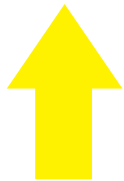


RELATIONSHIP IS EVERYTHING



Uttara Finance and Investments Limited started its journey in 1995 as a non banking financial institution with licence from Bangladesh Bank. Since inception the Company has been providing different kinds of financial services to various individuals and corporate bodies. The Company as one of the leading financial institutions is committed to all its Stakeholders for improving their future with the highest standards of business integrity, ethics and professionalism in all of its activities.

During the period of its journey the Company provided financial services to thousands of individual clients and hundreds of corporate clients where good number of direct employment opportunities exists. Human Resource is the core asset and backbone of the Company. Through direct employment of a good number of qualified talented people, the Company has been playing a vital role in the economic development of the country. As a secured place for deposit with good return, the Company has been encouraging the savings habit among the people. Besides, a large number of Shareholders through their investment in shares of the Company have been enjoying good return each and every year. Through merchant banking service the Company has been helping the investors of the capital market of the country. Uttara Finance and Investments Limited has been paying very good amount of income tax, VAT and withholding tax directly to the government exchequer in each and every year and our Clients, Employees, Shareholders, Depositors have been also contributing to the national economy for improving the future of the nation.

Together with our investment professionals, we are uniquely positioned to shape a trustworthy financial industry. Our goal is to provide tools to motivate and empower the country of finance to become an environment where investors interests come first, markets function at their best, and economies grow.

We are here to help business specialized in providing innovative financing solutions for our customers. More than just a finance company, Uttara Finance offers you the most competitive and flexible financing to benefit from it's activities. Our financing solutions support your business goals and needs, both now and in the future.



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REPORTS, STATEMENTS and
DETAILED INFORMATION of
**UTTARA FINANCE AND
INVESTMENTS LIMITED**
for the year ended
31 DECEMBER 2016

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LETTER OF TRANSMITTAL

To **Shareholders**
Auditors
Bangladesh Bank
Bangladesh Securities and Exchange Commission
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited
Registrar of Joint Stock Companies and Firms

Respected Sir(s)

Annual Report for the year ended December 31, 2016

The undersigned on behalf of the Board of Directors and Management of Uttara Finance and Investments Limited is pleased to present herewith the Annual Report for the year ended December 31, 2016 alongwith the audited Financial Statements (Balance Sheet, Profit & Loss Account, Profit & Loss Account of Merchant Banking Operation, Statement of Cash Flows, Statement of Changes in Equity and Notes) for the above mentioned period of the Company.

'Notice of AGM-2017', 'Proxy Form' and 'Attendance Slip' also enclosed here with for doing needful and kind necessary action.

Thanking You.

Sincerely Yours,


Md. Jakir Hossain, FCA
DMD & Company Secretary

Dhaka, Wednesday, April 26, 2017

LETTER OF INVITATION FROM THE CHAIRMAN

Dear Shareholders,

I extend a warm invitation to you to attend the 22nd Annual General Meeting of Uttara Finance and Investments Limited to be held on Monday, May 22, 2017 at 10:30 am in Spectra Convention Centre, House # 19, Road # 7, Gulshan-1, Dhaka-1212, Bangladesh to transact the business as per notice given herewith served by the Company Secretary of the Company.

The agenda as set out in the notice will be placed before you in the 22nd Annual General Meeting for your approval to ensure exact reflection of your views. I would like to remind your right to raise questions in the Annual General Meeting. Since it is not always possible to answer instantly every question raised in the Annual General Meeting and therefore, to ensure all matters of your particular interest, you are requested to raise questions in advance on or before Thursday, May 18, 2017 addressing the Company Secretary, Uttara Finance and Investments Limited, Uttara Centre (11th Floor), 102 Shahid Tajuddin Ahmed Sarani, Tejgaon, Dhaka-1208, Bangladesh.

From your discussion in the Annual General Meeting, relevant questions and important topics will be assessed, we will try our level best to address in the Annual General Meeting. This is for your kind note that advance notice of relevant questions will, of course, not prevent any Shareholder from raising question(s) at the appropriate time during the meeting.

