

# Annual Report 2017



National Finance Ltd



## CONTENTS

|     |   |       |
|-----|---|-------|
| 01. | Letter Of Transmittal                   | 02    |
| 02. | Vision                                  | 03    |
| 03. | Mission                                 | 04    |
| 04. | Values                                  | 05    |
| 05. | Corporate Directory                     | 06-07 |
| 06. | Board of Directors                      | 08-12 |
| 07. | Management Committee                    | 13-14 |
| 08. | Chairman's Message                      | 15-18 |
| 09. | Directors Report                        | 19-25 |
| 10. | Five Years Financial Highlights         | 26    |
| 11. | Value Added Statement                   | 27    |
| 12. | Economic Value Added Statement          | 28    |
| 13. | Auditor's Report & Financial Statements | 29-68 |
| 14. | Project Financed by NFL                 | 69-71 |
| 15. | Events Snippets                         | 72-74 |
| 16. | Credit Rating Report                    | 75    |
| 17. | Liability Products of NFL               | 76    |
| 18. | Fixed Deposits                          | 77    |
| 19. | Asset Products of NFL                   | 78-79 |



## Letter of Transmittal

All Shareholders of National Finance Limited  
Bangladesh Bank  
Bangladesh Securities and Exchange Commission (BSEC)  
Registrar of Joint Stock Companies & Firms

Dear Sir,

**Annual Report of National Finance Limited for the year ended 31 December 2017.**

We are pleased to present before you the Annual Report 2017 of National Finance Limited alongwith the audited Financial Statements of the year ended 31 December 2017 and as on that date.

The Report includes Directors' Report, Auditor's Report and Audited Financial Statements of National Finance Limited for the year ended on 31st December 2017.

The Report is forwarded for your kind information and record.

Yours Sincerely,

sd/-

**Nazmul Karim, FCS**  
Company Secretary



## Vision

The leading financial institution by being a strong catalyst in creating a better future for our customers, employees, communities and shareholders through quality, commitment, accountability, innovation and inclusion.





## Mission

Combine inspired people, world-class processes, smart technologies, and superior entrepreneurial acumen to:

- Deliver a better financial future and thereby sustained peace of mind to our customers by continuously analyzing their expectations and exceeding them.
- Create and sustain a workplace where an unbiased performance-reward culture inspires openness and innovation.
- Create value for our shareholders and partners in whatever we do.
- Create value for communities and economies in which we dwell by ensuring sustainability and inclusion.



# Values

## **DYNAMIC**

we strive to constantly change and progress in whatever we do.

## **INNOVATIVE**

we strive to constantly challenge our own systems to create better solutions.

## **ETHICAL**

we will strive to constantly remain ethical and honest in whatever we do and true to our promises.

## **TEAMWORK ORIENTED**

We strive to constantly work together as a team based on mutual respect and dignity.

## **SMART**

We strive to constantly remain alert about the stimuli we receive in our ambience and proactively adjust our attitude.



# Corporate Directory

## Legal Form

National Finance Limited is a public limited company incorporated on July 30, 2001 under the Companies Act 1994 in Bangladesh and obtained license from Bangladesh Bank (BB) on June 17, 2002. NFL was initially incorporated as Self Employment Finance Limited (SEFL) and subsequently its name was changed to National Finance Limited in February, 2009 as per certificate of RJSCF which was approved by Bangladesh Bank (BB) on February 17, 2009.

## Board of Directors

Md. Abdul Mannan Bhuiyan  
Chairman

Inamul Haq Khan  
Vice Chairman

Rozina Y. Kabir  
Saiful Kibria  
Roushan Akter  
Maruf Akter Mannan  
Fahima Mannan  
Asif Zahir  
Arifa Kabir

## Managing Director

Saifuddin M Naser

## Company Secretary

Nazmul karim, FCS

## BOARD COMMITTEE

### Audit Committee

- |                           |   |          |
|---------------------------|---|----------|
| 1. Mr. Maruf Akter Mannan | - | Chairman |
| 2. Ms. Arifa Kabir        | - | Member   |
| 3. Mrs. Roushan Akter     | - | Member   |
| 4. Ms. Fahima Mannan      | - | Member   |
| 5. Mr. Asif Zahir         | - | Member   |

### Executive committee

- |                           |   |          |
|---------------------------|---|----------|
| 1. Mr. Asif Zahir         | - | Chairman |
| 2. Mr. Inamul Haq Khan    | - | Member   |
| 3. Mr. Maruf Akter Mannan | - | Member   |
| 4. Mrs. Roushan Akter     | - | Member   |
| 5. Ms. Fahima Mannan      | - | Member   |



## Corporate Directory

### Capital (31 December 2017)

Authorized Capital Tk. 2,000,000,000, (200,000,000 ordinary shares of Tk. 10 each)

Paid-up Capital Tk. 132,25,84,200 (13,22,85,420 ordinary shares of Tk. 10 each)

### Accounting Year-end 31 December.

### Registered Office

Confidence Center (Level-8), Kha-09  
Pragati Sarani, Shahjadpur,  
Gulshan, Dhaka-1212

Web: [www.nfl.com.bd](http://www.nfl.com.bd)

### Auditor

A. Quasem & Co.  
Chartered Accountants

### Tax Consultant

K. M. Hassan & Co.  
Chartered Accountants

### Credit Rating Agency

Emenging Credit Rating Ltd. (ECRL)

### Company Registration Number

43690 Date : 30.07.2001

### Bangladesh Bank License Number

FID(L)/29





## *Board of Directors*





**Immortality is a by-product of good work,  
you will be immortal in our hearts forever...**

**National Professor  
Kabir Chowdhury**



**Mr. Abu M. F. Kabir**



**Late National Professor Kabir Chowdhury and Mr. Abu M. F. Kabir**, Two of our resplendent directors of National Finance Limited. You will remain forever in our heart for your outstanding contribution and endless generosity.



## Board of Directors



**Mr. Md. Abdul Mannan Bhuiyan**  
Chairman

Mr. Md. Abdul Mannan Bhuiyan have had his graduation from the University of Karachi, Pakistan, is a well established seasoned business person of the country. He has set up a successful business venture named Overseas Marketing Corporation (Pvt.) Ltd. The company, having wide reputation in providing solutions in the field of science and technology which includes education, research & industry mining and drilling, textile and leather, survey & solution, water management, engineering software solutions etc with sales and service support. Mr. Mannan is also engaged in engineering and agricultural business. He has exposures to a wide range of cultures across countries like USA, Japan, Malaysia, Thailand, Germany, Spain, Switzerland, India, Italy, Pakistan, Nepal, etc.



**Mr. Inamul Haq Khan**  
Vice Chairman

Mr. Inamul Haq Khan, the Managing Director of Ananta Companies, has an experience of 25 years in the RMG sector. He has played a leading role in the industry forming highly efficient and productive Ananta factories. Mr. Khan, a CIP, has also established a 100% export oriented finished leather goods manufacturing factory. He studied in Rajshahi Cadet College and the Mercantile Marine Academy, Chittagong. He received his MEO Class 1 certification from South Tyneside College, UK. He served in Bangladesh Shipping Corporation for 14 years and left BSC as a distinguished Chief Engineer, gathering critical experience before his debut in business. Mr. Khan is active in several social & benevolent activities through several institutions like Lions Clubs International & CSR initiatives of the Ananta Companies. Mr. Khan, a Melvin Jones Fellow, established Lions Club of Dhaka Ananta to take part in different social activities. Using this platform, lot of CSR activities are being performed including a praiseworthy blood donation program. He is the founder member of Dhaka Mohila College, founder and donor of Mandari Fatema High School, Ex. VP of Association of Marine Engineers and Bangladesh Merchant Marine Officers' Association. As the Director of BGMEA and the concerned Chairman of Compliance, Fire & Safety Cell, he has contributed a lot to ensure a safe & compliant RMG sector. At present he is acting as the BGMEA nominated member of Shippers Council Bangladesh. Mr. Khan is holding the chair of the Vice President of National Finance Ltd. Mr. Khan today is an eminent ambassador of RMG business in Bangladesh. He is among the first few RMG leaders whose contribution and effort resulted into the emergence of Bangladesh RMG sector as most safe, compliant & sustainable one. Facing all crucial challenges, RMG sector of Bangladesh today has established itself as a brand in the world apparel market which had always been the vision of Mr. Khan.



## Board of Directors



**Mrs. Rozina Yesmin Kabir**  
Director

Mrs. Rozina Yesmin Kabir, wife of Late Abu M. F. Kabir, is a non-resident Bangladeshi and citizen of USA is involved in the business of Pharmaceuticals and Nutraceuticals in the USA and activity engaged in promoting investment in Bangladesh. She is a post graduate and has exposure to a wide range of cultures of countries like U.K, Canada, Switzerland, Germany, etc.



**Mr. Saiful Kibria**  
Director

Mr. Saiful Kibria is a non-resident Bangladeshi and citizen of USA is involved in the business of Pharmaceuticals and Nutraceuticals in the USA and activity engaged in promoting investment in Bangladesh. He is a post graduate and is involved with many business associations abroad. He has exposure to a wide range of cultures of countries like U.K, Canada, Sweden, Germany, etc.



**Mrs. Roushan Akter Mannan**  
Director

Mrs. Raushan Akter is a seasoned management professional and has more than three decades of experience with OMC Group of Companies where she has been associated since its inception as a Director. She has a long association with the industry, and has developed strong bonding with a wide network of contacts including local entrepreneurs of both large and medium industries of the country. Besides this, she is an eminent individual and is part of various social activities.



**Ms. Fahima Mannan**  
Director

Ms. Fahima Mannan received her graduation in Computer Science from North South University, Dhaka and completed her MBA in Finance from Hofstra University, NY, USA. She is a director of OMC Group of Companies. Fahima Mannan is serving as the Director of OMC Healthcare (Pvt.) Ltd., a medical device manufacturing company.



## Board of Directors



**Mr. Maruf Akter Mannan**  
Director

Mr. Maruf Akter Mannan is the son of Mr. Md. Abdul Mannan Bhuiyan and is an MBA (Major in Finance) from New Jersey Institute of Science and Technology, Newark, NJ and BBA (Major in MIS) from North South University, Bangladesh. Mr. Maruf is a director of OMC Group of Companies. He has exposure to a wide range of cultures of countries like USA, Switzerland, Canada, Taiwan, India.



**Mr. Asif Zahir**  
Director

Mr. Asif Zahir as the Deputy Managing Director Ananta Group and has been responsible for leading his family business into one of the largest and fastest growing apparel manufacturing companies in Bangladesh with a turnover of over USD 250 million and employee over 25,000 people. Asif is also serving as the Director of Vanguard Asset Management Ltd, an investment management firm. Prior to returning to Bangladesh, Asif Zahir spent several years in the USA working as a Product Manager at Google, Inc. where he focused on developing applications for the Android mobile operating platform.

Mr. Asif graduated from Stanford University, USA with a degree in Computer Science, where he was recognized as a President's Scholar and a Mayfield Fellow. Asif has also completed his Masters in Business Administration (MBA) from Harvard University, USA.



**Ms. Arifa Kabir**

Director, Nominated by  
M/S Overseas Marketing Corporation (Pvt.) Ltd.

Ms. Arifa Kabir received her BBA in International Business from North South University. She is energetic and dynamic business entrepreneur and has versatile professional experience and has visited North America, Europe, Asia and Australia in professional connections.



**Mr. Saifuddin M Naser**  
Managing Director

Mr. Saifuddin M. Naser joined National Finance Ltd as Managing Director in August 2017. Prior to joining NFL Mr. Naser worked in various Bank's & Financial Institution at home and abroad. He held Positions such as Finance Manager BMO Bank of Montreal, Managing Director of Union Capital Ltd, Managing Director & CEO of BRAC Afghanistan Bank, Head of Retail in Brac Bank Ltd and Senior Relationship Manager in Priority Banking of Standard Chartered Bank.



# *Management Committee*







### Standing from Left :

Mr. Jyonto Kumar Biswas (SAVP & Head of IT)

Mr. K.M. Nasir Uddin ( VP, Corporate)

Mr. Kopil Uddin Mahmud Chowdhury (FAVP & Head of CRM)

Mr. Dipok K. Roy, FCA (SVP & Head of ICC)

Mr. Abul Kalam Azad (SVP & Head of CAD)

Mr. Saifuddin M. Naser (Managing Director)

Mr. Md. Golam Sarwar Bhuiyan (Deputy Managing Director)

Mr. Md. Didarul Azad, FCA (VP & Head of Finance)

Mr. Nazmul Karim, FCS (SVP & Company Secretary)

Mrs. Kazi Dilruba Akter (SAVP & Head of SME)



# *Chairman's Message*







Bismillahir Rahmanir Rahim  
Dear Valued Shareholders  
AssalamuAlaikum.

#### **Introduction:**

I welcome you all to the 16th AGM of National Finance Limited. Please accept my heartfelt thanks and gratitude. It is my privilege to present your Company's audited financial statements and the Auditors' Report thereon for the year ended December 31, 2017.

At the outset, I express my gratitude to Almighty Allah for enabling us to run this company successfully and attend the AGM in sound health. On this auspicious occasion I recall with profound gratitude, the contribution of late National Professor Kabir Chowdhury, late colleague Abu MF Kabir and late Professor Din Mohammad Bhuiyan who were among the main catalyst in founding this company.

We are proud to announce another successful year of NFL in 2017. Customer satisfaction remained our top priority, along with ensuring growth of the company.

#### **Overview of Bangladesh Economy:**

From macro-economic perspective, Bangladesh is making advances in various socio-economic indexes. We've made remarkable progress in GDP growth of 7.28% and inflation rate is in controlled position at 5.70%. Industry showed upward trend in interest rates since the last quarter of the year. It may be concluded that the economy appears to be in control and the future prospects impart a positive tone.



### **Business Performance of NFL:**

The year 2017 was a successful year for NFL in terms of business growth. Despite many challenges and inadequate resources, NFL secured steady growth year in business performance. NFL continued to focus on major areas namely: diversification of loan, reduction in costs, mobilizing core deposits, increase in quality investments and proactively managing credit costs & NPLs. We have made significant progress in many of the said issues through successful execution of our strategy. Some of the key financial highlights during the year 2017 are detailed below:

- Loan and Lease portfolio stood at BDT 7294.12 million
- Total assets reached to 9483.01 million
- Total deposits portfolio stood at BDT 4869.42 million
- Operating profit stood at BDT 300.68 million
- Profit after Tax stood at Taka 104.95 million and EPS reached to Tk. 0.79

### **Stability:**

NFL Capital Adequacy Ratio (CAR) in the year 2017 stood at 26.84% against total risk weighted assets and continues to remain well above the regulatory requirements. Total Shareholders' equity increased by 7.27% to BDT 1547.23 million during the year, Which enable us to strengthen our competitive position and enhance stability.

Given the above context, it can be said that NFL as an industry player is in the top quality amongst its peers and well positioned to take the quantum leap in the near future.

### **Return to Shareholders:**

The Board of Directors believes in maintaining consistent dividend policy. Accordingly, considering the overall financial performance, and capital structure as well as future business plan, the Board has recommended 6% stock dividend for the year 2017.

### **Future Plan:**

Prevailing liquidity crisis and political aspects make the future challenging for financing business. But still, we look forward to a brighter future. We have already formulated short and long term business strategy focusing the challenging environment. we have the vision to be a leading NBF, fully compliant along with high degree of corporate values and ethical standard in order to serve national economy through generation of sustainable enterprises and employment.

We are going to diversify our portfolio. We shall focus more on SME, Factoring, Home Loan, Retail and Micro enterprise financing with cluster approach. We have already ensured our outreach by opening Branch in Chittagong and we have also decided to increase geographical presence by opening new branches in prime business location across the country.



### **Acknowledgement:**

I wish to express my gratitude and thanks to the esteemed members of the Board of Directors and honorable shareholders for their excellent cooperation, suggestion and advice. The management of the Company efficiently met day-to-day situation and the entire team performed admirably. My sincere thanks and appreciations to regulatory bodies including Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), The Registrar of Joint Stock companies and Firms (RJSC) and National Board of Revenue (NBR) and external Auditors for their guidance and support. Last but not the least; I am grateful to our valued clients and depositors who have been with us with full support and patronization since inception of the Company.

As always, we look forward to your continuous support in the coming days to make NFL a market leader.

Allah Hafez.

