

Annual Report 2016



National Finance Ltd

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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 for National Finance Limited of the year ended 31 December 2016.

We are pleased to present before you the Annual Report 2016 of National Finance Limited alongwith the audited Financial Statements of the yearended 31 December 2016 and as on that date.

The Report includes Balance sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement, alongwith Notes thereon, of National Finance Limited for the year ended on 31st December 2016.

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.



NFL Values:

DIETS

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.

TEAMWORKORIENTED

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 on 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 |
| 6. Mr. Nazmul Karim | - | Secretary of the Committee |

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 2016)

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

Paid-up Capital Tk. 1,259,604,000 (1,259,60,400 ordinary shares of Tk. 10 each)

Accounting Year-end 31 December.

Registered Office

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

Web: www.nfl.com.bd

Auditor

M/s. M.J. Abedin & 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 be remain forever in our heart for your outstanding contributionand endless generosity.

Board of Directors



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 businessperson 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.



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 where he received his MEO Class 1 certification from South Tyneside College, UK. He served in Bangladesh Shipping Corporation for 13 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. Inamul Haq 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. Inam 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, daughter of Mr. Abul Kashem Mohammed Golam Kibria is presently staying at 26, Winchester Drive, Mutton town, NY- 11545 USA. Mrs. Kibria, 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.



SAIFUL KIBRIA
Director

Mr. Saiful Kibria, son of Mr. Abul Kashem Mohammed Golam Kibria is presently staying at 29, Lisa Drive Dixhills NY- 11746, USA. Mr. Kibria, 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
Director

Mrs. Roushan Akter is the wife of Mr. Md. Abdul Mannan Bhuiyan, Chairman of National Finance Limited. Mrs. Akter is the director of OMC Group of companies. She has business exposures in a multitude of areas.



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



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 has a proprietary concern named Minimum Syndicates. He is also director of OMC Group of Companies. He has exposure to a wide range of cultures of countries like USA, Switzerland, Canada, Taiwan, India.



Asif Zahir

Director

Mr. Asif Zahir is Director of 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 160 million and employee over 18,000 people. Asif is also serving as the Director of Vanguard Asset Management Ltd, an investment management firm. Prior to returning to Bangladesh, Mr. 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.



Arifa Kabir

Director, Nominated by
M/S Overseas Marketing Ltd.

Ms. Arifa Kabir is a Director nominated by M/S Overseas Marketing Ltd. She received her BBA in International Business from North South University. She is a citizen of USA and a leading shareholder of Bengal Windsor Thermoplastics. She is energetic and dynamic business entrepreneur and has versatile professional experience and has visited Far East, India, Europe and USA in professional connections.

Management Committee



Standing from Left :

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

Mr. Mohammad Arif Billah IbneTareq (AVP- Strategic Coordination Manager)

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

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

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

Sitting from Left :

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

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

Mr. Saifuddin M. Naser (Managing Director)

Mr. Dipok K. Roy, FCS (SVP-Head of ICC)

List of Different Management Committees of NFL

MANCOM

Mr. Saifuddin M. Naser
Mr. Md. Golam Sarwar Bhuiyan
Mr. Dipok K. Roy, FCA
Mr. Nazmul Karim, FCS
Mr. K.M. Nasir Uddin
Mr. Md. Didarul Azad, FCA
Mr. Jyonto Kumar Biswas
Mr. Mohammad Arif Billah IbneTareq
Mr. Kopil Uddin Mahmud Chowdhury

Credit Committee

- Saifuddin M. Naser
- Md. Golam SarwarBhuiyan
- Nazmul Karim, FCS
- Didarul Azad, FCA
- A.K. Azad
- Kopil Uddin Mahmud Chowdhury

ALCO

- Saifuddin M. Naser
- Md. Golam SarwarBhuiyan
- Didarul Azad, FCA
- Kopil Uddin Mahmud Chowdhury
- Mizanur Rahman - FAVP, Treasury

Investment Committee

- Saifuddin M. Naser
- Md. Golam SarwarBhuiyan
- Didarul Azad, FCA
- Nazmul Karim, FCS

ICT Steering Committee

- Saifuddin M. Naser
- Md. Golam SarwarBhuiyan
- Nazmul Karim, FCS
- Didarul Azad, FCA
- Dipok K. Roy, FCA
- Jyonto K. Biswas

Central Compliance Unit

- Nazmul Karim, FCS
- Dipok K. Roy, FCA
- Didarul Azad, FCA
- Golam Ambia Khan

Risk Management Forum

- Md. Golam SarwarBhuiyan
- Dipok K. Roy, FCA
- Didarul Azad, FCA
- Md. Mushfiqur Rahman

Management of NFL



Management Team



Finance & Accounts



HR & Admin

Management of NFL



Corporate Finance



SME & Consumer Finance



CAMD



CRM

Management of NFL



ICC



Treasury



Liability Sales Team



IT & MIS

Chairman's Message



Bismillahir Rahmanir Rahim
Dear Valued Shareholders
Assalamu Alaikum.

Introduction:

With great pleasure I welcome you all in the 15th 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, 2016.

At the outset, I express 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 catalyst in founding this company. Without their support NFL could not have been reached at this level.


We are proud to announce another successful year of NFL in 2016. 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 indices. We've made remarkable progress in GDP growth of 7.11% and inflation rate is showing a downward trend. Industry showed declined trend in interest rate. With the growth of business there are some challenges too for NBFIs due to competition from the banks in the same market. Bank interest is always lower due to their transaction A/C balance, which produces great challenges to the NBFIs.

Business Performance of NFL:

The year 2016 was a year of consolidation for NFL. Our management gave high priority on formulation of strategy, development of human resources, managing risks and improving portfolio



quality in order to positioning the company on strong base and prepare it to achieve sustainable growth.

Despite many challenges and inadequate resources NFL passed steady year in business growth. New management with high experience & exposure joined NFL in the year 2016. NFL continued to focus on major areas namely: 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 2016 are detailed below:

- Loan and Lease portfolio stood at BDT 5961 million
- Total assets reached to 7769.76 million
- Our deposits portfolio stood at BDT 4201.84 million
- Operating profit stood at BDT 326.78 million
- Profit after Tax stood at Taka 69.88 million and EPS reached to Tk 0.55

Stability:

NFL Capital Adequacy Ratio (CAR) in 2016 stood at 26.11%. Our core capital to total risk weighted Assets stood at 24.67% and continues to remain well above the statutory requirements. Total Shareholders' equity increased by 5.09% to BDT 1442.28 million during the year, further strengthening our competitive position and enhancing 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 5.00% stock dividend for the year 2016.

Future Plan:

The investment scenario and emergence of new entrepreneurs are yet to reach a satisfactory level. New gas and electricity connection to industrial units is now a big cry. 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 have modernized IT set up. Our efforts are continuing to source competent staff. At the same time we are going to diversify our portfolio. We shall focus more on SME, Home Loan and Micro enterprise financing with cluster approach. We have also decided to increase geographical outreach by opening new branches in Chittagong and Dhaka/Sylhet. We are also going ahead with IPO process of our company share and listing in the capital market accordingly.



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. Though we have not been able to reach our desirable structure and target including growth & performance, still I believe we will be able to manage all the challenges to attain our goal. 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) 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/-

Md. Abdul Mannan Bhuyian


Chairman

Managing Director's Message



Bangladesh economy recorded a steady growth of GDP of 6.3% on an average over the last 7 years (FY2009-10 to FY 2015-16) in spite of slow recovery of global economy. In 2016, Bangladesh GDP recorded a healthy growth rate of 7.1% and the average per capita income stood at US\$ 1,465 from US\$ 1,316 in FY2014-15. IMF, World Bank and Asian Development Bank and other development partners and researchers posted remarkable findings of the progress of Bangladesh for the forthcoming years. In spite of having stability of economic trend with significant growth of GDP, low inflation rate, manageable fiscal deficit, stable exchange rate, favorable balance of payments and US\$ 32.00 billion foreign exchange reserve, the private sector credit growth was quite slow. Instead of remarkable development in power sector availability of gas and electricity are still the major concerns for new investment although the political situation is quite stable throughout the year. Due to slow growth in private sector, low demand of money accumulated huge idle funds with banks. The lending rate in the market fell significantly from 2015 whereas the cost of borrowing of Financial Institutions (FIs) did not reduce proportionately. Aggressive borrowings of some financial institutions created pressure on fund pricing. Excess fund in the banks also created pressure to reduce the lending rate. So, FIs had to reduce the lending rate keeping the minimum margin. This has relatively reduced the overall income of FIs.

NFL's portfolio with loan and lease and deposit in 2016 rose to BDT 596.17 and 420.18 crore respectively resulting to operating profit of BDT 32.68 crore and net profit after tax 6.99 crore. Book value per share at the end of 2016 stood BDT 11.45. Due to higher rate compared to banks, the competition of FIs with Banks in the same market was uneven. As such, the operational performance



was not remarkably significant for Fls. However, NFL was on strong capital base, i.e., Capital Adequacy Ratio is 26.03% on risk weighted assets against the requirement of 10%. Out of this 26.03%, total shareholders' equity stood at BDT 144.23 crore which is 24.59%. Total assets at the end of the year stood BDT 776.98 crore. We would like to achieve remarkable operational profit and significant long term value for our shareholders together with making meaningful contribution to the society. We aim to establish NFL one of the stronger financial institution in Bangladesh. We have restructured our operation for increase efficiency. We have also introduced segregated business proposition to focus on specialized customer service. We have also strengthened our human resources to ensure proper risk assessment and monitoring for sustainable growth in future. New IT platform has also been introduced for transparency and efficiency. We are committed to establish the high standard in technology. We also have expansion plan by opening of new branches and introducing new products for registering remarkable business performance for the forthcoming years.

In conclusion, I would like to take this opportunity to express my thanks and gratitude to our Board of Directors for their excellent co-operation for managing the affairs of the company and providing valuable guidance in discharging my responsibilities as Managing Director. I would also like to thank Bangladesh Bank, Bangladesh Securities Exchange Commission (BSEC), the Government of Bangladesh, also to our depositors, borrowers and other stakeholders for their support and cooperation which led us to ongoing success. I am very much thankful to all my colleagues for giving me generous support and cooperation to attain the corporate vision, mission and strategic objectives by upholding our in-built institutional core values.

Sd/-

(Saifuddin M Naser)

Managing Director.



DIRECTORS REPORT



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 15th 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, 2016 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 2016 National Finance Limited recorded steady 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.

World Economy:

Global growth continued on a subdued note in 2016 as a result of stagnant global trade, slowed investment and heightened uncertainty in the global economy and political uncertainty culminated with the decision by the UK to pursue a "Hard Brexit" and the result of the 2016 US Presidential Elections. Unemployment in the US reached a new low of 4.6% in November 2016, and the manufacturing sector is expected to rebound in 2017.