We are looking forward to your large attendance in the meeting.

Sincerely,



Rashidul Hasan

Chairman

Dhaka, Wednesday, April 26, 2017

NOTICE OF THE 22nd ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd (twenty-second) Annual General Meeting of Uttara Finance and Investments Limited will be held on Monday, May 22, 2017 at 10:30 am in Spectra Convention Centre, House # 19, Road # 7, Gulshan-1, Dhaka-1212, Bangladesh to transact the following business:

AGM 2017	22-01	Adoption of Directors' Report, Auditors' Report and audited Financial Statements for the year ended 31 December 2016;
AGM 2017	22-02	Declaration of Dividend for the year 2016;
AGM 2017	22-03	Re-appointment of Directors;
AGM 2017	22-04	Appointment of external Auditors and fixation of remuneration;

By order of the Board



Md. Jakir Hossain, FCA
DMD & Company Secretary
Dhaka, Wednesday, April 26, 2017

Notes:

01. The Record Date was Wednesday, April 12, 2017
02. Shareholders whose names appeared in the Depository Register of Central Depository Bangladesh Limited (CDBL) and/or Share Register of the Company on the Record Date will be eligible to attend the 22nd Annual General Meeting.
03. A member may appoint a proxy to attend and vote on his behalf by filling the attached proxy form as per Article 46 of Articles of Association of the Company. The proxy form duly completed, signed and stamped must be deposited at the share department of the Company 72 hours before the time of holding the meeting.
04. Pursuant to the Article 47 of the Articles of Association of the Company, a corporate Member of the Company may, by resolution of the Board of Directors, authorize such person as it thinks fit, to act as representative at the meeting.
05. Admission to the meeting hall to be allowed only after verified the attendance slip of Member(s) or proxy-holder(s)
06. Shareholders attendance counter will open at 9:00 am and continue till 11:00 am. The check in counters will be closed at 11:00 am.
07. Annual Report for the year 2016 alongwith Attendance Slip and Proxy Form will be sent to all Members by courier service/post/hand to hand. The Members may also can collect the Attendance Slip and Proxy Form from Share Department or from website of the company www.uttarafinance.biz.

EXPLANATORY NOTES FOR AGENDA OF AGM

Agenda - AGM 2017 22-01

Adoption of directors' report, auditors' report and audited financial statements for the year ended 31 december 2016

In terms of the Companies Act, 1994, the Directors are required to present to the Shareholders at the Annual General Meeting the Directors' Report and annual audited Financial Statements including Auditors Report therein. For the year ended 31 December 2016 the Directors' Report, the audited Financial Statements and the Auditors Report therein is given in the Annual Report 2016 from page no. 74 to 86 and page no. 130 to 270 respectively.

Agenda - AGM 2017 22-02

Declaration of dividend for the year 2016

The Board of Directors in its 128th meeting held on Thursday, March 16, 2017 recommended 30% (thirty percent) cash dividend i.e. Tk. 3.00 (Taka three) only for every share for the year 2016 subject to approval by the regulatory authorities and by the Shareholders in the Annual General Meeting. The dividend will be paid to the Shareholders whose names appeared in the Depository Register of Central Depository of Bangladesh Limited (CDBL) and/or Share Register of the Company at the close of business on Wednesday, April 12, 2017 being the Record Date.

Agenda - AGM 2017 22-03

Re-appointment of Directors

As per Article 62 of the Company's Articles of Association one-third of the total number of Directors are to retire by rotation every year. Accordingly, three Directors namely Mr. Mujibur Rahman, Mrs. Zakia Rahman and Ms. Tahmina

Rahman (Tina) retired from their office and being eligible offered themselves for re-election.

