur Rahman**  
Director

**L. H. Khan**  
Director

**A. Rouf**  
Director

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

Dhaka, 20 February, 2020

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

**PROFIT AND LOSS ACCOUNT** for the year ended 31 December, 2019

|  | Notes | 2019<br>BDT          | 2018<br>BDT          |
|--|-------|----------------------|----------------------|
| <b>OPERATING INCOME</b>                          |       |                      |                      |
| Interest income                                  | 21    | 2,405,287,927        | 2,468,827,202        |
| Interest paid on deposits, borrowings, etc.      | 22    | (1,526,999,212)      | (1,557,342,134)      |
| <b>Net interest income</b>                       |       | <b>878,288,715</b>   | <b>911,485,068</b>   |
| Investment income                                | 23    | 80,947,907           | 111,367,176          |
| Commission, exchange and brokerage               |       | -                    | -                    |
| Other operating income                           | 24    | 99,555,342           | 107,746,699          |
| <b>Total operating income (A)</b>                |       | <b>1,058,791,964</b> | <b>1,130,598,943</b> |
| <b>OPERATING EXPENSES</b>                        |       |                      |                      |
| Salaries and allowances                          | 25    | 409,347,688          | 369,980,543          |
| Rent, taxes, insurance, electricity, etc.        | 26    | 26,769,110           | 54,115,542           |
| Legal expenses                                   | 27    | 13,784,031           | 9,078,444            |
| Postage, stamp, telecommunication, etc.          | 28    | 12,365,165           | 13,988,271           |
| Stationery, printing, advertisements, etc.       | 29    | 3,468,989            | 4,738,173            |
| Managing Director's salary and benefits          | 30    | 10,165,645           | 9,681,567            |
| Directors' fees                                  | 31    | 462,510              | 396,111              |
| Auditors' fees                                   | 32    | 460,000              | 345,000              |
| Charges on loan losses                           |       | -                    | -                    |
| Depreciation and repair of assets                | 33    | 77,041,850           | 51,394,946           |
| Other expenses                                   | 34    | 50,545,972           | 42,523,867           |
| <b>Total operating expenses (B)</b>              |       | <b>604,410,960</b>   | <b>556,242,464</b>   |
| <b>Profit before provision C=(A-B)</b>           |       | <b>454,381,004</b>   | <b>574,356,479</b>   |
| Provision for lease, loans and advances          | 35    | 69,034,166           | 101,058,437          |
| Provision for diminution in value of investments |       | -                    | -                    |
| Other provisions                                 |       | -                    | -                    |
| <b>Total provision (D)</b>                       |       | <b>69,034,166</b>    | <b>101,058,437</b>   |
| <b>Operating profit before taxes E=(C-D)</b>     |       | <b>385,346,838</b>   | <b>473,298,042</b>   |
| <b>PROVISION FOR TAXATION</b>                    |       |                      |                      |
| Current Tax                                      | 36    | 136,890,547          | 193,727,897          |
| Deferred Tax                                     | 36    | 3,783,939            | 2,802,132            |
| <b>Total provision for taxation (F)</b>          |       | <b>140,674,487</b>   | <b>196,530,029</b>   |
| <b>Net profit after taxation (E-F)</b>           |       | <b>244,672,351</b>   | <b>276,768,013</b>   |
| <b>Appropriations</b>                            |       |                      |                      |
| Statutory reserve                                | 15    | 50,000,000           | 55,400,000           |
| General reserve                                  | 16    | -                    | 34,000,000           |
| Dividends, etc.                                  |       | -                    | -                    |
|  |       | 50,000,000           | 89,400,000           |
| <b>Retained surplus</b>                          |       | <b>194,672,351</b>   | <b>187,368,013</b>   |
| <b>Earnings per share (EPS)</b>                  | 37    | <b>1.31</b>          | <b>1.48</b>          |

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

  
**Kaiser Tamiz Amin**  
 Managing Director

  
**Mahbub Mustafizur Rahman**  
 Director

  
**L. H. Khan**  
 Director

  
**A. Rouf**  
 Director

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

Dhaka, 20 February, 2020

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

**CASH FLOW STATEMENT** for the year ended 31 December, 2019

|  | Notes      | 2019<br>BDT          | 2018<br>BDT            |
|--|------------|----------------------|------------------------|
| <b>A) Cash flows from operating activities</b>   |            |                      |                        |
| Interest receipts  |            | 2,450,257,717        | 2,500,907,607          |
| Interest payments  |            | (1,547,975,334)      | (1,563,268,942)        |
| Dividend receipts  |            | 26,854,392           | 40,609,013             |
| Amount realised from written off clients   | 7.7 (xi) d | 67,471,244           | 14,241,563             |
| Payments to employees  |            | (423,077,096)        | (364,674,663)          |
| Payments to suppliers  |            | (290,408,741)        | (357,252,320)          |
| Income taxes paid  | 9.3        | (173,441,638)        | (149,054,792)          |
| Receipts from other operating activities   | 38         | 100,021,908          | 106,224,937            |
| Payments for other operating activities  | 39         | (110,240,864)        | (111,023,535)          |
| <b>Cash generated from operating activities before changes in operating assets and liabilities</b> |            | <b>99,461,588</b>    | <b>116,708,868</b>     |
| <b>Increase / (decrease) in operating assets and liabilities</b>                                   |            |                      |                        |
| Lease, loans and advances to customers   |            | 2,977,920,102        | (952,978,828)          |
| Other assets   |            | 5,708,325            | (2,899,002)            |
| Right-of-use assets  |            | (188,442,592)        | -                      |
| Term and other deposits  |            | (2,831,455,039)      | (440,036,289)          |
| Accrued expenses and payables  |            | 43,342,165           | 27,919,935             |
| Net draw down/(payment) of short term loan   |            | 277,646,530          | (260,727,316)          |
| Interest suspense  |            | (10,062,645)         | (95,030)               |
| Deferred liability-employees gratuity  |            | (1,934,596)          | 5,261,945              |
| Other liabilities  |            | 292,211,925          | 250,299,680            |
|  |            | 564,934,175          | (1,373,254,905)        |
| <b>Net cash from operating activities</b>  |            | <b>664,395,763</b>   | <b>(1,256,546,037)</b> |
| <b>B) Cash flows from investing activities</b>   |            |                      |                        |
| Investment in shares   |            | (100,639,620)        | -                      |
| Redemption/sale of shares  |            | 121,354,479          | 129,793,878            |
| Redemptions of commercial bond   |            | 126,000,000          | 185,250,000            |
| Purchase of fixed assets   |            | (39,629,460)         | (41,780,805)           |
| Proceeds from sale of fixed assets   |            | 3,767,915            | 3,122,477              |
| <b>Net cash from investing activities</b>  |            | <b>110,853,313</b>   | <b>276,385,550</b>     |
| <b>C) Cash flows from financing activities</b>   |            |                      |                        |
| Receipts of long term loan   |            | 382,136,515          | 881,391,747            |
| Repayments of long term loan   |            | (532,278,177)        | (465,311,203)          |
| Dividend paid  |            | (183,366,662)        | (145,017,591)          |
| <b>Net Cash from financing activities</b>  |            | <b>(333,508,324)</b> | <b>271,062,953</b>     |
| D) Net increase in cash and cash equivalents (A+B+C)   |            | 441,740,752          | (709,097,534)          |
| E) Effects of exchange rate changes on cash and cash equivalents                                   |            | -                    | -                      |
| F) Cash and cash equivalents at beginning of the year  |            | 3,379,976,615        | 4,089,074,149          |
| <b>G) Cash and cash equivalents at end of the year (D+E+F)</b>                                     |            | <b>3,821,717,367</b> | <b>3,379,976,615</b>   |
| <b>Cash and cash equivalents at end of the year</b>  |            |                      |                        |
| Cash in hand   |            | 1,290,000            | 884,000                |
| Balance with Bangladesh Bank and its agent bank(s)   |            | 299,485,200          | 266,228,532            |
| Balance with banks and other financial institutions  |            | 3,520,942,167        | 3,062,864,083          |
| Money at call and short notice   |            | -                    | 50,000,000             |
|  |            | <b>3,821,717,367</b> | <b>3,379,976,615</b>   |
| <b>Net operating cash flows per share</b>  |            | <b>3.55</b>          | <b>(6.72)</b>          |

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

  
Kaiser Tamiz Amin  
Managing Director

  
Mahbub Mustafizur Rahman  
Director

  
L. H. Khan  
Director

  
A. Rouf  
Director

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

Dhaka, 20 February, 2020

  
A. Qasem & Co.  
Chartered Accountants

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December, 2019

(Amount in BDT)

| Particulars   | Paid-up capital      | Share premium    | Statutory reserve  | General reserve    | Retained earnings  | Total                |
|---|----------------------|------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Balance as at 01 January, 2018</b>                       | <b>1,782,043,950</b> | <b>3,750,000</b> | <b>774,000,000</b> | <b>255,000,000</b> | <b>206,108,343</b> | <b>3,020,902,293</b> |
| Cash dividend paid for the year 2017                        | -                    | -                | -                  | -                  | (178,204,395)      | (178,204,395)        |
| Issuance of bonus share for the year 2017                   | 89,102,190           | -                | -                  | -                  | (89,102,190)       | -                    |
| Net profit after tax for the year 2018                      | -                    | -                | -                  | -                  | 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>3,750,000</b> | <b>829,400,000</b> | <b>225,000,000</b> | <b>190,169,771</b> | <b>3,119,465,911</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 2018                   | -                    | -                | -                  | -                  | -                  | -                    |
| Cash dividend for the year 2018                             | -                    | -                | -                  | -                  | (187,114,614)      | (187,114,614)        |
| Net profit after taxation for the year                      | -                    | -                | -                  | -                  | 244,672,351        | 244,672,351          |
| Movement of general reserve                                 | -                    | -                | -                  | -                  | -                  | -                    |
| Appropriation made during the year                          | -                    | -                | 50,000,000         | -                  | (50,000,000)       | -                    |
| <b>Balance as at 31 December, 2019</b>                      | <b>1,871,146,140</b> | <b>3,750,000</b> | <b>879,400,000</b> | <b>225,000,000</b> | <b>197,727,508</b> | <b>3,177,023,648</b> |

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

  
**Kaiser Tamiz Amin**  
 Managing Director

  
**Mahbub Mustafizur Rahman**  
 Director

  
**L. H. Khan**  
 Director

  
**A. Rouf**  
 Director

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

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

Dhaka, 20 February, 2020





**LIQUIDITY STATEMENT** as at 31 December, 2019  
(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  | 1,290,000            | -                    | -                    | -                    | -                    | 1,290,000             |
| Balance with Bangladesh Bank and its agent bank(s)                              | 299,485,200          | -                    | -                    | -                    | -                    | 299,485,200           |
| Balance with banks and other financial institutions                             | 393,942,167          | 1,727,000,000        | 1,400,000,000        | -                    | -                    | 3,520,942,167         |
| Money at call and short notice  | -                    | -                    | -                    | -                    | -                    | -                     |
| Investments   | 8,558,139            | 30,219,350           | 201,095,409          | 464,190,817          | 15,000,000           | 719,063,714           |
| Leases, loans and advances  | 1,374,823,378        | 1,459,976,312        | 5,472,768,542        | 5,871,783,066        | 809,995,349          | 14,989,346,647        |
| Fixed assets including land, building, furniture and fixtures                   | 5,082,371            | 10,116,899           | 42,899,454           | 175,620,618          | 200,663,689          | 434,383,031           |
| Other assets  | 3,511,572            | 49,797,269           | 217,771,049          | 123,298,172          | 1,370,938,256        | 1,765,316,317         |
| <b>Total assets (A):</b>  | <b>2,086,692,828</b> | <b>3,277,109,830</b> | <b>7,334,534,452</b> | <b>6,634,892,673</b> | <b>2,396,597,294</b> | <b>21,729,827,076</b> |
| <b>Liabilities:</b>   |                      |                      |                      |                      |                      |                       |
| Borrowings from Bangladesh Bank, other banks, financial institutions and agents | 1,204,305,373        | 181,507,180          | 760,282,927          | 579,362,784          | 32,392,634           | 2,757,850,898         |
| Term deposits   | 1,567,425,570        | 2,286,208,627        | 6,100,279,843        | 1,817,107,112        | 51,356,356           | 11,822,377,508        |
| Other deposits  | 48,868,245           | 51,895,015           | 194,530,147          | 199,013,869          | 21,391,833           | 515,699,110           |
| Other liabilities   | 166,355,261          | 102,478,949          | 849,188,287          | 1,947,784,124        | 391,069,291          | 3,456,875,912         |
| <b>Total liabilities (B):</b>   | <b>2,986,954,449</b> | <b>2,622,089,771</b> | <b>7,904,281,203</b> | <b>4,543,267,890</b> | <b>496,210,115</b>   | <b>18,552,803,428</b> |
| <b>Net liquidity gap (A - B):</b>   | <b>(900,261,621)</b> | <b>655,020,058</b>   | <b>(569,746,751)</b> | <b>2,091,624,783</b> | <b>1,900,387,180</b> | <b>3,177,023,648</b>  |

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

  
**Kaiser Tamiz Amin**  
Managing Director

  
**Mahbub Mustafizur Rahman**  
Director

  
**L. H. Khan**  
Director

  
**A. Rouf**  
Director

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Dhaka, 20 February, 2020



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December, 2019

### 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 dematerialized 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.

### 2.00 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 and subsequently the Financial Reporting Council (FRC) has been formed but yet to issue financial reporting standards for public interest entities such as non-banking financial institutes. Hence International Financial Reporting Standards (IFRSs) as adopted 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 (IFRSs) and the requirements of the Financial Institutions Act, 1993, the rules and regulations issued by Bangladesh Bank (BB), the Companies Act, 1994. In case of any requirement of the Financial Institutions Act, 1993 and regulations & circulars issued by Bangladesh Bank differ with those of IFRSs, 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 69.03 million has been charged as incremental provision for lease, loans and advances for 2019. As at 31 December 2019 accumulated provision for lease, loans and advances stand at BDT 452.42 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 2019 and corresponding year 2018 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 112.35 million from BDT 122.42 million resulting decrease of BDT 10.07 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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;
- 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 2019 and corresponding year 2018 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 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, income and expenses. It also requires disclosure of contingent assets and liabilities as at the date of the financial statements. The estimate and assumptions are based on previous experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and the revisions to accounting estimates are recognised in the period in which the estimates are revised.