Although gradually dissipating, legacies from the global financial crisis continue to be felt across high income countries, limiting both aggregate demand and the underlying growth potential of these economies. Global growth in 2017 is forecast to rise up to 2.7% from 2.3% in 2016.

Regional Economy:

GDP growth in South Asia reached 6.8 percent in 2016, driven by robust domestic demand. South Asia is now the fastest growing developing region, as the region benefited from lower oil prices and improved resilience to external setbacks. India continued to post strong growth, reflecting ongoing tailwinds from low oil prices and structural reforms. However, its demonetization decision has been predicted to reduce GDP growth by 1 percent, resulting in GDP growth of 7.0 percent in 2017. A moderate further acceleration in economic activity is projected for the region, with regional growth rising to 7.3 percent in 2017, supported by strengthening investment and a broadly supportive policy environment.

Bangladesh Economy:

Bangladeshi economy posted its highest growth in the last decade of 7.11 percent. The target of growth in the budget for FY 2016-17 has been set at an ambitious 7.2 percent. In the FY 2016-17, the economy of Bangladesh will have to deal with a number of economic bottlenecks, such as declining remittance and global uncertainties. Inadequate savings and investment and increasing gap between these two appeared to be the major challenges in the economy. In addition, lack of any significant breakthrough in agriculture as regards innovation and technological advancement in the post-green revolution period, unsatisfactory rate-of growth in manufacturing and lack of employment opportunity in the sector causing higher unemployment rate, lack of investment in skill development in the service sector has caused the real sector to decelerate.

Falling commodity prices on the global market has been pushing inflation downward. The declining trend of inflation that started in 2015 and prevailed through 2016. Average inflation stood at 5.5% in Dec'16 which was 6.2% in the same period in 2015. Food inflation started to decrease rapidly from the stating of 2016 but formed a positive trend from June 2016. As of Dec 2016, Point to point (P2P) inflation stood at 5.0%, the lowest since Sep'12. The decline in average inflation is mainly attributable to the falling food prices during the first half of the year and falling non- food inflation during the latter half of the year.



DIRECTORS REPORT

Fiscal Management:

Budget for FY'17 has been marked high ambition with a vision of attaining the middle income goal. The budget size is BDT 3,406.00 billion which is 15% higher compared to FY'16's revised budget. It has revenue target of BDT 2427.00 billion which is 16% higher than that of the FY16's revised budget. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.2% in FY'17, a slight increase from the previous year's target of 7.05%. Budget deficit is projected to be BDT 917.7 billion. Of this deficit, BDT 610 billion will be collected from bank borrowing, savings certificates and other non-banking source and remaining BDT 307.7 billion will be raised from external sources. High dependence on savings certificates in financing the deficit may cause the interest expense to rise higher.

Money Market:

The money market also went through significant change in 2016. Overall interest rates received significant fall. Government bond operation was suspended for a couple of months. Reverse repo operation was reduced with higher borrowing through low yielding BB-bill. Bangladesh Bank (BB) will maintain accommodative monetary policy stance in 2016. The latest MPS for H2 FY16 was a very growth supporting one. Policy rates have been reduced by 50 basis points after almost 3 years. This, coupled with the huge excess liquidity in the banking system is expected to further reduce banks' lending rates and boost investments. As the economy is on the way to recovery, credit growth has been slowly picking up. During FY15, the total credit to the private sector recorded 13.2% growth year over year. Business confidence is improving and the stable exchange rate has led to higher import of machineries. The falling interest rates will boost private credit growth next year.

Principal Activities:

The principal activities of National Finance Limited during the year 2016 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 2016 with "A-" in the long term and ST-2 for the Short Term based on audited financial of FY2015 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 REPORT

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 2016:

Despite the challenges posed by economic and political environment, NFL passed steady in many lines of businesses during 2016. 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 results such a significant performance for the Company. Total investment portfolio reached to BDT 5961 million in 2016 compared to BDT 6251 million in 2015. Operating profit stands at BDT 326.78 million while operating expenses were incurred BDT 79.83 million. Net profit after tax is reported at BDT 69.88 million. Earnings per Share (EPS) stood BDT 0.55 and NPL ratio stood at 13.71% in 2016.

NFL Financial Highlights 2016

Particulars	(Figures in million BDT)	
	Year 2016	Year 2015
Net Interest Income	278.65	319.58
Other operating income	127.96	122.11
Total Operating income	406.62	441.69
Total operating expense	79.83	85.38
Operating profit	326.78	356.31
Provision for loans, advances and leases	127.06	82.77
Profit before tax for the year (NPBT)	199.73	273.54
Profit after tax	69.88	123.54
Earnings Per Share (EPS)	0.55	.98
Retained Earnings	64.78	112.88
Shareholders' Equity	1442.28	1372.40
Total Asset	7769.76	7811.57
NAV per share	11.45	11.88

DIRECTORS REPORT

Future Outlook 2016:

We believe, 2016 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 2016 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 2016 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, 2016):

There have been no material changes and commitments between the end of 2016 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 follow regulatory guidelines, instructions and all applicable laws, rules and regulations of the country.

Contribution to National Exchequer:

With a view to assist 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



DIRECTORS REPORT

- 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 2015, 14 nos. of Meetings of the Board of Directors were held. Attendance of the Directors is shown in the Note-37.

Auditors:

M/s. M. J. Abedin & Co., Chartered Accountants, has completed their consecutive three year as statutory auditor of the company and is not eligible for re-appointment. M/S. A. Quasem & Co., Chartered Accountants, have expressed their willingness to become the statutory auditor of the company for the year 2017. In this regard the Audit Committee has scrutinized and reviewed the proposal and recommended to the Shareholders for appointment of M/S. A. Quasem & Co., as external auditor of the Company for the year 2017. We have sought approval of Bangladesh Bank to appoint M/S. A. Quasem & Co., Chartered Accountants, as our external auditor for the year 2017.

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 141st Meeting held on May 23, 2017 has recommended 5% stock dividend for the year ended December 31, 2016 for placement before shareholder at 15th Annual General Meeting of the company scheduled to be held on June 12, 2017.



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 M/s M.J. Abedin & 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 2016 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/-

Abdul Mannan Bhyuian
Chairman

Five Years Financial Highlights

For the year ended 31 December 2016

SL	Particulars	2016 Taka	2015 Taka	2014 Taka	2013 Taka	2012 Taka
1	Paid-up Capital	1,259,604,000	1,155,600,000	1,070,000,000	1,000,000,000	1,000,000,000
2	Share holders equity	1,442,281,706	1,372,396,671	1,252,562,600	1,125,088,552	1,106,796,523
3	Total Assets	7,769,763,541	7,811,568,461	6,332,016,528	4,269,877,020	2,816,982,128
4	Total Deposits	4,201,841,308	4,508,594,029	3,460,869,649	1,971,684,876	479,273,967
5	Total Loans & Advances	5,961,761,567	6,251,109,891	5,111,622,059	3,386,434,625	2,223,184,140
6	Non Performing Loan (NPL) %	13.71	5.88	2.09	3.57	0.24
7	Loan Deposit Ratio (%)	141.88	138.65	147.70	171.75	463.86
8	Operating Profit	326,786,357	356,308,265	159,573,969	215,670,235	159,573,969
9	Profit after Provision and taxation	69,885,035	123,542,265	127,474,047	88,296,094	84,446,708
10	Non Performing Loan	817,066,610	367,797,243	106,687,427	121,052,020	5,305,805
11	Return on Investment(ROI) [PAT/(Shareholders' equity + Borrowings) %]	3.26	5.51	2.25	2.32	3.30
12	Return on Assets (ROA) %	0.90	1.58	2.01	2.07	3.00
13	Interest Earning Assets	6,962,737,723	7,178,404,368	5,672,620,729	3,772,111,507	2,486,393,018
14	Other Assets	565,778,394	398,495,957	659,395,799	497,765,513	330,589,110
15	Earnings per Share (EPS)	0.55	0.98	1.19	0.88	0.84
16	Net Asste value (NAV) per share	11.45	11.88	11.71	11.25	11.06
17	Net Operating Cash Flow(NOCF) per share	1.35	3.53	0.25	4.72	(5.82)

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	2016	2015
Net interest income	278,651,763	319,577,014
Income from Investment	25,695,623	40,482,876
Other operating income	102,271,296	81,627,100
Management Expenses (excluding Salary,allowances and Depreciation)	(21,331,770)	(25,819,177)
Loan loss & provision	(127,058,137)	(82,766,000)
Total Value added by the company	258,228,775	333,101,813

Value added distributed to:

Employees- Salaries & allowances	51,710,891	52,084,352
Govt.- Taxes	129,843,185	150,000,000
Share holders-Retained earnings	55,908,028	98,833,812
Expansion & Growth-		
Statutory Reserve	13,977,007	24,708,453
Defered Tax	(2,156,815)	10,000,000
Depreciation	6,789,664	7,475,196
Total	256,071,960	343,101,813

No. of Shares	125,960,400	115,560,000
---------------	-------------	-------------

Value added per share	2.03	2.97
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No. of Employee	46	34
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Value added per employee	5,566,782	10,091,230
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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 2016 & 2015.

Particulars	Amount in Taka	
	2016	2015
Shareholders Equity as on 31 Dec.(capital & reserve)	1,442,281,706	1,372,396,671
Provision for loan losses	270,000,000	144,500,000
Total	1,712,281,706	1,516,896,671
Average equity	1,614,589,189	1,416,492,538
Cost of Equity: 2016- 8.25% (5 Years Govt T. Bond rate-6.25+ Risk premium-2) 2015-9.50%	118,988,241	130,377,684

Total Return	910,726,154	1,032,756,545
Less: Interest & Operating cost	583,939,797	676,448,280
Less: Loan loss & provision	127,058,137	82,766,000
Less: Income Tax	129,843,185	150,000,000
Less: Capital Charge (as above)	118,988,241	130,377,684
EVA	(49,103,206)	(6,835,419)

Graphical Presentation Bangladesh Economy:

BANGLADESH GDP GROWTH RATE:

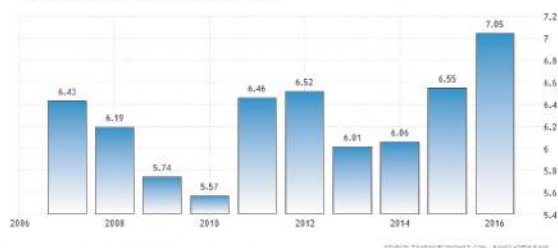
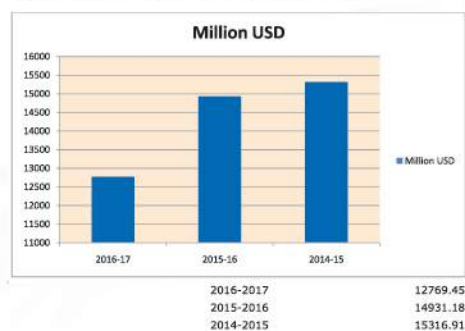