Agenda - AGM 2017 22-04

Appointment of external auditors' and fixation of remuneration

The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. M/S K. M. Hasan & Co., Chartered Accountants has carried out the audit of the Company for the year 2016. The Board of Directors considering the willingness and proposal of Board Audit Committee recommended for appointment of M/S K. M. Hasan & Co., Chartered Accountants and an audit firm of repute to be the Auditor for the year 2017 to hold office from the conclusion of the 22nd Annual General Meeting until the conclusion of the next 23rd Annual General Meeting of Uttara Finance and Investments Limited.

As per Section 210(10) of the Companies Act, 1994, remuneration of the Auditors' required to be approved by the Shareholders in the Annual General Meeting of the Company. As approved by the Shareholders in 21st Annual General Meeting held in 2016 the auditors' remuneration for audit services paid to the auditors for the year ended 31 December 2016 amounting to Tk. 150,000/- plus VAT. As proposed by the Audit Committee, the Board in its 128th meeting held on Thursday, March 16, 2017 recommended for appointment of M/S K. M. Hasan & Co., Chartered Accountants to audit of financial statements for the year ended 31 December 2017 at a remuneration of Tk. 150,000/- plus VAT.

SHARE DEPARTMENT ADDRESS

Uttara Centre (11th Floor)
102 Shahid Tajuddin Ahmed Sarani, Tejgaon, Dhaka-1208
Ph.: 880-2-8170281-5, Fax: 880-2-8170277

Special note:

As per notification of BSEC-no benefit in cash or kind (food box/gift/gift coupon etc.) will be given on occasion of AGM.



Background

Uttara Finance and Investments Limited, a joint venture leasing and financing company, registered as a non-banking financial institution under the Financial Institutions Act 1993 and the Companies Act 1994 with licence from Bangladesh Bank to operate and transact all kinds of business as provided under the relevant laws.

Uttara Finance and Investments Limited upholds its commitment towards the development of financial service sector by offering high quality services to the local entrepreneurs. The Company always focuses to the ever changing and challenging business environment and thus it endeavours to diversify into other financial services which have long-term prospects. With its continuous drive to improve, Uttara Finance and Investments Limited is well on track to be considered as one of the leading leasing companies of the country.

There are three branches of Uttara Finance and Investments Limited located in Chittagong, Gulshan (Dhaka) & Bogra. The corporate branch of the Company and its registered office is located in Dilkusha, Dhaka & extended head office is located in its own premises at Uttara Centre, in the Tejgaon area.

Nature

Uttara Finance and Investments Limited extends lease finance for all types of machinery, equipment, vehicle and household durable for the purpose of industrial, commercial and personal use in Bangladesh and allows temporary finance to its clients within purview of the law as well as all kind of Merchant Banking services.

The Company also maintains Term Deposit of general public on attractive terms.

Ultimate goal

- To maximize the stakeholders' value in the long run
- To develop long term strong relationship with clients
- To be a pioneer for providing financial services
- To create employment opportunity by investment in labour intensive projects

Corporate attitude

To provide dedicated service to our clients with the highest integrity.



Vision

To serve the nation through participation in the development of the economy as a leading company of Bangladesh.



Mission

- To be an outstanding company of motivated people with excellent team work spirit
 - To provide quality services and ensure steady growth of the company
 - To bring about a qualitative improvement in the life style of our people
 - To provide lease finance to professional and technicians on attractive terms
- To encourage continuous technological development and creation of employment opportunities
 - To ensure human resource development to meet the challenges of the time



Objective

The objective of Uttara Finance and Investments Limited is to ensure sustainable operational growth to maximize the benefits for the valued shareholders. To achieve the desired targets through the skilled, trained, experienced and motivated management working hard with responsibility in financially disciplined environment to ensure satisfactory customer service.