Sd/-

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**Md. Abdul Mannan Bhuyian**  
Chairman



# *Directors' Report*





### **Dear Shareholders,**

On behalf of the Board of Directors and Management of National Finance Limited, I am very happy to welcome you in 16th Annual General Meeting of the Company. We are pleased to place herewith the Directors Report and the Auditors' report together with the Audited Financial statements of the company for the year ended December 31, 2017 for your valued consideration, adoption and approval. This Annual Report has been prepared in compliance with Companies Act 1994, Financial Institutions Act 1993 and the Guidelines issued by Bangladesh Securities and Exchange Commission, Bangladesh Bank and other regulatory authorities.

In the year 2017 National Finance Limited recorded steady growth in its core business with good penetration in loan products in spite of volatile and uncertain global economic conditions. These results continue to demonstrate that we have the right strategy and we are executing it well.

### **Macroeconomic review:**

Breaking the long standing average 3.40% growth cycle, the global economy picked up momentum from the end of 2016 that spilled over to 2017. Accordingly IMF revised the global GDP growth rate forecast to 3.60% to 3.70% for 2017 and 2018 respectively on the back of firmer domestic demand growth in advanced economies and improved performance in other large emerging market economies. Developing economies are expected to grow at 4.6%, while advanced economies are expected to grow at 2.20%.

### **Bangladesh Economy:**

Bangladeshi economy remains a keenly observed developing economy as it continues its impressive track record of achieving a steady growth of over 6%, and attaining the growth at 7.28% in the fiscal year 2016-2017. Rising private sector credit demand with stable political situation bolstered the overall economic growth during the last fiscal year. Investment is a major impetus to Bangladesh growth which has majorly been contributed by public sector investment that saw an increase to 7.40% in FY 2016-17 from 6.70% in FY 2015-16, resulting in investment as a share of GDP to go up to 30.50% in FY 2016-2017. This positive economic outlook is further reflected in the slowly declining CPI inflation rate over the last couple of years owing to prudent macroeconomic management in the backdrop of political stability to reach 5.40% in FY 17, well below the target of 5.80%. However, on the onset of floods during second half of 2017 food inflation revealed increasing trend. In spite of the food and commodity price pressures average inflation was 5.70% on December 2017.

Among all the positives, however the current account deficit increased substantially over the year and stood at USD 1,480 million during FY 2016-17. Growth in imports outpaced growth in export by several folds due to rise in imports of global commodity, food and capital machinery. Remittance shows negative growth of 2.20% year to year basis. Moreover, BDT against USD gradually depreciated from 78.80 at the end of Dec 2016 to 82.70 at end of 2017, while Forex reserve stood at USD 33.20 billion as on Dec 2017.



### **Fiscal Management:**

Budget for FY'18 has been marked high ambition with a vision of attaining the middle income goal. The country's biggest ever budget size is BDT 4002.66 billion which is 17.52% higher compared to FY'17's budget. It has revenue target of BDT 2879.91 billion which is 18.66% higher than that of the FY17's budget. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.4% in FY'18, a slight increase from the previous year's target of 7.2%. Budget deficit is projected to be BDT 1,122.76 billion which is 5% of the GDP. Of this deficit, BDT 603.52 billion will be collected from savings certificates and other non-banking sources and remaining BDT 519.24 billion will be raised from external sources. The new budget also emphasized on power and energy sector, ICT sector, education and industrialization in the country.

### **Money Market:**

The money market comprising banks and financial institutions demonstrated steadiness in FY17. Interest rate in call money market rate ranging from 3.68 percent to 3.93 percent during this year. The average volume of money transaction in the call money market decreased to BDT 1152.75 billion in the year 2017 which was 4.67 percent lower than the year 2016. Repo rate and Reverse Repo rate remained unchanged from the year 2016 for achieving broad objective of monetary policy. Whereas Private sector credit growth hit 18.1 percent at the end of December, up from the central bank's target of 16.2 percent for the July-December period. Interest rates increase trend and revised AD ratio may challenge private sector credit growth in next year.

### **Principal Activities:**

The principal activities of National Finance Limited during the year 2017 were lease finance, term finance, mortgage financing, SME, factoring, consumer credits, deposit mobilization etc. There were no significant changes in the nature of principal activities of the Company during the year under review.

### **Corporate Governance:**

In the management of the Company, the Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced or improved from time to time to enhance risk management measures and to improve accountability and transparency.

### **Credit Rating:**

Emerging Credit Rating Ltd. (ECRL) has rated the Company on 08 Dec 2017 with "A-" in the long term and ST-2 for the Short Term based on audited financial 2016 and other available information up to the date of rating declaration. The outlook on the rating is stable. The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the noninterest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

### **Risk and Internal Control:**

The Board considers that strong internal controls are integral part of sound management of the Company. It is committed to maintain strict financial, operational and risk management. The Directors are ultimately responsible for the Company's systems of internal control and for review of its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss. There is an ongoing



process for identifying, recording, evaluating and managing the risks that are faced by the Company and the directors have reviewed the process through the Audit Committee. The Board of Directors is satisfied with the effectiveness of the system of the internal control for the year under review and up to the date of approval of the financial statements.

#### Financial Risk Management:

The Company's management has overall responsibility for the establishment and oversight of its risk management framework. The Company's management policies are established to identify and analyze the risk faced by the Company to set appropriate risk limit and controls and to monitor risk. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company has provided in a separate note to the financial statements the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and management of its capital.

#### Financial Review of 2017:

Despite the challenges posed by economic and political environment, NFL passed steady growth in businesses during 2017. Disbursement of record amount of corporate loan, significant growth in retail and SME business, and right decision on time accompanied by lowering the cost of borrowing significantly by increasing deposit from public & paying off the high cost bank borrowing and decreasing operating cost by increasing efficiency result such a significant performance for the Company. Total investment portfolio reached to BDT 7294.12 million in 2017 compared to BDT 5961.76 million in 2016. Operating profit stands at BDT 300.68 million while operating expenses were incurred BDT 98.90 million. Net profit after tax is reported at BDT 104.95 million. Earnings per Share (EPS) stood BDT 0.79 and NPL ratio stood at 14.87% in 2017.

| Particulars                                  | (Figures in million BDT) |                |                |
|--|--------------------------|----------------|----------------|
|  | Year 2017                | Year 2016      | Growth %       |
| <b>Net Interest Income</b>                   | <b>226.01</b>            | <b>278.65</b>  | <b>(18.89)</b> |
| <b>Other operating income</b>                | <b>173.57</b>            | <b>127.96</b>  | <b>35.64</b>   |
| <b>Total Operating income</b>                | <b>399.59</b>            | <b>406.62</b>  | <b>(1.73)</b>  |
| Total operating expense                      | 98.90                    | 79.83          | 23.96          |
| <b>Operating profit</b>                      | <b>300.68</b>            | <b>326.78</b>  | <b>(8.70)</b>  |
| Provision for loans, advances and leases     | 110.73                   | 127.06         | (12.85)        |
| <b>Profit before tax for the year (NPBT)</b> | <b>189.95</b>            | <b>199.73</b>  | <b>(5.18)</b>  |
| <b>Profit after tax</b>                      | <b>104.95</b>            | <b>69.88</b>   | <b>50.17</b>   |
| <b>Earnings Per Share (EPS)</b>              | <b>0.79</b>              | <b>0.53</b>    | <b>49.05</b>   |
| <b>Retained Earnings</b>                     | <b>85.76</b>             | <b>64.78</b>   | <b>32.32</b>   |
| <b>Shareholders' Equity</b>                  | <b>1547.23</b>           | <b>1442.28</b> | <b>7.28</b>    |
| <b>Total Asset</b>                           | <b>9483.01</b>           | <b>7769.76</b> | <b>22.05</b>   |
| <b>NAV per share</b>                         | <b>11.70</b>             | <b>10.91</b>   | <b>7.24</b>    |



### **Future Outlook 2018:**

We believe, 2018 is another challenging year for lending business as business confidence is slowly rising and current liquidity position will persist. Government borrowing from banking system will not crowd out private sector lending.

We forecast that the country's aggregate credit demand will start to grow up from the second half of 2018 and downward trend in interest rate will continue but the intensity of the falling of rate may reduce. Considering this outlook, NFL has already chalked out its strategy to put all efforts to achieve the business volume targeted by all the departments as well as to realize the corporate objectives. Innovative and relentless marketing drive would be put in place to attract quality assets in our portfolio and to improve the quality of the existing portfolio.

In the year 2018 we would like to extend business operation through operationalizing of our Chittagong branch and opening another branch in Uttara/Sylhet. We will diversify our portfolio by strengthening SME and consumer finance as well as participating in the capital market within regulatory threshold.

### **Related Party Disclosure:**

The directors have also disclosed the transactions, if any, that could be classified as related party transactions in terms of Bangladesh Accounting Standard - 24: "Related party disclosures" which is adopted in the preparation of financial statements. Those transactions disclosed by the directors are given in the note: 42 to the financial statements.

### **Directors' remuneration:**

Details of directors' emoluments paid during the year are given in notes –26 to the financial statements.

### **Material changes after Balance Sheet date (December 31, 2017):**

There have been no material changes and commitments between the end of 2017 and the date of this report, affecting the financial position of the Company

### **Business Ethics:**

Our customer welfare comes first. We ensure understanding our clients' needs, extending facilities to the right clients at fair terms. We care our clients to enjoy consistent continuous service wherever we operate. We also opened a complain box for taking care of customer complaints with highest priority. All our Board, Management and employees strictly follows regulatory guidelines, instructions and all applicable laws, rules and regulations of the country.

### **Contribution to National Exchequer:**

With a view to assisting the Government in building up revenues and thus contribute to the economic development of the Country, NFL deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from various payments and also deposits of income taxes of the Company on its income regular basis.



### Corporate Social Responsibility:

At NFL, we recognize that we have certain responsibilities to our clients, shareholders, employees and to the communities in general. But the biggest contribution of the company has to make the long-term sustainability of its business and to the communities where NFL serves by providing some extra focus as follows:

- Helping our customers to build savings for the future
- Encouraging reasonable investment
- Promoting finance where there is minimum environmental risk
- Managing our financial performance for the benefit of all our stakeholders
- Provide full and complete financial information
- Give attractive dividend
- Provide a work place in which employees are respected

### Board Meeting & Attendance:

During the year 2017, 12 nos. of Meetings of the Board of Directors were held. Attendance of the Directors is shown in the Note-37.

### Auditors:

A. Quasem & Co., Chartered Accountants, has completed their first year as statutory auditor of the company and eligible for re-appointment. A. Quasem & Co., Chartered Accountants, have expressed their willingness to become the statutory auditor of the company for the year 2018. In this regard the Audit Committee has scrutinized and reviewed the proposal and recommended to the Shareholders for appointment of A. Quasem & Co., as external auditor of the Company for the year 2018. We have sought approval of Bangladesh Bank to appoint A. Quasem & Co., Chartered Accountants, as our external auditor for the year 2018.

### Additional Disclosures:

The Directors, confirm compliance with the financial reporting framework for the following;

- The financial statements prepared by the management present fairly the company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern

### Dividend Information:

The Board of Director in its 155th Meeting held on May 24, 2018 has recommended 6 % stock dividend for the year ended December 31, 2017 for placement before shareholder at 16th Annual General Meeting of the company.



### **Acknowledgement:**

The Board of Directors takes this opportunity of expressing its heart-felt appreciation and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and cooperation. The Board also expresses its deep gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Registrar of Joint Stock Companies and Firms, National Board of Revenue (NBR) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also thanks A. Quasem & Co., the Auditors of the Company, for their efforts for timely completion of audits. National Finance Limited has recorded rapid and consistent growth, outperforming its competitors. One of the major reasons for this success was possible with a strong work ethic which has improved productivity at all levels. My high and sincere appreciation, on behalf of the Board of Directors, is due to the management and all members of staff of the company, for their outstanding efforts, loyalty, sincere services and dedication. I would like to take this opportunity to thank my colleagues on Board, who have extended all sorts of cooperation, in the face of adverse internal and external conditions, and made the year 2017 another year of success for the company. Finally, the Board of Directors thank the respected shareholders and assure them that they will continue to add to maximize the shareholders' wealth through further strengthening and development of the company in which they have placed their trust and confidence. Let us work together in spirit of open and honest partnership. The Board's pledge to you is that we will listen to your criticisms carefully, take those very seriously at all times and make clear cut decisions for the greater interest of the company.

For and on behalf of the Board of Directors

Sd/-

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**Md. Abdul Mannan Bhyuian**  
Chairman



National Finance Limited

## Five Years Financial Highlights

As at 31 December 2017

| SL | Particulars   | 2017<br>Taka  | 2016<br>Taka  | 2015<br>Taka  | 2014<br>Taka  | 2013<br>Taka  |
|----|---|---------------|---------------|---------------|---------------|---------------|
| 1  | Paid- up Capital  | 1,322,584,200 | 1,259,604,000 | 1,155,600,000 | 1,070,000,000 | 1,000,000,000 |
| 2  | Share holders equity  | 1,547,231,094 | 1,442,281,706 | 1,372,396,671 | 1,252,562,600 | 1,125,088,552 |
| 3  | Total Assets  | 9,483,010,493 | 7,769,763,541 | 7,811,568,461 | 6,332,016,528 | 4,269,877,020 |
| 4  | Total Deposits  | 4,869,420,875 | 4,201,841,308 | 4,508,594,029 | 3,460,869,649 | 1,971,684,876 |
| 5  | Total Loans & Advances  | 7,294,120,677 | 5,961,761,567 | 6,251,109,891 | 5,111,622,059 | 3,386,434,625 |
| 6  | Non Performing Loan (NPL) %   | 14.87         | 13.71         | 5.88          | 2.09          | 3.57          |
| 7  | Loan Deposit Ratio (%)  | 149.79        | 141.88        | 138.65        | 147.70        | 171.75        |
| 8  | Operating Profit  | 300,688,373   | 326,786,357   | 356,308,265   | 159,573,969   | 215,670,235   |
| 9  | Profit after Provision and taxation                                   | 104,949,388   | 69,885,035    | 123,542,265   | 127,474,047   | 88,296,094    |
| 10 | Non Performing Loan   | 1,084,377,889 | 817,066,610   | 367,797,243   | 106,687,427   | 121,052,020   |
| 11 | Return on Investment(ROI) [PAT/(Shareholders' equity + Borrowings) %] | 3.48          | 3.26          | 5.51          | 2.25          | 2.32          |
| 12 | Return on Assets (ROA) %  | 1.11          | 0.90          | 1.58          | 2.01          | 2.07          |
| 13 | Interest Earning Assets   | 8,567,191,020 | 6,962,737,723 | 7,178,404,368 | 5,672,620,729 | 3,772,111,507 |
| 14 | Other Assets  | 667,553,137   | 565,778,394   | 398,495,957   | 659,395,799   | 497,765,513   |
| 15 | Earnings per Share (EPS)  | 0.79          | 0.53          | 0.98          | 1.19          | 0.88          |
| 16 | Net Asste value (NAV) per share                                       | 11.70         | 10.91         | 11.88         | 11.71         | 11.25         |
| 17 | Net Operating Cash Flow(NOCF) per share                               | (3.04)        | 1.29          | 3.53          | 0.25          | 4.72          |



## Value Added Statement

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

| Particulars  | 2017               | 2016               |
|--|--------------------|--------------------|
| Net interest income  | 226,011,848        | 278,651,763        |
| Income from Investment   | 53,877,739         | 25,695,623         |
| Other operating income   | 119,702,834        | 102,271,296        |
| Management Expenses (excluding Salary,allowances and Depreciation) | (23,885,801)       | (21,331,770)       |
| Loan loss & provision  | (110,738,985)      | (127,058,137)      |
| <b>Total Value added by the company</b>                            | <b>264,969,652</b> | <b>258,228,775</b> |