Fig: Bangladesh GDP Growth Rate

Fig: Remittance in Million USD (Source: Bangladesh Bank)



BANGLADESH GDP PER CAPITA

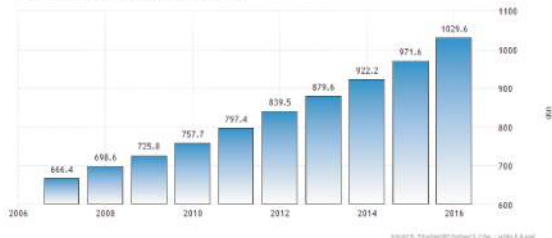


Fig: Bangladesh GDP Per capita

Fig: Foreign Reserve in Million USD (Source: Bangladesh Bank)

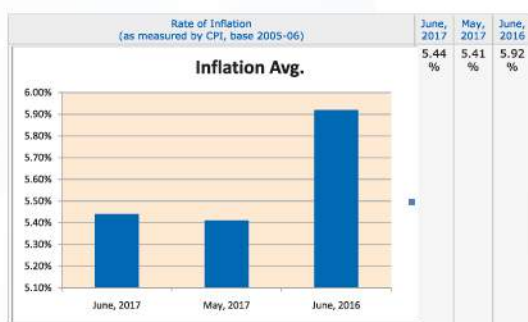
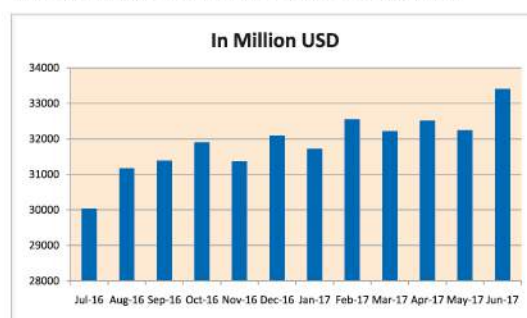
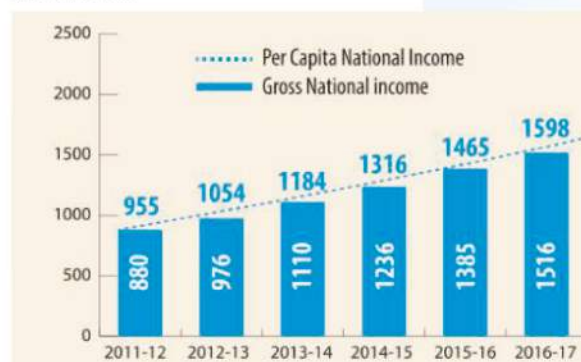


Fig: Yearly Inflation Avg. (Source: Bangladesh Bank)

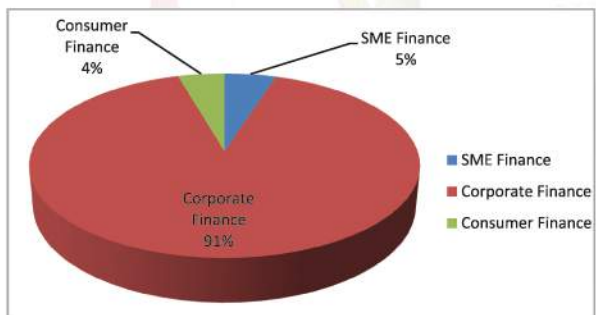
Fig: Per Capita Income



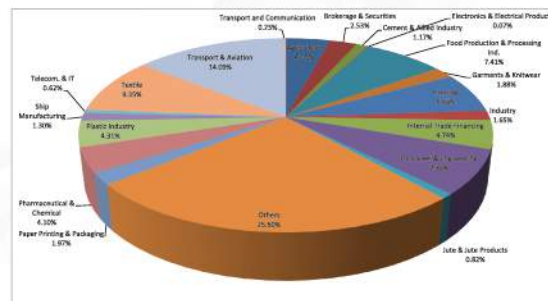
Source: Finance Division, Finance Ministry, Government of Bangladesh

Graphical Presentation of NFL Business

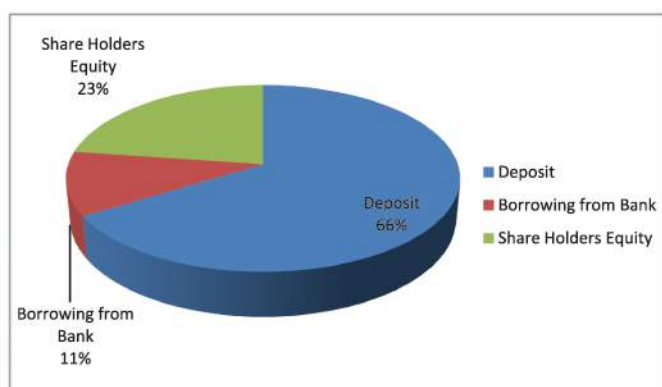
Product wise Loans & Advances Portfolio



Sector wise Loan & Advances Portfolio

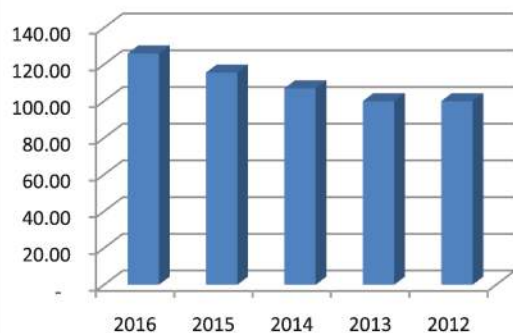


Sources of Fund

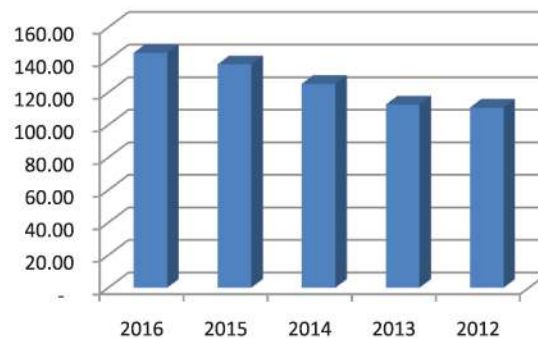


Graphical Presentation of NFL Performance

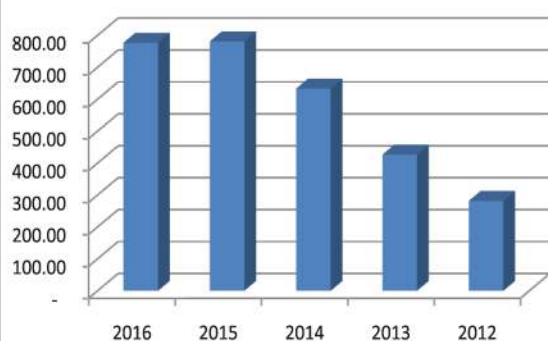
Paid- up Capital in BDT (Crore)



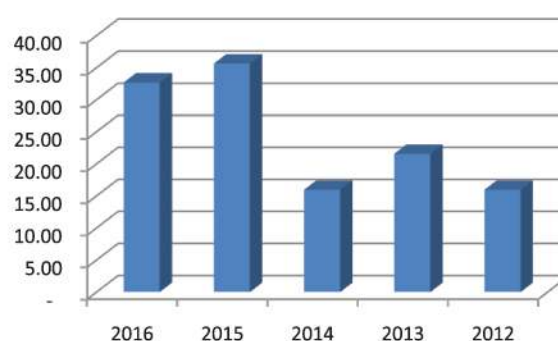
Share holders equity in BDT (Crore)



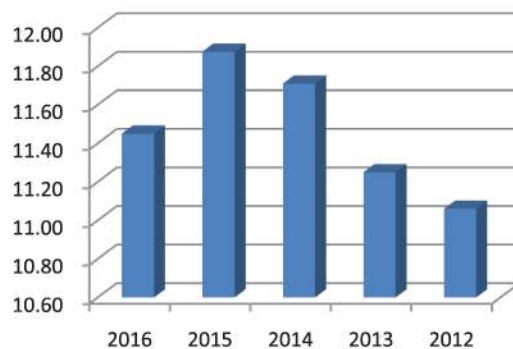
Total Assets in BDT (Crore)



Operating Profit in BDT (Crore)



NAV per share in Tk.



Auditors' Report

এম, জে, আবেদীন এন্ড কোং
চার্টার্ড একাউন্টেন্টস
M. J. Abedin & Co
Chartered Accountants

Auditors' Report To the Shareholders of National Finance Limited

We have audited the accompanying Financial Statements of **National Finance Limited**, which comprises the Balance Sheet as at 31 December 2016 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements of the company (National Finance Ltd.) that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.01 and for such internal control as management determines is necessary to enable the preparation of financial statements of the company 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 based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 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.

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

An independent member of
MOORE STEPHENS
INTERNATIONAL LIMITED

Auditors' Report

Opinion

In our opinion, the Financial Statements present fairly, in all material respects the financial position of the company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in note 2.01.

Report on Other Legal and Regulatory Requirements

In accordance with the Company's Act 1994, Securities and Exchange Rules 1987, Financial Institutions Act 1993 and Rules and Regulations issued by Bangladesh Bank, we also report the following:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (ii) in our opinion, proper books of accounts as required by law have been kept by National Finance Limited so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (iii) National Finance Limited's Balance Sheet and Profit & Loss Account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;
- (v) the expenditure incurred and payment made were for the purpose of the National Finance limited's business;
- (vi) the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by the Bangladesh Bank;
- (vii) adequate provisions have been made for lease, advances and other assets which are, in our opinion, doubtful of recovery;
- (viii) National Finance Limited has followed the instructions issued by Bangladesh Bank in matters of loan/ advance classification, provisioning and suspension of interest;
- (ix) the information and explanations required by us have been received and found satisfactory; and
- (x) National Finance Limited has complied with the relevant laws pertaining to maintenance of capital adequacy, reserves and maintenance of liquid assets and
- (xi) we have Reviewed over 80% of the risk weighted assets of the institution and we have spent around 1300 person hours for the audit of the books and accounts of the institution

Dated: May 21, 2017
Dhaka


M. J. ABEDIN & CO
Chartered Accountants

National Finance Limited

Balance Sheet

For the year ended 31 December 2016

PROPERTY AND ASSETS

Cash

Cash in hand (including foreign currencies)

Balance with Bangladesh Bank & Agent Bank
(Including foreign currencies)