Principles



Service first to our clients



Teamwork for quick service



Quick decision for saving time



Find-out and maximum utilization of opportunity



Hard working to achieve goal



Investment to create employment opportunity



Maintaining of long term relationship



Change welcome mentality and support



Fair competition with ethical behaviour



Develop and ensure corporate culture



Maintaining of sustainable growth



Efficient risk assessment and management for making decision



Build client business for benefit of the clients



Financial discipline



Rewarding talents

Values we carry



Recognition by customer



Effort together to have the best



Social and economic development attitude



Service for People empowerment



Friendly office environment and team work



High moral and ethical standards



Accountable to all stakeholders



Highest level of trust and transparency



Positive to accept Challenge

Strengths



Strategy

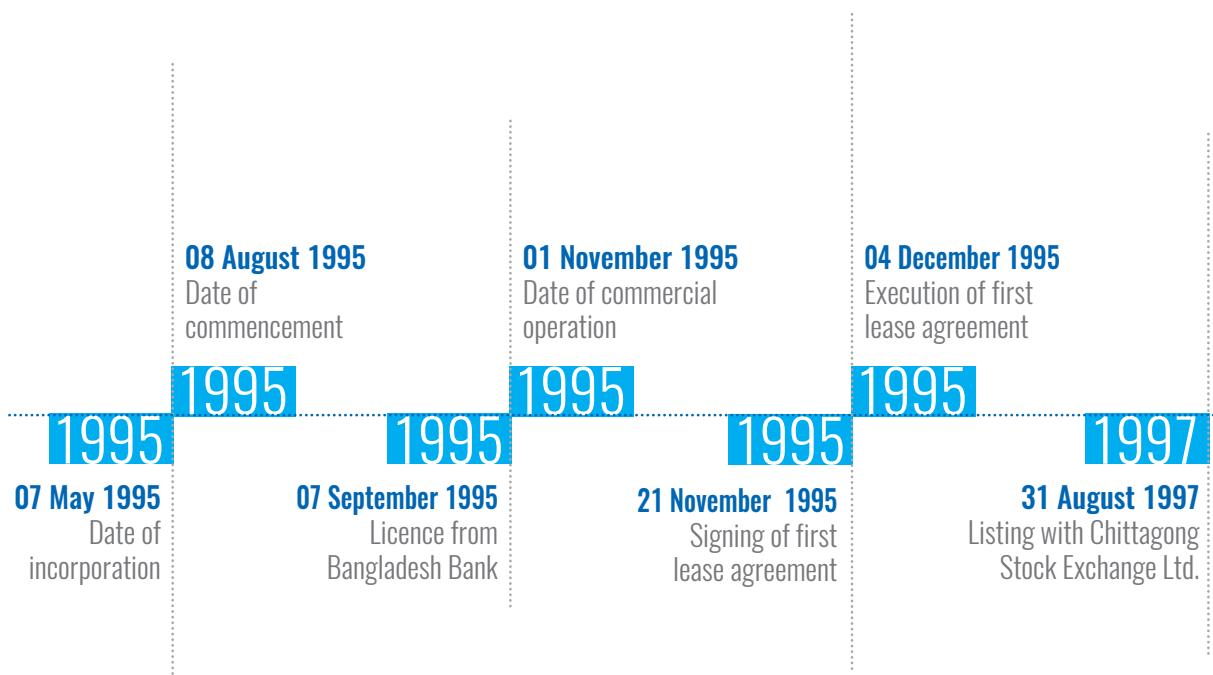
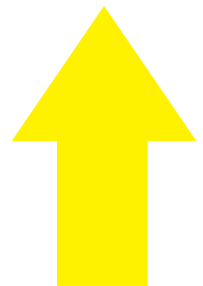
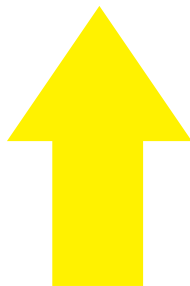