### Value added distributed to:

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Employees- Salaries & allowances | 68,003,655         | 51,710,891         |
| Govt.- Taxes                     | 82,000,000         | 129,843,185        |
| Share holders-Retained earnings  | 83,959,510         | 55,908,028         |
| <b>Expansion &amp; Growth-</b>   |                    |                    |
| Statutory Reserve                | 20,989,878         | 13,977,007         |
| Defered Tax                      | 3,000,000          | (2,156,815)        |
| Depreciation                     | 7,014,592          | 6,789,664          |
| <b>Total</b>                     | <b>264,967,635</b> | <b>256,071,960</b> |

|               |             |             |
|---------------|-------------|-------------|
| No. of Shares | 132,258,420 | 125,960,400 |
|---------------|-------------|-------------|

|                              |             |             |
|------------------------------|-------------|-------------|
| <b>Value added per share</b> | <b>2.00</b> | <b>2.03</b> |
|------------------------------|-------------|-------------|

|                 |    |    |
|-----------------|----|----|
| No. of Employee | 53 | 46 |
|-----------------|----|----|

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| <b>Value added per employee</b> | <b>4,999,389</b> | <b>5,566,782</b> |
|---------------------------------|------------------|------------------|



## Economic Value Added Statement

Economic value added (EVA) is the financial performance measure that attempts to evaluate the real economic profit of an organization. It provides a measurement of a company's economic success (or failure) over a period of time. EVA is calculated as (NPAT-Cost of average equity). EVA of NFL tabulated below for the year 2017 & 2016.

| Particulars   | Amount in Taka       |                      |
|---|----------------------|----------------------|
|   | 2017                 | 2016                 |
| Shareholders Equity as on 31 Dec.(capital & reserve)                                    | 1,547,231,094        | 1,442,281,706        |
| Provision for loan losses   | 302,000,000          | 270,000,000          |
| <b>Total</b>  | <b>1,849,231,094</b> | <b>1,712,281,706</b> |
| <b>Average equity</b>   | <b>1,780,756,400</b> | <b>1,614,589,189</b> |
| Cost of Equity: 2017- 8.65% (5 Years Govt T. Bond rate-6.65+ Risk premium-2) 2016-8.25% | 133,835,490          | 118,988,241          |

### EVA

|                                 |                     |                     |
|---------------------------------|---------------------|---------------------|
| Total Return                    | 944,306,902         | 910,726,154         |
| Less: Interest & Operating cost | (643,618,529)       | (583,939,797)       |
| Less: Loan loss & provision     | (110,738,985)       | (127,058,137)       |
| Less: Income Tax                | (85,000,000)        | (129,843,185)       |
| Less: Capital Charge (as above) | (133,835,490)       | (118,988,241)       |
| <b>EVA</b>                      | <b>(28,886,102)</b> | <b>(49,103,206)</b> |



# *Auditor's Report & Financial Statements*





এ. কাশেম এন্ড কোং  
চার্টার্ড একাউন্টেন্টস  
**A. Qasem & Co**  
Chartered Accountants

## **Auditors' Report** **To the Shareholders** **of** **National Finance Limited**

We have audited the accompanying financial statements of National Finance Limited ("the Company") which comprise the balance sheet as at December 31, 2017 and the profit & loss account, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements:**

Management is responsible for the preparation and fair presentation of these financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in notes, the Financial Institutions Act, 1993, the Rules and Regulations issued by Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements of the company based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements of the company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the company. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements of the company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements of the company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in notes 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.

### We also report that:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof and found satisfactory;
- (b) 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 and proper returns adequate for the purpose of our audit have been received;
- (c) the balance sheet and profit and loss account of the of the Company together with annexed notes from 1 to 46 dealt with by the report are in agreement with the books of account and returns;
- (d) the expenditure incurred was for the purposes of the Company's business;
- (e) the financial statements of Company have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in notes as well as with related guidance, circulars issued by Bangladesh Bank to the extent applicable to the company;
- (f) adequate provisions have been made for loans, leases, advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (h) the information and explanation required by us have been received and found satisfactory;
- (i) the company has complied with relevant laws pertaining to capital and reserves and found satisfactory;
- (j) we have reviewed over 80% of the risk weighted assets of the Company during the course of our audit and we have spent around 653 person hours for the audit of books and accounts of the Company;
- (k) the internal control and the compliance of the company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- (l) 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;
- (m) the Company has complied with relevant laws pertaining to capital, reserves and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (n) taxes and other duties collected and deposited to Government Treasury by the Company as per Government instructions found satisfactory; and
- (o) all other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Place: Dhaka

Dated: May 24, 2018

Sd/-

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



# National Finance Limited

## Balance Sheet

As at December 31, 2017

|   | Notes | Amount in Taka       |                      |
|---|-------|----------------------|----------------------|
|   |       | 2017                 | 2016                 |
| <b><u>PROPERTY AND ASSETS</u></b>   |       |                      |                      |
| <b>Cash</b>   | 3.00  | 97,434,251           | 88,539,654           |
| Cash in hand (including foreign currencies)                                 | 3.01  | 34,981               | 54,263               |
| Balance with Bangladesh Bank & Agent Bank<br>(Including foreign currencies) | 3.02  | 97,399,271           | 88,485,391           |
| <b>Balance with other Banks and Financial Institutions</b>                  | 4.00  | 961,402,085          | 735,856,683          |
| In Bangladesh   | 4.01  | 961,402,085          | 735,856,683          |
| Outside Bangladesh  | 4.02  | -                    | -                    |
| <b>Money at Call on Short Notice</b>  | 5.00  | -                    | -                    |
| <b>Investment in Shares and Securities</b>                                  | 6.00  | 311,668,258          | 265,119,473          |
| Government  | 6.01  | -                    | -                    |
| Others  | 6.02  | 311,668,258          | 265,119,473          |
| <b>Loans, advances and leases</b>   | 7.00  | 7,294,120,677        | 5,961,761,567        |
| Lease portfolio   |       | 2,443,556,264        | 1,947,417,655        |
| Term finance  |       | 4,850,564,413        | 4,014,343,912        |
| Bills purchased and discounted  |       | -                    | -                    |
| <b>Fixed Assets including Premises, Furniture and Fixtures</b>              | 8.00  | 150,832,085          | 152,707,770          |
| <b>Other Assets</b>   | 9.00  | 667,553,137          | 565,778,394          |
| <b>Non banking Assets</b>   |       | -                    | -                    |
|   |       | <b>9,483,010,493</b> | <b>7,769,763,541</b> |
| <b><u>LIABILITIES AND CAPITAL</u></b>                                       |       |                      |                      |
| <b>Liabilities</b>  |       |                      |                      |
| <b>Borrowings from other Banks, Financial Institutions and Agents</b>       | 10.00 | 1,470,508,008        | 702,942,494          |
| <b>Deposits and Other Accounts</b>  | 11.00 | 4,869,420,875        | 4,201,841,308        |
| Current deposits  |       | -                    | -                    |
| Bills payable   |       | -                    | -                    |
| Savings bank deposits   |       | -                    | -                    |
| Term deposits   |       | 4,869,420,875        | 4,201,841,308        |
| Bearer certificates of deposit  |       | -                    | -                    |
| Other deposits  |       | -                    | -                    |
| <b>Other Liabilities</b>  | 12.00 | 1,595,850,516        | 1,422,698,033        |
| <b>Total Liabilities</b>  |       | 7,935,779,399        | 6,327,481,835        |
| <b>Capital/Shareholders' Equity</b>   |       |                      |                      |
| Share capital   | 13.00 | 1,322,584,200        | 1,259,604,000        |
| Retained earnings   | 14.00 | 85,766,709           | 64,787,398           |
| Statutory reserve   | 15.00 | 138,870,864          | 117,880,987          |
| Other reserve   |       | 9,321                | 9,321                |
| <b>Total Shareholders' Equity</b>   |       | 1,547,231,094        | 1,442,281,706        |
| <b>Total Liabilities &amp; Shareholders' Equity</b>                         |       | <b>9,483,010,493</b> | <b>7,769,763,541</b> |
| <b>Net Asset value (NAV) Per Share</b>                                      |       | 11.70                | 11.45                |



## Balance Sheet

| Notes | Amount in Taka |      |
|-------|----------------|------|
|       | 2017           | 2016 |

## Contingent liabilities

|   | 1 | 2 |
|---|---|---|
| 1 |   |   |
| 2 |   |   |
| 3 |   |   |
| 4 |   |   |
| 5 |   |   |
| 6 |   |   |

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

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

\_\_\_\_\_

\_\_\_\_\_

**Sd/-**  
**Chairman**

**Sd/-**  
**Director**

**Sd/-**  
**Managing Director**

**Sd/-**  
\_\_\_\_\_  
**Company Secretary**

**Place: Dhaka**  
Dated: May 24, 2018

**Sd/-**  

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



# National Finance Limited

## PROFIT & LOSS ACCOUNT

For the year ended December 31, 2017

|   | Notes    | Amount in Taka     |                    |
|---|----------|--------------------|--------------------|
|   |          | 2017               | 2016               |
| Interest income (net off Suspense)                  | 16.00    | 770,726,329        | 782,759,235        |
| Interest paid on deposits & borrowings              | 17.00    | (544,714,481)      | (504,107,472)      |
| Net interest income                                 |          | <b>226,011,848</b> | <b>278,651,763</b> |
| Investment income                                   | 18.00    | 53,877,739         | 25,695,623         |
| Commission, exchange and brokerage                  |          | -                  | -                  |
| Other operating income                              | 19.00    | 119,702,834        | 102,271,296        |
| <b>Total operating income</b>                       |          | <b>399,592,421</b> | <b>406,618,682</b> |
| Salaries and allowances                             | 20.00    | 60,003,655         | 47,660,891         |
| Rent, taxes, insurance, electricity, etc.           | 21.00    | 8,193,908          | 8,236,060          |
| Legal & Professional fees                           | 22.00    | 1,002,183          | 2,074,139          |
| Postage, stamp, telecommunication etc.              | 23.00    | 1,479,096          | 558,440            |
| Stationery, printing, advertisement                 | 24.00    | 2,607,994          | 1,098,553          |
| Managing director's salary & allowances             | 25.00    | 8,000,000          | 4,050,000          |
| Directors' fees                                     | 26.00    | 936,000            | 752,000            |
| Auditors' fees                                      | 27.00    | 287,500            | 230,000            |
| Repairs, maintenance, depreciation and amortization | 28.00    | 7,014,592          | 6,789,664          |
| Other expenses                                      | 29.00    | 9,379,120          | 8,382,578          |
| <b>Total operating expenses</b>                     |          | <b>98,904,048</b>  | <b>79,832,325</b>  |
| <b>Profit before provision</b>                      |          | <b>300,688,373</b> | <b>326,786,357</b> |
| Provision against loans, advances and leases        | 12.04    | <b>110,738,985</b> | <b>125,500,000</b> |
| Provision for diminution in value of investments    |          | -                  | -                  |
| Other provisions                                    |          | -                  | <b>1,558,137</b>   |
| <b>Total provision</b>                              |          | <b>110,738,985</b> | <b>127,058,137</b> |
| <b>Total Profit before taxes</b>                    |          | <b>189,949,388</b> | <b>199,728,220</b> |
| <b>Provision for Tax :</b>                          |          | <b>85,000,000</b>  | <b>129,843,185</b> |
| Current Tax   | 12.02.01 | 82,000,000         | 132,000,000        |
| Deferred Tax  | 12.02.02 | 3,000,000          | <b>(2,156,815)</b> |
| <b>Net profit after taxation</b>                    |          | <b>104,949,388</b> | <b>69,885,035</b>  |
| <b>Appropriations</b>                               |          |                    |                    |
| Statutory reserve                                   |          | 20,989,878         | 13,977,007         |
| General reserve                                     |          | -                  | -                  |
| Dividends   |          | -                  | -                  |
|   |          | <b>20,989,878</b>  | <b>13,977,007</b>  |
| <b>Retained surplus</b>                             |          | <b>83,959,510</b>  | <b>55,908,028</b>  |
| <b>Earnings per share (EPS)</b>                     | 31.00    | <b>0.79</b>        | <b>0.53</b>        |

The annexed notes form an integral part of these financial statements

|          |          |                   |                   |
|----------|----------|-------------------|-------------------|
| Sd/-     | Sd/-     | Sd/-              | Sd/-              |
| Chairman | Director | Managing Director | Company Secretary |

Signed in terms of our separate report even date annexed

Place: Dhaka  
Dated: May 24, 2018

Sd/-  
**A. Qasem & Co.**  
Chartered Accountants



National Finance Limited

## Statement of Changes in Equity

For the year ended December 31, 2017

| Particulars                           | Share Capital        | Statutory Reserve  | Other Reserve | Retained Earnings | Total                |
|---------------------------------------|----------------------|--------------------|---------------|-------------------|----------------------|
| Balance as at 01 January 2016         | 1,155,600,000        | 103,903,980        | 9,321         | 112,883,370       | 1,372,396,671        |
| Issue of Bonus Shares (year 2015)     | 104,004,000          | -                  | -             | (104,004,000)     | -                    |
| Net profit for the year 2016          | -                    | -                  | -             | 69,885,035        | 69,885,035           |
| Transfer to statutory reserve         | -                    | 13,977,007         | -             | (13,977,007)      | -                    |
| <b>Balance as at 31 December 2016</b> | <b>1,259,604,000</b> | <b>117,880,987</b> | <b>9,321</b>  | <b>64,787,398</b> | <b>1,442,281,705</b> |
| Balance as at 01 January 2017         | 1,259,604,000        | 117,880,987        | 9,321         | 64,787,398        | 1,442,281,705        |
| Issue of Bonus Shares (year 2016)     | 62,980,200           | -                  | -             | (62,980,200)      | -                    |
| Net profit for the year 2017          | -                    | -                  | -             | 104,949,388       | 104,949,388          |
| Transfer to statutory reserve         | -                    | 20,989,878         | -             | (20,989,878)      | -                    |
| <b>Balance as at 31 December 2017</b> | <b>1,322,584,200</b> | <b>138,870,864</b> | <b>9,321</b>  | <b>85,766,708</b> | <b>1,547,231,094</b> |

Sd/-

Chairman

Sd/-

Director

Sd/-

Managing Director

Sd/-

Company Secretary



National Finance Limited  
**Statement Of Cash Flows**  
For the year ended December 31, 2017

|   | Notes | Amount in Taka       |                      |
|---|-------|----------------------|----------------------|
|   |       | 31-Dec-17            | 31-Dec-2016          |
| <b>Cash flows from operating activities:</b>  |       |                      |                      |
| Interest received   |       | 700,479,195          | 761,273,049          |
| Interest paid   |       | (471,760,356)        | (315,593,108)        |
| Fees, commission and other income received  |       | 114,840,897          | 97,755,837           |
| Investment income   |       | 57,682,655           | 21,714,220           |
| Cash paid as Salary, Allowance & Remuneration   |       | (68,003,655)         | (51,710,891)         |
| Cash paid to suppliers  |       | (25,276,576)         | (19,145,335)         |
| Income taxes paid   |       | (110,000,000)        | (145,713,613)        |
| <b>Cash generated from operating activities before changes in operating assets and liabilities:</b> |       | <b>197,962,160</b>   | <b>348,580,159</b>   |
| <b>(Increase)/decrease in Changes in operating assets &amp; liabilities:</b>                        |       |                      |                      |
| Loans and advances to customers   |       | (1,274,182,911)      | 289,348,324          |
| Other assets  |       | 9,282,278            | (157,282,437)        |
| Deposits from customers   |       | 667,579,567          | (306,752,721)        |
| Other liabilities   |       | (2,496,354)          | (3,373,616)          |
| <b>Net cash flows from operating activities (A):</b>  |       | <b>(401,855,260)</b> | <b>170,519,709</b>   |
| <b>Cash flows from investing activities:</b>  |       |                      |                      |
| Payment for acquisition of property, plant and equipment  |       | (5,138,907)          | (797,147)            |
| Investment in shares  |       | (46,548,785)         | (137,119,473)        |
| Advance against Investment in placement shares  |       | -                    | (10,000,000)         |
| <b>Net cash used in investing activities (B):</b>   |       | <b>(51,687,692)</b>  | <b>(147,916,620)</b> |
| <b>Cash flows from financing activities</b>   |       |                      |                      |
| Drawdown/repayment of long term loan  |       | 687,156,720          | (223,937,513)        |
| Drawdown/repayment of bank overdraft  |       | 826,231              | 151,454,295          |
| Dividend paid   |       | -                    | -                    |
| <b>Net cash flow from financing activities (C):</b>   |       | <b>687,982,951</b>   | <b>(72,483,218)</b>  |
| <b>Net inflow/outflow for the year (A+B+C):</b>   |       | <b>234,440,000</b>   | <b>(49,880,129)</b>  |
| Opening cash and cash-equivalents   |       | 824,396,337          | 874,276,466          |
| <b>Closing cash and cash equivalents</b>  | 30    | <b>1,058,836,336</b> | <b>824,396,337</b>   |