## 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 2020.

## 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 has been prepared as per guidelines of DFIM Circular No. 11 dated 23 December 2009 of Bangladesh Bank.

## 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 IFRS 16: 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 comprises 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

#### *Recognition*

The Company recognises financial assets in its financial statements when, and only when, the entity becomes a party to the contractual position of the instrument.

#### *Classification*

The Company classifies financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

#### *Subsequent measurement*

Investment in quoted and unquoted shares are revalued at the end of each reporting period at market price and are compared with book value. Provisions are made for any loss arising from diminution in value of the investment. In case of any unrealised gain, no such gain is recognised in order to comply with FID circular of Bangladesh Bank.

### 2.11.4a Accounting for leases for office rent (IFRS-16)

United Finance, as a lessee, recognises a right-of-use (ROU) asset representing its right to use of the underlying leased assets and corresponding lease liability representing its obligation to make lease payments for office rent agreements with effect from 01 January 2019. The ROU asset and lease liability are recognised in the financial statements considering the incremental borrowing rate.

The ROU asset is depreciated using the straight line method from the beginning to the end of useful life of the ROU asset or end of the lease term, note reference number 8.

The lease liability is initially measured at the present value of the lease payments that are adjusted for monthly payments. Lease payments are recorded to Profit and Loss account as depreciation and finance charges, note reference numbers 12, 22 & 33.

The ROU asset and lease liability will be re-measured when there is a change in future lease payments arising from a change in borrowing rate and corresponding adjustments will be recorded.



### 2.11.5 Fixed assets and depreciation

#### *Recognition*

The cost of an item of fixed assets is recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The cost comprises 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 are 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 assets acquired under lease are 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 shall be used as follows:

|                      |   |
|----------------------|---|
| Furniture & Fixture  | 12.50%  |
| Office Equipment     | 15.00%  |
| Electrical Equipment | 20.00%  |
| Motor Vehicle        | 20.00%  |
| Office Space         | 2.50%   |
| Right-of-use assets  | Different rates are charged on assets based on respective agreement tenures |

#### *Derecognition*

An item of fixed assets 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. The gain or loss on de-recognition of a fixed asset is recognised in the profit and loss account.

### 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

Tax expenses comprise current tax and deferred tax.

##### *Current tax*

Provision for current tax has been made on taxable business income @ 37.5% considering allowable expenses and @ 20% on dividend income as per Income Tax Ordinance 1984.

##### *Deferred tax*

Deferred taxation is provided using the balance sheet approach for all temporary differences arising between tax bases of assets and liabilities and their carrying amounts 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 @ 37.5% 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 benefits

Salaries, bonuses, allowances and non-monetary benefits are recognised as an expense when associated services are rendered by the employees of the Company.

#### Defined contribution plans

The Company operates a contributory Provident Fund for its permanent employees. The Provident Fund is administered by the Board of Trustees and is funded by equal contributions both by the permanent employees and the Company @10% of basic salary of the employees. The Company recognises the contribution to the defined benefit plan as an expense when associated services are rendered by employees in exchange for those contributions.

#### Defined benefit plans

The Company operates a funded Gratuity Scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of five years continuous service with the Company. Length of service is counted from the date of joining. Provision is made for the Gratuity Scheme in each month considering the employee's length of service, basic salary and applicable rate as per Gratuity Fund Rules. Provision for Gratuity Scheme is accounted for as an expense under salaries and allowances.

#### Other employee benefits

The Company operates a group life insurance scheme for its permanent employees. The premium of insurance scheme is accounted for as expenses in the financial year in which the associated services are rendered by the employees.

### 2.12.5 Contingent liabilities and contingent assets

The contingent liabilities and contingent assets 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

Lease income, that is 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 investments in equity shares is recognised during the period in which they are declared in the Annual General Meeting irrespective of receipt. 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 an accrual basis taking into account the principal outstanding and the effective rate over period of maturity.

### 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 fixed assets and intangible assets are reviewed at each reporting 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 with its related parties. Parties are considered as 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 has been shown on the face of profit and loss account and computation is stated in note - 37.

### 2.16 Events after the reporting period

The financial statements were authorised for issue on 20 February 2020 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 (10%) in its Board meeting held on 20 February 2020. The proposed dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting (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 Risk Management Forum is responsible for identifying operational risks and take steps to mitigate such risks. The Forum Comprises of the Managing Director, Chief Operations Officer, Chief Financial Officer, Chief Business Officer, Chief Customer Service Officer, Head of Credit and Head of Internal Control & Compliance. The Forum 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 compromising control. The re-engineered process is documented and disseminated among the stakeholders of the process. To ensure checks and balances, 'maker and checker' concept is implemented at every step of the operational processes. Also appropriate training is arranged 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.



|   | 2019<br>BDT          | 2018<br>BDT          |
|---|----------------------|----------------------|
| <b>3 Cash</b>   |                      |                      |
| Cash in hand (note-3.1)   | 1,290,000            | 884,000              |
| Balance with Bangladesh Bank and its agent bank(s) (note-3.2)   | 299,485,200          | 266,228,532          |
|   | <b>300,775,200</b>   | <b>267,112,532</b>   |
| <b>3.1 Cash in hand</b>   |                      |                      |
| In local currency   | 1,290,000            | 884,000              |
| In foreign currency   | -                    | -                    |
|   | <b>1,290,000</b>     | <b>884,000</b>       |
| <b>3.2 Balance with Bangladesh Bank and its agent bank(s)</b>   |                      |                      |
| In local currency (with Bangladesh Bank)  | 299,485,200          | 266,228,532          |
| Sonali Bank as agent of Bangladesh Bank (local currency)  | -                    | -                    |
|   | <b>299,485,200</b>   | <b>266,228,532</b>   |
| <b>3.3 Statutory deposits</b>   |                      |                      |
| <b>Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)</b>   |                      |                      |
| 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 and DFIM circular no. 01 dated 12 January 2017.   |                      |                      |
| 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 Bangladesh Bank, other Banks and Financial Institutions. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below: |                      |                      |
| <b>a) Cash Reserve Requirement (CRR)</b>  |                      |                      |
| Actual reserve maintained (note-3.2)  | 299,485,200          | 266,228,532          |
| Required reserve (2.5% on Public deposits)  | 295,059,947          | 262,145,070          |
| Surplus   | <b>4,425,253</b>     | <b>4,083,462</b>     |
| Surplus reserve is maintained for Bangladesh Bank refinance installment payment.  |                      |                      |
| <b>b) Statutory Liquidity Reserve (SLR)</b>   |                      |                      |
| Required reserve (5% on average total liabilities)  | 728,957,786          | 662,205,901          |
| Actual reserve maintained including CRR (note-3.4)  | 3,821,717,367        | 3,329,976,615        |
| Surplus   | <b>3,092,759,581</b> | <b>2,667,770,714</b> |
| The surplus for SLR mostly comprises of interest earnings deposits are maintained as FDR (Lien) BDT 1,920 million against secured overdraft & short term credit facility, BDT 1,173 million as short term placement are maintained with different Banks and Financial Institutions.   |                      |                      |
| <b>3.4 Actual reserve maintained (including CRR)</b>  |                      |                      |
| Cash in hand  | 1,290,000            | 884,000              |
| Balance with Bangladesh Bank and its agent bank(s)  | 299,485,200          | 266,228,532          |
| Balance with banks and other financial institutions (note-4)  | 3,520,942,167        | 3,062,864,083        |
|   | <b>3,821,717,367</b> | <b>3,329,976,615</b> |
| <b>4 Balance with banks and other financial institutions</b>  |                      |                      |
| In Bangladesh (note-4.1)  | 3,520,942,167        | 3,062,864,083        |
| Outside Bangladesh  | -                    | -                    |
|   | <b>3,520,942,167</b> | <b>3,062,864,083</b> |



4.1 In Bangladesh

**Current deposits**

Nationalised Commercial Bank  
Private Commercial Bank  
Foreign Commercial Bank

**Short-term deposit (STD)**

Private Commercial Bank  
Foreign Commercial Bank

**Fixed deposits**

Private Commercial Bank  
Foreign Commercial Bank  
Financial Institutions

|  | 2019<br>BDT          | 2018<br>BDT          |
|--|----------------------|----------------------|
|  |                      |                      |
|  | 263,381              | 27,253               |
|  | 139,094,465          | 135,636,613          |
|  | 467,076              | 9,072,235            |
|  | <b>139,824,922</b>   | <b>144,736,101</b>   |
|  |                      |                      |
|  | 146,888,234          | 90,880,955           |
|  | 42,229,011           | 2,247,027            |
|  | <b>189,117,245</b>   | <b>93,127,982</b>    |
|  |                      |                      |
|  | 2,370,000,000        | 2,420,000,000        |
|  | 100,000,000          | 100,000,000          |
|  | 722,000,000          | 305,000,000          |
|  | <b>3,192,000,000</b> | <b>2,825,000,000</b> |
|  | <b>3,520,942,167</b> | <b>3,062,864,083</b> |

4.2 Maturity grouping of balance with banks and other financial institutions

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

|  |                      |                      |
|--|----------------------|----------------------|
|  | 333,942,167          | 144,736,101          |
|  | 60,000,000           | 318,127,982          |
|  | 1,727,000,000        | 1,725,000,000        |
|  | 970,000,000          | 360,000,000          |
|  | 430,000,000          | 515,000,000          |
|  | -                    | -                    |
|  | -                    | -                    |
|  | <b>3,520,942,167</b> | <b>3,062,864,083</b> |

5 Money at call and short notice

IDLC Finance Limited

|  |          |                   |
|--|----------|-------------------|
|  | -        | 50,000,000        |
|  | <b>-</b> | <b>50,000,000</b> |

6 Investments

Investment classified as per nature

**a) Government securities:**

National investment bonds  
Bangladesh Bank bills  
Government bonds  
Prize bonds

|  |   |   |
|--|---|---|
|  | - | - |
|  | - | - |
|  | - | - |
|  | - | - |
|  | - | - |

**b) Other investment:**

Investment in ordinary shares (Notes 6.1)  
Investment in preference shares (Notes 6.2)  
Investment in bonds (Notes 6.3)

|  |                    |                    |
|--|--------------------|--------------------|
|  | 15,520,880         | 15,000,000         |
|  | 221,542,834        | 242,778,573        |
|  | 482,000,000        | 608,000,000        |
|  | 719,063,714        | 865,778,573        |
|  | <b>719,063,714</b> | <b>865,778,573</b> |

6.1 Investment in ordinary shares

United Insurance Company Limited  
Silco Pharmaceuticals Limited  
Coppertech Industries Limited  
Sea Pearl Beach Resort & Spa Limited  
Ring Shine Textiles Ltd.

|  |                   |                   |
|--|-------------------|-------------------|
|  | 15,000,000        | 15,000,000        |
|  | 34,040            | -                 |
|  | 47,420            | -                 |
|  | 37,300            | -                 |
|  | 402,120           | -                 |
|  | <b>15,520,880</b> | <b>15,000,000</b> |



6.1a Investment in insurance sector

**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, 2016 and 2018.

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

|                              | No. of Shares           |
|------------------------------|-------------------------|
| 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                 |
| Bonus share received in 2018 | 250,000                 |
|                              | <b>4,450,000</b> Shares |

As on December 31, 2019 the market value @ Tk. 58.50 (closing market price) of the above 4,450,000 shares was Tk. 260,325,000 against cost price of 600,000 shares (@ Tk. 25) at Tk.15,000,000.

6.1b Investment in other sector

| Business Segment    | No. of shares | Cost price     | Market price   |
|---------------------|---------------|----------------|----------------|
| Pharmaceuticals     | 3,744         | 34,040         | 113,443        |
| Metallic Industries | 4,979         | 47,420         | 117,007        |
| Hotel & Resorts     | 3,916         | 37,300         | 161,731        |
| Textile Industries  | 43,227        | 402,120        | 445,238        |
|                     | <b>55,866</b> | <b>520,880</b> | <b>837,419</b> |

As on 31 December 2019, the market value (closing market price) of the above shares was BDT 837,419 against cost price of BDT 520,880

6.2 Investment in preference shares

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

|  | 2019<br>BDT        | 2018<br>BDT        |
|--|--------------------|--------------------|
| Preference share of Regent Energy and Power Ltd.                         | 24,558,139         | 32,000,000         |
| Redeemable Cumulative Preference Share: Star Ceramics Ltd.               | -                  | 75,000,000         |
| Redeemable Cumulative Preference Share: Raj Lanka Power Company Ltd.     | 96,984,695         | 135,778,573        |
| Redeemable Cumulative Preference Share: Confidence Power Rangpur Limited | 100,000,000        | -                  |
|  | <b>221,542,834</b> | <b>242,778,573</b> |

6.3 Investment in bonds

Subordinate Bond-Mercantile Bank Ltd.  
 Mudaraba Subordinate Bond- Social Islami Bank Ltd.  
 Second Subordinate Bond- United Commercial Bank Ltd.  
 Mudaraba Subordinate Bond- Al-Arafah Islami Bank Ltd.  
 Subordinate Bond: Mutual Trust Bank Ltd.  
 Subordinate Bond: Standard Bank Ltd.

|   |                    |                    |
|---|--------------------|--------------------|
| Subordinate Bond-Mercantile Bank Ltd.                 | 40,000,000         | 60,000,000         |
| Mudaraba Subordinate Bond- Social Islami Bank Ltd.    | 52,000,000         | 78,000,000         |
| Second Subordinate Bond- United Commercial Bank Ltd.  | 60,000,000         | 80,000,000         |
| Mudaraba Subordinate Bond- Al-Arafah Islami Bank Ltd. | 120,000,000        | 160,000,000        |
| Subordinate Bond: Mutual Trust Bank Ltd.              | 160,000,000        | 180,000,000        |
| Subordinate Bond: Standard Bank Ltd.                  | 50,000,000         | 50,000,000         |
|   | <b>482,000,000</b> | <b>608,000,000</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

|  |                    |                    |
|--|--------------------|--------------------|
| On demand                                | -                  | -                  |
| Up to 1 month                            | 8,558,139          | -                  |
| Over 1 month but not more than 3 months  | 30,219,350         | 9,698,470          |
| Over 3 months but not more than 6 months | 71,698,470         | 71,698,470         |
| Over 6 months but not more than 1 year   | 129,396,939        | 174,396,938        |
| Over 1 year but not more than 5 years    | 464,190,817        | 594,984,695        |
| Over 5 years                             | 15,000,000         | 15,000,000         |
|  | <b>719,063,714</b> | <b>865,778,573</b> |



## 7 Lease, loans and advances

### 7.1 Broad category-wise break up

#### Inside Bangladesh

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

#### Outside Bangladesh

### 7.2 Lease receivable

Net lease receivable (note-7.2.1)  
Advances for leases (note-7.2.3)  
Interest receivable

#### 7.2.1 Net lease receivable

Gross lease receivable  
Less: Unearned lease income

#### 7.2.2 Movement of net lease receivables

Balance as on January 01  
Addition during the year  
Realisation during the year

#### 7.2.3 Advance for leases

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.