Balance with other Banks and Financial Institutions

In Bangladesh

Outside Bangladesh

Money at Call on Short Notice

Investment in Shares and Securities

Government

Others

Loans, advances and leases

Lease portfolio

Term finance

Bills purchased and discounted

Fixed Assets including Premises, Furniture and Fixtures

Other Assets

Non banking Assets

Notes	Amount in Taka	
	31-Dec-16	31-Dec-15
3.00	88,539,654	74,981,989
3.01	54,263	141,805
3.02	88,485,391	74,840,184
4.00	735,856,683	799,294,477
4.01	735,856,683	799,294,477
4.02	-	-
5.00	-	-
6.00	265,119,473	128,000,000
6.01	-	-
6.02	265,119,473	128,000,000
7.00	5,961,761,567	6,251,109,891
	1,947,417,655	2,048,361,903
	4,014,343,912	4,202,747,987
	-	-
8.00	152,707,770	159,686,147
9.00	565,778,394	398,495,957
	-	-
	7,769,763,541	7,811,568,461

LIABILITIES AND CAPITAL

Liabilities

Borrowings from other Banks, Financial Institutions and Agents

Deposits and Other Accounts

Current deposits

Bills payable

Savings bank deposits

Term deposits

Bearer certificates of deposit

Other deposits

Other Liabilities

Total Liabilities

10.00	702,942,494	870,869,026
11.00	4,201,841,308	4,508,594,029
	-	-
	-	-
	-	-
	4,201,841,308	4,508,594,029
	-	-
	-	-
12.00	1,422,698,033	1,059,708,735
	6,327,481,835	6,439,171,790

For the year ended 31 December 2016

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National Finance Limited

PROFIT & LOSS ACCOUNT

For the year ended 31 December 2016

	Notes	Amount in Taka	
		31-Dec-16	31-Dec-15
Interest income	16.00	782,759,235	910,646,569
Interest paid on deposits & borrowings	17.00	(504,107,472)	(591,069,555)
Net interest income		278,651,763	319,577,014
Investment income	18.00	25,695,623	40,482,876
Commission, exchange and brokerage		-	-
Other operating income	19.00	102,271,296	81,627,100
Total operating income		406,618,682	441,686,990
Salaries and allowances	20.00	47,660,891	42,784,352
Rent, taxes, insurance, electricity, etc.	21.00	8,236,060	7,539,713
Legal & Professional fees	22.00	2,074,139	2,868,399
Postage, stamp, telecommunication etc.	23.00	558,440	1,159,182
Stationery, printing, advertisement	24.00	1,098,553	4,259,712
Managing director's salary & allowances	25.00	4,050,000	9,300,000
Directors' fees	26.00	752,000	620,000
Auditors' fees	27.00	230,000	138,000
Repairs, maintenance, depreciation and amortization	28.00	6,789,664	7,475,196
Other expenses	29.00	8,382,578	9,234,171
Total operating expenses		79,832,325	85,378,725
Profit before provision		326,786,357	356,308,265
Provision against loans, advances and leases	12.04	125,500,000	77,266,000
Provision for diminution in value of investments		-	-
Other provisions		1,558,137	5,500,000
Total provision		127,058,137	82,766,000
Total Profit before taxes		199,728,220	273,542,265
Provision for Tax :		129,843,185	150,000,000
Current Tax	12.02.01	132,000,000	140,000,000
Deferred Tax	12.02.02	(2,156,815)	10,000,000
Net profit after taxation		69,885,035	123,542,265
Appropriations			
Statutory reserve General		13,977,007	24,708,453
reserve		-	-
Dividends		-	-
Retained surplus		13,977,007	24,708,453
		55,908,028	98,833,812
Earnings per share (EPS)	31.00	0.55	0.98

The annexed notes form an integral part of these Financial Statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

As per our separate report of even date annexed.

Sd/-

M. J. ABEDIN & CO. Chartered
Accountants

Dhaka, May 21, 2017

National Finance Limited

Statement of Changes in Equity

For the year ended 31 December 2016

Amount in Taka					
Particulars	Share Capital	Statutory Reserve	Other Reserve	Retained Earnings	Total
Balance as at 01 January 2015	1,070,000,000	79,195,527	9,321	99,649,558	1,248,854,406
Issue of Bonus Shares (year 2014)	85,600,000	-	-	(85,600,000)	-
Net profit for the year 2015	-	-	-	123,542,265	123,542,265
Transfer to statutory reserve	-	24,708,453	-	(24,708,453)	-
Balance as at 31 December 2015	1,155,600,000	103,903,980	9,321	112,883,370	1,372,396,671
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 half year 2016	-	-	-	69,885,035	69,885,035
Transfer to statutory reserve	-	13,977,007	-	(13,977,007)	-
Balance as at 31 December 2016	1,259,604,000	117,880,987	9,321	64,787,398	1,442,281,706

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

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dhaka, May 21, 2017

Sd/-

M. J. ABEDIN & CO. Chartered
Accountants

As per our separate report of even date annexed.

National Finance Limited
Statement Of Cash Flows
For the year ended 31 December 2016

Notes	Amount in Taka	
	31-Dec-16	31-Dec-15
Cash flows from operating activities:		
Interest received	761,273,049	945,339,990
Interest paid	(315,593,108)	(421,980,489)
Fees, commission and other income received	97,755,837	40,937,034
Investment income	21,714,220	40,482,876
Cash paid as Salary, Allowance & Remuneration	(51,710,891)	(33,484,352)
Cash paid to suppliers	(19,145,335)	(25,248,242)
Income taxes paid	(145,713,613)	(90,864,172)
Cash generated from operating activities before changes in operating assets and liabilities:	348,580,159	455,182,646
(Increase)/decrease in Changes in operating assets & liabilities:		
Loans and advances to customers	289,348,324	(1,139,487,832)
Other assets	(157,282,437)	(15,984,733)
Deposits from customers	(306,752,721)	1,047,724,379
Other liabilities	(3,373,616)	60,566,849
Net cash flows from operating activities (A):	170,519,709	408,001,309
Cash flows from investing activities:		
Payment for acquisition of property, plant and equipment	(797,147)	-
Investment in shares	(137,119,473)	(75,000,000)
Advance against Investment in placement shares	(10,000,000)	-
Net cash used in investing activities (B):	(147,916,620)	(75,000,000)
Cash flows from financing activities		
Drawdown/repayment of long term loan	(223,937,513)	(85,558,560)
Drawdown/repayment of bank overdraft	151,454,295	5,615,657
Dividend paid	-	-
Net cash flow from financing activities (C):	(72,483,218)	(79,942,903)
Net inflow/outflow for the year (A+B+C):	(49,880,129)	253,058,406
Opening cash and cash-equivalents	874,276,466	621,218,060
Closing cash and cash equivalents	30.00 824,396,337	874,276,466

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

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

As per our separate report of even date annexed.

Sd/-

M. J. ABEDIN & CO. Chartered
Accountants

Dhaka, May 21, 2017

National Finance Limited

Liquidity Statement

For the year ended 31 December 2016

Particulars	Amount in Taka					
	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	88,539,654	-	-	-	-	88,539,654
Balance with banks and financial institutions	365,856,683	370,000,000	-	-	-	735,856,683
Money at call and short notice	-	-	-	-	-	-
Investments	-	-	-	265,119,473	-	265,119,473
Loans and advances	139,635,478	578,872,279	2,392,311,736	2,363,202,147	487,739,927	5,961,761,567
Fixed assets including land, building, furniture and fixtures	-	-	-	152,707,770	-	152,707,770
Other assets	13,981,403	21,486,186	5,974,266	524,336,539	-	565,778,394
Total assets:	608,013,218	970,358,465	2,398,286,002	3,305,365,929	487,739,927	7,769,763,541
Liabilities						
Borrowing from other banks, financial institutions and agents	206,394,164	112,536,575	255,863,214	128,148,541	-	702,942,494
Deposits and other accounts	321,874,520	607,698,021	1,243,690,129	1,953,606,766	74,971,872	4,201,841,308
Provision and other liabilities	2,198,791	188,514,364	280,263,096	952,106,162	-	1,423,082,413
Total liabilities:	530,467,475	908,748,960	1,779,816,439	3,033,861,469	74,971,872	6,327,866,215
Net Liquidity Gap	77,545,743	61,609,505	618,469,563	271,504,460	412,768,055	1,441,897,327

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

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dhaka, May 21, 2017

Sd/-
M. J. ABEDIN & CO. Chartered
Accountants

As per our separate report of even date annexed.

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, Confidence 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

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

2.00 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 overdue.

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 amount.

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.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

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, Guidelines 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 21, 2017

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 under the direct method for the period, 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, 2009 on residual maturity term of assets and liabilities as on the reporting date based on the following assumptions:

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term
- ii) Investments are on the basis of their respective maturity
- iii) Lease, Loans and advances are on the basis of their repayment schedule
- iv) Fixed assets are on the basis of their useful lives

- v) Other assets are on the basis of their 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 schedule.

2.11 Assets and basis of their valuation

2.11.1 Cash and cash equivalents

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

2.11.2 Accounting for leases

Following 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 de- recognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2.11.5 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 Provision for doubtful assets

Provisions, Specific & General, are made on the basis of year end review by the management as per policy of the company and guidelines contained in Bangladesh Bank FID circulars. Specific provisions are made where the repayment of identified leases/loans are in doubt and reflect an estimate of the amount of loss anticipated and the general provision is made for the inherent risk of losses. Provisions are applied to write off leases/loans, in part or in whole, when they are considered wholly or partly irrecoverable.

An appropriate general & specific provision for unclassified and classified leases, loans and advances at varying rates depending on the degree of risk associated with the certainty of collection has been provided as per company policy in access of regulatory requirement.

2.12.2 Income taxes

Current tax

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

2.12.3 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.



2.12.4 Employee benefits

Short term employee benefits

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

Post-employment benefits Provident fund

A contributory Provident Fund is operated by the Company on equal participation from both parties, the Company and the employee. The Fund is 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.

2.12.5 Contingent liabilities and contingent assets

The contingent liability and contingent asset are not reflected in the balance sheet but the existence of contingent liability is disclosed in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future

events not within the control of the Company or a present obligation that is not recognised because outflow of resources is not likely or obligation cannot be measured reliably.

2.12.6 Proposed dividend

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

2.13 Revenue recognition

2.13.1 Interest income

Interest income comprises of interest income from lease, loans and advances and interest on placement of fund with banks and other financial institutions. Interest due is recognised on accrual basis using the effective interest method. Interest due over three months for the tenor of 5 years' loan/lease or six months for the tenor of over 5 years' loan/lease is not recognised as revenue rather it is recognised as interest suspense.

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 dividend

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

2.13.4 Other Operating Income

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

2.13.5 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.

2.13.6 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.

2.13.7 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 framework underpins delivery of the Board's strategy.

It is the Company's policy to optimise return to shareholders while maintaining a strong capital base and credit rating to support business growth and meet regulatory capital requirements at all times.

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

2.21.1 Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of customers to meet their obligations.

The Company has segregated duties for the officers involved in credit related activities. Credit evaluation, credit administration and credit monitoring and recovery functions are segregated and delegated to credit evaluation department, operations department, collection and special assets management department respectively.