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

|                           |                           |                                    |                                    |
|---------------------------|---------------------------|------------------------------------|------------------------------------|
| Sd/-<br>_____<br>Chairman | Sd/-<br>_____<br>Director | Sd/-<br>_____<br>Managing Director | Sd/-<br>_____<br>Company Secretary |
|---------------------------|---------------------------|------------------------------------|------------------------------------|



National Finance Limited

# Liquidity Statement

For the year ended December 31, 2017

| Particulars   | Amount in Taka     |                      |                      |                      |                    |                      |
|---|--------------------|----------------------|----------------------|----------------------|--------------------|----------------------|
|   | Up to 1 month      | 1-3 months           | 3-12 months          | 1-5 years            | above 5 years      | Total                |
| <b>Assets</b>   |                    |                      |                      |                      |                    |                      |
| Cash in hand (including balance with Bangladesh Bank)         | 97,434,251         | -                    | -                    | -                    | -                  | 97,434,251           |
| Balance with banks and financial institutions                 | 246,705,440        | 714,696,645          | -                    | -                    | -                  | 961,402,085          |
| Money at call and short notice                                | -                  | -                    | -                    | -                    | -                  | -                    |
| Investments   | -                  | -                    | -                    | 311,668,258          | -                  | 311,668,258          |
| Loans and advances  | 150,248,751        | 1,050,746,253        | 2,952,736,261        | 2,436,589,745        | 703,799,667        | 7,294,120,677        |
| Fixed assets including land, building, furniture and fixtures | -                  | -                    | -                    | 150,832,085          | -                  | 150,832,085          |
| Other assets  | 2,085,000          | 6,006,012            | 11,712,305           | 647,749,820          | -                  | 667,553,137          |
| <b>Total assets:</b>  | <b>496,473,442</b> | <b>1,771,448,910</b> | <b>2,964,448,566</b> | <b>3,546,839,909</b> | <b>703,799,667</b> | <b>9,483,010,494</b> |
| <b>Liabilities</b>  |                    |                      |                      |                      |                    |                      |
| Borrowing from other banks, financial institutions and agents | 156,502,750        | 529,508,250          | 588,864,430          | 195,632,578          | -                  | 1,470,508,008        |
| Deposits and other accounts                                   | 302,154,210        | 598,965,204          | 1,804,520,367        | 2,046,831,094        | 116,950,000        | 4,869,420,875        |
| Provision and other liabilities                               | 578,016            | 254,760,712          | 270,157,983          | 1,070,353,806        | -                  | 1,595,850,517        |
| <b>Total liabilities:</b>                                     | <b>459,234,976</b> | <b>1,383,234,166</b> | <b>2,663,542,780</b> | <b>3,312,817,478</b> | <b>116,950,000</b> | <b>7,935,779,401</b> |
| <b>Net Liquidity Gap</b>                                      | <b>37,238,466</b>  | <b>388,214,744</b>   | <b>300,905,786</b>   | <b>234,022,431</b>   | <b>586,849,667</b> | <b>1,547,231,094</b> |

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Company Secretary



## Notes to the Financial Statements

### 1.00 General Information

#### 1.01 Domicile and legal form

National Finance Limited (the “Company”), previously known as Self Employment Finance Limited is a Non Banking Financial Institution (NBFI) incorporated on 30 July 2001 as a Public Limited Company in Bangladesh vide registration no. C-43690 (230)/2001. Pursuant to the certificate for commencement of business dated 30 July 2001 issued by the Registrar of Joint Stock Companies & Firms (RJSC) and license obtained from Bangladesh Bank dated 17 June 2002 the Company started its business. The Company has obtained permission from Bangladesh Bank on 09 December 2002 for opening its Principal Branch. The name of the Company has been changed to National Finance Limited, effected from 2 February 2009. The registered office of the Company is situated at Level 8, Confidencf Centre, Kha-9 Pragati Sarani, Gulshan, Dhaka-1212.

#### 1.02 Nature of operations and principal activities

The Company has been incorporated for carrying out, inter alia, the business of:

- a) Leasing and hire purchase of movable and immovable property, plants, machinery, equipment, to apparatus, instrument, air-condition, computer materials, vehicles, vessels, ships, aircraft etc.
- b) Granting loans and advances for industry, commerce, agriculture, housing or transportation;
- c) Underwriting or acquisition of, or the investment or re-investment in shares, stock, bonds, debentures, debenture-stock or securities issued by the government or any local authority;
- d) All kinds of financial investment including Islamic Financing and Schemes, bridge financing, long-term loan, working capital financing, discounting of bill of exchange locally in local currency, credit cards etc.
- e) Credit programmes at grassroots, village, union, thana, local and national level towards landless, marginal farmers, fisherman, blacksmiths, carpenters, potters, workshops, handicrafts, small traders and projects.
- f) Offer various deposit investment opportunities of predefined tenure ranging from three months to nine years

### 2.00 Summary of significant Accounting Policies and basis of preparation of the financial statements:

#### 2.01 Statement of compliance

The financial statements of the Financial Institution are prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the requirements of the Financial Institutions Act 1993, the Rules and Regulations issued by Bangladesh Bank, the Companies Act 1994. In case any requirement of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank differ with those of BFRSs, the requirements of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of BFRSs are as follows:

##### i) Investment in shares and securities

BFRS: As per requirements of BAS 39 investment in shares and securities generally falls either under “at fair value through profit and loss account” or under “available for sale” where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve 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.

##### ii) Provision on loans and advances/ investments

BFRS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.



Bangladesh Bank: As per FID circular No. 8 dated 3 August 2002 and FID circular No. 3 dated 3 May 2006 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 loans and advances depending on the duration of

### **iii) Recognition of interest in suspense**

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying

Bangladesh Bank: As per FID circular No. 8 dated 3 August 2002, 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.

### **iv) Other comprehensive income**

BFRS: As per BAS 1 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.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by all Financial Institutions. The templates of financial statements issued by Bangladesh Bank do not include other Comprehensive Income nor are the elements of other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such the Financial Institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

### **v) Financial instruments – presentation and disclosure**

In several cases Bangladesh Bank guidelines categories, recognise, measure and present financial instruments differently from those prescribed in BAS 39. Consequently all the required disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

### **vi) Cash flow statement**

BFRS: 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 mixture of direct and indirect methods.

### **vii) Balance with Bangladesh Bank: (Cash Reserve Requirement)**

BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

## **2.02 Basis of preparation of the financial statements**

The financial statements have been prepared and presented under the historical cost convention, in accordance with the Bangladesh Financial Reporting Standards (BFRS) and requirements of the Financial Institutions Act 1993 followed by the Financial Institutional Regulations 1994, the Bangladesh Securities & Exchange Rules 1987, Guide lines issued from Bangladesh Bank and other applicable laws and regulations.

## **2.03 Use of Estimates**

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



#### **2.04 Reporting currency and level of exactitude**

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

#### **2.05 Comparative information**

Last year's figures and account titles have been rearranged to conform to current year's presentation in accordance with the Bangladesh Bank DFIM Circular no. 11 dated December 23, 2009.

#### **2.06 Authorization for Issue of the Financial Statements**

The Board of Directors of the Company has authorised these financial statements for issue on May 24, 2018 .

#### **2.07 Materiality of financial statements**

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

#### **2.08 Cash flow statement**

Cash flow statement is prepared in accordance with BAS - 7 "Cash Flow Statement" and Bangladesh Bank DFIM Circular No - 11 dated December 23, 2009 , classified by operating, investing and financing activities in cash and cash equivalents during the financial year.

#### **2.09 Statement of changes in equity**

Statement of changes in equity is prepared in accordance with BFRS - 1 "Presentation of Financial Statements" and Bangladesh Bank DFIM Circular No - 11 dated December 23, 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 December 23,

- i) Balance with other Banks and financial institutions, money at call and short notice
- 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 realization / amortization
- 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

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



The unearned lease income is amortized 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 Term Finance

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

### 2.11.4 Fixed assets and depreciation

#### Recognition

All property, plant and equipment are initially stated at cost and depreciated over their expected useful lives. The cost of acquisition of an asset is comprised of its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use inclusive of duties and non-refundable taxes.

Fixed assets acquired under finance lease is accounted for at the lower of present value of minimum lease payments under the lease agreements and the fair value of the asset. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

Subsequent cost related to property, plant and equipment is capitalised only when it increases the future economic benefit from the asset. All other expenditures are recognised as expenses as and when they are incurred.

#### Depreciation

Items of property, plant and equipment except office premises / building are depreciated based on reducing balance method throughout the estimated span of useful life ranging from four to ten years. Depreciation on office premises / building charged based on straight line method throughout the estimated span of useful life for fifty years. For addition to property, Plant and equipment, depreciation is charged from the month of capitalization irrespective of date and depreciation is not charged from the month of disposal. Depreciation is calculated on the cost of fixed asset in order to write off such amount over the estimated useful lives of such assets. The rates of depreciation used are as follows:

|                     |     |
|---------------------|-----|
| Furniture & fixture | 10% |
| Office equipment    | 20% |
| Vehicle             | 20% |
| Telephone & Fax     | 10% |
| Office Decoration   | 10% |
| Computer            | 25% |
| Office Premises     | 2%  |

#### Derecognition

An item of property, plant and equipment is de-recognised on its disposal. The gain or loss arising from derecognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 2.11.5 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 Income taxes

#### Current tax

Current tax expense is provided on estimated taxable profit for the year at the tax rate applicable for the year. Provision has been made in accounts for the current year's income tax.



### **Deferred tax**

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

#### **2.12.2 Provision for accrued expenses**

Provisions have been recognized 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.

#### **2.12.3 Employee benefits**

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

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

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

##### **Provident fund**

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

##### **Gratuity fund**

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

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

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

#### **2.12.4 Contingent liabilities and contingent assets**

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

#### **2.12.5 Proposed dividend**

Dividend proposed by the Board of Directors for the year shall be recognised and is accounted for after approval by the shareholders at the Annual General Meeting.



## **2.13 Revenue recognition**

### **2.13.1 Interest income**

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

### **2.13.2 Lease income**

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

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

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

### **2.13.4 Income from dividend**

Dividend income from investment in equity shares is recognised when the right to receive the payment is established.

### **2.13.5 Other Operating Income**

Other operating income is recognized as an when settled the respective lease loan accounts. Such income comprises of, service charge, transfer fee, delinquent charge and miscellaneous receipts.

### **2.13.6 Income from bank deposits**

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

### **2.13.7 Interest paid on deposits, borrowing, etc.**

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

### **2.13.8 Impairment of assets**

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

## **2.14 Related party disclosure**

The Company carried out transaction in the ordinary course of business on an arm length basis at commercial rate with its related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions have been disclosed in note 42.

## **2.15 Earning per share**

Earning per share has been calculated in accordance with BAS-33 "Earning Per Share" and shown on the face of Profit and Loss Account. Basic earning per share is calculated by dividing the net profit attributable to shareholders by the average number of ordinary shares during the financial year.



## **2.16 Events after the balance sheet date**

Events after the balance sheet date are those events that occur between the balance sheet and the date when the financial statements are authorised for issue. All material events occurring after the balance sheet date have been considered in these financial statements.

## **2.17 Borrowing Costs**

Borrowing Costs are accounted for as per BAS- 23 "Borrowing Cost" and recognized as expenses in the period in which they incur.

## **2.18 Foreign Currency Transaction**

In accordance with BAS- 21 "The Effects of Changes in Foreign Exchange Rate", foreign currency transactions are converted into Bangladesh Taka at exchange rates ruling on the date of transactions while monetary items representing assets and liabilities are translated at exchange rates at that date of Balance Sheet. All resulting exchange differences shall be recognized as a separate component of equity.

## **2.19 Renewal of FDR and Interest thereon**

FDR, if not encashed on due date, is considered automatically renewed with interest accrued and due at the equivalent current rate of interest.

## **2.20 Provision and accruals**

Provisions have been recognized in the balance sheet when the Company has a present obligation, legal or constructive as a result of a past event and/or when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation.

## **2.21 Financial risk management policies and objectives**

The Board of Directors of the Company sets the overall risk appetite and philosophy; the risk and capital underpins framework delivery of the board's strategy.

It is the Company's policy to optimise return to share holders 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:

### **2.21. 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.



### 2.21.2 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.

### 2.21. 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.

### 2.21. Operational risk

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

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

### 2.21.5 Prevention of money laundering

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. In order to manage the risk of money laundering, the Company has set up an effective Anti-Money Laundering Program in line with Anti-Money Laundering Act and Bangladesh Bank guidelines. The Company employed a Chief Compliance Officer at Head Office and Compliance Officers at branches who independently review the transactions of the accounts to verify suspicious transactions. The Company developed manuals for prevention of money laundering and introduced Know Your Customer (KYC) program and Transaction Profile (TP) of customers at branch level and all other regulations are being complied meticulously. Continuous training is being imparted to all categories of Officers and Executives to enhance expertise for identifying suspicious activities and transactions.



## 2.22 Compliance report on Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS). National Finance Limited has applied all the applicable of IAS and IFRS as adopted by ICAB while preparing the financial statements. Details are given below:

| Name of the Bangladesh Accounting Standards (BASs)                       | BAS No. | Status   |
|--|---------|----------|
| Presentation of Financial Statements                                     | 1       | Applied* |
| Inventories  | 2       | N/A      |
| Statement of Cash Flows  | 7       | Applied  |
| Accounting policies, Changes in accounting Estimates & Errors            | 8       | Applied  |
| Events after the Reporting Period  | 10      | Applied  |
| Construction Contracts   | 11      | N/A      |
| Income Taxes   | 12      | Applied  |
| Property, Plant and Equipment  | 16      | Applied  |
| Leases   | 17      | N/A      |
| Revenue  | 18      | Applied  |
| Employees Benefits   | 19      | Applied  |
| Accounting for Government Grants and Disclosure of Government Assistance | 20      | N/A      |
| The Effects of Changes in Foreign Exchange Rates                         | 21      | Applied  |
| Borrowing Costs  | 23      | Applied  |
| Related Party Disclosures  | 24      | Applied  |
| Accounting and Reporting by Retirement Benefit Plans                     | 26      | Applied  |
| Consolidated and Separate Financial Statements                           | 27      | Applied  |
| Investment in Associates   | 28      | N/A      |
| Interest in Joint Ventures   | 31      | N/A      |
| Financial Instruments: Presentation                                      | 32      | Applied* |
| Earning per share  | 33      | Applied  |
| Interim Financial Reporting  | 34      | Applied  |
| Impairment of Assets   | 36      | Applied  |
| Provision, Contingent Liabilities and Contingent Assets                  | 37      | Applied* |
| Intangible Assets  | 38      | Applied  |
| Financial Instruments: Recognition and Measurement                       | 39      | Applied* |
| Investment Property  | 40      | Applied  |
| Agriculture  | 41      | N/A      |
| First-time Adoption of Bangladesh Financial Reporting Standard           | 1       | N/A      |
| Shares Based Payment   | 2       | N/A      |
| Business Combination   | 3       | N/A      |
| Insurance Contracts  | 4       | N/A      |
| Non current Assets Held for Sale and Discontinued Operation              | 5       | N/A      |
| Exploration for and Evaluation of Mineral Resources                      | 6       | N/A      |
| Financial Instruments: Disclosures                                       | 7       | Applied* |
| Operating Segments   | 8       | Applied  |

\* Bangladesh Bank is the prime regulatory body for Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with the provision of BAS / BFRS as marked above. As such the Organization has departed from those contradictory requirements of BAS / BFRS in order to comply with the rules and regulations of Bangladesh Bank.