### 7.3 Loans

Term loan  
Home loan  
Short term loan and CSF advances  
Interest receivable

### 7.4 Maturity grouping of lease, loans and advances

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

### 7.5 Lease, loans and advances on the basis of significant concentration

a) Lease, loans and advances to companies or firms in which the Directors of the Company have interests  
b) Lease, loans and advances to Chief Executive and other Senior Executives

|   | 2019<br>BDT           | 2018<br>BDT           |
|---|-----------------------|-----------------------|
| <b>Inside Bangladesh</b>  |                       |                       |
| Lease receivable (note-7.2)   | 7,807,923,700         | 9,212,515,954         |
| Loans (note-7.3)  | 7,181,422,947         | 8,729,895,002         |
|   | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
| <b>Outside Bangladesh</b>   | -                     | -                     |
|   | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
| <b>7.2 Lease receivable</b>   |                       |                       |
| Net lease receivable (note-7.2.1)   | 7,736,432,262         | 9,144,298,235         |
| Advances for leases (note-7.2.3)  | 500,000               | -                     |
| Interest receivable   | 70,991,438            | 68,217,719            |
|   | <b>7,807,923,700</b>  | <b>9,212,515,954</b>  |
| <b>7.2.1 Net lease receivable</b>   |                       |                       |
| Gross lease receivable  | 8,958,696,436         | 10,746,485,968        |
| Less: Unearned lease income   | (1,222,264,173)       | (1,602,187,733)       |
|   | <b>7,736,432,262</b>  | <b>9,144,298,235</b>  |
| <b>7.2.2 Movement of net lease receivables</b>  |                       |                       |
| Balance as on January 01  | 9,144,298,235         | 8,835,803,914         |
| Addition during the year  | 3,089,259,984         | 4,673,181,414         |
| Realisation during the year   | (4,497,125,957)       | (4,364,687,093)       |
|   | <b>7,736,432,262</b>  | <b>9,144,298,235</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   | 3,081,579,305         | 3,828,578,379         |
| Home loan   | 1,015,915,650         | 1,096,576,076         |
| Short term loan and CSF advances  | 2,910,491,867         | 3,653,386,498         |
| Interest receivable   | 173,436,124           | 151,354,049           |
|   | <b>7,181,422,947</b>  | <b>8,729,895,002</b>  |
| <b>7.4 Maturity grouping of lease, loans and advances</b>   |                       |                       |
| On demand   | -                     | -                     |
| Up to 1 month   | 1,374,823,378         | 1,869,110,931         |
| Over 1 month but not more than 3 months   | 1,459,976,312         | 1,650,241,023         |
| Over 3 months but not more than 1 year  | 5,472,768,542         | 5,950,287,859         |
| Over 1 year but not more than 5 years   | 5,871,783,066         | 7,551,553,439         |
| Over 5 years  | 809,995,349           | 921,217,704           |
|   | <b>14,989,346,647</b> | <b>17,942,410,956</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   | 7,235,793             | 10,193,803            |
| b) Lease, loans and advances to Chief Executive and other Senior Executives   | 326,961               | -                     |



|  | 2019<br>BDT           | 2018<br>BDT           |
|--|-----------------------|-----------------------|
| 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   | 3,176,722,173         | 3,119,465,911         |
| 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   | 936,908,023           | 1,480,512,563         |
| 2. Industrial sector:  |                       |                       |
| a) Service industry  | 1,528,074,397         | 1,679,126,468         |
| b) Food production/processing industry   | 1,433,143,979         | 1,774,667,097         |
| c) Chemical & pharmaceutical   | 1,021,316,925         | 1,160,301,945         |
| d) Plastic industry  | 324,071,106           | 449,880,353           |
| e) Garments  | 351,309,306           | 440,245,786           |
| f) Textile   | 559,520,715           | 656,488,815           |
| g) Paper, printing and packaging industry  | 825,369,775           | 1,128,713,555         |
| h) Iron, steel & engineering industry  | 720,363,235           | 559,826,514           |
| i) Leather & leather products  | 94,675,428            | 134,955,553           |
| j) Electronics & electrical industry   | 555,790,126           | 402,626,635           |
| k) Telecommunication/information technology  | 91,618,147            | 143,919,067           |
| l) Jute and jute products  | 276,521,307           | 306,295,720           |
| m) Cement/concrete and allied industry   | 315,933,582           | 449,722,210           |
| n) Glass and ceramic industry  | 32,352,121            | 56,094,580            |
| o) Ship manufacturing industry   | -                     | -                     |
| 3. Power, gas, water and sanitary service  | 109,590,983           | 171,391,320           |
| 4. Transport & communication   | 1,025,516,681         | 1,339,420,303         |
| 5. Real estate & housing   | 1,027,470,669         | 1,194,220,929         |
| 6. Trade and commerce  | 3,232,603,986         | 3,729,860,413         |
| 7. Others  | 527,196,157           | 684,141,130           |
|  | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
| e) Geographical location-wise lease, loans and advances  |                       |                       |
| <b>Inside Bangladesh</b>   |                       |                       |
| <b>Urban</b>   |                       |                       |
| Dhaka Division   | 9,238,208,507         | 10,936,509,717        |
| Chattogram Division  | 1,757,646,426         | 2,096,737,261         |
| Khulna Division  | 1,085,450,702         | 1,441,297,365         |
| Rajshahi Division  | 1,154,820,415         | 1,361,029,007         |
| Rangpur Division   | 808,135,105           | 1,053,425,316         |
| Barishal Division  | 254,732,632           | 274,436,083           |
| Mymensingh Division  | 346,764,732           | 397,014,862           |
| Sylhet Division  | 88,216,752            | 121,357,685           |
|  | <b>14,733,975,271</b> | <b>17,681,807,296</b> |
| <b>Rural</b>   |                       |                       |
| Barishal Division  | 8,774,562             | 8,939,975             |
| Rajshahi Division  | 1,909,565             | 2,408,073             |
| Chattogram Division  | 241,481,146           | 244,874,856           |
| Rangpur Division   | 3,206,103             | 4,380,756             |
|  | <b>255,371,376</b>    | <b>260,603,660</b>    |
|  | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
| <b>Outside Bangladesh</b>  | -                     | -                     |
|  | <b>14,989,346,647</b> | <b>17,942,410,956</b> |



7.6 Sector-wise lease, loans and advances

Public sector  
Co-operative sector  
Private sector

|  | 2019<br>BDT           | 2018<br>BDT           |
|--|-----------------------|-----------------------|
|  | -                     | -                     |
|  | -                     | -                     |
|  | 14,989,346,647        | 17,942,410,956        |
|  | <b>14,989,346,647</b> | <b>17,942,410,956</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)

|  |                       |                       |
|--|-----------------------|-----------------------|
|  | 1,270,149,772         | 1,455,009,613         |
|  | 7,532,025,495         | 9,400,326,035         |
|  | -                     | -                     |
|  | 6,187,171,380         | 7,087,075,309         |
|  | -                     | -                     |
|  | <b>14,989,346,647</b> | <b>17,942,410,956</b> |
|  | -                     | -                     |
|  | 7,235,793             | 10,193,803            |
|  | -                     | -                     |
|  | -                     | -                     |
|  | -                     | -                     |
|  | 171,430,842           | 258,075,773           |
|  | 50,145,934            | 13,692,183            |
|  | 171,167,975           | 75,949,818            |
|  | 67,471,244            | 14,241,563            |
|  | 333,969,425           | 346,137,523           |
|  | 112,353,417           | 122,416,062           |



|  | 2019<br>BDT | 2018<br>BDT |
|--|-------------|-------------|
| xii) Written off lease, loans and advances   |             |             |
| Opening Balance  | 812,823,604 | 736,873,786 |
| During the year  | 171,167,975 | 75,949,818  |
| Cumulative to-date   | 983,991,579 | 812,823,604 |
| The amount of written-off leases, loans and advances for which law suits have been filed | 983,991,579 | 812,823,604 |

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

##### Unclassified

|                               |                |                |
|-------------------------------|----------------|----------------|
| Standard                      | 13,671,181,553 | 17,099,411,600 |
| Special mention account (SMA) | 711,024,256    | 312,656,334    |
|                               | 14,382,205,809 | 17,412,067,934 |

##### Classified

|              |                       |                       |
|--------------|-----------------------|-----------------------|
| Sub-standard | 173,082,770           | 94,346,868            |
| Doubtful     | 100,088,643           | 89,858,631            |
| Bad/Loss     | 333,969,425           | 346,137,523           |
|              | 607,140,838           | 530,343,022           |
|              | <b>14,989,346,647</b> | <b>17,942,410,956</b> |

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

##### Cost

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| Furniture and fixtures | 122,460,397        | 111,951,984        |
| Office equipment       | 585,229            | 419,679            |
| Electrical equipment   | 106,987,330        | 99,326,466         |
| Motor vehicles         | 70,772,474         | 68,079,263         |
| Office space           | 177,890,411        | 177,890,411        |
| Right-of-use assets    | 188,442,592        | -                  |
|                        | <b>667,138,433</b> | <b>457,667,803</b> |

Less: Accumulated depreciation

|   |                    |                    |
|---|--------------------|--------------------|
|   | (232,755,401)      | (186,808,603)      |
| <b>Net book value at the end of the year (Annexure - A)</b> | <b>434,383,031</b> | <b>270,859,200</b> |

#### 9 Other assets

##### Inside Bangladesh

##### Income generating:

|                              |            |            |
|------------------------------|------------|------------|
| Income receivable (note-9.1) | 65,706,907 | 81,666,377 |
|------------------------------|------------|------------|

##### Non-income generating:

|                                       |                      |                      |
|---------------------------------------|----------------------|----------------------|
| Deferred tax assets (note-9.2)        | 5,303,604            | 9,087,543            |
| Advance, deposit and prepaid expenses | 33,178,209           | 34,383,958           |
| Other receivables                     | 1,629,812            | 2,348,449            |
| Advance corporate tax (note-9.3)      | 1,659,497,785        | 1,486,056,147        |
|                                       | <b>1,765,316,317</b> | <b>1,613,542,474</b> |

##### Outside Bangladesh

|  |                      |                      |
|--|----------------------|----------------------|
|  | <b>1,765,316,317</b> | <b>1,613,542,474</b> |
|--|----------------------|----------------------|

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<br>at balance sheet | Tax base    | Deductible<br>temporary difference |
|--------------------------------------|-------------------------------------|-------------|------------------------------------|
| Fixed assets at book value           | 274,140,196                         | 283,922,891 | 9,782,695                          |
| Liability to employees gratuity fund | 4,360,248                           | -           | 4,360,248                          |
|                                      | 278,500,444                         | 283,922,891 | 14,142,943                         |



|  |                             |                             |
|--|-----------------------------|-----------------------------|
| Applicable tax rate  |                             | 37.5%                       |
| Deferred tax asset as on 31 December, 2019   |                             | 5,303,604                   |
| Deferred tax asset as on 31 December, 2018   |                             | 9,087,543                   |
| Deferred tax expenses during the year 2019 - Note 36   |                             | <u><u>(3,783,939)</u></u>   |
|  | <b>2019</b>                 | <b>2018</b>                 |
|  | <b>BDT</b>                  | <b>BDT</b>                  |
| <b>9.3 Advance corporate tax</b>   |                             |                             |
| Balance as on January 01   | 1,486,056,147               | 1,337,001,355               |
| Paid during the year   | 173,441,638                 | 149,054,792                 |
|  | <u><b>1,659,497,785</b></u> | <u><b>1,486,056,147</b></u> |
| <b>10 Borrowing from banks, other financial institutions and agents</b>                                |                             |                             |
| In Bangladesh (note-10.1)  | 2,757,850,898               | 2,630,346,031               |
| Outside Bangladesh   | -                           | -                           |
|  | <u><b>2,757,850,898</b></u> | <u><b>2,630,346,031</b></u> |
| <b>10.1 In Bangladesh</b>  |                             |                             |
| <b><u>Bank overdraft</u></b>   |                             |                             |
| Private Commercial Bank  | 821,361,913                 | 584,911,677                 |
| Foreign Commercial Bank  | 335,587,912                 | 294,391,618                 |
|  | <u><b>1,156,949,825</b></u> | <u><b>879,303,295</b></u>   |
| <b><u>Short term loan</u></b>  |                             |                             |
| Foreign Commercial Bank  | 495,000,000                 | 495,000,000                 |
|  | <u><b>495,000,000</b></u>   | <u><b>495,000,000</b></u>   |
| <b><u>Call borrowing</u></b>   |                             |                             |
| Nationalised Commercial Bank   | -                           | -                           |
|  | -                           | -                           |
| <b><u>Long term loan</u></b>   |                             |                             |
| Bangladesh Bank (Refinance)  | 1,056,851,576               | 1,196,155,083               |
| Kreditanstalt Für Wiederaufbau (KFW)   | 49,049,497                  | 59,887,653                  |
|  | <u><b>1,105,901,073</b></u> | <u><b>1,256,042,736</b></u> |
|  | <u><b>2,757,850,898</b></u> | <u><b>2,630,346,031</b></u> |
| <b>10.2 Analysis by security against borrowing from banks, other financial institutions and agents</b> |                             |                             |
| Secured (FDR pledged as security)  | 1,880,000,000               | 1,780,000,000               |
| Secured (Corporate guarantee)  | -                           | -                           |
| Unsecured  | 877,850,898                 | 850,346,031                 |
|  | <u><b>2,757,850,898</b></u> | <u><b>2,630,346,031</b></u> |
| <b>10.3 Maturity grouping of borrowing from banks, other financial institutions and agents</b>         |                             |                             |
| On demand  | -                           | -                           |
| Up to 1 month  | 1,204,305,373               | 1,005,990,378               |
| Over 1 month but within 3 months   | 181,507,180                 | 496,159,092                 |
| Over 3 months but within 1 year  | 760,282,927                 | 356,295,914                 |
| Over 1 year but within 5 years   | 579,362,784                 | 771,900,647                 |
| Over 5 years   | 32,392,634                  | -                           |
|  | <u><b>2,757,850,898</b></u> | <u><b>2,630,346,031</b></u> |