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

2.21.2 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.

2.21.3 Market risk

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

Interest rate risk arises from the Company's treasury activities and lending businesses due to mismatches between the future yield and funding cost is managed daily by the Treasury department and monthly reviewed by Asset Liability Committee to monitor the interest rate movement and devise a number of alternative options to mitigate possible interest rate risks.

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

2.21.4 Operational risk

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

The Risk Management Forum, constituted as per DFIM Circular-01, dated 07 April, 2013, is responsible for identifying operational risks and take steps to mitigate such risks. The Forum reviews operational processes and evaluates the process in terms of efficiency and adequacy of the process to ensure adequate control. Processes are re-engineered to improve efficiency without 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 & Anti terrorism

Money laundering & Terrorist Financing risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering & Anti Terrorism Act. In order to manage the risk of money laundering, the Company has set up an effective Anti-Money Laundering Program in line with Anti-Money Laundering & Anti Terrorism 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 & Anti Terrorism Act 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)	Status
BAS 1: Presentation of Financial Statements	Applied*
BAS 2 :Inventories	N/A
BAS 7: Statement of Cash Flows	Applied
BAS 8: Accounting policies, Changes in accounting Estimates & Errors	Applied
BAS 10: Events after the Reporting Period	Applied
BAS 11: Construction Contracts	N/A
BAS 12 : Income Taxes	Applied
BAS 16: Property, Plant and Equipment	Applied
BAS 17: Leases	Applied
BAS 18: Revenue	Applied
BAS 19 :Employees Benefits	Applied
BAS 20 :Accounting for Government Grants and Disclosure of Government Assistance	N/A

Name of the Bangladesh Accounting Standards (BASs)	Status
BAS 21: The Effects of Changes in Foreign Exchange Rates	Applied
BAS 23 :Borrowing Costs	Applied
BAS 24 :Related Party Disclosures	Applied
BAS 26 :Accounting and Reporting by Retirement Benefit Plans	N/A
BAS 27 :Consolidated and Separate Financial Statements	N/A
BAS 28 : Investment in Associates	N/A
BAS 31 : Interest in Joint Ventures	N/A
BAS 32 : Financial Instruments: Presentation	Applied*
BAS 33 : Earning per share	Applied
BAS 34 : Interim Financial Reporting	Applied
BAS 36 : Impairment of Assets	Applied
BAS 37 : Provision, Contingent Liabilities and Contingent Assets	Applied*
BAS 38 : Intangible Assets	Applied
BAS 39 : Financial Instruments: Recognition and Measurement	Applied*
BAS 40 :Investment Property	N/A
BAS 41: Agriculture	N/A
BFRS 1: First-time Adoption of Bangladesh Financial Reporting Standard	N/A
BFRS 2 : Shares Based Payment	N/A
BFRS 3 : Business Combination	N/A
BFRS 4 : Insurance Contracts	N/A
BFRS 5 : Non current Assets Held for Sale and Discontinued Operation	N/A
BFRS 6 : Exploration for and Evaluation of Mineral Resources	N/A
BFRS 7 : Financial Instruments: Disclosures	Applied*
BFRS 8 : Operating Segments	N/A
BFRS 10: Consolidated Financial Statements	N/A
BFRS 11: Joint Arrangements	N/A
BFRS 12: Disclosure of Interests in Other Entities	N/A
BFRS 13: Fair Value Measurement	Applied
BFRS 14: Regulatory Deferral Accounts	N/A
BFRS 15: Revenue from Contracts with Customers	N/A

* 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 16
- Securities & Exchange Act, 1993
- Income Tax Ordinance, 1984.
- VAT Act, 1991.

3.00

Cash

3.01

Cash in hand

In local currency

In foreign currency

3.02

Balance with Bangladesh Bank and Agent Bank
(Including foreign currencies)

Bangladesh Bank

In local currency

In foreign currencies

Sonali Bank Ltd.

Sonali Bank Ltd., (As an agent of Bangladesh Bank) - Local Currency

Amount in Taka	
31-Dec-16	31-Dec-15
54,263	141,805
54,263	141,805
-	-
88,485,391	74,840,184
88,485,391	74,840,184
-	-
-	-
-	-
88,485,391	74,840,184
88,539,654	74,981,989

3.03

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

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

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed deposit, Security deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.

3.03.01

Cash Reserve Requirement (CRR) 2.5%

The Company requires to maintain cash with Bangladesh Bank current account equivalent to 2.50% of Term Deposits other than deposit taken from banks and financial institutions.

Required Reserve

Actual Reserve held

Surplus

78,241,177	64,267,000
89,094,710	75,650,000
10,853,533	11,383,000

3.03.02

Statutory Liquidity Requirement (SLR) 5.00%

The Company requires to maintain SLR equivalent to 5% of total liability including 2.50% of CRR and excluding loans and deposits taken from banks and financial institutions.

Required Reserve

Actual Reserve held

Surplus

158,430,865	129,637,000
823,740,658	839,891,000
665,309,793	710,254,000

		Amount in Taka	
		31-Dec-16	31-Dec-15
4.00	Balance with Other Banks and Financial Institutions		
	Inside Bangladesh (Note - 4.01)	735,856,683	799,294,477
	Outside Bangladesh (Note- 4.02)	-	-
		735,856,683	799,294,477
4.01	Inside Bangladesh		
	Fixed Deposit Account	631,865,081	768,064,406
	Mutual Trust Bank Limited	261,865,081	248,064,406
	The Farmers Bank Limited	100,000,000	-
	PLFSL	-	300,000,000
	First Finance Ltd	100,000,000	100,000,000
	Reliance Finance Ltd	-	120,000,000
	ILFSL	120,000,000	-
	Union Capital Ltd.	50,000,000	-
	Short Term Deposits/STD	103,991,602	31,230,071
	Premier Bank Limited	6,549,879	96,544
	BASIC Bank Limited	10,346	10,346
	Mutual Trust Bank Limited	53,972,720	22,732,866
	Mercantile Bank Limited	2,764,654	116,725
	The City Bank Limited	9,288,900	94,742
	BRAC Bank Limited	8,212,051	3,119,322
	Commercial Bank of Ceylon	321,728	156,502
	Southeast Bank	949,033	532,528
	Midland Bank	433,662	433,662
	United Commercial Bank Limited	10,706,201	838,997
	Prime Bank Limited	457,636	244,492
	Shahjalal Islami Limited	5,540,879	2,791,203
	Modhumoti Bank Ltd.	29,491	39,874
	NCC Bank Ltd.	514,643	-
	Shahjalal Islami Limited, Pragati Sarani Br.	3,140,437	-
	Prime Bank Limited OD A/C	1,099,342	15,686
	Southeast Bank OD A/C	-	6,583
		735,856,683	799,294,477
4.02	Outside Bangladesh (Nostro Accounts)	-	-
4.03	Maturity-wise Groupings (Inside and Outside Bangladesh)		
	Payable on Demand	-	-
	Up to 1(one) Month	365,856,683	279,294,477
	Over 1(one) Month but not more than 3 (three) Months	370,000,000	520,000,000
	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	-	-
		735,856,683	799,294,477
5.00	Money at call on Short Notice		
	Financial Institutions	-	-
	Banks	-	-
		-	-
6.00	Investments in Shares and Government Securities		
	Government Security	-	-
	Other Investments (Note- 6.01)	265,119,473	128,000,000
		265,119,473	128,000,000
6.01	Other investments		
	Unquoted shares (Note- 6.01.01)	78,000,000	78,000,000
	Quoted shares (Note- 6.01.02)	129,868,833	-
	Mutual funds (Note- 6.01.03)	57,250,640	50,000,000
		265,119,473	128,000,000
6.01.01	Unquoted Shares		
	Bengal Poly & Paper Sack Ltd.	53,000,000	53,000,000
	Aamra Network Ltd.	25,000,000	25,000,000
		78,000,000	78,000,000

6.01.02 Quoted Shares

AB Bank Ltd.
ACME Laboratories Ltd.
Appollo Ispat Complex Ltd.
Bank Asia Ltd.
BD Com Online Ltd.
Bangladesh Submarine Cable Company Ltd.
Beximco Pharmaceuticals Ltd.
Delta Brac Housing Finance Corporation Ltd.
Eastern Lubricants Ltd.
Envoy Textile Ltd.
Fortune shoes Ltd.
IDLC Finance Ltd.
IPDC Finance Ltd.
Lafarge Surma Cement Ltd.
Mercantile Bank Ltd.
Regent Textile Mills Ltd.
Sinobangla Industries Ltd.
Trust Bank Ltd.

Amount in Taka	
31-Dec-16	31-Dec-15

3,417,211	-
10,664,986	-
3,063,707	-
3,877,219	-
6,701,589	-
6,087,130	-
4,168,787	-
7,395,646	-
4,962,999	-
6,110,980	-
57,170	-
23,164,158	-
8,081,668	-
27,833,736	-
3,820,453	-
3,691,554	-
4,807,766	-
1,962,076	-
129,868,833	-

6.01.03 Mutual Fund

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

47,250,640	50,000,000
10,000,000	-
57,250,640	50,000,000

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

-	-
-	-
-	-
-	-
265,119,473	128,000,000
-	-
265,119,473	128,000,000

Details are shown in **Annexure-B**

7.00 Loans, advances and leases

General Invesmtents (**Note 7.01**)
Bills Purchased and Discounted (Note 7.02)

5,961,761,567	6,251,109,891
-	-
5,961,761,567	6,251,109,891

7.01 General Invesmtents

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

1,947,417,655	2,048,361,904
4,014,343,912	4,202,747,987
5,961,761,567	6,251,109,891

7.01.01 Lease finance

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

2,856,536,357	3,144,987,420
118,855,477	97,485,767
1,027,974,179	1,194,111,283
1,947,417,655	2,048,361,904