## 2.23 Regulatory & legal compliance

The bank has complied with the requirements of following regulatory & legal authority:

- The Companies Act, 1994
- Financial Institutions Act, 1993
- Rules & regulations issued by Bangladesh Bank
- Securities & Exchange Rules, 1987
- Securities & Exchange Ordinance, 1969
- Securities & Exchange Act, 1993
- Income Tax Ordinance, 1984.
- VAT Act, 1991.



|                |   | Amount in Taka     |                    |
|----------------|---|--------------------|--------------------|
|                |   | 2017               | 2016               |
| <b>3.00</b>    | <b>Cash</b>   |                    |                    |
| <b>3.01</b>    | <b>Cash in hand</b>   | <b>34,981</b>      | <b>54,263</b>      |
|                | In local currency   | 34,981             | 54,263             |
|                | In foreign currency   | -                  | -                  |
| <b>3.02</b>    | <b>Balance with Bangladesh Bank and Agent Bank<br/>(Including foreign currencies)</b>   |                    |                    |
|                | <b>Bangladesh Bank</b>  | <b>97,399,271</b>  | <b>88,485,391</b>  |
|                | In local currency   | 97,399,271         | 88,485,391         |
|                | In foreign currencies   | -                  | -                  |
|                | <b>Sonali Bank Ltd.</b>   | -                  | -                  |
|                | Sonali Bank Ltd., (As an agent of Bangladesh Bank) - Local Currency   | -                  | -                  |
|                |   | <b>97,399,271</b>  | <b>88,485,391</b>  |
|                |   | <b>97,434,251</b>  | <b>88,539,654</b>  |
| <b>3.02.01</b> | <b>Cash Reserve Requirement (CRR) and<br/>Statutory Liquidity Requirement (SLR)</b>   |                    |                    |
|                | <b>Balance with Bangladesh Bank</b>   |                    |                    |
|                | Deposits with Bangladesh Bank is non-profit bearing and maintained to meet the Cash Reserve Requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank in current account on all deposits taken from depositors other than Banks and Financial Institutions.  |                    |                    |
|                | <b>Balance with other commercial banks and FI's:</b>  |                    |                    |
|                | 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 demand liabilities has been maintained current account balance with Bangladesh Bank and balance with other banks and financial institutions. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below: |                    |                    |
| <b>3.02.02</b> | <b>Cash Reserve Requirement (CRR): 2.5% of Average Demand and Time Liabilities</b>  |                    |                    |
|                | Required Reserve  | 81,080,425         | 78,241,177         |
|                | Actual Reserve held with Bangladesh Bank (Average Balance)  | 104,450,814        | 89,094,710         |
|                | <b>Surplus</b>  | <b>23,370,389</b>  | <b>10,853,533</b>  |
| <b>3.02.03</b> | <b>Statutory Liquidity Requirement (SLR): 5% of<br/>Average Demand and Time Liabilities:</b>  |                    |                    |
|                | Required Reserve  | 163,764,426        | 158,430,865        |
|                | Actual Reserve held   | 685,116,540        | 823,740,658        |
|                | <b>Surplus</b>  | <b>521,352,114</b> | <b>665,309,793</b> |
| <b>4.00</b>    | <b>Balance with Other Banks and Financial Institutions</b>  |                    |                    |
|                | Inside Bangladesh ( <b>Note - 4.01</b> )  | 961,402,085        | 735,856,683        |
|                | Outside Bangladesh ( <b>Note- 4.02</b> )  | -                  | -                  |
|                |   | <b>961,402,085</b> | <b>735,856,683</b> |



#### 4.01 Inside Bangladesh

##### Fixed Deposit Account

Mutual Trust Bank Limited  
The Farmers Bank Limited  
First Finance Ltd  
ILFSL  
Union Capital Ltd.  
Reliance Finance Ltd  
CAPM Finance Ltd.  
Meridian Finance Ltd.  
FAS Finance Ltd.  
Premier Leasing & Finance Ltd.  
Midas Finance Ltd.

##### Short Term Deposits/STD

Premier Bank Limited  
BASIC Bank Limited  
Mutual Trust Bank Limited  
Mercantile Bank Limited  
The City Bank Limited  
BRAC Bank Limited  
Comercial Bank of Ceylon  
Southeast Bank  
Midland Bank  
United Comercial Bank Limited  
Prime Bank Limited  
Shahjalal Islami Limited  
Modhumoti Bank Ltd.  
NCC Bank Ltd.  
Shahjalal Islami Limited, Pragati Sarani Br.  
Southeast Bank Ltd. R.K. Mission Road Br.  
Prime Bank Limited OD A/C  
Mutual Trust Bank OD A/C  
First Finance Ltd  
Premier Leasing & Finance Ltd.

| Amount in Taka  |                    |             |
|---|--------------------|-------------|
| 2017  | 2016               |             |
| <b>714,696,645</b>  | <b>631,865,081</b> |             |
| 274,696,645   | 261,865,081        |             |
| -   | 100,000,000        |             |
| -   | 100,000,000        |             |
| -   | 120,000,000        |             |
| -   | 50,000,000         |             |
| 100,000,000   | -                  |             |
| 100,000,000   | -                  |             |
| 30,000,000  | -                  |             |
| 50,000,000  | -                  |             |
| 100,000,000   | -                  |             |
| 60,000,000  | -                  |             |
| <b>246,705,440</b>  | <b>103,991,602</b> |             |
| 3,690,217   | 6,549,879          |             |
| 10,346  | 10,346             |             |
| 44,631,550  | 53,972,720         |             |
| 140,769   | 2,764,654          |             |
| 1,222,198   | 9,288,900          |             |
| 79,129  | 8,212,051          |             |
| 4,846   | 321,728            |             |
| 9,353   | 949,033            |             |
| 439,648   | 433,662            |             |
| 2,177,837   | 10,706,201         |             |
| 813,165   | 457,636            |             |
| 148,296   | 5,540,879          |             |
| 19,980,831  | 29,491             |             |
| 145,014   | 514,643            |             |
| 91,999  | 3,140,437          |             |
| 102,800,509   |                    |             |
| -   | 1,099,342          |             |
| 319,733   | -                  |             |
| 40,000,000  | -                  |             |
| 30,000,000  | -                  |             |
| <b>961,402,085</b>  | <b>735,856,683</b> |             |
| -   | -                  |             |
| -   | -                  |             |
| <b>4.03 Maturity-wise Groupings (Inside and Outside Bangladesh)</b> |                    |             |
| Payable on Demand   | -                  | -           |
| Up to 1(one) Month  | 246,705,440        | 365,856,683 |
| Over 1(one) Month but not more than 3 (three) Months                | 714,696,645        | 370,000,000 |
| Over 3 (three) Months but not more than 1 (one) Year                | -                  | -           |
| Over 1 (one) Year but not more than 5 (five) Years                  | -                  | -           |
| Over 5 (five) Years   | -                  | -           |
| <b>961,402,085</b>  | <b>735,856,683</b> |             |



**5.00 Money at call on Short Notice**

Financial Institutions  
Banks

| Amount in Taka |      |
|----------------|------|
| 2017           | 2016 |
| -              | -    |
| -              | -    |
| -              | -    |

**6.00 Investments in Shares and Government Securities**

Government Security  
Other Investments (**Note- 6.01**)

|                    |                    |
|--------------------|--------------------|
| -                  | -                  |
| 311,668,258        | 265,119,473        |
| <b>311,668,258</b> | <b>265,119,473</b> |

**6.01 Other investments**

Unquoted shares (Note- 6.01.01)  
Quoted shares (Note- 6.01.02)  
Mutual funds (Note- 6.01.03)

|                    |                    |
|--------------------|--------------------|
| 53,000,000         | 78,000,000         |
| 256,231,333        | 129,868,833        |
| 2,436,925          | 57,250,640         |
| <b>311,668,258</b> | <b>265,119,473</b> |

**6.01.01 Unquoted Shares**

Bengal Poly & Paper Sack Ltd.  
Aamra Network Ltd.

|                   |                   |
|-------------------|-------------------|
| 53,000,000        | 53,000,000        |
| -                 | 25,000,000        |
| <b>53,000,000</b> | <b>78,000,000</b> |

**6.01.02 Quoted Shares**

Aamranet  
Naheecap  
Activefine  
Apoloispat  
Barakapower  
Bayleasing  
Beximco  
BSCCL  
City Bank  
Dafodil Com  
Desco  
Easternlub  
Fekdil  
IDLC  
Ifad Auto  
IPDC  
Islami Bank  
Islami Finance  
Lafarge  
Lankabangla Fin  
Mercantile Bank  
Midasfinance  
NCC Bank  
PLFSL  
RAKCeramic  
Southeast Bank  
Square Pharma  
Summit Power

|                    |          |
|--------------------|----------|
| 25,000,000         | -        |
| 57,060             | -        |
| 6,352,703          | -        |
| 6,189,358          | -        |
| 8,477,674          | -        |
| 4,286,150          | -        |
| 5,190,751          | -        |
| 7,063,073          | -        |
| 16,664,486         | -        |
| 14,646,193         | -        |
| 6,188,743          | -        |
| 8,545,378          | -        |
| 4,052,583          | -        |
| 9,233,031          | -        |
| 13,330,832         | -        |
| 4,927,998          | -        |
| 11,119,183         | -        |
| 11,498,913         | -        |
| 44,698,753         | -        |
| 17,470,037         | -        |
| 5,352,724          | -        |
| 1,929,986          | -        |
| 1,301,051          | -        |
| 750,132            | -        |
| 9,918,378          | -        |
| 3,274,305          | -        |
| 319,737            | -        |
| 8,392,121          | -        |
| <b>256,231,333</b> | <b>-</b> |



**6.01.03 Mutual Fund**

Vanguard AML BD Finance Mutual Fund One  
Vanguard AML Rupali Bank Balanced Fund  
ABB1STMF  
TRUSTB1MF

| Amount in Taka   |                   |
|------------------|-------------------|
| 2017             | 2016              |
| -                | 47,250,640        |
| -                | 10,000,000        |
| 1,388,947        | -                 |
| 1,047,978        | -                 |
| <b>2,436,925</b> | <b>57,250,640</b> |

**6.02 Maturity Grouping of Investments**

Payable on Demand  
Up to 1(one) Month  
Over 1(one) Month but not more than 3 (three) Months  
Over 3 (three) Months but not more than 1 (one) Year  
Over 1 (one) Year but not more than 5 (five) Years  
Over 5 (five) Years

|                    |                    |
|--------------------|--------------------|
| -                  | -                  |
| -                  | -                  |
| -                  | -                  |
| -                  | -                  |
| <b>311,668,258</b> | <b>265,119,473</b> |
| -                  | -                  |
| <b>311,668,258</b> | <b>265,119,473</b> |

Details are shown in **Annexure-B**

**7.00 Loans, advances and leases**

Leases Finance (**Note: 7.01.01**)  
Term Finance (**Note: 7.01.02**)

|                      |                      |
|----------------------|----------------------|
| 2,443,556,264        | 1,947,417,655        |
| 4,850,564,413        | 4,014,343,912        |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |

**7.01.01 Lease finance**

Lease Finance  
Receivable Lease rental  
Less: Accumulated Depreciation  
Net Investment in leases

|                      |                      |
|----------------------|----------------------|
| 3,399,925,677        | 2,856,536,357        |
| 83,675,701           | 118,855,477          |
| 1,040,045,114        | 1,027,974,179        |
| <b>2,443,556,264</b> | <b>1,947,417,655</b> |

**7.01.02 Term finance- net of current maturity**

Term Loan  
Receivables

|                      |                      |
|----------------------|----------------------|
| 4,510,040,532        | 3,779,246,941        |
| 340,523,881          | 235,096,971          |
| <b>4,850,564,413</b> | <b>4,014,343,912</b> |

**7.02 Bills Purchased and Discounted**

Payable in Bangladesh  
Payable outside Bangladesh

|          |          |
|----------|----------|
| -        | -        |
| -        | -        |
| <b>-</b> | <b>-</b> |

**7.03 Maturity Grouping of Loans, Advances and Leases**

Repayable on demand  
Up to 1(one) Month  
Over 1(one) Month but not more than 3 (three) Months  
Over 3 (three) Months but not more than 1 (one) Year  
Over 1 (one) Year but not more than 5 (five) Years  
Over 5 (five) Years

|                      |                      |
|----------------------|----------------------|
| -                    | -                    |
| -                    | -                    |
| 150,248,751          | 139,635,478          |
| 1,050,746,253        | 578,872,279          |
| 2,952,736,261        | <b>2,392,311,736</b> |
| 2,436,589,745        | 2,363,202,147        |
| 703,799,667          | 487,739,927          |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |



**7.04 Investments (Broad Categories)**

**In Bangladesh**

General Investments

**Outside Bangladesh**

| Amount in Taka       |                      |
|----------------------|----------------------|
| 2017                 | 2016                 |
| 7,294,120,677        | 5,961,761,567        |
| -                    | -                    |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |

**7.05 Significant Concentration**

Investments to allied concern of Directors

Investments to Executives/Officers

Investments to Customer Groups

Industrial Investment

Others

|                      |                      |
|----------------------|----------------------|
| -                    | 11,005,513           |
| 12,884,301           | <b>8,101,809</b>     |
| 7,281,236,376        | 5,942,654,245        |
| -                    | -                    |
| -                    | -                    |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |

**7.06 Geographical Location-wise break-up**

**Urban**

Dhaka Division

Chittagong Division

Rajshahi Division

Khulna Division

Sylhet Division

|                      |               |
|----------------------|---------------|
| 6,117,771,677        | 4,728,632,442 |
| 882,236,000          | 1,085,543,624 |
| 109,751,000          | 142,296,098   |
| -                    | -             |
| 184,362,000          | 5,289,403     |
| <b>7,294,120,677</b> |               |

**7.07 Sector wise break-up of General Investments:**

Trade and Commerce Industry

Garments and Knitwear

Textile

Agriculture

Housing

Food Production and Processing Industry

|                      |                      |
|----------------------|----------------------|
| 4,643,601,747        | 4,239,930,198        |
| 100,605,930          | 56,290,920           |
| 1,057,424,000        | 578,488,502          |
| 500,344,000          | 247,585,501          |
| 103,247,000          | 396,971,379          |
| 888,898,000          | 442,495,067          |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |

**7.08 Investments allowed to each customer exceeding 15% of FI's total capital**

Total Loans, Advances and Leases

No. of Customers

Classified amount thereon

Measures taken for recovery

|               |               |
|---------------|---------------|
| 3,809,112,219 | 1,730,708,251 |
| 10            | 5             |
| 456,118,857   | 211,352,136   |
| N/A           | N/A           |

**7.09 General Investments Classified as per Bangladesh Bank Circular**

Standard

Special Mentioned Account (SMA)

Sub-standard

Doubtful

Bad & Loss

|                      |                      |
|----------------------|----------------------|
| 6,136,561,204        | 4,311,310,240        |
| 73,181,584           | 833,384,716          |
| 1,875,192            | 436,503,395          |
| 528,222,421          | -                    |
| 554,280,276          | 380,563,215          |
| <b>7,294,120,677</b> | <b>5,961,761,567</b> |



**7.10 Particulars of lease, loans and advances**

|       |  | Amount in Taka |               |
|-------|--|----------------|---------------|
|       |  | 2017           | 2016          |
| i)    | Leases and loans considered good in respect of which the Company is fully secured.   | 7,294,120,677  | 5,961,761,567 |
| ii)   | Leases and loans considered good in respect of which the Company is partially secured.   | -              | -             |
| iii)  | Loans considered good against which the Company holds no security other than the debtors' personal guarantee.  | -              | -             |
| iv)   | Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors.   | -              | -             |
| v)    | Classified loans against which no provision has been made  | 7,294,120,677  | 5,961,761,567 |
| vi)   | Loans due from Directors either separately or jointly with any other persons.  | -              | -             |
| vii)  | Loans due from Officers either separately or jointly with any other persons.   | 12,884,301     | 8,101,809     |
| viii) | Loans due from Companies or firms in which the Directors have interest as Directors, Partners or managing agents Companies, as members.  | -              | 11,005,513    |
| ix)   | Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers either separately or jointly with any other person.   | -              | -             |
| x)    | 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. | -              | -             |
| xi)   | Due from banking companies and other financial institutions.   |                |               |
| xii)  | Classified lease, loans and advances   |                |               |
| a)    | Classified lease, loans and advances on which interest has not been charged.   | -              | -             |
| b)    | Increase/(decrease) of specific provision.   | 13,747,492     | 138,631,574   |
| c)    | Amount of loan written off .   | -              | -             |
| d)    | Amount realized against loan previously written off.   | -              | -             |
| e)    | Provision kept against loans classified as bad/loss on the date of preparing the balance sheet.  | 302,000,000    | 270,000,000   |
| f)    | Interest credited to Interest Suspense account.  | 1,747,539      | 90,036,294    |