|  | 2019<br>BDT                  | 2018<br>BDT                  |
|--|------------------------------|------------------------------|
| <b>11 Deposits and other accounts</b>  |                              |                              |
| Current deposits & other accounts, etc.  | -                            | -                            |
| Bills payable  | -                            | -                            |
| Savings bank deposits  | -                            | -                            |
| Term deposits (note -11.1)   | 11,822,377,508               | 14,548,159,949               |
| Bearer certificates of deposit   | -                            | -                            |
| Other deposits (note-11.2)   | 515,699,110                  | 621,371,708                  |
|  | <b><u>12,338,076,618</u></b> | <b><u>15,169,531,657</u></b> |
| <b>11.1 Term deposits</b>  |                              |                              |
| Deposits from banks and financial institutions   | 1,040,000,000                | 3,800,000,000                |
| Deposits from other than banks and financial institutions  | 10,782,377,508               | 10,748,159,949               |
|  | <b><u>11,822,377,508</u></b> | <b><u>14,548,159,949</u></b> |
| <p>These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than three months.</p> |                              |                              |
| <b>11.1.1 Sector-wise break-up of term deposits</b>  |                              |                              |
| Government   | -                            | -                            |
| Banks and financial institutions   | 1,040,000,000                | 3,800,000,000                |
| Other public   | -                            | -                            |
| Foreign currency   | -                            | -                            |
| Private  | 10,782,377,508               | 10,748,159,949               |
|  | <b><u>11,822,377,508</u></b> | <b><u>14,548,159,949</u></b> |
| <b>11.1.2 Maturity analysis of term deposits</b>   |                              |                              |
| <b>a) Maturity analysis of deposits from banks &amp; financial institutions</b>  |                              |                              |
| Payable on demand  | -                            | -                            |
| Up to 1 month  | -                            | 700,000,000                  |
| Over 1 month but within 3 months   | 640,000,000                  | 2,700,000,000                |
| Over 3 months but within 1 year  | 400,000,000                  | 400,000,000                  |
| Over 1 year but within 5 years   | -                            | -                            |
| Over 5 years but within 10 years   | -                            | -                            |
| Over 10 years  | -                            | -                            |
|  | <b><u>1,040,000,000</u></b>  | <b><u>3,800,000,000</u></b>  |
| <b>b) Maturity analysis of deposits from other than banks &amp; financial institutions</b>   |                              |                              |
| Payable on demand  | -                            | -                            |
| Up to 1 month  | 1,567,425,570                | 2,065,343,521                |
| Over 1 month but within 3 months   | 1,646,208,627                | 1,748,448,550                |
| Over 3 months but within 1 year  | 5,700,279,843                | 5,693,968,799                |
| Over 1 year but within 5 years   | 1,817,107,112                | 1,162,446,156                |
| Over 5 years but within 10 years   | 51,093,012                   | 76,205,603                   |
| Over 10 years  | 263,344                      | 1,747,320                    |
|  | <b><u>10,782,377,508</u></b> | <b><u>10,748,159,949</u></b> |
|  | <b><u>11,822,377,508</u></b> | <b><u>14,548,159,949</u></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.

|                              | 2019<br>BDT        | 2018<br>BDT        |
|------------------------------|--------------------|--------------------|
| Non-interest bearing deposit | 481,572,134        | 558,949,643        |
| Interest bearing deposit     | 34,126,976         | 62,422,065         |
|                              | <b>515,699,110</b> | <b>621,371,708</b> |

11.2.1 Maturity analysis of other deposits

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Payable on demand                | -                  | -                  |
| Up to 1 month                    | 48,868,245         | 61,178,447         |
| Over 1 month but within 3 months | 51,895,015         | 51,008,656         |
| Over 3 months but within 1 year  | 194,530,147        | 209,274,798        |
| Over 1 year but within 5 years   | 199,013,869        | 276,652,444        |
| Over 5 years but within 10 years | 21,391,833         | 23,257,363         |
| Over 10 years                    | -                  | -                  |
|                                  | <b>515,699,110</b> | <b>621,371,708</b> |

12 Other liabilities

|   |                      |                      |
|---|----------------------|----------------------|
| Provision for gratuity                              | 4,360,248            | 6,294,844            |
| Dividend payable                                    | 48,839,609           | 45,091,657           |
| KFW interest differential fund (note-12.1)          | 9,760,958            | 13,742,510           |
| Interest suspense account (note-12.2)               | 112,353,417          | 122,416,062          |
| Accrued expenses and payables (note-12.3)           | 682,961,501          | 664,541,005          |
| Lease liabilities (note-12.4)                       | 168,191,694          | -                    |
| Provision for lease, loans and advances (note-12.5) | 452,415,760          | 480,035,964          |
| Provision on investment (note-12.6)                 | 20,000,000           | -                    |
| Provision for income tax (note-12.7)                | 1,957,992,724        | 1,821,102,177        |
|   | <b>3,456,875,912</b> | <b>3,153,224,219</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            | 13,742,510       | 13,384,410        |
| Addition during the year            | 2,451,086        | 2,927,191         |
|                                     | 16,193,596       | 16,311,601        |
| Adjusted against training programme | (6,432,638)      | (2,569,091)       |
|                                     | <b>9,760,958</b> | <b>13,742,510</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  | 122,416,062        | 122,511,091        |
| Add: Amount transferred to "interest suspense" account during the year  | 68,358,242         | 30,927,242         |
| Less: Amount recovered from "interest suspense" account during the year | (51,378,528)       | (12,649,094)       |
| Less: Written off during the year                                       | (27,042,359)       | (18,373,177)       |
|   | <b>112,353,417</b> | <b>122,416,062</b> |



12.3 Accrued expenses and payables

Liabilities for expenses  
Liabilities other than expenses

|  | 2019<br>BDT        | 2018<br>BDT        |
|--|--------------------|--------------------|
|  | 487,056,658        | 554,662,371        |
|  | 195,904,843        | 109,878,634        |
|  | <b>682,961,501</b> | <b>664,541,005</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 Lease liabilities

Balance as on January 01  
Interest charged during the year  
Office rent adjustment made during the year

|  |                    |   |
|--|--------------------|---|
|  | 188,442,592        | - |
|  | 13,898,521         | - |
|  | (34,149,419)       | - |
|  | <b>168,191,694</b> | - |

Movement of lease liabilities has been included due to implementation of IFRS-16 Leases (office rent).

12.5 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)

|  |                   |                    |
|--|-------------------|--------------------|
|  | 184,679,632       | 119,146,500        |
|  | (88,778,347)      | 65,533,132         |
|  | <b>95,901,285</b> | <b>184,679,632</b> |

Specific provision on unclassified lease, loans and advances

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

|  |                   |                   |
|--|-------------------|-------------------|
|  | 24,123,730        | 45,687,065        |
|  | 10,349,728        | (21,563,335)      |
|  | <b>34,473,459</b> | <b>24,123,730</b> |

Specific provision on classified lease, loans and advances

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

|  |                    |                    |
|--|--------------------|--------------------|
|  | 269,946,593        | 257,479,040        |
|  | (144,125,615)      | (57,576,641)       |
|  | 67,471,244         | 14,241,563         |
|  | 126,800,305        | 55,802,631         |
|  | <b>320,092,527</b> | <b>269,946,593</b> |

Provision on others

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

|  |                    |                    |
|--|--------------------|--------------------|
|  | 1,286,009          | 530,500            |
|  | 662,481            | 755,509            |
|  | <b>1,948,490</b>   | <b>1,286,009</b>   |
|  | <b>452,415,760</b> | <b>480,035,964</b> |

**Provision surplus/(shortage):**

|  | 2019        |                  | 2018        |                   |
|--|-------------|------------------|-------------|-------------------|
|  | Required    | Maintained       | Required    | Maintained        |
| General provision on lease, loans and advances               | 95,311,457  | 95,901,285       | 115,965,687 | 184,679,632       |
| Specific provision on unclassified lease, loans and advances | 34,239,520  | 34,473,459       | 15,043,235  | 24,123,730        |
| Specific provision on classified lease, loans and advances   | 317,859,402 | 320,092,527      | 265,836,592 | 269,946,593       |
| Other provisions   | 1,948,490   | 1,948,490        | 1,286,009   | 1,286,009         |
|  | 449,358,869 | 452,415,760      | 398,131,523 | 480,035,964       |
| <b>Total surplus</b>   |             | <b>3,056,891</b> |             | <b>81,904,441</b> |



12.6 Provision on investment

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

| 2019<br>BDT       | 2018<br>BDT |
|-------------------|-------------|
| -                 | -           |
| 20,000,000        | -           |
| <b>20,000,000</b> | <b>-</b>    |

12.7 Provision for income tax

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

|                      |                      |
|----------------------|----------------------|
| 1,821,102,177        | 1,627,374,280        |
| 136,890,547          | 193,727,897          |
| 1,957,992,724        | 1,821,102,177        |
| <b>1,957,992,724</b> | <b>1,821,102,177</b> |

13 Share capital

13.1 Authorised capital

300,000,000 ordinary shares of BDT 10 each

|                      |                      |
|----------------------|----------------------|
| <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        | 1,801,146,140        |
| <b>1,871,146,140</b> | <b>1,871,146,140</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 Institutions should calculate capital adequacy ratio based on solo basis as well as consolidated basis.

A Eligible Capital :

Tier-1 Capital

3,177,023,648 3,119,465,911

Tier-2 Capital

130,985,123 158,521,960

Total Eligible Capital (1+2) :

3,308,008,771 3,277,987,871

B Total Risk Weighted Assets (RWA):

18,202,484,658 20,069,780,531

C Capital Adequacy Ratio (CAR)  $(A_3 / B) * 100$

18.17% 16.33%

D Core Capital to RWA  $(A_1 / B) * 100$

17.45% 15.54%

E Supplementary Capital to RWA  $(A_2 / B) * 100$

0.72% 0.79%

F Minimum Capital Requirement (MCR)

1,820,248,466 2,006,978,053

**Surplus**

**1,487,760,305 1,271,009,818**



|   | <b>2019<br/>BDT</b>          | <b>2018<br/>BDT</b>          |
|---|------------------------------|------------------------------|
| <b>Core capital (Tier-I)</b>  |                              |                              |
| Paid up capital (note-13.2)   | 1,871,146,140                | 1,871,146,140                |
| Share premium (note-14)   | 3,750,000                    | 3,750,000                    |
| Statutory reserve (note-15)   | 879,400,000                  | 829,400,000                  |
| General reserve (note-16)   | 225,000,000                  | 225,000,000                  |
| Retained earnings (note-17)   | 197,727,508                  | 190,169,771                  |
|   | <u>3,177,023,648</u>         | <u>3,119,465,911</u>         |
| <b>Eligible supplementary capital (Tier-II)</b>                               |                              |                              |
| General provision maintained against unclassified loan                        | 130,985,123                  | 158,521,960                  |
| 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)                               | -                            | -                            |
|   | <u>130,985,123</u>           | <u>158,521,960</u>           |
| General provision (Unclassified+SMA+Off balance sheet exposure)               | 130,985,123                  | 158,521,960                  |
| Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital | 201,246,613                  | 231,657,263                  |
| Risk Weighted Assets (RWA)  |                              |                              |
| A Credit Risk   | 16,099,729,077               | 18,532,581,059               |
| On- Balance sheet   | 16,023,431,683               | 18,524,908,665               |
| Off-Balance sheet   | 76,297,394                   | 7,672,394                    |
| B. Market Risk  | 516,606,110                  | -                            |
| C. Operational Risk   | 1,586,149,472                | 1,537,199,472                |
| <b>Total: RWA (A+B+C)</b>   | <u><b>18,202,484,658</b></u> | <u><b>20,069,780,531</b></u> |

|  | <b>No. of Shares</b>      |                           | <b>Percentage</b>    |                      |
|--|---------------------------|---------------------------|----------------------|----------------------|
|  | <b>2019</b>               | <b>2018</b>               | <b>2019</b>          | <b>2018</b>          |
| <b>13.4 Percentage of shareholding at the closing date</b> |                           |                           |                      |                      |
| (i) Sponsors - Foreign                                     | 37,422,921                | 37,422,921                | 20.00                | 20.00                |
| Domestic   | 44,079,425                | 43,799,425                | 23.56                | 23.41                |
|  | <u>81,502,346</u>         | <u>81,222,346</u>         | <u>43.56</u>         | <u>43.41</u>         |
| (ii) Financial Institutions and Companies                  | 56,594,171                | 67,745,660                | 30.25                | 36.21                |
| (iii) General public – Domestic                            | 49,018,097                | 38,146,608                | 26.20                | 20.39                |
|  | <u><b>187,114,614</b></u> | <u><b>187,114,614</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 2019

| No. of shares          | Number of Shareholders | Total number of shares | Percentage of total holdings |
|------------------------|------------------------|------------------------|------------------------------|
| 1 Less than 500        | 2,673                  | 438,732                | 0.23                         |
| 2 500 to 5,000         | 4,121                  | 8,174,865              | 4.37                         |
| 3 5,001 to 10,000      | 924                    | 6,694,634              | 3.58                         |
| 4 10,001 to 20,000     | 544                    | 7,787,623              | 4.16                         |
| 5 20,001 to 30,000     | 205                    | 5,066,261              | 2.71                         |
| 6 30,001 to 40,000     | 94                     | 3,313,681              | 1.77                         |
| 7 40,001 to 50,000     | 69                     | 3,187,674              | 1.70                         |
| 8 50,001 to 100,000    | 116                    | 8,264,388              | 4.42                         |
| 9 100,001 to 1,000,000 | 81                     | 18,076,366             | 9.66                         |
| 10 Above 1,000,000     | 15                     | 126,110,390            | 67.40                        |
|                        | <b>8,842</b>           | <b>187,114,614</b>     | <b>100.00</b>                |

## 13.6 Composition of shareholders' equity:

| Particulars                       | No. of shares | Face value | BDT                  |
|-----------------------------------|---------------|------------|----------------------|
| Paid-up capital                   | 187,114,614   | 10         | 1,871,146,140        |
| Share premium                     |               |            | 3,750,000            |
| Preference share capital          |               |            | -                    |
| Statutory reserve                 |               |            | 879,400,000          |
| General reserve                   |               |            | 225,000,000          |
| Retained earnings                 |               |            | 197,727,508          |
| <b>Total shareholders' equity</b> |               |            | <b>3,177,023,648</b> |

## Date of issue &amp; 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>   |
|            |                          |                    |                      |                      |
|            | <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 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.