7.01.02 Term finance- net of current maturity

Term Loan
Receivables

3,779,246,941	4,058,135,508
235,096,971	144,612,479
4,014,343,912	4,202,747,987

		Amount in Taka	
		31-Dec-16	31-Dec-15
7.02	Bills Purchased and Discounted		
	Payable in Bangladesh	-	-
	Payable outside Bangladesh	-	-
7.03	Maturity Grouping of Loans, Advances and Leases		
	Repayable on demand	-	-
	Up to 1(one) Month	139,635,478	133,297,370
	Over 1(one) Month but not more than 3 (three) Months	578,872,279	499,892,110
	Over 3 (three) Months but not more than 1 (one) Year	2,392,311,736	2,466,271,070
	Over 1 (one) Year but not more than 5 (five) Years	2,363,202,147	2,066,500,631
	Over 5 (five) Years	487,739,927	1,085,148,710
		5,961,761,567	6,251,109,891
7.04	Investments (Broad Categories)		
	In Bangladesh		
	General Investments	5,961,761,567	6,251,109,891
	Outside Bangladesh	-	-
		5,961,761,567	6,251,109,891
7.05	Significant Concentration		
	Investments to allied concern of Directors	11,005,513	1,739,656
	Investments to Executives/Officers	8,101,809	17,752,382
	Investments to Customer Groups	5,942,654,245	6,231,617,853
	Industrial Investment	-	-
	Others	-	-
		5,961,761,567	6,251,109,891
7.06	Geographical Location-wise break-up		
	Urban		
	Dhaka Division	4,728,632,442	5,304,914,610
	Chittagong Division	1,085,543,624	946,195,281
	Rajshahi Division	142,296,098	-
	Khulna Division	-	-
	Sylhet Division	5,289,403	-
		5,961,761,567	6,251,109,891
7.07	Sector wise break-up of General Investments:		
	Trade and Commerce Industry	4,239,930,198	4,657,592,080
	Garments and Knitwear	56,290,920	77,354,162
	Textile	578,488,502	531,159,362
	Agriculture	247,585,501	191,635,316
	Housing	396,971,379	550,652,998
	Food Production and Processing Industry	442,495,067	242,715,973
		5,961,761,567	6,251,109,891
7.08	Investments allowed to each customer exceeding 15% of FI's total capital		
	Total Loans, Advances and Leases	1,730,708,251	2,392,758,249
	No. of Customers	5	8
	Classified amount thereon	211,352,136	159,576,848
	Measures taken for recovery	N/A	N/A
7.09	General Investments Classified as per Bangladesh Bank Circular		
	Standard	4,311,310,240	5,624,467,624
	Special Mentioned Account (SMA)	833,384,716	258,845,024
	Sub-standard	436,503,395	192,604,023
	Doubtful	-	163,226,068
	Bad & Loss	380,563,215	11,967,152
		5,961,761,567	6,251,109,891

		Amount in Taka	
		31-Dec-16	31-Dec-15
7.10	Particulars of lease, loans and advances		
i)	Leases and loans considered good in respect of which the Company is fully secured.	5,961,761,567	6,251,109,891
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	-	-
		<u>5,961,761,567</u>	<u>6,251,109,891</u>
vi)	Loans due from Directors either separately or jointly with any other persons.	-	690,104
vii)	Loans due from Officers either separately or jointly with any other persons.	8,101,809	17,752,382
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	1,049,552
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	-	-
b)	Increase/(decrease) of specific provision.	138,631,574	67,192,313
c)	Amount of loan written off.	-	-
d)	Amount realized against loan previously written off.	-	-
e)	Provision kept	270,000,000	-
f)	Interest credited to Interest Suspense account.	90,036,294	94,798,069
xiii)	Written off lease, loans and advances		
	Opening Balance	-	-
	During the year	-	-
	Cumulative to-date	-	-
	The amount of written-off leases, loans and advances for which law suits have been filed	-	-
		<u>-</u>	<u>-</u>
8.00	Fixed Assets Including Premises, Furniture And Fixtures At cost less accumulated depreciation (Annexure-A)		
	Cost		
	Opening balance	182,931,741	179,435,583
	Addition during the year	797,147	3,496,158
	Disposal during the year	(2,152,540)	-
	Closing balance at cost	<u>181,576,348</u>	<u>182,931,741</u>
	Depreciation		
	Opening balance	23,245,594	15,770,398
	Addition during the year	6,789,664	7,475,196
	Adjustment on disposal during the year	(1,166,680)	-
	Accumulated Depreciation	<u>28,868,578</u>	<u>23,245,594</u>
	Carrying value	<u>152,707,770</u>	<u>159,686,147</u>

Details are shown in Annexure-A

		Amount in Taka	
		31-Dec-16	31-Dec-15
9.00	Other Assets		
	Trade receivables (Note-9.01)	21,486,186	5,996,645
	Advances (Note 9.02)	524,654,736	378,941,123
	Accrued interest on Fixed Deposit	4,515,459	12,027,639
	Receivable-Govt. Duties	1,114,710	1,504,650
	Receivable-Dividend on shares	3,981,403	-
	Security deposit-Telephone line	25,900	25,900
	Advance against Share	10,000,000	-
		565,778,394	398,495,957
9.01	Trade receivables:		
	Lease installment	-	-
	Cheque dishonor charges	790,295	931,795
	Sale of Share	15,445,698	446,892
	Delinquent charges	4,840,706	4,214,727
	Sundry Debtors (Others)	409,487	403,231
		21,486,186	5,996,645
9.02	Advances:		
	Printing & stationary	300,697	300,697
	Legal fee	17,500	17,500
	Advance income tax	524,336,539	378,622,926
		524,654,736	378,941,123
10.00	Borrowings from Other Banks, Financial Institutions and Agents		
	Inside Bangladesh	702,942,494	870,869,026
	Outside Bangladesh	-	-
		702,942,494	870,869,026
10.01	Inside Bangladesh		
	Bank overdraft (Note-10.02)	206,394,164	54,939,869
	Long term loan (Note-10.03)	496,548,330	715,929,157
	Call Loan	-	100,000,000
		702,942,494	870,869,026
10.02	Bank overdraft:		
	Mutual Trust Bank Limited	155,918,310	54,939,869
	Prime Bank Ltd.	-	-
	Modhumoti Bank Ltd.	1,895	-
	Southeast Bank Ltd.	14,515	-
	Midland Bank Ltd.	50,459,444	-
		206,394,164	54,939,869
10.03	Long term loan		
	Bangladesh Bank (under re-finance)	57,908,659	59,429,810
	Mutual Trust Bank Limited	253,125,507	384,096,850
	Trust Bank Ltd.	-	-
	Commercial Bank of Ceylon	-	25,871,400
	Prime Bank Ltd.	-	80,197,443
	Southeast Bank	50,444,997	75,684,080
	Modhumoti Bank	82,231,703	44,553,446
	NCC Bank	23,719,636	-
	UBICO Ltd.	29,117,828	46,096,128
		496,548,330	715,929,157

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 11% to 15% p.a. except refinance from Bangladesh Bank which is 5% and the tenure being 3 to 5 years.

		Amount in Taka	
		31-Dec-16	31-Dec-15
10.04	Security wise grouping		
	Secured Borrowing	702,942,494	870,869,026
	Unsecured Borrowing	-	-
		702,942,494	870,869,026
10.05	Nature of repayment		
	Repayable on Demand	-	-
	Repayable within 01 Month	206,394,164	74,939,869
	Repayable over 01 (one) Month but within 03 (three) Months	112,536,575	284,819,608
	Repayable over 03 (three) Months but within 01 (one) Year	255,863,214	315,476,971
	Repayable over 01 (one) Year but within 05 (five) Years	128,148,541	195,632,578
	Repayable over 05 (five) Years	-	-
		702,942,494	870,869,026
11.00	Deposits and Other Accounts		
	Current deposits	-	-
	Bills payable	-	-
	Savings bank deposits	-	-
	Term deposits	4,201,841,308	4,508,594,029
	Bearer certificates of deposit	-	-
	Other deposits	-	-
		4,201,841,308	4,508,594,029
11.01	Maturity Analysis		
	Repayable on Demand	-	-
	Repayable within 01 Month	321,874,520	385,487,021
	Repayable over 01 (one) Month but within 03 (three) Months	607,698,021	473,823,429
	Repayable over 03 (three) Months but within 01 (one) Year	1,243,690,129	1,753,322,414
	Repayable over 01 (one) Year but within 05 (five) Years	1,953,606,766	1,779,011,165
	Repayable over 05 (five) Years	74,971,872	116,950,000
		4,201,841,308	4,508,594,029
11.02	Deposits Under Schemes		
	Short Term(3 Months)	412,453,069	365,228,699
	Half-Yearly(6 Months)	905,335,351	1,877,677,830
	Short Term(9 Months)	275,776,126	445,268,566
	Yearly	2,082,787,405	1,634,118,934
	Monthly Earner	10,000,000	13,200,000
	Quarterly Earner	187,488,122	56,150,000
	Double Money	328,001,235	96,950,000
	Triple Money	-	20,000,000
		4,201,841,308	4,508,594,029
12.00	Other Liabilities		
	Interest payable on term deposits	188,514,364	169,089,066
	Accrued expenses (Note- 12.01)	242,356	2,176,953
	Advance receipt against leases	20,320,174	12,266,330
	Sundry TDS & VDS Payable	4,033,551	7,103,906
	Sundry Deposit-TDR	1,650,001	1,650,001
	Sundry Creditors	1,956,435	432,935
	Dividend payable	1,205,866	1,205,866
	Provision for taxation (Note-12.02)	654,343,470	524,500,285
	Interest suspense on loans & Lease Finance (Note-12.03)	220,577,174	130,540,880
	Provision for lease, loans and advances (Note-12.04)	270,000,000	144,500,000
	Other Provision	7,058,137	5,500,000
	Lease rental advance	52,796,504	60,390,737
	Staff provident fund	-	351,775
		1,422,698,033	1,059,708,735
12.01	Accrued expenses:		
	Utility bills payable	-	-
	Gratuity payable	-	2,026,597
	Audit fees payable	242,356	150,356
		242,356	2,176,953

		Amount in Taka	
		31-Dec-16	31-Dec-15
12.02	Provision for taxation:		
	Current Tax (Note-12.2.01)	634,248,944	502,248,944
	Deferred Tax (Note-12.02.02)	20,094,526	22,251,341
		654,343,470	524,500,285
12.02.01	Current Tax		
	Balance as at 01 January	502,248,944	362,248,944
	Provision for the year	132,000,000	140,000,000
	Income Tax expenses during the year	132,000,000	140,000,000
	Income Tax expenses for prior year	-	-
		634,248,944	502,248,944
12.02.02	Deferred Tax		
	Balance as at 01 January	22,251,341	12,251,341
	Provision for the year	-	10,000,000
		22,251,341	22,251,341
	Adjusted during the year	-	-
		22,251,341	22,251,341
	Taxable Temporary Difference:		
	Carrying Value of Depreciable Fixed Assets	152,707,770	159,686,147
	TAX Base Value	(105,426,533)	(122,147,726)
		47,281,237	37,538,421
	Deductable Temporary Difference :		
	Book Value of Gratuity Payable	-	(2,026,597)
	Net Taxable temporary differences	47,281,237	35,511,824
	Applicable TAX Rate	42.50%	42.50%
	Deferred TAX Liabilities	20,094,526	15,092,525
	Closing Deferred TAX Liabilities	20,094,526	22,251,341
	Opening Deferred TAX Liabilities	22,251,341	12,251,341
	Deferred Tax (income)/Expenses for the Year	(2,156,815)	10,000,000
12.03	Interest suspense on Loans & Lease Finance		
	Balance as on 1 January	130,540,880	35,742,811
	Add: Transferred during the year	90,036,294	94,798,069
	Less: Amount of interest suspense recovered	-	-
	Less: Write off during the year	-	-
		220,577,174	130,540,880
12.04	Provision for loans, advances and leases		
	Opening balance	144,500,000	67,234,000
	Provision made during the year	125,500,000	77,266,000
	Adjustment for loan written off/waiver	-	-
	Closing balance	270,000,000	144,500,000
	Provision required at the end of the year	269,170,000	141,870,000
	Provision maintained at the end of the year	270,000,000	144,500,000
	Provision surplus/(shortfall)	830,000	2,630,000
	General provision	43,113,102	56,244,676
	Specific provision	226,886,898	88,255,324
		270,000,000	144,500,000
13.00	Capital		
	Authorised Capital		
	200,000,000 ordinary shares of Taka 10 each.	2,000,000,000	2,000,000,000
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	-
		1,259,604,000	1,155,600,000