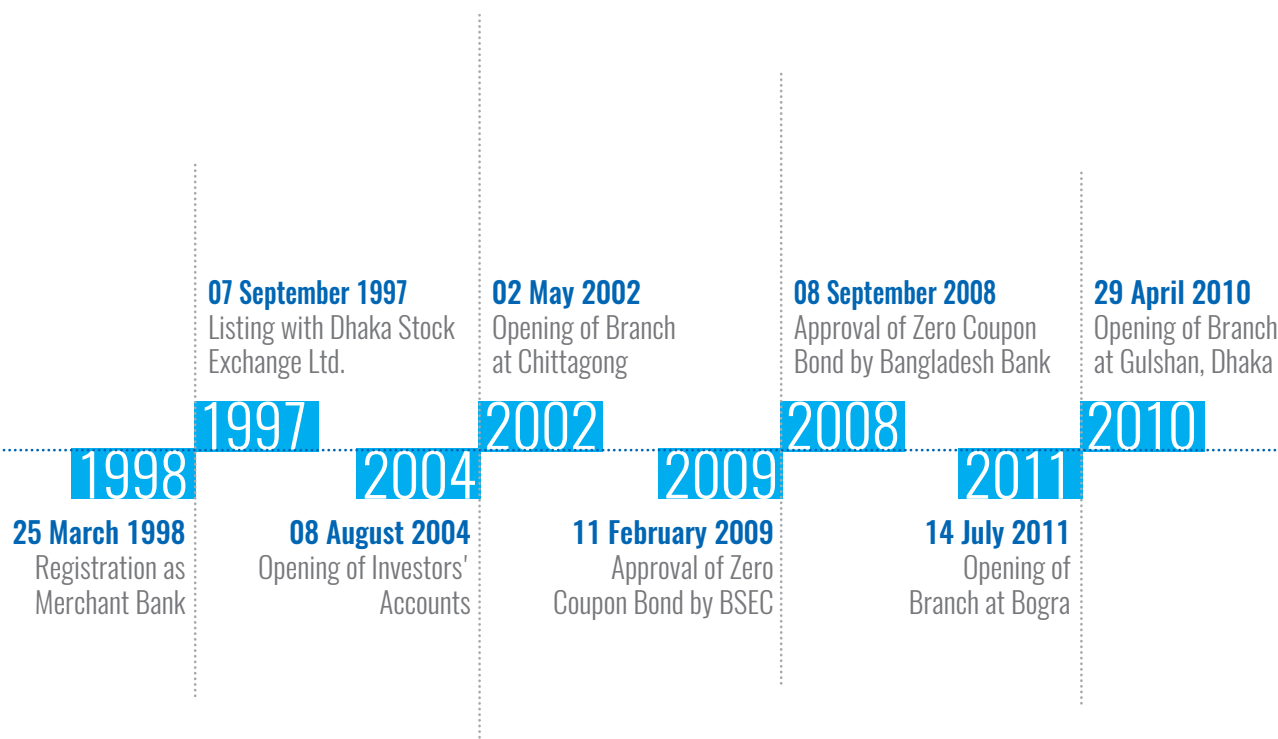
The Board and Management of Uttara Finance and Investments Limited appreciate very well that clientele is the heart of the organization. For giving financial services we always knock on our clients door to provide our assistance not only when the clients are in good position but also when they are in crisis.

Code of conduct and ethics



Uttara Finance and Investments Limited has been running its business in accordance with the approved Code of Conduct. Employees of the Company deliver professional services as per policies and relevant technical and professional standards with integrity, competence, dignity and in an ethical manner. To ensure professional behaviour, all the employees exercise independent professional judgment and take reasonable care. Employees of the Company perform their professional obligations with knowledge about all applicable **laws, rules, regulations** and relevant standards and maintain the **confidentiality** and **privacy**.





COMPANY INFORMATION

www.uttarafinance.biz

Registered name

Uttara Finance and Investments Limited

Legal form

A public limited company incorporated in Bangladesh on May 07, 1995 under the Companies Act 1994, listed in Dhaka Stock Exchange on September 07, 1997 and Chittagong Stock Exchange on August 31, 1997 and licensed as Financial Institution on September 07, 1995 under Financial Institutions Act 1993

Registration No. C - 28368(2214)/95

Bangladesh Bank Licence no. *Art c# (A-e'isik) we fM/XiKv/7/95*



Registered Office

JBC Tower (6th Floor), 10 Dilkusha C/A
Dhaka-1000, Bangladesh.
Phone: +880-2-9568207 (Hunting),
Fax: +880-2-9552461
www.uttarafinance.biz

Head Office (Ext.)