**8.00 Fixed Assets Including Premises, Furniture And Fixtures  
At cost less accumulated depreciation (Annexure-A)**

|  | Amount in Taka     |                    |
|--|--------------------|--------------------|
|  | 2017               | 2016               |
| <b><u>Cost</u></b>                     | 181,576,348        | 182,931,741        |
| Opening balance                        | 5,138,907          | 797,147            |
| Addition during the year               | -                  | (2,152,540)        |
| Disposal during the year               | <b>186,715,255</b> | <b>181,576,348</b> |
| <b>Closing balance at cost</b>         |                    |                    |
| <b><u>Depreciation</u></b>             | 28,868,578         | 23,245,594         |
| Opening balance                        | 7,014,592          | 6,789,664          |
| Addition during the year               | -                  | (1,166,680)        |
| Adjustment on disposal during the year | -                  | -                  |
| <b>Accumulated Depreciation</b>        | <b>35,883,170</b>  | <b>28,868,578</b>  |
| <b>Carrying value</b>                  | <b>150,832,085</b> | <b>152,707,770</b> |

Details are shown in **Annexure-A**

**9.00 Other Assets**

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Trade receivables (Note-9.01)     | 6,006,012          | 21,486,186         |
| Advances (Note 9.02)              | 648,068,017        | 524,654,736        |
| Accrued interest on Fixed Deposit | 11,231,366         | 4,515,459          |
| Receivable-Govt. Duties           | 136,842            | 1,114,710          |
| Receivable-Dividend on shares     | 2,085,000          | 3,981,403          |
| Security deposit-Telephone line   | 25,900             | 25,900             |
| Advance against Share             | -                  | 10,000,000         |
|                                   | <b>667,553,137</b> | <b>565,778,394</b> |

**9.01 Trade receivables:**

|                         |                  |                   |
|-------------------------|------------------|-------------------|
| Lease installment       | -                | -                 |
| Cheque dishonor charges | 638,795          | 790,295           |
| Sale of Share           | 1,273,905        | 15,445,698        |
| Delinquent charges      | 3,138,237        | 4,840,706         |
| Sundry Debtors (Others) | 955,075          | 409,487           |
|                         | <b>6,006,012</b> | <b>21,486,186</b> |

**9.02 Advances:**

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| Printing & stationary          | 300,697            | 300,697            |
| Legal fee                      | 17,500             | 17,500             |
| Advance income tax             | 646,599,818        | 524,336,539        |
| Advance office rent (Ctg. Br.) | 1,150,002          | -                  |
|                                | <b>648,068,017</b> | <b>524,654,736</b> |

**10.00 Borrowings from Other Banks,  
Financial Institutions and Agents**

|                    |                      |                    |
|--------------------|----------------------|--------------------|
|                    | 1,470,508,008        | 702,942,494        |
| Inside Bangladesh  | -                    | -                  |
| Outside Bangladesh | <b>1,470,508,008</b> | <b>702,942,494</b> |



|              |   | Amount in Taka       |                    |
|--------------|---|----------------------|--------------------|
|              |   | 2017                 | 2016               |
| <b>10.01</b> | <b>Inside Bangladesh</b>                  |                      |                    |
|              | Bank overdraft (Note-10.02)               | 70,176,680           | 206,394,164        |
|              | Long term loan (Note-10.03)               | 1,190,331,328        | 496,548,330        |
|              | Call Loan                                 | 210,000,000          | -                  |
|              |   | <b>1,470,508,008</b> | <b>702,942,494</b> |
| <b>10.02</b> | <b>Bank overdraft:</b>                    |                      |                    |
|              | Mutual Trust Bank Limited                 | 43,128,076           | 155,918,310        |
|              | Prime Bank Ltd.                           | -                    | -                  |
|              | Modhumoti Bank Ltd.                       | 10,191,259           | 1,895              |
|              | Southeast Bank Ltd.                       | 7,146,686            | 14,515             |
|              | Midland Bank Ltd.                         | 231,599              | 50,459,444         |
|              | Shahjalal Islami Limited                  | 9,125,000            |                    |
|              | Southeast Bank Ltd. R.K. Mission Road Br. | 354,059              |                    |
|              |   | <b>70,176,680</b>    | <b>206,394,164</b> |
| <b>10.03</b> | <b>Long term loan</b>                     |                      |                    |
|              | Bangladesh Bank (under re-finance)        | 33,038,736           | 57,908,659         |
|              | Mutual Trust Bank Limited                 | 402,155,829          | 253,125,507        |
|              | Southeast Bank                            | 159,295,262          | 50,444,997         |
|              | Modhumoti Bank                            | 277,110,441          | 82,231,703         |
|              | NCC Bank                                  | 80,935,408           | 23,719,636         |
|              | Midland Bank Ltd.                         | 135,773,459          |                    |
|              | UBICO Ltd.                                | 10,140,928           | 29,117,828         |
|              | Shahjalal Islami Limited                  | 91,881,266           |                    |
|              |   | <b>1,190,331,328</b> | <b>496,548,330</b> |

**Bank borrowings are secured by:**

First ranking pari passu charge on present and future fixed and floating assets of National Finance Limited with the future and existing lenders.

Usual charge documents (Letter of Hypothecation, Promissory Notes, Letter of Continuation, Letter of Arrangements, etc.)

Funds required for the operation of business are primarily obtained from various banks and financial institutions. Secured loans are covered by way of first priority floating charge with full title guarantee ranking pari passu among all the lenders of the company. The company has offered corporate guarantee in some cases as demanded by the lending institutions. The rates of long term borrowing varies between 8% to 10% p.a. except refinance from Bangladesh Bank which is 5% and the tenure being 3 to 5 years.

|              |  |                      |                    |
|--------------|--|----------------------|--------------------|
| <b>10.04</b> | <b>Security wise grouping</b>                              |                      |                    |
|              |  | 1,470,508,008        | 702,942,494        |
|              | Secured Borrowing  | -                    | -                  |
|              | Unsecured Borrowing  | <b>1,470,508,008</b> | <b>702,942,494</b> |
| <b>10.05</b> | <b>Nature of repayment</b>                                 |                      |                    |
|              |  | -                    | -                  |
|              | Repayable on Demand  | 156,502,750          | 206,394,164        |
|              | Repayable within 01 Month                                  | 529,508,250          | 112,536,575        |
|              | Repayable over 01 (one) Month but within 03 (three) Months | 588,864,430          | 255,863,214        |
|              | Repayable over 03 (three) Months but within 01 (one) Year  | 195,632,578          | 128,148,541        |
|              | Repayable over 01 (one) Year but within 05 (five) Years    | -                    | -                  |
|              | Repayable over 05 (five) Years                             | <b>1,470,508,008</b> | <b>702,942,494</b> |



**11.00 Deposits and Other Accounts**

| Amount in Taka                 |                      |
|--------------------------------|----------------------|
| 2017                           | 2016                 |
| -                              | -                    |
| -                              | -                    |
| -                              | -                    |
| Current deposits               | -                    |
| Bills payable                  | -                    |
| Savings bank deposits          | -                    |
| Term deposits                  | 4,201,841,308        |
| Bearer certificates of deposit | -                    |
| Other deposits                 | -                    |
| <b>4,869,420,875</b>           | <b>4,201,841,308</b> |

**11.01 Maturity Analysis**

|  |                      |
|--|----------------------|
| -  | -                    |
| Repayable on Demand  | 321,874,520          |
| Repayable within 01 Month                                  | 607,698,021          |
| Repayable over 01 (one) Month but within 03 (three) Months | 1,243,690,129        |
| Repayable over 03 (three) Months but within 01 (one) Year  | 1,953,606,766        |
| Repayable over 01 (one) Year but within 05 (five) Years    | 74,971,872           |
| Repayable over 05 (five) Years                             | -                    |
| <b>4,869,420,875</b>                                       | <b>4,201,841,308</b> |

**11.02 Deposits Under Schemes**

| Deposits Under Schemes |                      |                      |
|------------------------|----------------------|----------------------|
| Short Term (3 Months)  | 765,029,055          | 412,453,069          |
| Half-Yearly (6 Months) | 1,312,555,761        | 905,335,351          |
| Short Term (9 Months)  | -                    | 275,776,126          |
| Yearly                 | 2,400,486,564        | 2,082,787,405        |
| Monthly Earner         | 13,800,000           | 10,000,000           |
| Quarterly Earner       | 51,850,000           | 187,488,122          |
| Double Money           | 325,201,235          | 328,001,235          |
| Triple Money           | -                    | -                    |
| MDS                    | 295,000              | -                    |
| MSS                    | 203,260              | -                    |
|                        | <b>4,869,420,875</b> | <b>4,201,841,308</b> |

**12.00 Other Liabilities**

|  |                      |                      |
|--|----------------------|----------------------|
| Interest payable on term deposits                        | 254,842,211          | 188,514,364          |
| Interest payable on term loan                            | 6,626,278            | -                    |
| Accrued expenses (Note- 12.01)                           | 287,500              | 242,356              |
| Advance receipt against leases                           | 16,572,558           | 20,320,174           |
| Sundry TDS & VDS Payable                                 | 5,222,299            | 4,033,551            |
| Sundry Deposit-TDR                                       | 1,667,371            | 1,650,001            |
| Sundry Creditors   | 290,516              | 1,956,435            |
| Dividend payable   | 1,205,866            | 1,205,866            |
| Provision for taxation ( Note-12.02)                     | 739,343,470          | 654,343,470          |
| Interest suspense on loans & Lease Finance ( Note-12.03) | 222,324,713          | 220,577,174          |
| Provision for lease, loans and advances ( Note-12.04)    | 302,000,000          | 270,000,000          |
| Other Provision  | 5,730,000            | 7,058,137            |
|  | -                    |                      |
| Lease rental advance                                     | 39,737,468           | 52,796,504           |
| Staff provident fund                                     | 265                  |                      |
|  | <b>1,595,850,516</b> | <b>1,422,698,033</b> |



| 12.01    | Accrued expenses:                           | Amount in Taka     |                    |
|----------|---|--------------------|--------------------|
|          |   | 2017               | 2016               |
|          | Audit fees payable                          | 287,500            | 242,356            |
|          |   | <b>287,500</b>     | <b>242,356</b>     |
| 12.02    | Provision for taxation:                     |                    |                    |
|          | Current Tax (Note-12.2.01)                  | 716,248,944        | 634,248,944        |
|          | Deferred Tax (Note-12.02.02)                | 23,094,526         | 20,094,526         |
|          |   | <b>739,343,470</b> | <b>654,343,470</b> |
| 12.02.01 | Current Tax                                 |                    |                    |
|          | Balance as at 01 January                    | 634,248,944        | 502,248,944        |
|          | Provision for the year                      | <b>82,000,000</b>  | <b>132,000,000</b> |
|          | Income Tax expenses during the period       | 82,000,000         | 132,000,000        |
|          | Income Tax expenses for prior year          | -                  | -                  |
|          |   | <b>716,248,944</b> | <b>634,248,944</b> |
| 12.02.02 | Deferred Tax                                |                    |                    |
|          | Balance as at 01 January                    | 20,094,526         | 22,251,341         |
|          | Provision for the year                      | 3,000,000          | -                  |
|          |   | <b>23,094,526</b>  | <b>22,251,341</b>  |
|          | Adjusted during the period                  | -                  | (2,156,815)        |
|          |   | <b>23,094,526</b>  | <b>20,094,526</b>  |
| 12.03    | Interest suspense on Loans & Lease Finance  |                    |                    |
|          | Balance as on 1 January                     | 220,577,174        | 130,540,880        |
|          | Add: Transferred during the period          | 1,747,539          | 90,036,294         |
|          | Less: Amount of interest suspense recovered | -                  | -                  |
|          | Less: Write off during the year             | -                  | -                  |
|          |   | <b>222,324,713</b> | <b>220,577,174</b> |
| 12.04    | Provision for loans, advances and leases    |                    |                    |
|          | Opening balance                             | 270,000,000        | 144,500,000        |
|          | Add, Provision made during the period       | 110,738,985        | 125,500,000        |
|          | Less, Loan written off (Note : 12.04.01)    | (80,067,122)       | -                  |
|          | Add, Other Provision adjusted               | 1,328,137          | -                  |
|          | Closing balance                             | <b>302,000,000</b> | <b>270,000,000</b> |
|          | Provision required at the end of the year   | 301,305,000        | 269,170,000        |
|          | Provision maintained at the end of the year | 302,000,000        | 270,000,000        |
|          | Provision surplus/(shortfall)               | <b>695,000</b>     | <b>830,000</b>     |
|          | General provision                           | 61,365,610         | 43,113,102         |
|          | Specific provision                          | 240,634,390        | 226,886,898        |
|          |   | <b>302,000,000</b> | <b>270,000,000</b> |
| 12.04.01 | Write - off :                               |                    |                    |
|          |   | <b>80,067,122</b>  | -                  |

This represents write off of three Term Loan accounts of Zahid Enterprise Ltd. and one Lease account of Al-Arafah Paribahan, Which was fully classified as bad & loss and upon which adequate provisions were made earlier.



**13.00 Capital**
**Authorised Capital**

200,000,000 ordinary shares of Taka 10 each.

| Amount in Taka       |                      |
|----------------------|----------------------|
| 2017                 | 2016                 |
| <b>2,000,000,000</b> | <b>2,000,000,000</b> |

**13.01 Issued, Subscribed and Fully Paid-up Capital**

|                    |  |                      |                      |
|--------------------|--|----------------------|----------------------|
| 96,000,000         | Ordinary shares of Tk. 10 each issued for cash | 960,000,000          | 960,000,000          |
| 4,000,000          | Bonus shares of Tk. 10 each issued for 2010    | 40,000,000           | 40,000,000           |
| 7,000,000          | Bonus shares of Tk. 10 each issued for 2013    | 70,000,000           | 70,000,000           |
| 8,560,000          | Bonus shares of Tk. 10 each issued for 2014    | 85,600,000           | 85,600,000           |
| 10,400,400         | Bonus shares of Tk. 10 each issued for 2015    | 104,004,000          | 104,004,000          |
| 6,298,020          | Bonus shares of Tk. 10 each issued for 2016    | 62,980,200           |                      |
| <b>132,258,420</b> |  | <b>1,322,584,200</b> | <b>1,259,604,000</b> |

**13.02 Particulars of Fully Paid-up Share Capital**

|                | 2016<br>No. of Shares | 2017<br>No. of Shares | 2016<br>(%)   | 2017<br>(%)   |
|----------------|-----------------------|-----------------------|---------------|---------------|
| Sponsor        | 125,960,400           | 132,258,420           | 100.00        | 100.00        |
| Institutions   | -                     | -                     | -             | -             |
| General Public | -                     | -                     | -             | -             |
|                | <b>125,960,400</b>    | <b>132,258,420</b>    | <b>100.00</b> | <b>100.00</b> |

**13.03 Shareholding Position as on 31 December 2017**

| Sl. No. | Name of  | No. Shares         | Amount               | Percentage (%) |
|---------|--|--------------------|----------------------|----------------|
| 1       | Late National Professor Kabir Chowdhury            | 767,867            | 7,678,670            | 0.58%          |
| 2       | Mr. Md. Abdul Mannan Bhuiyan                       | 6,445,170          | 64,451,700           | 4.87%          |
| 3       | Late Mr. Abu M.F. Kabir                            | 14,649,627         | 146,496,270          | 11.08%         |
| 4       | Mr. Saiful Kibria                                  | 18,918,606         | 189,186,060          | 14.30%         |
| 5       | Mrs. Rozina Y. Kabir                               | 11,998,173         | 119,981,730          | 9.07%          |
| 6       | Mrs. Roushan Akter                                 | 3,997,169          | 39,971,690           | 3.02%          |
| 7       | Mr. Maruf Akter Mannan                             | 3,703,236          | 37,032,360           | 2.80%          |
| 8       | Mr. Sharif Zahir                                   | 6,652,143          | 66,521,430           | 5.03%          |
| 9       | Mr. Inamul Haq Khan                                | 7,010,725          | 70,107,250           | 5.30%          |
| 10      | Mr. Humayun Kabir                                  | 9,193,491          | 91,934,910           | 6.95%          |
| 11      | M/s. Overseas Marketing Corporation (Pvt.) Limited | 2,982,190          | 29,821,900           | 2.25%          |
| 12      | Mr. Asif Zahir                                     | 4,006,977          | 40,069,770           | 3.03%          |
| 13      | KABCO Pharmaceuticals Inc., USA                    | 33,309,750         | 333,097,500          | 25.19%         |
| 14      | Ms. Fahima Mannan                                  | 2,976,317          | 29,763,170           | 2.25%          |
| 15      | Mr. Abu M. Shamsul Kabir                           | 2,664,779          | 26,647,790           | 2.01%          |
| 16      | Mr. Ridwan Zahir Khan                              | 2,982,200          | 29,822,000           | 2.25%          |
|         |  | <b>132,258,420</b> | <b>1,322,584,200</b> | <b>100%</b>    |

**13.02 Particulars of Fully Paid-up Share Capital**

|                | 2016<br>No. of Shares | 2017<br>No. of Shares | 2016<br>(%)   | 2017<br>(%)   |
|----------------|-----------------------|-----------------------|---------------|---------------|
| Sponsor        | 125,960,400           | 132,258,420           | 100.00        | 100.00        |
| Institutions   | -                     | -                     | -             | -             |
| General Public | -                     | -                     | -             | -             |
|                | <b>125,960,400</b>    | <b>132,258,420</b>    | <b>100.00</b> | <b>100.00</b> |



| Amount in Taka |      |
|----------------|------|
| 2017           | 2016 |

#### 13.04 Capital adequacy Ratio:

This disclosure is comply with DFIM Circular 14/2011 under the para 7.4 (a) of "Prudential Guidelines on Capital Adequacy Market Discipline for Financial Institutions."