13.02 Particulars of Fully Paid-up Share Capital

		Amount in Taka		
		31-Dec-16	31-Dec-15	
Particulars of Fully Paid-up Share Capital				
	2015 No. of Shares	2016 No. of Shares	2015 # (%)	2016 (%)
Sponsor	115,560,000	125,960,400	100.00	100.00
Institutions	-	-	-	-
General Public	-	-	-	-
	115,560,000	125,960,400	100.00	100.00

13.03 Shareholding Position as on 31 December 2016

Sl. No.	Name of Shareholders	No. Shares	Amount	Percentage (%)
1	Late National Professor Kabir Chowdhury	731,302	7,313,020	0.58%
2	Mr. Md. Abdul Mannan Bhuiyan	5,949,316	59,493,160	4.72%
3	Late Mr. Abu M.F. Kabir	13,952,026	139,520,260	11.08%
4	Mr. Saiful Kibria	18,017,720	180,177,200	14.30%
5	Mrs. Rozina Y. Kabir	11,426,831	114,268,310	9.07%
6	Mrs. Roushan Akter	3,806,828	38,068,280	3.02%
7	Mr. Maruf Akter Mannan	3,526,891	35,268,910	2.80%
8	Mr. Sharif Zahir	6,335,374	63,353,740	5.03%
9	Mr. Inamul Haq Khan	6,676,881	66,768,810	5.30%
10	Mr. Humayun Kabir	8,755,706	87,557,060	6.95%
11	M/s. Overseas Marketing Corporation (Pvt.) Limited	2,840,181	28,401,810	2.25%
12	Mr. Asif Zahir	3,816,169	38,161,690	3.03%
13	KABCO Pharmaceuticals Inc., USA	31,723,571	317,235,710	25.19%
14	Ms. Fahima Mannan	2,834,588	28,345,880	2.25%
15	Mr. Abu M. Shamsul Kabir	2,537,885	25,378,850	2.01%
16	Dr. Nayeema Kabir	188,941	1,889,410	0.15%
17	Mr. Ridwan Zahir Khan	2,840,190	28,401,900	2.25%
		125,960,400	1,259,604,000	100%

13.04 Capital adequacy Ratio:

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

Tier-1 (Core Capital)

Paid-up Capital

Statutory Reserve

General Reserve

Other Reserve

Retained Surplus

Tier-2 (Supplementary Capital):

General provision maintained against unclassified loans

Other Reserves

Total Capital Held (Tier 1 + Tier 2)

Total Risk Weighted Assets (Note 13.05)

Required capital

(10% of risk-weighted assets or Tk. 100.00 Core whichever is higher)

Total Capital Held

Capital adequacy ratio

Core capital

Supplementary capital

Amount in Taka	
31-Dec-16	31-Dec-15

1,442,281,706 **1,372,396,671**

1,259,604,000 1,155,600,000

117,880,987 103,903,980

9,321 9,321

64,787,398 112,883,371

84,700,000 **68,500,000**

84,700,000 68,500,000

- -

1,526,981,706 **1,440,896,671**

5,865,300,000 **5,366,500,000**

1,000,000,000 **1,000,000,000**

1,526,981,706 **1,440,896,671**

26.03 **26.85**

24.59 **25.57**

1.44 **1.28**

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

Gross Risk-Weighted Assets (RWA) of 2016 in the various categories of risk weights are detailed below :

13.05 Total Risk Weighted Assets

(a) Risk Weights for Credit Risk

(b) Risk Weights for Market Risk

(c) Risk Weights for Operational Risk

Total Risk Weighted Assets (a+b+c)

4,898,394,356 4,836,700,000

380,405,644 -

586,500,000 529,800,000

5,865,300,000 **5,366,500,000**

14.00 Retained earnings:

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

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

Amount in Taka	
31-Dec-16	31-Dec-15
112,883,371	99,649,559
69,885,035	123,542,265
182,768,406	223,191,824
13,977,007	24,708,453
104,004,000	85,600,000
64,787,399	112,883,371

15.00 Statutory reserve:

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

103,903,980	79,195,527
13,977,007	24,708,453
117,880,987	103,903,980

16.00 Interest income:

Leases
Term finance

298,321,960	389,667,868
484,437,275	520,978,701
782,759,235	910,646,569

17.00 Interest paid on deposits & borrowings:

Interest on borrowing from banks
Interest on term deposits

72,781,771	114,922,562
431,325,702	476,146,994
504,107,472	591,069,555

18.00 Investment income

Dividend income
Gain on sale of Share

4,954,795	2,888,880
20,740,828	37,593,996
25,695,623	40,482,876

19.00 Other operating income

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

560,000	2,438,000
35,149,794	35,320,658
1,258,116	3,178,376
514,140	-
64,789,247	40,690,066
102,271,296	81,627,100

20.00 Salaries and allowances

Salaries
Bonus
Gratuity
Leave Encashment

42,104,570	36,152,756
5,085,625	4,595,560
-	2,026,597
470,696	9,439
47,660,891	42,784,352

21.00 Rent, taxes, insurance, electricity, etc.

Insurance premium
Utilities
Car lease rental

2,398,954	1,809,233
1,821,402	1,831,118
4,015,704	3,899,362
8,236,060	7,539,713

22.00 Legal & Professional fees:

Legal & professional fees

Amount in Taka	
31-Dec-16	31-Dec-15
2,074,139	2,868,399
2,074,139	2,868,399

23.00 Postage, stamp, telecommunication etc.:

Postage & courier

Stamp charges

Telephone bill

16,344	10,633
172,280	501,792
369,816	646,757
558,440	1,159,182

24.00 Stationery, printing, advertisement:

Printing & stationery

Advertisement

614,510	2,948,456
484,043	1,311,256
1,098,553	4,259,712

25.00 Managing director's salary & allowance:

Salary & allowances

Bonus

3,550,000	7,800,000
500,000	1,500,000
4,050,000	9,300,000

26.00 Directors' fees

752,000	620,000
752,000	620,000

27.00 Auditors' fees

230,000	138,000
230,000	138,000

28.00 Repairs, maintenance, depreciation and amortization:

Depreciation

6,789,664	7,475,196
6,789,664	7,475,196

29.00 Other expenses:

Travel & Conveyance

Fuel Expenses

Entertainment

Casual Labor, Security & Cleaners

Subscription Fee

Donation

Periodicals

Training

Bank Charge & Excise Duty

Business Commission

527,830	400,334
1,327,757	1,157,045
2,260,573	2,111,348
655,765	187,590
308,000	533,500
-	1,501,900
1,470	5,490
150,085	281,357
782,016	773,673
2,369,082	2,281,934
8,382,578	9,234,171

30.00 Closing cash and cash-equivalents

	Amount in Taka	
	31-Dec-16	31-Dec-15
Cash in hand (local currency)	54,263	141,805
Balance with Bangladesh Bank	88,485,391	74,840,184
Balance with other Banks and Financial Institutions	735,856,683	799,294,477
	824,396,337	874,276,466

31.00 Earning Per Share(EPS)

Net Profit after Tax	69,885,035	123,542,265
Number of Ordinary Shares outstanding	125,960,400	125,960,400
Earning Per Share (EPS)	0.55	0.98

Earning per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as on Balance Sheet date as per Bangladesh Accounting Standard (BAS) -33. In Compliance of BAS 33, EPS for 2015 has been restated for the bonus shares declared for 2015 but issued in 2016.

32.00 Net Asset Value (NAV) per Share

Total asset	7,769,763,541	7,811,568,462
Total liabilities	(6,327,481,835)	(6,439,171,790)
Net asset	1,442,281,706	1,372,396,671
Number of share outstanding (current year's)	125,960,400	115,560,000
Net asset value per share	11.45	11.88

33.00 Net Operating Cash flow Per Share:

Cash flow from operating activities as per Statement Of Cash flows	170,519,709	408,001,309
Number of Ordinary Shares outstanding	125,960,400	115,560,000
Net Operating Cash Flow-Per Share	1.35	3.53

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	-	752,000	-
Remuneration/salaries & allowance	3,293,333	-	40,787,987
Bonus	500,000	-	5,085,625
Company's Contribution To Provident Fund	256,667	-	1,787,278

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 46 number of employees in the company (2015:34 employees)

37.00 Board Meeting and Directors' remuneration

In the year 2016 fourteen 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 31.12.2016

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**

46.00 Financial Highlights shown in **Annexure -G**

National Finance Limited
Schedule of Fixed Assets
 For the year ended 31 December 2016

Annexure -A

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at 31.12.2016	Written down value as at 31.12.2015
	Balance as at 01.01.2016	Addition during the Year	Sales/ Adjustment		Balance as at 31.12.2016	Charged during the Year	Adjustment		
A. Tangible Assets									
Furniture & Fixtures	9,451,670	128,300	-	9,579,970	10%	1,922,983	756,076	2,679,059	6,900,911
Office Equipment	8,338,253	62,300	2,152,540	6,248,013	20%	3,348,077	910,362	1,166,680	3,156,254
Vehicle	2,320,000	-	-	2,320,000	20%	1,686,486	126,703	-	506,811
Telephone and Fax	450,847	29,472	-	480,319	10%	145,699	31,743	-	302,877
Office Decoration	15,439,464	-	-	15,439,464	10%	3,159,958	1,227,951	-	11,051,555
Computer	7,298,094	577,075	-	7,875,169	25%	3,711,724	944,161	-	3,219,284
Office Premises(UTC)	45,543,955	-	-	45,543,955	2%	3,625,299	910,879	-	41,007,777
Office Premises(Con. centre)*	94,089,458	-	-	94,089,458	2%	5,645,367	1,881,789	-	86,562,301
Total Tangible Assets (A)	182,931,741	797,147	2,152,540	181,576,348		23,245,594	6,789,664	1,166,680	159,686,147
B. Intangible Assets									
Systems and softwares	-	-	-	-	20%	-	-	-	-
Total Intangible Assets (B):	-	-	-	-		-	-	-	-
Total 2014 (A+B):	182,931,741	797,147	2,152,540	181,576,348			6,789,664	1,166,680	159,686,147