#### 15 Statutory reserve

Balance as on January 01  
Addition during the year

|  | 2019<br>BDT        | 2018<br>BDT        |
|--|--------------------|--------------------|
|  | 829,400,000        | 774,000,000        |
|  | 50,000,000         | 55,400,000         |
|  | <b>879,400,000</b> | <b>829,400,000</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 50,000,000 to the Statutory Reserve Fund.

#### 16 General reserve

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

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

#### 17 Retained earnings

Balance as on January 01  
Less: Cash dividend for last year  
Less: Issue of bonus shares for last year  
Add: Transfer from general reserve during the year  
Balance remaining

|   |                    |                    |
|---|--------------------|--------------------|
|   | 190,169,771        | 206,108,343        |
|   | (187,114,614)      | (178,204,395)      |
|   | -                  | (89,102,190)       |
|   | -                  | 64,000,000         |
|   | 3,055,157          | 2,801,758          |
|   |                    |                    |
| Addition during the year:                     |                    |                    |
| Net profit after taxation                     | 244,672,351        | 276,768,013        |
| Transfer to general reserve during the year   | -                  | (34,000,000)       |
| Transfer to statutory reserve during the year | (50,000,000)       | (55,400,000)       |
|   | <b>197,727,508</b> | <b>190,169,771</b> |

**Worker's Profit Participation Fund (WPPF)**

As per Bangladesh Labor Act 2006 (as amended in 2013) all companies fall within the scope of Worker's Profit Participation Fund (which includes Non-Banking Financial Institutions) are required to provide 5% of its profit before charging such expenses to their eligible employees within the stipulated time.

Ministry of Finance (MoF) and Bangladesh Bank (BB) have reviewed the law and proposed to the Ministry of Labor to exclude Banks and Non-Banking Financial Institutions from the requirements of the law regarding the provision of Worker's Profit Participation Fund and accordingly Ministry of Finance issued a letter on 14 February 2017 to the Ministry of Labor to waive Banks and Non-Banking Financial Institutions from the purview of the requirement(s) of the Bangladesh Labor Act 2013.

However, United Finance Limited maintain adequate retained earnings to keep required provision for Worker's Profit Participation Fund (from the year 2014 to 2019) subject to the final clearance from the Ministry of Labor since the matter stands unresolved.

|   | <b>2019<br/>BDT</b>  | <b>2018<br/>BDT</b>  |
|---|----------------------|----------------------|
| <b>18 Net asset value per share (NAV)</b>                       |                      |                      |
| Total assets  | 21,729,827,076       | 24,072,567,818       |
| Total liabilities   | 18,552,803,428       | 20,953,101,907       |
| Net asset   | <u>3,177,023,648</u> | <u>3,119,465,911</u> |
| Number of share outstanding (current year's)                    | 187,114,614          | 187,114,614          |
| Net asset value per share                                       | <b>16.98</b>         | <b>16.67</b>         |
| <b>Restated NAV:</b>  |                      |                      |
| Net asset   | 3,177,023,648        | 3,119,465,911        |
| Number of ordinary shares as on 31 December 2019 is 187,114,614 |                      |                      |
| Restated NAV  | <b>16.98</b>         | <b>16.67</b>         |
| <b>19 Contingent liabilities</b>                                |                      |                      |
| <b>19.1 Letters of guarantee</b>                                |                      |                      |
| Letters of guarantee (Local)                                    | 61,037,915           | 6,137,915            |
| Letters of guarantee (Foreign)                                  | -                    | -                    |
| Foreign counter guarantees                                      | -                    | -                    |
|   | <b>61,037,915</b>    | <b>6,137,915</b>     |

**Guarantees**

The Company issue 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>2019<br/>BDT</b>         | <b>2018<br/>BDT</b>         |
|---|-----------------------------|-----------------------------|
| <b>20 Profit and loss account</b>                                       |                             |                             |
| <b>Income:</b>  |                             |                             |
| Interest, discount and similar income (note-20.1)                       | 2,463,190,872               | 2,543,944,405               |
| Dividend income (note- 23)  | 23,044,962                  | 36,249,973                  |
| Other operating income (note- 24)                                       | 99,555,342                  | 107,746,699                 |
|   | <u>2,585,791,176</u>        | <u>2,687,941,077</u>        |
| <b>Expenses:</b>  |                             |                             |
| Interest, fee and commission etc. (note- 22)                            | 1,526,999,212               | 1,557,342,134               |
| Administrative expenses (note-20.2)                                     | 492,942,682                 | 472,034,417                 |
| Other operating expenses (note- 34)                                     | 50,545,972                  | 52,795,421                  |
| Depreciation on Company's fixed assets                                  | 60,922,306                  | 31,412,626                  |
|   | <u>2,131,410,172</u>        | <u>2,113,584,598</u>        |
|   | <b><u>454,381,004</u></b>   | <b><u>574,356,479</u></b>   |
| <b>20.1 Interest, discount and similar income</b>                       |                             |                             |
| Interest on lease, loans, and advances (note- 21)                       | 2,405,287,927               | 2,468,827,202               |
| Interest on bonds (note- 23)  | 57,902,945                  | 75,117,203                  |
| Discount income   | -                           | -                           |
| Interest on debentures  | -                           | -                           |
|   | <u>2,463,190,872</u>        | <u>2,543,944,405</u>        |
| <b>20.2 Administrative expenses</b>                                     |                             |                             |
| Salaries and allowances   | 409,347,688                 | 369,980,543                 |
| Rent, taxes, insurance, electricity etc.                                | 26,769,110                  | 54,115,542                  |
| Legal expenses  | 13,784,031                  | 9,078,444                   |
| Postage, stamp, telecommunication etc.                                  | 12,365,165                  | 13,988,271                  |
| Stationery, printing, advertisement etc.                                | 3,468,989                   | 4,738,173                   |
| Managing Director's salary and benefits                                 | 10,165,645                  | 9,681,567                   |
| Directors' fees   | 462,510                     | 396,111                     |
| Auditors' fees  | 460,000                     | 345,000                     |
| Repairs and maintenance of the Company's assets                         | 16,119,544                  | 19,982,320                  |
|   | <u>492,942,682</u>          | <u>482,305,971</u>          |
| <b>21 Interest income</b>   |                             |                             |
| Lease   | 1,121,562,285               | 1,152,113,873               |
| Term loan and home loan   | 589,787,821                 | 602,705,207                 |
| Short term financing  | 450,991,407                 | 444,507,436                 |
| <b>Total interest income</b>  | <b><u>2,162,341,513</u></b> | <b><u>2,199,326,516</u></b> |
| Interest on deposit/balance with banks and other financial institutions | 86,351,448                  | 150,325,700                 |
| Interest on deposits under lien for credit line facilities              | 156,594,966                 | 119,174,986                 |
|   | <u>2,405,287,927</u>        | <u>2,468,827,202</u>        |



|  | <b>2019<br/>BDT</b>  | <b>2018<br/>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          | 1,029,581,938        | 885,483,389          |
| Deposits from banks and financial institutions                     | 334,258,663          | 516,893,467          |
| Direct deposit expenses  | 22,014,523           | 21,052,984           |
| Interest bearing security deposits                                 | 1,710,609            | 3,154,617            |
|  | <b>1,387,565,733</b> | <b>1,426,584,457</b> |
| <b>b) Interest paid for borrowing</b>                              |                      |                      |
| Bank loans   | 29,393,541           | 32,683,958           |
| Bangladesh Bank refinance and KFW                                  | 63,016,751           | 55,744,263           |
| Call loan  | 6,463,195            | 22,484,237           |
| Overdraft  | 26,661,471           | 19,845,219           |
|  | 125,534,958          | 130,757,677          |
| <b>c) Interest expenses-lease liabilities</b>                      |                      |                      |
|  | 13,898,521           | -                    |
|  | 13,898,521           | -                    |
|  | <b>1,526,999,212</b> | <b>1,557,342,134</b> |
| <b>23 Investment income</b>  |                      |                      |
| Interest on bonds  | 57,902,945           | 75,117,203           |
| Dividend on shares   | 23,044,962           | 36,249,973           |
|  | <b>80,947,907</b>    | <b>111,367,176</b>   |
| <b>24 Other operating income</b>                                   |                      |                      |
| Reimbursement - invoice processing and collection costs            | 16,821,443           | 17,633,765           |
| Early repayment premium  | 10,470,062           | 9,105,087            |
| Reimbursement-documentation costs                                  | 43,312,323           | 57,173,538           |
| Late payment charges   | 24,828,914           | 15,741,027           |
| Profit on sale of fixed assets                                     | 142,003              | 962,635              |
| Miscellaneous earnings   | 3,980,597            | 7,130,647            |
|  | <b>99,555,342</b>    | <b>107,746,699</b>   |
| <b>25 Salaries and allowances</b>                                  |                      |                      |
| Basic salary, provident fund contribution and all other allowances | 370,923,976          | 336,088,748          |
| Festival and incentive bonus                                       | 38,423,712           | 33,891,795           |
|  | <b>409,347,688</b>   | <b>369,980,543</b>   |
| <b>26 Rent, taxes, insurance, electricity etc.</b>                 |                      |                      |
| Rent, rate and taxes   | 322,708              | 29,470,696           |
| Insurance  | 17,397,222           | 16,996,410           |
| Electricity, gas and water   | 9,049,180            | 7,648,436            |
|  | <b>26,769,110</b>    | <b>54,115,542</b>    |

Movement of rent, rate and taxes have been included due to implementation of IFRS-16 Leases (office rent).



|   | <b>2019<br/>BDT</b> | <b>2018<br/>BDT</b> |
|---|---------------------|---------------------|
| <b>27 Legal expenses</b>  |                     |                     |
| Legal fees  | 12,668,814          | 7,795,988           |
| Professional fees   | 1,115,217           | 1,282,455           |
|   | <b>13,784,031</b>   | <b>9,078,444</b>    |
| <b>28 Postage, stamp, telecommunication, etc.</b>   |                     |                     |
| Stamp expenses  | 1,947,464           | 3,679,557           |
| Postage and courier   | 667,974             | 600,348             |
| Telephone, mobile and internet  | 9,749,727           | 9,708,366           |
|   | <b>12,365,165</b>   | <b>13,988,271</b>   |
| <b>29 Stationery, printing, advertisements, etc.</b>  |                     |                     |
| Printing and stationeries   | 2,946,469           | 3,550,050           |
| Publicity and advertisements  | 522,520             | 1,188,123           |
|   | <b>3,468,989</b>    | <b>4,738,173</b>    |
| <b>30 Managing Director's salary and benefits</b>   |                     |                     |
| Remuneration  | 6,176,000           | 5,796,000           |
| Other benefits  | 3,989,645           | 3,885,567           |
|   | <b>10,165,645</b>   | <b>9,681,567</b>    |
| <b>31 Directors' fees</b>   |                     |                     |
| Directors' fees   | 462,510             | 396,111             |
|   | <b>462,510</b>      | <b>396,111</b>      |
| Directors' fee includes 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)  | 460,000             | 345,000             |
|   | <b>460,000</b>      | <b>345,000</b>      |
| <b>33 Depreciation and repair of assets</b>   |                     |                     |
| <b>Depreciation</b> - (Annexure-A)  |                     |                     |
| Furniture and fixture   | 7,781,595           | 9,519,848           |
| Office equipment  | 36,344              | 34,249              |
| Electrical equipment  | 10,466,032          | 7,901,899           |
| Motor vehicles  | 9,991,316           | 9,509,370           |
| Office space  | 4,447,262           | 4,447,260           |
| Right-of-use assets   | 28,199,757          | -                   |
|   | <b>60,922,306</b>   | <b>31,412,626</b>   |
| <b>Repairs</b>  |                     |                     |
| Maintenance of electrical equipment, office equipment, motor vehicle & other assets   | 16,119,544          | 19,982,320          |
|   | <b>16,119,544</b>   | <b>19,982,320</b>   |
|   | <b>77,041,850</b>   | <b>51,394,946</b>   |

Movement of depreciation and repair of assets (Right -of-use assets) have been included due to implementation of IFRS-16 Leases (office rent).



|  | <b>2019<br/>BDT</b> | <b>2018<br/>BDT</b> |
|--|---------------------|---------------------|
| <b>34 Other expenses</b>   |                     |                     |
| Training expenses  | 2,934,714           | 2,624,888           |
| Books, magazines and newspapers etc.                                     | 98,097              | 82,705              |
| Staffs' uniforms   | 1,487,462           | 826,264             |
| Medical expenses   | 1,119,165           | 711,747             |
| Fees and subscriptions   | 2,049,350           | 3,107,477           |
| Bank charges   | 3,784,122           | 4,788,358           |
| Excise duty expenses   | 1,623,950           | 1,350,100           |
| Car expenses   | 1,987,974           | 2,016,200           |
| Entertainment  | 3,559,475           | 2,293,627           |
| Office expenses  | 4,365,681           | 2,914,616           |
| Security services  | 8,698,777           | 8,218,604           |
| Business promotion expenses  | 7,737,778           | 4,049,430           |
| Annual General Meeting/Shareholder expenses                              | 1,803,581           | 2,241,745           |
| Travelling and conveyance expenses                                       | 9,295,846           | 7,298,106           |
|  | <b>50,545,972</b>   | <b>42,523,867</b>   |
| <b>35 Provision for lease, loans and advances</b>                        |                     |                     |
| General provision on lease, loans and advances (note-12.5)               | (88,778,347)        | 65,533,132          |
| Specific Provision on unclassified lease, loans and advances (note-12.5) | 10,349,728          | (21,563,335)        |
| Specific provision on classified lease, loans and advances (note-12.5)   | 126,800,305         | 56,333,131          |
| Provision for investment (note-12.6)                                     | 20,000,000          | -                   |
| Provision on others  | 662,481             | 755,509             |
|  | <b>69,034,166</b>   | <b>101,058,437</b>  |
| <b>36 Provision for taxation</b>   |                     |                     |
| <u>Current tax</u>   |                     |                     |
| Corporate tax for the year on operating profit                           | 136,890,547         | 193,727,897         |
|  | 136,890,547         | 193,727,897         |
| <u>Deferred tax</u>  |                     |                     |
| Deferred tax (note- 9.2)   | 3,783,939           | 2,802,132           |
|  | 3,783,939           | 2,802,132           |
|  | <b>140,674,487</b>  | <b>196,530,029</b>  |
| <u>Average effective tax rate</u>  |                     |                     |
| Operating profit before taxes  | 385,346,838         | 473,298,042         |
| Provision for taxation   | 140,674,487         | 196,530,029         |
| Effective rate   | 36.51%              | 41.52%              |
| <b>37 Earnings per share (EPS)</b>                                       |                     |                     |
| Net profit after tax   | 244,672,351         | 276,768,013         |
| Number of ordinary shares outstanding                                    | 187,114,614         | 187,114,614         |
| <b>Earnings per share (EPS)</b>  | <b>1.31</b>         | <b>1.48</b>         |
| <b>Restatements of EPS:</b>  |                     |                     |
| Net profit after tax   | 244,672,351         | 276,768,013         |
| Number of ordinary shares as on 31 December 2019 is 187,114,614          | <b>1.31</b>         | <b>1.48</b>         |

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2019 as per International Accounting Standard 33 Earnings Per Share.