Capital adequacy ratio has been calculated as per circular issued by Bangladesh Bank.

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Tier-1 (Core Capital)</b>  | <b>1,547,231,094</b> | <b>1,442,281,706</b> |
| Paid-up Capital   | 1,322,584,200        | 1,259,604,000        |
| Statutory Reserve   | 138,870,864          | 117,880,987          |
| General Reserve   |                      |                      |
| Other Reserve   | 9,321                | 9,321                |
| Retained Surplus  | 85,766,709           | 64,787,398           |
| <b>Tier-2 (Supplementary Capital):</b>                                      | <b>63,900,000</b>    | <b>84,700,000</b>    |
| General provision maintained against unclassified loans                     | 63,900,000           | 84,700,000           |
| Other Reserves  | -                    | -                    |
| <b>Total Capital Held (Tier 1 + Tier 2)</b>                                 | <b>1,611,131,094</b> | <b>1,526,981,706</b> |
| <b>Total Risk Weighted Assets (Note 13.05)</b>                              | <b>6,002,900,000</b> | <b>5,865,300,000</b> |
| <b>Required capital</b>   | <b>1,000,000,000</b> | <b>1,000,000,000</b> |
| <b>(10% of risk-weighted assets or Tk. 100.00 Core whichever is higher)</b> |                      |                      |
| <b>Total Capital Held</b>   | <b>1,611,131,094</b> | <b>1,526,981,706</b> |
| <br>  |                      |                      |
| Capital adequacy ratio  | 26.84                | 26.03                |
| Core capital  | 25.77                | 24.59                |
| Supplementary capital   | 1.06                 | 1.44                 |

Minimum Capital Adequacy Ratio requirement as per Bangladesh Bank Guideline is 10% on RWA.

Gross Risk-Weighted Assets (RWA) of 2017 in the various categories of risk weights are detailed below :

#### 13.05 Total Risk Weighted Assets

|   |                      |                      |
|---|----------------------|----------------------|
| (a) Risk Weights for Credit Risk          | 4,777,600,000        | 4,898,394,356        |
| (b) Risk Weights for Market Risk          | 605,100,000          | 380,405,644          |
| (c) Risk Weights for Operational Risk     | 620,200,000          | 586,500,000          |
| <b>Total Risk Weighted Assets (a+b+c)</b> | <b>6,002,900,000</b> | <b>5,865,300,000</b> |



**14.00 Retained earnings:**

Retained earnings as at 01 January  
Add: Net Profit for the year 2017

Less: Transfer to statutory reserve  
Less: Bonus shares issued /Dividend paid 2016

| Amount in Taka    |                   |
|-------------------|-------------------|
| 2017              | 2016              |
| 64,787,399        | 112,883,371       |
| 104,949,388       | 69,885,035        |
| 169,736,787       | 182,768,406       |
| 20,989,878        | 13,977,007        |
| 62,980,200        | 104,004,000       |
| <b>85,766,709</b> | <b>64,787,399</b> |

**15.00 Statutory reserve:**

Opening balance  
Add: Profit transferred to statutory reserve @ 20% for the year

|                    |                    |
|--------------------|--------------------|
| 117,880,987        | 103,903,980        |
| 20,989,878         | 13,977,007         |
| <b>138,870,864</b> | <b>117,880,987</b> |

**16.00 Interest income:**

Leases  
Term finance

|                    |                    |
|--------------------|--------------------|
| 316,173,908        | 298,321,960        |
| 454,552,421        | 484,437,275        |
| <b>770,726,329</b> | <b>782,759,235</b> |

**17.00 Interest paid on deposits & borrowings:**

Interest on borrowing from banks  
Interest on term deposits

|                    |                    |
|--------------------|--------------------|
| 131,869,091        | 72,781,771         |
| 412,845,391        | 431,325,702        |
| <b>544,714,481</b> | <b>504,107,472</b> |

**18.00 Investment income**

Dividend income  
Gain on sale of Share

|                   |                   |
|-------------------|-------------------|
| 6,580,287         | 4,954,795         |
| 47,297,452        | 20,740,828        |
| <b>53,877,739</b> | <b>25,695,623</b> |

**19.00 Other operating income**

Service charges  
Delinquent charges  
Other income  
Gain on Sale of Fixed Assets  
Interest on fixed and short term deposits with Banks & FI's

|                    |                    |
|--------------------|--------------------|
| 1,888,941          | 560,000            |
| 32,439,508         | 35,149,794         |
| 1,938,293          | 1,258,116          |
| -                  | 514,140            |
| 83,436,093         | 64,789,247         |
| <b>119,702,834</b> | <b>102,271,296</b> |

**20.00 Salaries and allowances**

Salaries  
Bonus  
Gratuity  
Leave Encashment

|                   |                   |
|-------------------|-------------------|
| 49,836,394        | 42,104,570        |
| 5,143,152         | 5,085,625         |
| 3,250,000         | -                 |
| 1,774,109         | 470,696           |
| <b>60,003,655</b> | <b>47,660,891</b> |

**21.00 Rent, taxes, insurance, electricity, etc.**

Insurance premium  
Utilities  
Car lease rental  
Office Rent

|                  |                  |
|------------------|------------------|
| 2,439,980        | 2,398,954        |
| 1,828,989        | 1,821,402        |
| 2,958,939        | 4,015,704        |
| 966,000          | -                |
| <b>8,193,908</b> | <b>8,236,060</b> |



**22.00 Legal & Professional fees:**

Legal &amp; professional fees

**Amount in Taka****2017****2016**

1,002,183

2,074,139

**1,002,183****2,074,139****23.00 Postage, stamp, telecommunication etc.:**

Postage &amp; courier

67,956

16,344

Stamp charges, Rates &amp; Taxes

816,485

172,280

Telephone bill

594,655

369,816

**1,479,096****558,440****24.00 Stationery, printing, advertisement:**

Printing &amp; stationery

2,184,784

614,510

Advertisement

423,210

484,043

**2,607,994****1,098,553****25.00 Managing director's salary & allowance:**

Salary &amp; allowances

7,000,000

3,550,000

Bonus

1,000,000

500,000

**8,000,000****4,050,000****26.00 Directors' fees**

936,000

752,000

**936,000****752,000****27.00 Auditors' fees**

287,500

230,000

**287,500****230,000****28.00 Repairs, maintenance, depreciation and amortization:**

Depreciation

7,014,592

6,789,664

**7,014,592****6,789,664****29.00 Other expenses:**

Travel &amp; Conveyance

2,563,926

527,830

Fuel Expenses

1,433,790

1,327,757

Entertainment

2,542,971

2,260,573

Casual Labor, Security &amp; Cleaners

717,336

655,765

Subscription Fee

505,000

308,000

Donation

200,000

-

Periodicals

-

1,470

Training

30,006

150,085

Bank Charge &amp; Excise Duty

1,288,063

782,016

Business Commission

98,028

2,369,082

**9,379,120****8,382,578**



**30.00 Closing cash and cash-equivalents**

| Amount in Taka                                      |                      |
|---|----------------------|
| 2017  | 2016                 |
| Cash in hand (local currency)                       | 34,981               |
| Balance with Bangladesh Bank                        | 54,263               |
| Balance with other Banks and Financial Institutions | 97,399,271           |
|   | 88,485,391           |
|   | 961,402,085          |
|   | 735,856,683          |
|   | <b>1,058,836,336</b> |
|   | <b>824,396,337</b>   |

**31.00 Earning Per Share(EPS)**

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Net Profit after Tax                  | 104,949,388 | 69,885,035  |
| Number of Ordinary Shares outstanding | 132,258,420 | 132,258,420 |
| <b>Earning Per Share (EPS)</b>        | <b>0.79</b> | <b>0.53</b> |

Earning per share has been calculated in accordance with BAS-33 "Earning per share". Previous year's EPS has been adjusted for bonus shares issued for 2014.

**32.00 Net Asset Value (NAV) per Share**

|  |                      |                      |
|--|----------------------|----------------------|
| Total Assets                           | 9,483,010,493        | 7,769,763,541        |
| Total Liabilities                      | (7,935,779,399)      | (6,327,481,835)      |
| <b>Net Asset Value (NAV)</b>           | <b>1,547,231,094</b> | <b>1,442,281,706</b> |
| Number of Ordinary Shares outstanding  | 132,258,420          | 132,258,420          |
| <b>Net Asset Value (NAV) per Share</b> | <b>11.70</b>         | <b>10.91</b>         |

**33.00 Net Operating Cash flow Per Share(Re-Arranged):**

|  |               |             |
|--|---------------|-------------|
| Cash flow from operating activities as per Statement Of Cash flows | (401,855,260) | 170,519,709 |
|  | 132,258,420   | 132,258,420 |
| <b>Net Operating Cash Flow-Per Share</b>                           | <b>(3.04)</b> | <b>1.29</b> |



#### 34.00 Salaries/Perquisites To MD, Directors & Officers:

The aggregate amounts paid / provided during the year in respect of managing director, directors and officers of the company as defined in the Securities and Exchange Rules, 1987 are disclosed below:

| Particulars                              | MD        | Directors | Officers   |
|--|-----------|-----------|------------|
| Board Meeting Fees                       | -         | 936,000   | -          |
| Remuneration / salaries & allowance      | 6,500,000 | -         | 52,737,669 |
| Bonus                                    | 1,000,000 | -         | 5,143,152  |
| Company's Contribution To Provident Fund | 500,000   | -         | 2,122,834  |

#### 35.00 Provisions & liabilities

All provisions for expenses and liabilities have been considered and appropriately recognised in preparing these Financial Statements.

#### 36.00 Number of Employees

During the year under audit there were 53 number of employees in the company (2016:46 employees)

#### 37.00 Board Meeting and Directors' remuneration

In the year 2017 twelve board meetings were held. Each director was paid Tk 8,000 for attending each board meeting. No remuneration or special payment was paid to the directors for attending board meetings. Details of board meeting attendance shown in **Annexure-C**.

38.00 The company had no receivable from the directors on 31.12.2017.

#### 39.00 Appropriation during the year

In accordance with BAS 1 "Presentation of Financial Statement", the appropriations for the year is reflected in the statement of changes in equity.

#### 40.00 Claims against the company not acknowledged as debt

There was no claim at the balance sheet date.

#### 41.00 Contingent Liabilities

There was no Contingent Liabilities at the balance sheet date.

#### 42.00 Related Party Disclosure

Name of Directors and their interest in the FI and different entities-shown in **Annexure-D**.

#### 43.00 Reporting Currency

The figure in financial statements represents Bangladesh Currency (Taka), which has been rounded off to the nearest Taka wherever necessary.

44.00 Directors engagement with other entities are shown in **Annexure-E**.

45.00 Income tax status shown in **Annexure -F**.



National Finance Limited

**Schedule of Fixed Assets including land, building, furniture and fixtures**

**As at December 31, 2017**

**Annexure -A**

| Particulars                      | COST                        |                                |                      |                             | Rate<br>(%) | DEPRECIATION                   |                               |            |                                | Written down<br>value as at<br>31.12.2017 | Written down<br>value as at<br>31.12.2016 |
|----------------------------------|-----------------------------|--------------------------------|----------------------|-----------------------------|-------------|--------------------------------|-------------------------------|------------|--------------------------------|---|---|
|                                  | Balance as at<br>01.01.2017 | Addition<br>during the<br>Year | Sales/<br>Adjustment | Balance as at<br>31.12.2017 |             | Balance as<br>at<br>01.01.2017 | Charged<br>during the<br>Year | Adjustment | Balance as<br>at<br>31.12.2017 |   |   |
| <b>A. Tangible Assets</b>        |                             |                                |                      |                             |             |                                |                               |            |                                |   |   |
| Furniture & Fixtures             | 9,579,970                   | 663,348                        |                      | 10,243,318                  | 10%         | 2,679,059                      | 756,426                       | -          | 3,435,485                      | 6,807,833                                 | 6,900,911                                 |
| Office Equipment                 | 6,248,013                   | 1,679,492                      |                      | 7,927,505                   | 20%         | 3,091,759                      | 967,149                       |            | 4,058,908                      | 3,868,597                                 | 3,156,254                                 |
| Vehicle                          | 2,320,000                   |                                |                      | 2,320,000                   | 20%         | 1,813,189                      | 101,362                       | -          | 1,914,551                      | 405,449                                   | 506,811                                   |
| Telephone and Fax                | 480,319                     | 20,764                         |                      | 501,083                     | 10%         | 177,442                        | 32,364                        | -          | 209,806                        | 291,277                                   | 302,877                                   |
| Office Decoration                | 15,439,464                  | 1,594,533                      |                      | 17,033,997                  | 10%         | 4,387,909                      | 1,264,609                     | -          | 5,652,517                      | 11,381,480                                | 11,051,555                                |
| Computer & Equipment             | 7,875,169                   | 1,180,770                      |                      | 9,055,939                   | 25%         | 4,655,885                      | 1,100,014                     | -          | 5,755,899                      | 3,300,041                                 | 3,219,284                                 |
| Office Premises( UTC)            | 45,543,955                  |                                |                      | 45,543,955                  | 2%          | 4,536,178                      | 910,879                       | -          | 5,447,057                      | 40,096,898                                | 41,007,777                                |
| Office Premises(Con. centre)*    | 94,089,458                  |                                |                      | 94,089,458                  | 2%          | 7,527,157                      | 1,881,789                     | -          | 9,408,946                      | 84,680,512                                | 86,562,301                                |
| <b>Total Tangible Assets (A)</b> | <b>181,576,348</b>          | <b>5,138,907</b>               | <b>-</b>             | <b>186,715,255</b>          |             | <b>28,868,578</b>              | <b>7,014,592</b>              | <b>-</b>   | <b>35,883,170</b>              | <b>150,832,085</b>                        | <b>152,707,770</b>                        |

|                                     |                    |                  |          |                    |     |          |                  |          |                   |                    |                    |
|-------------------------------------|--------------------|------------------|----------|--------------------|-----|----------|------------------|----------|-------------------|--------------------|--------------------|
| <b>B. Intangible Assets</b>         |                    |                  |          |                    |     |          |                  |          |                   |                    |                    |
| Systems and softwares               | -                  |                  | -        | -                  | 20% | -        | -                | -        | -                 | -                  | -                  |
| <b>Total Intangible Assets (B):</b> | <b>-</b>           | <b>-</b>         | <b>-</b> | <b>-</b>           |     | <b>-</b> | <b>-</b>         | <b>-</b> | <b>-</b>          | <b>-</b>           | <b>-</b>           |
| <b>Total 2017 (A+B):</b>            | <b>181,576,348</b> | <b>5,138,907</b> | <b>-</b> | <b>186,715,255</b> |     |          | <b>7,014,592</b> | <b>-</b> | <b>35,883,170</b> | <b>150,832,085</b> | <b>152,707,770</b> |