Details of investment in shares

as at 31 December 2016

Annexure-B
Amount in BDT

Name of the Company	Face value	No. of share	Cost per share	Cost price	NAV per share	Total value	Gain/(loss)
Unquoted shares							
Bengal Poly & Paper Sack Ltd.	10	2,120,000	25.00	53,000,000	25.51	54,081,200	1,081,200
Aamra Network Ltd.	10	1,000,000	25.00	25,000,000	23.66	23,660,000	(1,340,000)
		3,120,000		78,000,000		77,741,200	(258,800)
Name of the Company	Face value	No. of share	Cost per share	Cost price	Mkt. Price per share	Total value	Gain/(loss)
Quoted shares							
AB Bank Ltd.	10	150,000	22.78	3,417,211	22.30	3,345,000	(72,211)
ACME Laboratories Ltd.	10	98,322	108.47	10,664,986	99.00	9,733,878	(931,108)
Appollo Ispat Complex Ltd.	10	150,000	20.42	3,063,707	20.50	3,075,000	11,293
Bank Asia Ltd.	10	200,000	19.39	3,877,219	17.90	3,580,000	(297,219)
BD Com Online Ltd.	10	253,080	26.48	6,701,589	25.70	6,504,156	(197,433)
Bangladesh Submarine Cable Company Ltd.	10	51,400	118.43	6,087,130	118.60	6,096,040	8,910
Beximco Pharmaceuticals Ltd.	10	50,000	83.38	4,168,787	80.80	4,040,000	(128,787)
Delta Brac Housing Finance Corporation Ltd.	10	70,234	105.30	7,395,646	102.20	7,177,915	(217,731)
Eastern Lubricants Ltd.	10	4,000	1,240.75	4,962,999	1,199.50	4,798,000	(164,999)
Envoy Textile Ltd.	10	156,158	39.13	6,110,980	38.80	6,058,930	(52,050)
Fortune shoes Ltd.	10	5,717	10.00	57,170	50.80	290,424	233,254
IDLC Finance Ltd.	10	451,175	51.34	23,164,158	57.00	25,716,975	2,552,817
IPDC Finance Ltd.	10	194,870	41.47	8,081,668	42.70	8,320,949	239,281
Lafarge Surma Cement Ltd.	10	350,000	79.52	27,833,736	82.10	28,735,000	901,264
Mercantile Bank Ltd.	10	257,743	14.82	3,820,453	15.10	3,891,919	71,466
Regent Textile Mills Ltd.	10	222,778	16.57	3,691,554	17.00	3,787,226	95,672
Sinobangla Industries Ltd.	10	180,945	26.57	4,807,766	28.90	5,229,311	421,545
Trust Bank Ltd.	10	85,000	23.08	1,962,076	23.80	2,023,000	60,924
		2,931,422		129,868,833		132,403,722	2,534,889
Name of the Company	Face value	No. of share	Cost per share	Cost price	Mkt. Price or 85% of NAV per share whichever is higher	Total value	Gain/(loss)
Mutual Fund							
Vanguard AML BD Finance Mutual Fund One	10	4,725,064	10.00	47,250,640	9.60	45,360,614	(1,890,026)
Vanguard AML Rupali Bank Balanced Fund	10	1,000,000	10.00	10,000,000	9.37	9,367,000	(633,000)
		5,725,064		57,250,640		54,727,614	(2,523,026)
Required provision for investment in shares							
Particulars			Cost price	Total value	Req. Provision		
Unquoted shares			78,000,000.00	77,741,200	(1,340,000)		
Quoted			129,868,833.45	132,403,722	2,534,889		
Mutual funds			57,250,640.00	54,727,614	(2,523,026)		
Total Provision required			265,119,473	264,872,537	(1,328,137)		
Provision maintained					1,328,137		
Excess / (Short)					0		

National Finance Limited

Directors Meeting & Attendance

For the year ended 31 December 2016

Annexure-C

Name of the Directors	No. of Meeting held during his/her tenure	Meeting Attended	%	Changed during 2016
Mr. Md. Abdul Mannan Bhuiyan	10	10	100%	
Mr. Inamul Haq Khan	10	10	100%	
Mr. Saiful Kibria	10	4	40%	
Mrs. Rozina Y. Kabir	10	10	100%	
Mr. Maruf Akter Mannan	10	9	90%	
Mrs. Roushan Akter	10	10	100%	
Ms. Fahima Mannan	10	10	100%	
Mr. Asif Zahir	10	9	90%	
Ms. Arifa Kabir	10	5	50%	

National Finance Limited

Particulars of Related Parties Transaction

For the year ended 31 December 2016

Annexure - D

Sl.No	Particulars	Name of the Related Party	Relationship	Sanction	Recovery during 2016	Balance Amount
1	Lease Finance No. LE26613	Ananta Apparels Limited	Director of the Company Mr. Asif Jahir is also the Director of Ananta Apparels Limited	17,156,030	4,270,244	9,731,354
2	Term Finance No. TL16515	Faria's Collection	Director of the Company Ms. Arifa Kabir is also the Director of Faria's Collection	3,000,000	1,161,624	1,274,159
3	Investment in stock/shares-Mutual fund	Vanguard AML BD Finance Mutual Fund One	Director of the Company Mr. Asif Zahir is also Director of Asset Management company of the fund namely Vanguard AML.	-	-	47,250,640
4	Investment in stock/shares-Mutual fund	Vanguard AML Rupali Bank Balance Fund	Director of the Company Mr. Asif Zahir is also Director of Asset Management company of the fund namely Vanguard AML Rupali Bank Balance Fund.	-	-	10,000,000

National Finance Limited
Directors' Involvement in other Companies as on 31st December 2016
For the year ended 31 December 2016

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
		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
Mrs. Roushan Akter	Director	ABM Fashions Ltd.	Managing Director
		Overseas Marketing Corporation (Pvt.) Ltd.	Director
		OMC HealthCare (Pvt) Ltd.	Director
		OTS (Pvt) Ltd.	Director
Mr. Maruf Akter Mannan	Director	Global Instruments Supply Co.	Proprietor
		OMC HealthCare (Pvt) Ltd.	Director
		OTS (Pvt) Ltd.	Managing Director
		Intellect Technologies (Pvt) Ltd.	Managing Director
Ms. Fahima Mannan	Director	Millennium Syndicates	Proprietor
		OMC HealthCare (Pvt) Ltd.	Director
Mr. Saiful Kibria	Director	Intellect Technologies (Pvt) Ltd.	Director
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	Nominee Director	Not involved in any other company except National Finance Ltd.	
Mr. Asif Zahir	Director	Ananta Apparels Ltd.	Director
		Ananta Casual wear Ltd.	Director
		Ananta Denim Technology Ltd.	Director
		DNV Clothing Ltd.	Director
		Ananta Properties Ltd.	Director
		Ananta Energy Resources Ltd.	Director
		Vanguard Asset Management Ltd.	Director
		Ananta Real Estate Ltd	Director
		Ananta Group Ltd.	Director
		Ananta Knitwear Ltd.	Director
		Ananta Fashion Ltd.	Director
		Ananta Developments Ltd.	Director
		Z & Z Holding Ltd	Director
		Zero Gravity Ventures Ltd.	Managing Director
		Fast Fleet Logistics Ltd.	Director
		Universal Menswear Ltd.	Director
		Ananta Huaxiang Ltd.	Director
		Ananta Hotels & Resorts Ltd	Director

National Finance Ltd.

TIN-673166997674

Tax Status

As on 31 December 2016

Annexure -F

Income Year	Assessment year	Tax Provision (as per Accounts)	Tax Assessed by Tax Authority	Level of Assessment	Remarks
2011	2012-2013	42,421,324	47,344,772	DCT,CT (appeal)	Appeal filed at the level of TAT against CT assessment order.
2012	2013-2014	65,000,000	-	DCT,CT (appeal)	Application filed to the ADR against DCT assessment order
2013	2014-2015	96,430,000	-	DCT-82BB	Retun filed under 82BB.
2014	2015-2016	150,000,000	-	-	Retun filed under 82BB.
2015	2016-2017	129,843,185	-	-	Return not yet due for submission.

National Finance Limited
Overall Performance Highlights
 As on 31 December 2016

Annexure -G

SL	Particulars	Amount in Taka	
		2016	2015
1	Paid- up Capital	1,259,604,000	1,155,600,000
2	Share holders equity	1,442,281,706	1,372,396,671
3	Total Assets	7,769,763,541	7,811,568,461
4	Total Deposits	4,201,841,308	4,508,594,029
5	Total Loans & Advances	5,961,761,567	6,251,109,891
6	Non Performing Loan (NPL) (%)	13.71	5.88
7	Loan Deposit Ratio (%)	141.88	138.65
8	Operating Profit	326,786,357	356,308,265
9	Profit after Provision and taxation	69,885,035	123,542,265
10	Non Performing Loan	817,066,610	367,797,243
11	Return on Investment(ROI) [PAT/(Shareholders' equity + Borrowings)]	3.26	5.51
12	Return on Assets (ROA)	0.90	1.58
13	Interest Earning Assets	6,962,737,723	7,178,404,368
14	Other Assets	565,778,394	398,495,957
15	Earnings per Share (EPS)	0.55	0.98
16	Net Asste value (NAV) per share	11.45	11.88
17	Net Operating Cash Flow(NOCF) per share	1.35	3.53

Projects Financed by NFL



Projects Financed by NFL



Events snippets



Photo of Holding of 15th Annual General Meeting



Participation in the International Plastic Fair by NFL

Credit Rating Report



EMERGING
Credit Rating Ltd

National Finance Limited

Credit Rating Report

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
December 08, 2016	December 07, 2017	Initial	A-	ECRL-2	Stable

Date of Incorporation : July 30, 2001

Managing Director : Mr. Saifuddin Naser

Authorized Capital : BDT 2,000.00 million

Paid up Capital : BDT 1,155.60 million

Total Asset : BDT 7,811.57 million

Total Liabilities : BDT 6,439.17 million

Contact Analysts : Mohana Talukder mohana@emergingrating.com
Habibur Rahman habib@emergingrating.com
Priyanka Saha priyanka@emergingrating.com

Habibur Rahman FCCA
Chief Rating Officer
Emerging Credit Rating Ltd.

Credit Analysis

Entity Rating



FIXED DEPOSITS

Deposit Scheme of NFL



Yearly Scheme



Half Yearly Scheme



3 Month Scheme



Monthly Earnings Scheme



Quarterly Earnings Scheme



Double Money Deposit Scheme



Triple Crown Scheme

Asset Products of NFL





National Finance Ltd

Head Office : Confidence Center (Level-08), Kha-09, Pragati Sarani, Shahjadpur,
Gulshan, Dhaka-1212. PABX : +880-2-9893659, 9893654, 9893647
Fax : +880-2-9893518, E-mail : info@nfl.com.bd, web: www.nfl.com.bd