**38 Receipts from other operating activities**

|   | <b>2019<br/>BDT</b> | <b>2018<br/>BDT</b> |
|---|---------------------|---------------------|
| Reimbursement - invoice processing and collection costs | 16,821,443          | 17,633,765          |
| Early repayment premium                                 | 10,470,062          | 9,105,087           |
| Reimbursement-documentation costs                       | 43,312,323          | 57,173,538          |
| Late payment charges                                    | 24,828,914          | 15,741,027          |
| Miscellaneous earnings                                  | 4,589,166           | 6,571,520           |
|   | <b>100,021,908</b>  | <b>106,224,937</b>  |

**39 Payments for other operating activities**

|   |                    |                    |
|---|--------------------|--------------------|
| Rent, taxes, insurance, electricity etc.    | 26,586,377         | 54,100,777         |
| Repairs and maintenance                     | 15,575,088         | 21,064,991         |
| Travelling and conveyance expenses          | 9,295,846          | 7,298,106          |
| Annual General Meeting/Shareholder expenses | 1,803,581          | 2,241,745          |
| Entertainment                               | 3,559,475          | 2,293,627          |
| Bank charges                                | 5,408,072          | 6,138,458          |
| Fees and subscriptions                      | 2,049,350          | 3,107,477          |
| Medical expenses                            | 1,119,165          | 711,747            |
| Directors' fees                             | 462,510            | 396,111            |
| Books, magazines and newspapers etc.        | 98,097             | 82,705             |
| Training expenses                           | 2,934,714          | 2,624,888          |
| Office expenses                             | 4,365,681          | 2,914,616          |
| Security services                           | 8,783,151          | 8,048,287          |
| Depreciation and repair of assets           | 28,199,757         | -                  |
|   | <b>110,240,864</b> | <b>111,023,535</b> |

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

|                                    |             |                 |
|------------------------------------|-------------|-----------------|
| Net cash from operating activities | 664,395,763 | (1,256,546,037) |
| Number of shares outstanding       | 187,114,614 | 187,114,614     |
| NOCFPS                             | 3.55        | (6.72)          |
| NOCFPS (Restated)                  | 3.55        | (6.72)          |

Net operating cash flow per share increased on 31 December 2019 due to decrease in lease and loan portfolio, increase of short term borrowings and higher recovery from written off clients

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

|   |                    |                        |
|---|--------------------|------------------------|
| Net profit after tax                        | 244,672,351        | 276,768,013            |
| Depreciation                                | 60,922,306         | 31,412,626             |
| Provision for lease, loans and advances     | (7,620,204)        | 57,723,358             |
| Provision for taxation                      | 136,890,547        | 193,727,897            |
| Profit on sale of fixed assets              | (142,003)          | (962,634)              |
| Increase in short term loans                | 277,646,530        | (260,713,630)          |
| Decrease in lease, loans and advances       | 2,953,064,310      | (982,591,311)          |
| Income tax paid                             | (173,441,638)      | (149,054,792)          |
| Decrease in deposit and other accounts      | (2,831,455,039)    | (440,036,289)          |
| Increase in other liabilities               | 170,633,398        | 29,704,129             |
| Decrease in other assets                    | 21,667,795         | (12,523,404)           |
| Increase in right-of-use assets             | (188,442,592)      | -                      |
| <b>Cash flows from operating activities</b> | <b>664,395,763</b> | <b>(1,256,546,037)</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>2019<br/>BDT</b> | <b>2018<br/>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 | 882                 | 684                 |
|  | <b>882</b>          | <b>684</b>          |

**43 Related Party Disclosures**

**43.1 Particulars of Directors of the Company as on 31 December 2019**

| SI no. | Name of Directors           | Designation          | Shareholding status   |
|--------|-----------------------------|----------------------|---|
| 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.     | C. K. Hyder                 | Director             | Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27% |
| 7.     | A. F. Nesaruddin            | Director             |   |
| 8.     | M. M. Alam                  | Independent Director | Not applicable; no shareholdings.                             |
| 9.     | Mahbub Mustafizur Rahman    | Independent Director | Not applicable, no shareholdings.                             |
| 10.    | Kaiser Tamiz Amin           | Managing Director    | Not applicable, Ex-officio capacity                           |



## 43.2 Name of Directors and their interest in different entities as on 31 December 2019

| Sl no. | Name of Directors        | Status with United Finance Limited | Entities where they have interest   |
|--------|--------------------------|------------------------------------|---|
| 1.     | Imran Ahmed              | Chairman                           | <b>Director</b><br>1. Eastland Camellia Ltd.<br>2. Duncan Properties Ltd.<br>3. Octavius Steel & Co. of BD Ltd.<br>4. Duncan Brothers (BD) Ltd.<br>5. Duncan Products Ltd.<br>6. Chittagong Warehouse Ltd.<br>7. Surmah Valley Tea Co. Ltd.<br>8. The Lungla (Sylhet) Tea Co. Ltd.<br>9. The Allynugger Tea Co. Ltd.<br>10. Amo Tea Co. Ltd.<br>11. The Chandpore Tea Co. Ltd.<br>12. The Mazdehee Tea Co. Ltd. |
| 2.     | A. Rouf                  | Director                           | <b>Director</b><br>1. The Lungla (Sylhet) Tea Co. Ltd.<br>2. The Allynugger Tea Co. Ltd.<br>3. Amo Tea Co. Ltd.<br>4. The Chandpore Tea Co. Ltd.<br>5. The Mazdehee Tea Co. Ltd.<br>6. Octavius Steel & Co. of BD Ltd.<br>7. Duncan Brothers (BD) Ltd.<br>8. Duncan Products Ltd.<br>9. Chittagong Warehouse Ltd.<br>10. Eastland Camellia Ltd.<br>11. Duncan Properties Ltd.                                   |
| 3.     | Susan Ann Walker         | Director                           | <b>Director</b><br>1. The Lungla (Sylhet) Tea Co. Ltd.<br>2. The Allynugger Tea Co. Ltd.<br>3. Amo Tea Co. Ltd.<br>4. The Chandpore Tea Co. Ltd.<br>5. The Mazdehee Tea Co. Ltd.<br>6. Surmah Valley Tea Co. Ltd.   |
| 4.     | L. H. Khan               | Director                           | <b>Director</b><br>National Brokers Ltd.  |
| 5.     | A. F. Nesaruddin         | Director                           | <b>Director</b><br>1. Independent Director of Singer Bangladesh Limited.<br>2. Senior Partner of Hoda Vasi Chowdhury & Co. Chartered Accountants<br>3. Council Member & immediate past President, Institute of Chartered Accountants of Bangladesh.   |
| 6.     | C. K. Hyder              | Director                           | -   |
| 7.     | A.F.M.M. Samad Choudhury | Director                           | -   |
| 8.     | M. M. Alam               | Independent Director               | -   |
| 9.     | Mahbub Mustafizur Rahman | Independent Director               | Independent Director of Aamra Networks Limited  |
| 10.    | Kaiser Tamiz Amin        | Managing Director                  | -   |



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

As on 31 December 2019 no such contract exists.

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

As on 31 December 2019 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                  | 3,146,111     | Regular                     |
|                                  | Susan Ann Walker         | -Do-               | Term Deposit           | 33,236,000    |                             |
|                                  | A. Rouf                  | -Do-               | Office rent            | 3,215,290     |                             |
| Duncan Properties Ltd.           | Imran Ahmed              | -Do-               | Term deposit           | 30,000,000    |                             |
|                                  | A. Rouf                  | -Do-               | Office rent            | 123,648       |                             |
| Macalms Bangladesh Trust         | Imran Ahmed              | Trustee            | Term Deposit           | 23,910,079    |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |
|                                  | A.F.M.M Samad Choudhury  | -Do-               |                        |               |                             |
| National Brokers Limited         | L. H. Khan               | Common Director    | Term Deposit           | 74,006,882    |                             |
| Duncan Brothers (BD) Ltd.        | Imran Ahmed              | -Do-               | Term Deposit           | 31,344,446    |                             |
|                                  | A. Rouf                  | -Do-               | Office rent            | 2,299,825     |                             |
| Eastland Camellia Ltd.           | Imran Ahmed              | -Do-               | Term Deposit           | 57,416,223    |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |
| United Insurance Co. Ltd.        | A. Rouf                  | Nominated Director | Lease                  | 3,605,525     | Regular                     |
|                                  | L. H. Khan               | -Do-               | Insurance premium paid | 12,917,894    |                             |
|                                  | A.F.M.M. Samad Choudhury | -Do-               | Office rent            | 103,748       |                             |
|                                  |                          | -Do-               | Term Deposit           | 14,000,000    |                             |
| Duncan Products Ltd.             | A. Rouf                  | Common Director    | Lease                  | 484,156       | Regular                     |
|                                  | Imran Ahmed              | -Do-               | Term Deposit           | 22,713,863    |                             |
|                                  |                          |                    | Drinking Water Bill    | 178,470       |                             |
| Amo Tea Co. Ltd.                 | Imran Ahmed              | -Do-               | Term Deposit           | 113,419,988   |                             |
|                                  | Susan Ann Walker         | -Do-               | Office rent            | 2,299,825     |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |
| The Chandpore Tea Co. Ltd.       | Imran Ahmed              | -Do-               | Office rent            | 558,210       |                             |
|                                  | Susan Ann Walker         | -Do-               |                        |               |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |
| The Mazdehee Tea Co. Ltd         | Imran Ahmed              | -Do-               | Office rent            | 558,210       |                             |
|                                  | Susan Ann Walker         | -Do-               |                        |               |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |
| Camellia Duncan Foundation       | Imran Ahmed              | Trustee            | Term Deposit           | 27,529,733    |                             |
|                                  | A. Rouf                  | -Do-               |                        |               |                             |



#### **43.6 Lending policy to related parties**

Related parties are allowed lease, loans and advance as per credit policy of the Company on arm's length basis.

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

As on 31 December 2019 no such investment exists.

#### **44 Commitment**

##### **Capital expenditure**

There was no capital expenditure contracted but not incurred or provided for at 31 December 2019 (2018: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2019 (2018: 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 2019, the Company had BDT 543,656,628 commitment with customers (2018:BDT 1,832,702,556).

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

Unsettled income tax returns/appeals are under process for assessments/settlement with the National Board of Revenue and honorable Supreme Court (High Court Division and Appellate 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 2019

#### **46 Proposal of dividend**

The Board of Directors has recommended a cash dividend of BDT 1.00 per ordinary share (2018: @ BDT 1.00 per ordinary share) i.e. a total of BDT 187.11 million for 187.11 million ordinary shares held on the record date 12 March, 2020.

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

Dividend payable to non resident shareholder of BDT 33,651,878.90 was outstanding as on 31 December 2019 due to delay in receiving approval from Bangladesh Bank. Required approval was obtained and accordingly outstanding dividend of BDT 33,651,878.90 equivalent to GBP 299,303.14 (2017: BDT 32,048,040.20 equivalent to GBP 293,985.54) was remitted to non resident shareholder on 30 January 2020.

#### **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  |       | 2019      | 2018      | Growth(%) |
|--------|--|-------|-----------|-----------|-----------|
| 1      | Paid-up capital (note-13.2)  | MBDT  | 1,871.15  | 1,871.15  | -         |
| 2      | Total eligible capital (note-13.3)   | MBDT  | 3,308.01  | 3,277.99  | 0.01      |
| 3      | Capital surplus (note-13.3)  | MBDT  | 1,487.76  | 1,271.01  | 0.17      |
| 4      | Total assets   | MBDT  | 21,729.83 | 24,072.57 | (0.10)    |
| 5      | Total term deposits (note-11.1)  | MBDT  | 11,822.38 | 14,548.16 | (0.19)    |
| 6      | Total lease, loans and advances (note-7.1)   | MBDT  | 14,989.35 | 17,942.41 | (0.16)    |
| 7      | Total contingent liabilities and commitments (note-19)   | MBDT  | 61.04     | 6.14      | 8.94      |
| 8      | Loan to deposit ratio (note-7.1/note-11.1)   |       | 1.27      | 1.23      | 0.03      |
| 9      | Percentage of classified lease, loans and advances against total leases, loans and advances (note-7.8) | (%)   | 4.05      | 2.96      | 0.37      |
| 10     | Profit after tax and provision   | MBDT  | 244.67    | 276.77    | (0.12)    |
| 11     | Amount of loans classified during the year   | MBDT  | 607.14    | 530.34    | 0.14      |
| 12     | Provisions kept against classified loans (note-12.5)   | MBDT  | 320.09    | 269.95    | 0.19      |
| 13     | Provision surplus (note-12.5)  | MBDT  | 3.06      | 81.90     | (0.96)    |
| 14     | Cost of fund   | (%)   | 9.66      | 9.00      | 0.07      |
| 15     | Interest earning assets  | MBDT  | 19,057.92 | 21,921.05 | (0.13)    |
| 16     | Non-interest earning assets  | MBDT  | 2,671.91  | 2,151.51  | 0.24      |
| 17     | Return on equity i   | (%)   | 7.77      | 9.01      | (0.14)    |
| 18     | Net return to total earning assets   | (%)   | 1.28      | 1.26      | 0.02      |
| 19     | Return on total assets ii  | (%)   | 1.07      | 1.15      | (0.07)    |
| 20     | Income from investment in shares and bonds (note-23)   | MBDT  | 80.95     | 111.37    | (0.27)    |
| 21     | Earnings per share iii   | BDT   | 1.31      | 1.48      | (0.12)    |
| 22     | Net income per share iv  | BDT   | 1.31      | 1.48      | (0.12)    |
| 23     | Price earning ratio v  | Times | 13.23     | 12.03     | 0.10      |

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 December 31 market price of the respective year.