## National Finance Limited

### Details of investment in shares as at December 31, 2017

#### Annexure -B

| Name of the Company          | Face value | No. of share | Cost per share | Cost price | NAV per share | Total value | Gain/(loss) |
|------------------------------|------------|--------------|----------------|------------|---------------|-------------|-------------|
| <b>Unquoted shares</b>       |            |              |                |            |               |             |             |
| Bengal Poly & Paper Sack Ltd | 10         | 2,120,000    | 25.00          | 53,000,000 | 25.51         | 54,081,200  | 1,081,200   |
| <b>2,120,000</b>             |            |              |                |            |               |             |             |
| <b>53,000,000</b>            |            |              |                |            |               |             |             |
| <b>54,081,200</b>            |            |              |                |            |               |             |             |
| <b>1,081,200</b>             |            |              |                |            |               |             |             |
| <b>Quoted shares</b>         |            |              |                |            |               |             |             |
| Naheacp                      | 10         | 5,706        | 10.00          | 57,060     | 69.10         | 394,285     | 337,225     |
| Aamranet                     | 10         | 1,000,000    | 25.00          | 25,000,000 | 95.40         | 95,400,000  | 70,400,000  |
| Activefine                   | 10         | 162,500      | 39.09          | 6,352,703  | 35.10         | 5,703,750   | (648,953)   |
| Apoloispst                   | 10         | 346,898      | 17.84          | 6,189,358  | 16.80         | 5,827,886   | (361,472)   |
| Barakapower                  | 10         | 207,000      | 40.95          | 8,477,674  | 35.40         | 7,327,800   | (1,149,874) |
| Bayleasing                   | 10         | 153,804      | 27.87          | 4,286,150  | 27.70         | 4,260,371   | (25,779)    |
| Beximco                      | 10         | 157,500      | 32.96          | 5,190,751  | 28.30         | 4,457,250   | (733,501)   |
| BSCCL                        | 10         | 60,000       | 117.72         | 7,063,073  | 104.20        | 6,252,000   | (811,073)   |
| City Bank                    | 10         | 300,840      | 55.39          | 16,664,486 | 52.30         | 15,733,932  | (930,554)   |
| Dafodil Com                  | 10         | 300,000      | 48.82          | 14,646,193 | 43.40         | 13,020,000  | (1,626,193) |
| Desco                        | 10         | 100,000      | 61.89          | 6,188,743  | 46.00         | 4,600,000   | (1,588,743) |
| Easternlub                   | 10         | 7,000        | 1,220.77       | 8,545,378  | 960.30        | 6,722,100   | (1,823,278) |
| Fekdil                       | 10         | 184,000      | 22.02          | 4,052,583  | 20.10         | 3,698,400   | (354,183)   |
| IDLC                         | 10         | 107,589      | 85.82          | 9,233,031  | 85.90         | 9,241,895   | 8,864       |
| Irad Auto                    | 10         | 85,000       | 156.83         | 13,330,832 | 127.20        | 10,812,000  | (2,518,832) |
| IPDC                         | 10         | 100,000      | 49.28          | 4,927,998  | 49.40         | 4,940,000   | 12,002      |
| Islami Bank                  | 10         | 250,000      | 44.48          | 11,119,183 | 35.80         | 8,950,000   | (2,169,183) |
| Islami Finance               | 10         | 475,000      | 24.21          | 11,498,913 | 21.00         | 9,975,000   | (1,523,913) |
| Lafarge                      | 10         | 557,790      | 80.14          | 44,698,753 | 69.60         | 38,822,184  | (5,876,569) |
| Lankabangla Fin              | 10         | 255,000      | 68.51          | 17,470,037 | 48.00         | 12,240,000  | (5,230,037) |
| Mercantile Bank              | 10         | 206,766      | 25.89          | 5,352,724  | 27.00         | 5,582,682   | 229,958     |
| Midasfinance                 | 10         | 49,278       | 39.17          | 1,929,986  | 45.10         | 2,222,438   | 292,452     |
| NCC Bank                     | 10         | 75,000       | 17.35          | 1,301,051  | 17.80         | 1,335,000   | 33,949      |
| PLFSL                        | 10         | 55,000       | 13.64          | 750,132    | 14.10         | 775,500     | 25,368      |
| RAK Ceramic                  | 10         | 150,000      | 66.12          | 9,918,378  | 60.40         | 9,060,000   | (858,378)   |
| Southeast Bank               | 10         | 150,000      | 21.83          | 3,274,305  | 22.30         | 3,345,000   | 70,695      |
| Square Pharma                | 10         | 1,125        | 284.21         | 319,737    | 301.80        | 339,525     | 19,788      |
| Sumitpower                   | 10         | 200,000      | 41.96          | 8,392,121  | 36.10         | 7,220,000   | (1,172,121) |
| <b>5,702,796</b>             |            |              |                |            |               |             |             |
| <b>256,231,333</b>           |            |              |                |            |               |             |             |
| <b>298,258,998</b>           |            |              |                |            |               |             |             |
| <b>42,027,664</b>            |            |              |                |            |               |             |             |
| <b>Mutual Fund</b>           |            |              |                |            |               |             |             |
| ABB1STMF                     | 10         | 200,000      | 6.94           | 1,388,947  | 10.95         | 2,190,000   | 801,053     |
| TRUSTB1MF                    | 10         | 150,000      | 6.99           | 1,047,978  | 10.71         | 1,606,500   | 558,522     |
| <b>350,000</b>               |            |              |                |            |               |             |             |
| <b>2,436,925</b>             |            |              |                |            |               |             |             |
| <b>3,796,500</b>             |            |              |                |            |               |             |             |
| <b>1,359,575</b>             |            |              |                |            |               |             |             |

#### Required provision for investment in shares

| Particulars                     |  |  |  | Cost price         | Total value        | Req. Provision    |
|---------------------------------|--|--|--|--------------------|--------------------|-------------------|
| Unquoted shares                 |  |  |  | 53,000,000.00      | 54,081,200         | -                 |
| Quoted                          |  |  |  | 256,231,333.31     | 298,258,998        | 42,027,664        |
| Mutual funds                    |  |  |  | 2,436,925.35       | 3,796,500          | 1,359,575         |
| <b>Total Provision required</b> |  |  |  | <b>311,668,259</b> | <b>356,136,698</b> | <b>43,387,239</b> |



National Finance Limited  
**Directors Meeting & Attendance**  
 As at 31 December 2017

**Annexure - C**

| Name of the Directors        | No. of Meeting held during his/her tenure | Meeting Attended | %    | Changed during 2017 |
|------------------------------|---|------------------|------|---------------------|
| Mr. Md. Abdul Mannan Bhuiyan | 12  | 11               | 92%  |                     |
| Mr. Inamul Haq Khan          | 12  | 11               | 92%  |                     |
| Mr. Saiful Kibria            | 12  | 12               | 100% |                     |
| Mrs. Rozina Y. Kabir         | 12  | 8                | 67%  |                     |
| Mr. Maruf Akter Mannan       | 12  | 10               | 83%  |                     |
| Mrs. Roushan Akter           | 12  | 11               | 92%  |                     |
| Ms. Fahima Mannan            | 12  | 11               | 92%  |                     |
| Mr. Asif Zahir               | 12  | 12               | 100% |                     |
| Ms. Arifa Kabir              | 12  | 9                | 75%  |                     |



**National Finance Limited**  
**Particulars of Related Parties Transaction**  
**Directors and their interest in the FI and different entities**  
 As At 31st December 2017

**Annexure -D**

| Sl.No | Particulars               | Name of the Related Party          | Relationship  | Sanction    | Recovery during 2017 | Balance Amount |
|-------|---------------------------|------------------------------------|---|-------------|----------------------|----------------|
| 1     | Lease Finance No. LE26613 | Ananta Apparels Limited            | Director of the Company<br>Mr. Asif Jahir is also the<br>Director of Ananta<br>Apparels Limited   | 17,156,030  | 4,525,455            | 4,691,908      |
| 2     | Term Finance No. TL16515  | Faria's Collection                 | Director of the Company<br>Ms. Arifa Kabir is also the<br>Director of Faria's<br>Collection   | 3,000,000   | 1,161,624            | 191,210        |
| 3     | SOD L/S 08318             | Mr. Humayun Kabir                  | Director of the Company<br>Ms. Arifa Kabir is spouse<br>of Mr. Humayun Kabir  | 9,000,000   | 200,000              | 8,800,000      |
| 4     | SOD L/S 08319             | Bengal Windsor Thermoplastics Ltd. | Director of the Company<br>Ms. Arifa Kabir is spouse<br>of Mr. Humayun Kabir<br>who is the director of<br>Bengal Windsor<br>Thermoplastics Ltd. | 100,000,000 | 4,499,940            | 95,500,060     |



# National Finance Limited

## Directors' Involvement in other Companies as on 31st December 2017

As At 31st December 2017

**Annexure -E**

| Name of Director                           | Position in NFL | Involvement in other Companies  | Position          |
|--|-----------------|---|-------------------|
| Mr. Md. Abdul Mannan Bhuiyan               | Chairman        | Overseas Marketing Corporation (Pvt.) Ltd.  | Managing Director |
|  |                 | OMC HealthCare (Pvt) Ltd.   | Chairman          |
|  |                 | OTS (Pvt) Ltd.  | Chairman          |
|  |                 | OMC Footwear Ltd.   | Chairman          |
|  |                 | Dawn Engineering & Technical Supplies   | Proprietor        |
| Mr. Inamul Haq Khan                        | Vice Chairman   | Ananta Garments Ltd.  | Managing Director |
|  |                 | Ananta Sportswear Ltd   | Managing Director |
|  |                 | Ananta Jeanswear Ltd.   | Managing Director |
|  |                 | Confidence Industries Ltd.  | Chairman          |
|  |                 | Paradise Washing Plan Ltd.  | Managing Director |
|  |                 | Thread & Thread Industries Ltd.   | Managing Director |
|  |                 | Tunic Fashions Ltd.   | Managing Director |
|  |                 | Ananta Leather Collections Ltd.   | Chairman          |
|  |                 | ABM Fashions Ltd.   | Managing Director |
| Mrs. Roushan Akter                         | Director        | Overseas Marketing Corporation (Pvt.) Ltd.  | Director          |
|  |                 | OMC HealthCare (Pvt) Ltd.   | Director          |
|  |                 | OTS (Pvt) Ltd.  | Director          |
|  |                 | OMC Footwear Ltd.   | Director          |
|  |                 | Global Instruments Supply Co.   | Proprietor        |
| Mr. Maruf Akter Mannan                     | Director        | OMC HealthCare (Pvt) Ltd.   | Director          |
|  |                 | OTS (Pvt) Ltd.  | Managing Director |
|  |                 | OMC Footwear Ltd.   | Managing Director |
|  |                 | Intellect Technologies (Pvt) Ltd.   | Managing Director |
|  |                 | Millennium Syndicates   | Proprietor        |
| Ms. Fahima Mannan                          | Director        | OMC HealthCare (Pvt) Ltd.   | Managing Director |
|  |                 | OMC Footwear Ltd.   | Director          |
|  |                 | Intellect Technologies (Pvt) Ltd.   | Director          |
| Mr. Saiful Kibria                          | Director        | Not involved in any other company incorporated in Bangladesh except National Finance Ltd. |                   |
| Alternative Director: A.M.M. Jahangir Alam |                 |   |                   |
| Mrs. Rozina Y. Kabir                       | Director        | Not involved in any other company incorporated in Bangladesh except National Finance Ltd. |                   |
| Alternative Director: Mr. Khaja Abu Musa   |                 |   |                   |
| Ms. Arifa Kabir                            |                 | Not holding Director Position in any other Company.                                       |                   |
| Mr. Asif Zahir                             | Director        | Ananta Apparels Ltd.  | Director          |
|  |                 | Ananta Casual wear Ltd.   | Nominee Director  |
|  |                 | Ananta Denim Technology Ltd.  | Nominee Director  |
|  |                 | DNV Clothing Ltd.   | Nominee Director  |
|  |                 | Ananta Properties Ltd.  | Director          |
|  |                 | Ananta Energy Resources Ltd.  | Director          |
|  |                 | Vanguard Asset Management Ltd.  | Nominee Director  |
|  |                 | Vanguard Power Generation Ltd   | Director          |
|  |                 | Ananta Group Ltd.   | Director          |
|  |                 | Ananta Knitwear Ltd.  | Nominee Director  |
|  |                 | Ananta Fashion Ltd.   | Nominee Director  |
|  |                 | Ananta Developments Ltd.  | Director          |
|  |                 | Zero Gravity Ventures Ltd.  | Managing Director |
|  |                 | Fast Fleet Logistics Ltd.   | Nominee Director  |
|  |                 | Universal Menswear Ltd.   | Nominee Director  |
|  |                 | Ananta Huaxiang Ltd.  | Nominee Director  |
|  |                 | Ananta Hotels & Resorts Limited   | Director          |
|  |                 | Z & Z Intimates Limited   | Nominee Director  |
|  |                 | Ananta Real Estate Limited  | Director          |
|  |                 | Ananta Clothing Limited   | Director          |
|  |                 | Creative Vision Ltd.  | Director          |



**National Finance Limited**

E-TIN-673166997674

Tax Status

As at December 31, 2017

**Annexure -F**

| Income Year | Assessment year | Tax Provision (as per Accounts) | Tax Assessed by Tax Authority | Level of Assessment | Remarks  |
|-------------|-----------------|---------------------------------|-------------------------------|---------------------|--|
| 2012        | 2013-2014       | 65,000,000                      | 63,645,230                    | CT (appeal)         | ADR completed and appeal filed at the level of CT (appeal) |
| 2013        | 2014-2015       | 86,500,000                      | 96,798,589                    | TAT                 | Appeal filed at the level of Taxes Appellate Tribunal      |
| 2014        | 2015-2016       | 106,386,854                     | -                             | -                   | Retun filed under 82BB.                                    |
| 2015        | 2016-2017       | 140,000,000                     | -                             | -                   | Retun filed under 82BB.                                    |
| 2016        | 2017-2018       | 132,000,000                     | -                             | -                   | Retun filed under 82BB.                                    |
| 2017        | 2018-2019       | 82,000,000                      | -                             | -                   | Return submission deadline yet not due.                    |



## *Project Financed by NFL*







CLORE EDIBLE





INDUSTRIAL CENTRE CLIPPER



RADIOLOGY UNIT



## *Events Snippets*







NID SIGNING CEREMONY WITH EC



SIGNING CEREMONY WITH ROBI



SIGNING CEREMONY WITH SOUTHEAST BANK LTD.





AML - CFT TRAINING



NATIONAL FINANCE 15<sup>th</sup> AGM





**EMERGING**  
Credit Rating Ltd

## National Finance Limited

### Credit Rating Report

| Valid From        | Valid Till        | Rating Action | Long Term Rating | Short Term Rating | Outlook |
|-------------------|-------------------|---------------|------------------|-------------------|---------|
| December 08, 2017 | December 07, 2018 | Surveillance  | A-               | ST-2              | Stable  |
| December 08, 2016 | December 07, 2017 | Initial       | A-               | ST-2              | Stable  |

**Date of Incorporation** : July 30, 2001

**Managing Director** : Mr. Saifuddin M. Naser

**Authorized Capital** : BDT 2,000.00 million

**Paid up Capital** : BDT 1,259.60 million

**Total Asset** : BDT 7,769.76 million

**Total Liabilities** : BDT 6,327.48 million

**Contact Analysts** : Tifur Rahman Chowdhury [tifur@emergingrating.com](mailto:tifur@emergingrating.com)  
Tareq Bhuiyan [tareq@emergingrating.com](mailto:tareq@emergingrating.com)

Arifur Rahman FCCA, ACA  
Chief Rating Officer  
Emerging Credit Rating Ltd

**Credit  
Analysis**

Entity Rating



## *Liability Products of NFL*







## *Fixed Deposits*

Yearly Scheme

Half Yearly Scheme

3 months Scheme

Monthly Earnings Scheme

Quarterly Earnings Scheme

Double Money Scheme

Triple Money Scheme

Monthly Deposit Scheme (MDS)

Millionaire Savings Scheme (MSS)



# *Asset Products of NFL*







CORPORATE FINANCE



HOME LOAN



PERSONAL LOAN



AUTO LOAN



SME LOAN



FACTORING





Confidence Center (Level-08), Kha- 09  
Paragati Sarani, Shahjadpur,  
Gulshan, Dhaka-1212  
Bangladesh.