**Kaiser Tamiz Amin**  
Managing Director

**Mahbub Mustafizur Rahman**  
Director

**L. H. Khan**  
Director

**A. Rouf**  
Director



**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>Right-of-use assets</b> | <b>Total</b>       |
|-------------------------------------|--------------------------------|-------------------------|-----------------------------|-----------------------|---------------------|----------------------------|--------------------|
| <b>Cost</b>                         |                                |                         |                             |                       |                     |                            |                    |
| Balance at 01 January, 2019         | 111,951,984                    | 419,679                 | 99,326,466                  | 68,079,263            | 177,890,411         | -                          | 457,667,802        |
| Addition during the year            | 17,503,516                     | 165,550                 | 11,649,394                  | 10,311,000            | -                   | 188,442,592                | 228,072,052        |
| Disposal/adjustment                 | (6,995,103)                    | -                       | (3,988,529)                 | (7,617,789)           | -                   | -                          | (18,601,421)       |
| <b>Balance at 31 December, 2019</b> | <b>122,460,397</b>             | <b>585,229</b>          | <b>106,987,330</b>          | <b>70,772,474</b>     | <b>177,890,411</b>  | <b>188,442,592</b>         | <b>667,138,433</b> |
| <b>Accumulated depreciation</b>     |                                |                         |                             |                       |                     |                            |                    |
| Balance at 01 January, 2019         | 72,872,439                     | 340,881                 | 68,821,781                  | 39,955,637            | 4,817,865           | -                          | 186,808,604        |
| Charge for the year                 | 7,781,595                      | 36,344                  | 10,466,032                  | 9,991,316             | 4,447,262           | 28,199,757                 | 60,922,306         |
| Disposal /adjustment                | (6,226,621)                    | -                       | (3,958,885)                 | (4,790,002)           | -                   | -                          | (14,975,508)       |
| <b>Balance at 31 December, 2019</b> | <b>74,427,414</b>              | <b>377,225</b>          | <b>75,328,928</b>           | <b>45,156,951</b>     | <b>9,265,127</b>    | <b>28,199,757</b>          | <b>232,755,402</b> |
| <b>WDV at 31 December, 2019</b>     | <b>48,032,983</b>              | <b>208,004</b>          | <b>31,658,402</b>           | <b>25,615,523</b>     | <b>168,625,284</b>  | <b>160,242,835</b>         | <b>434,383,031</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>-</b>                   | <b>270,859,200</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 within 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 Statutory Reserve | 187.11              |
| Non-repayable Share premium account                          | 0.38                |
| Statutory Reserve  | 87.94               |
| General Reserve  | 22.50               |
| Retained Earnings  | 19.77               |
| 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>317.70</b>       |



|   |        |
|---|--------|
| (c) The total amount of Tier 2 capital. | 13.10  |
| (d) Other deductions from capital.      | -      |
| (e) Total eligible capital.             | 330.80 |

### 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 18.17% of Risk Weighted Assets (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 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) recognised 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      | 1,610               |
| (c) Capital requirement for Market Risk      | 52                  |
| (d) Capital requirement for Operational Risk | 159                 |
| (e) Total and Tier 1 capital ratio:          |                     |
| CAR on Total capital basis (%)               | 18.17%              |
| CAR on Tier 1 capital basis (%)              | 17.45%              |

### 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 allowance are maintained in accordance with Bangladesh Bank policies and guidelines as well as its internal policy, UFL maintains 0.25% against Standard SME loans, 1% provision against Standard 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 utilising policies and practices approved by the Board of Directors.

**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 Business 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 minimise 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 finalising 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 securitisation 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.**

**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        | 780.79              |
| Term Loan            | 313.47              |
| Home Loan            | 102.87              |
| Short Term Loan      | 296.45              |
| Loan against Deposit | 5.36                |
| Total                | 1,498.93            |

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

|            | Amount in Crore BDT |
|------------|---------------------|
| Dhaka      | 923.81              |
| Chattogram | 199.91              |
| Rajshahi   | 115.67              |
| Khulna     | 108.55              |
| Rangpur    | 81.13               |
| Mymensingh | 34.68               |
| Barishal   | 26.35               |
| Sylhet     | 8.82                |
| Total      | 1,498.93            |

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

|   | Amount in Crore BDT |
|---|---------------------|
| 1. Agricultural sector                      | 93.69               |
| 2. Industrial sector:                       |                     |
| a) Service industry                         | 152.81              |
| b) Food production/processing industry      | 143.31              |
| c) Chemical & Pharmaceutical                | 102.13              |
| d) Plastic industry                         | 32.41               |
| e) Garments                                 | 35.13               |
| f) Textile                                  | 55.95               |
| g) Paper, Printing and packaging industry   | 82.54               |
| h) Iron, Steel & Engineering industry       | 72.04               |
| i) Leather & leather products               | 9.47                |
| j) Electronics and electrical industry      | 55.58               |
| k) Telecommunication/information Technology | 9.16                |
| l) Jute and jute products                   | 27.65               |
| m) Cement/Concrete and allied industry      | 31.59               |
| n) Glass and ceramic industry               | 3.24                |
| o) Ship Manufacturing Industry              | -                   |
| p) Power, Gas, Water and sanitary service   | 10.96               |
| 4. Transport & Communication                | 102.55              |
| 5. Real Estate & Housing                    | 102.75              |
| 6. Trade and Commerce                       | 323.26              |
| 7. Others                                   | 52.72               |
| Total                                       | 1,498.93            |

**(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                           | 137.48              |
| Over 1 month but not more than 3 months | 146.00              |
| Over 3 months but not more than 1 year  | 547.28              |
| Over 1 year but not more than 5 years   | 587.18              |
| Over 5 years                            | 81                  |
| Total                                   | 1,498.93            |

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

|  | Amount in Crore BDT |
|--|---------------------|
| Gross Non Performing Assets (NPAs)                           | 60.71               |
| Non Performing Assets (NPAs) to Outstanding Loans & advances | 4.05%               |

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

|   | Amount in Crore BDT |
|---|---------------------|
| Opening balance                                 | 53.03               |
| Additions                                       | 27.32               |
| Reductions                                      | (19.64)             |
| Closing balance                                 | 60.71               |
| <b>Movement of specific provisions for NPAs</b> |                     |
| Opening balance                                 | 26.99               |
| Provisions made during the period               | 12.68               |
| Write-off                                       | (14.41)             |
| Write-back of excess provisions                 | 6.75                |
| Closing balance                                 | 32.00               |

**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. 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    | 1.55                |
| Unquoted shares* | 22.15               |
| Total            | 23.70               |

\*Unquoted shares include redeemable preference shares

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

Not Applicable

|   |                       |
|---|-----------------------|
| <b>(d) Total unrealised 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<br>2% | Moderate<br>4% | Major<br>6% |
|--|-------------|----------------|-------------|
| Change in the Value of Bond Portfolio (BDT in Crore) | 0.00        | 0.00           | 0.00        |
| Net Interest Income (BDT in Crore)                   | 3.03        | 6.07           | 9.10        |
| Revised Regulatory Capital (BDT in Crore)            | 333.83      | 336.87         | 339.90      |
| Risk Weighted Assets (BDT in Crore)                  | 1,820.25    | 1,820.25       | 1,820.25    |
| Revised CAR (%)                                      | 18.34%      | 18.51%         | 18.67%      |

**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                           | 5.17                |
| Foreign Exchange Position (if any) | 0                   |

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

**(a) Views of Board Of Directors 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.

**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: | 158.61              |



# 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 2019. 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 assets</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 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 helplines</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 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>Help 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            | 2019 | 2018 |
|---|------|------|
| Surveys conducted to measure customer feedback  | 0    | 0    |
| Grievances from stakeholders raised and handled | 0    | 0    |

**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>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| <b>Access to Finance</b>  |             |             |
| Economic activity for the period (No. of new accounts)  | 313         | 1,402       |
| Financial Inclusion – First Time Institutional Borrowers (No. of enterprises) <sup>1</sup>                              | 106         | 1,049       |
| 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>   | 282         | 881         |
| <b>Employment Generation</b>  |             |             |
| Seasonal Employment as a result of Financing Activities (in persons) <sup>6</sup>                                       | 27          | 128         |
| Regular Employment as a result of Financing Activities (in persons) <sup>7</sup>  | 868         | 1,445       |
| <b>Work Efficiency</b>  |             |             |
| Increased Productivity/Month (BDT in millions) <sup>8</sup>   | 12,493      | 10,815      |
| Reduced Outsourcing Cost (BDT in millions) <sup>9</sup>   | 85.8        | 345         |
| <b>Environmental</b>  |             |             |
| Noise Reduction (in decibels) <sup>10</sup>   | -           | -           |
| Reduction in CO <sub>2</sub> Emission (gm CO <sub>2</sub> e/km) <sup>11</sup>   | N/A         | N/A         |
| Reduction in CO <sub>2</sub> Emission (million gm CO <sub>2</sub> /litre) <sup>12</sup>                                 | -           | 86.78       |
| 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       |
| 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           | 1           |
| <b>Empowerment</b>  |             |             |
| Breakout from Traditional Financing (%) <sup>17</sup>   | -           | -           |
| Women Entrepreneurship Financed (in persons) <sup>18</sup>  | 180         | 274         |
| Women Farmers Financed in Agricultural Financing (in persons) <sup>19</sup>   | 15          | 27          |
| Landless Farmers Financed in Agricultural Financing (in person) <sup>20</sup>   | 10          | -           |

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 2018, values calculated in gm CO<sub>2</sub>e/km. Calculated when the financed vehicle is CNG converted, which reduces CO<sub>2</sub> emission by 16.50% than a regular combustion engine. (Source: Environmental Protection Agency Report – 2011, USA).
12. In 2019, the calculation methodology was changed to gm CO<sub>2</sub>/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 enterprise financed which are controlled/owned by women.
- 19. Measured as number of women entrepreneurs 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>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| <b>Diversity of Workforce</b>   |             |             |
| <b>Permanent Employees<sup>22</sup></b>                                     |             |             |
| Male (in persons)   | 403         | 366         |
| Female (in persons)   | 94          | 77          |
| <b>Non-Permanent Employees<sup>23</sup></b>                                 |             |             |
| Male (in persons)   | 162         | 345         |
| Female (in persons)   | 53          | 116         |
| Total Full-Time Employees (in persons) <sup>24</sup>                        | 712         | 813         |
| Total Part-Time Employees (in persons) <sup>25</sup>                        | 20          | 91          |
| Ratio of Full-Time Employees: Part Time Employees                           | ~32:1       | ~ 9:1       |
| <b>Employment Generation</b>  |             |             |
| <b>Permanent</b>  |             |             |
| New Employees (male)  | 133         | 105         |
| New Employees (female)  | 21          | 16          |
| Total New Employees   | 154         | 121         |
| Total Resignations <sup>26</sup>  | 49          | 79          |
| Employment Generation   | 105         | 42          |
| <b>Non-Permanent</b>  |             |             |
| New Employees (male)  | 129         | 141         |
| New Employees (female)  | 29          | 53          |
| Total New Employees   | 158         | 194         |
| Total Resignations <sup>26</sup>  | 72          | 209         |
| Employment Generation   | 86          | -15         |
| Ratio of new employees by age (Under 30: 30-50: Over 50)                    | 126:64:1    | 86:19:0     |
| <b>Employee Training</b>  |             |             |
| Employees trained (in persons)  | 299         | 250         |
| Total Employee Training Hours   | 1,495       | 3,849       |
| Training Ratio- Male: Female  | 7:3         | 6:1         |
| Ratio of Training Hours (Employee: Manager: Senior Management)              | 57:1:1      | 81:47:26    |
| 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)                          | 6           | 8           |
| Employees availing Maternity Leave (in persons)                             | 5           | 2           |
| 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 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 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.<br>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:<br>i. geographic locations where products and services are offered<br>ii. Sectors served<br>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<br>i. Total number of employees<br>ii. Total number of operations<br>iii Net sales (for private sector organisations) or net revenues (for public sector organisations)<br>iv.Total capitalisation (for private sector organisations) broken down in terms of debt and equity<br>v. Quantity of products or services provided.  | Shareholding Pattern<br>Key Operating and Financial Data<br><br>for more details:<br><a href="https://www.unitedfinance.com.bd">https://www.unitedfinance.com.bd</a>                        | 9<br>10  |
| 102-8                       | a. Total number of employees by employment contract (permanent and temporary), by gender<br>b. Total number of employees by employment contract (permanent and temporary), by region<br>c. Total number of employees by employment type (full-time and part-time), by gender<br>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<br>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).<br>f. An explanation of how the data have been compiled, including any assumptions made | Sustainability Report   | 82       |
| 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>           | a. Significant changes to the organisation & supply chain, including<br>i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions;<br>ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)<br>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><br>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   | 80       |
| <b>Strategy</b>               |  |   |          |
| 102-14                        | A statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization 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.<br>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   | 79-80    |
| 102-41                        | Percentage of total employees covered by collective bargaining agreements.   | No employees covered  | -        |
| 102-42                        | The basis for identifying and selecting stakeholders with whom to engage.  | Sustainability Report   | 79-80    |
| 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   | 79-80    |
| 102-44                        | Key topics and concerns that have been raised through stakeholder engagement, including:<br>i. how the organisation has responded to those key topics and concerns, including through its reporting<br>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.<br>b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.  | Not Applicable   | -        |
| 102-46                     | a. An explanation of the process for defining the report content and the topic Boundaries.<br>b. An explanation of how the organisation has implemented the Reporting Principles for defining report content.  | Sustainability Report  | 79       |
| 102-47                     | A list of the material topics identified in the process for defining report content.   | Sustainability Report  | 79       |
| 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<br>60 |
| 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, 2019 to 31 December, 2019  | -        |
| 102-51                     | If applicable, the date of the most recent previous report.  | February 20, 2019  | -        |
| 102-52                     | Reporting cycle  | Annual   | -        |
| 102-53                     | The contact point for questions regarding the report or its contents.  | Sharmi Noor Nahar,<br>Company Secretary  | -        |
| 102-54                     | The claim made by the organisation, if it has prepared a report in accordance with the GRI Standards, either:<br>i. 'This report has been prepared in accordance with the GRI Standards: Core option';<br>ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.  | Sustainability Report<br>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.<br>b. For each disclosure, the content index shall include:<br>i. The number of the disclosure (for disclosures covered by the GRI Standards)<br>ii. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials<br>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.<br>b. If the report has been externally assured:<br>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<br>ii. The relationship between the organisation and the assurance provider<br>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<br>b. The Boundary for the material topic.<br>c. Any specific limitation regarding the topic Boundary   | Sustainability Report  | 79                  |
| 103-2                       | a. An explanation of how the organisation manages the topic<br>b. A statement of the purpose of the management approach<br>c. A description of the following, if the management approach includes that component<br>i. Policies<br>ii. Commitments<br>iii. Goals and targets<br>iv. Responsibilities<br>v. Grievance mechanisms<br>vi. Specific actions, such as processes and initiatives   | Chairman’s Statement, Management Discussion and Analysis and Sustainability Report | 5<br>11-13<br>79-80 |
| 103-3                       | An explanation of how the organisation evaluates the management approach.  | Chairman’s Statement and Management Discussion and Analysis                        | 5<br>11-13          |
| 201-1                       | a.Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organisation’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:<br>i. Direct economic value generated: revenues;<br>ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;<br>iii. Economic value retained: ‘direct economic value generated’ less ‘economic value distributed’.<br>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  | 36-70               |
| 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  | 79-82               |
| 201-3                       | a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities<br>b. If a separate fund exists to pay the plan's pension liabilities<br>i. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;<br>ii. The basis on which that estimate has been arrived at<br>iii. When that estimate was made<br>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.<br>d. Percentage of salary contributed by employee or employer<br>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  | 79-82               |
| 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                                 | 79-82               |



| Disclosure No.                 | Requirements  | Location   | Page No.            |
|--------------------------------|---|--|---------------------|
| 201-4                          | b. The information in 201-4-a by country<br>c. Whether, and the extent to which, any government is present in the shareholding structure  | Notes to the Financial Statements  | 36-70               |
| <b>Employment and Training</b> |   |  |                     |
| 103-1                          | a. An explanation of why the topic is material<br>b. The Boundary for the material topic.<br>c. Any specific limitation regarding the topic Boundary  | Sustainability Report  | 79                  |
| 103-2                          | a. An explanation of how the organisation manages the topic<br>b. A statement of the purpose of the management approach<br>c. A description of the following, if the management approach includes that component<br>i. Policies<br>ii. Commitments<br>iii. Goals and targets<br>iv. Responsibilities<br>v. Grievance mechanisms<br>vi. Specific actions, such as processes and initiatives  | Chairman’s Statement, Management Discussion and Analysis and Sustainability Report | 5<br>11-13<br>79-80 |
| 103-3                          | An explanation of how the organisation evaluates the management approach.   | Chairman’s Statement, Management Discussion and Analysis and Sustainability Report | 5<br>11-13<br>79-80 |
| 401-1 <sup>2</sup>             | a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.<br>b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.   | Sustainability Report  | 82                  |
| 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:<br>i. Life insurance<br>ii. Health care<br>iii. Disability and invalidity coverage<br>iv. Parental leave<br>v. Retirement provision<br>vi. Stock ownership<br>vii. Others   | Notes to the Financial Statements  | 42                  |
| 401-3                          | a. Total number of employees that were entitled to parental leave, by gender<br>b. Total number of employees that took parental leave, by gender.<br>c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender.<br>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.<br>e. Return to work and retention rates of employees that took parental leave, by gender | Sustainability Report  | 82                  |
| 404-1                          | Average hours of training that the organisation’s employees have undertaken during the reporting period, by:<br>i. Gender;<br>ii. Employee category.  | Sustainability Report  | 82                  |

<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.<br>b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. | Sustainability Report | 82              |
| 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.   | Sustainability Report | 82              |



## **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

C. K. Hyder

: Surmah Valley Tea Company Limited

A. F. Nesaruddin

: Surmah Valley Tea Company Limited

### Independent Directors

M. M. Alam

Mahbub Mustafizur Rahman

### Ex- officio Director

Kaiser Tamiz Amin, 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

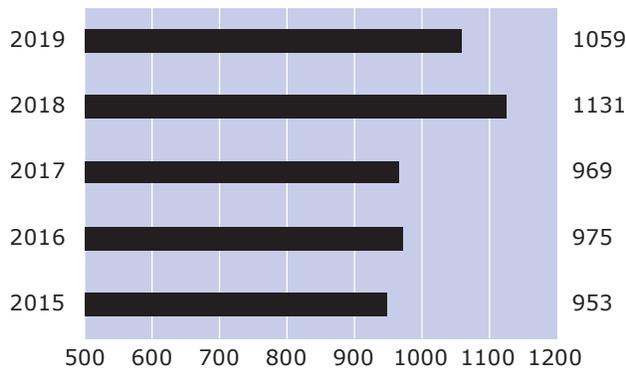
|  |      |
|--|------|
| Chattogram, Agrabad                        | 1994 |
| Jashore, R.N. Road                         | 2005 |
| Gazipur, College Gate, Tongi               | 2006 |
| Bogura, Borogola                           | 2006 |
| Sylhet, East Dargah Gate                   | 2009 |
| Belkuchi, 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

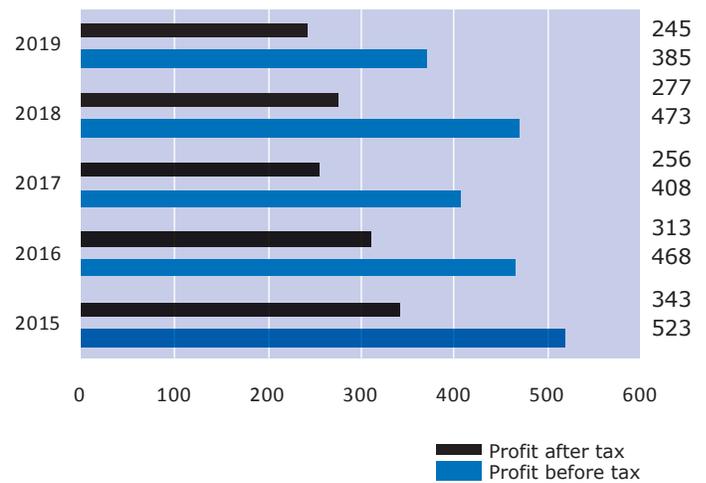
### Operating income

BDT in million



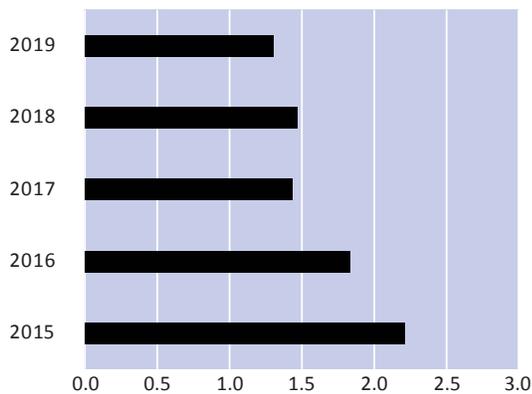
### Profit before & after tax

BDT in million



### Earnings per share (EPS)

Amount in BDT

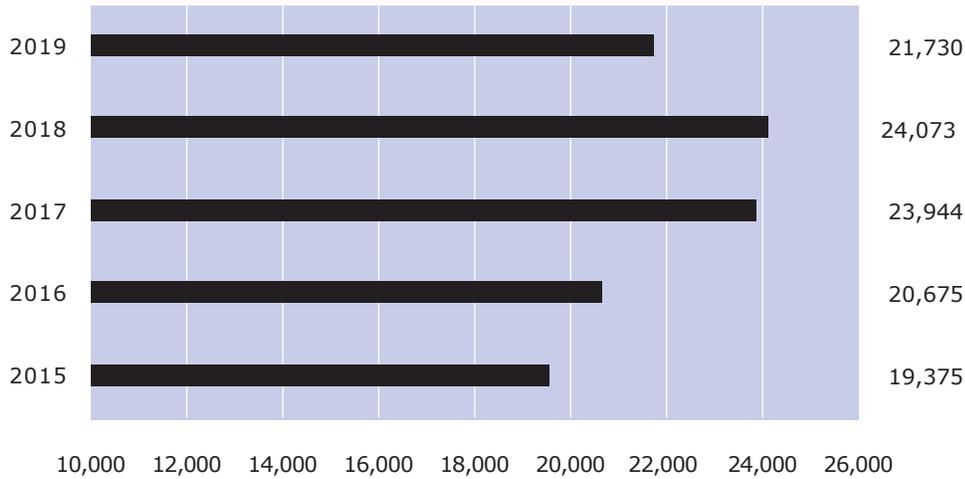




## PERFORMANCE INDICATORS

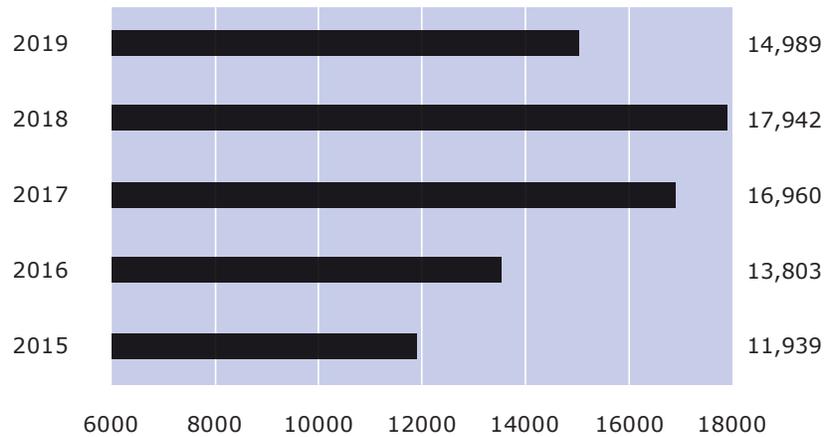
### Total assets

BDT in million



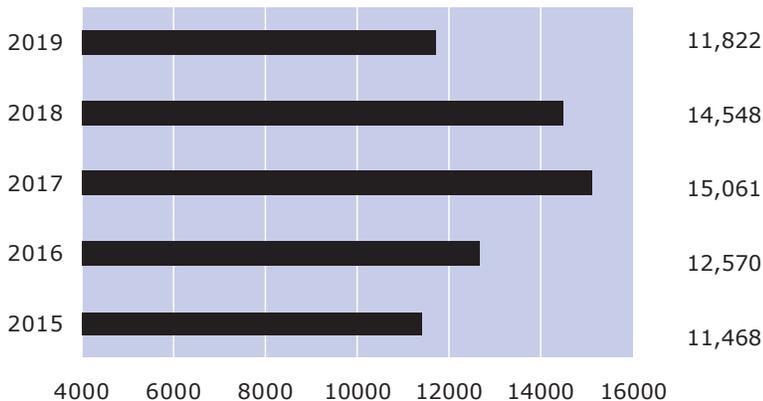
### Lease, loans and advances

BDT in million



### Term deposit

BDT in million

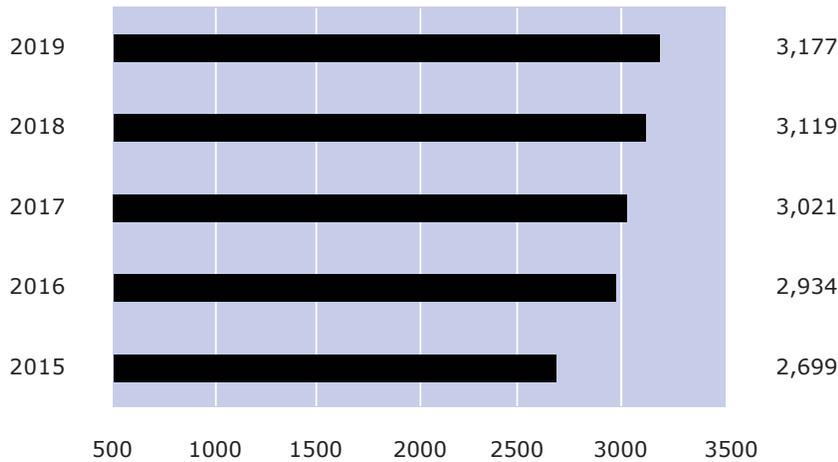




## PERFORMANCE INDICATORS

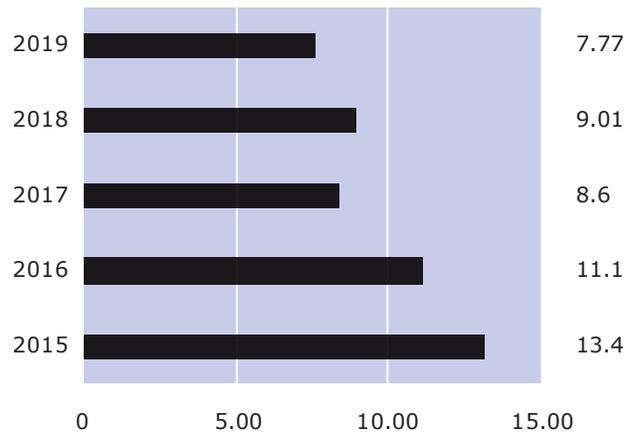
### Shareholder's equity

BDT in million



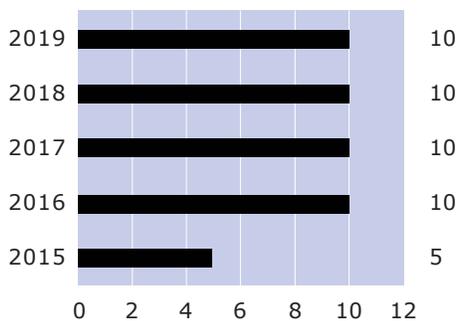
### Return on equity

In percentage



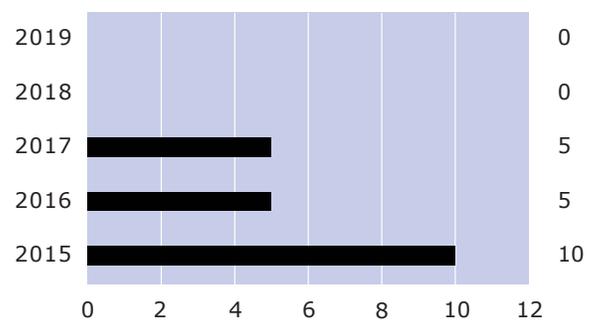
### Cash dividend

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 Thirty-First Annual General Meeting of the Company through a digital platform to be held on Tuesday, July 21, 2020 at 4:00 p.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

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 scanned and sent through email at least 48 hours before the meeting at [investor.relations@unitedfinance.com.bd](mailto:investor.relations@unitedfinance.com.bd). 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.



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)