Uttara Centre (11th Floor) 102, Shahid
Tajuddin Ahmed Sarani Tejgaon
Dhaka-1208, Bangladesh.
Phone: +880-2-8170281-5,
Fax: +880-2-8170277

Branch Office

Chittagong Branch
Uttara Center, F/2 Sk. Mujib Road,
Pathantuli, Chittagong, Bangladesh.
Phone: +880-31-724786,
+880-31-2511760-1, Fax: +880-31-2521970

Gulshan Branch

Nafi Tower (Level-3), 53 Gulshan Avenue
(South), Gulshan-1, Dhaka-1212, Bangladesh.
Phone: +880-2-9898441,
+880-2-9898089, +880-2-9897675
Fax: +880-2-9898221

Bogra Branch

Jamil Shopping Centre (3rd Floor)
Rangpur Road, Baragola, Bogra, Bangladesh.
Phone : +880-51-69047, +880-51-67763,
+880-51-67765, Fax : +880-51-69048

Chairman

Rashidul Hasan

Managing Director

S. M. Shamsul Arefin, M.Com., MBA

Company Secretary

Md. Jakir Hossain, FCA

Legal Adviser

Md. Waliur Reza Chowdhury
LL.B., Advocate

Auditor

K. M. Hasan & Co.
Chartered Accountants

MEMBERSHIP

Bangladesh Leasing & Finance Companies Association (BLFCA)
 Asian Leasing & Finance Companies Association (ALFCA)
 Bangladesh Merchant Bankers Association (BMBA)
 Bangladesh Association of Public Listed Companies (BAPLC)
 International Chamber of Commerce - Bangladesh (ICC)
 Foreign Investors Chamber of Commerce and Industry (FICCI)
 Metropolitan Chamber of Commerce & Industry (MCCI)
 Dhaka Chamber of Commerce & Industry (DCCI)

BANKERS

Sonali Bank Ltd.
 One Bank Ltd.
 Southeast Bank Ltd.
 Standard Bank Ltd.
 Bank Asia Ltd.
 Dutch-Bangla Bank Ltd.
 Mutual Trust Bank Ltd.
 Uttara Bank Ltd.
 Pubali Bank Ltd.
 Rupali Bank Ltd.
 Agrani Bank Ltd.
 Trust Bank Ltd.
 BRAC Bank Ltd.
 Bank Alfalah Ltd.
 IFIC Bank Ltd.
 Standard Chartered Bank
 Eastern Bank Ltd.
 Prime Bank Ltd.
 NCC Bank Ltd.
 Bangladesh Commerce Bank Ltd.
 Exim Bank Ltd.
 Social Islami Bank Ltd.
 National Bank Ltd.
 Commercial Bank of Cylon PLC
 Mercantile Bank Ltd.
 Jamuna Bank Ltd.
 The City Bank Ltd.
 Islami Bank Bangladesh Ltd.
 Dhaka Bank Ltd.
 Shahjalal Islami Bank Ltd.
 Premier Bank Ltd.
 State Bank of India
 United Commercial Bank Ltd.
 NRB Commercial Bank Ltd.
 Union Bank Ltd.
 Farmers Bank Ltd.
 Modhumoti Bank Ltd.
 Midland Bank Ltd.
 NRB Global Bank Ltd.
 South Bangla Agriculture and Commerce Bank Ltd.

PRODUCTS AND SERVICES

Leasing

Major areas of operation are related to leasing with the objective to provide the benefits of asset based lease facilities in the name of:

- Operating lease
- Financing lease
- Sale and lease back

Term Financing

Finances are provided for a fixed term in different modes:

- Term finance
- Working capital finance
- Bridge finance
- SME finance
- Syndicated finance

Merchant Banking

Merchant banking unit provides the following services:

- Underwriting
- Portfolio management
- Issue management
- Margin loan
- Corporate advisory services
- Investments in capital market through investors' accounts

Documentary Credit

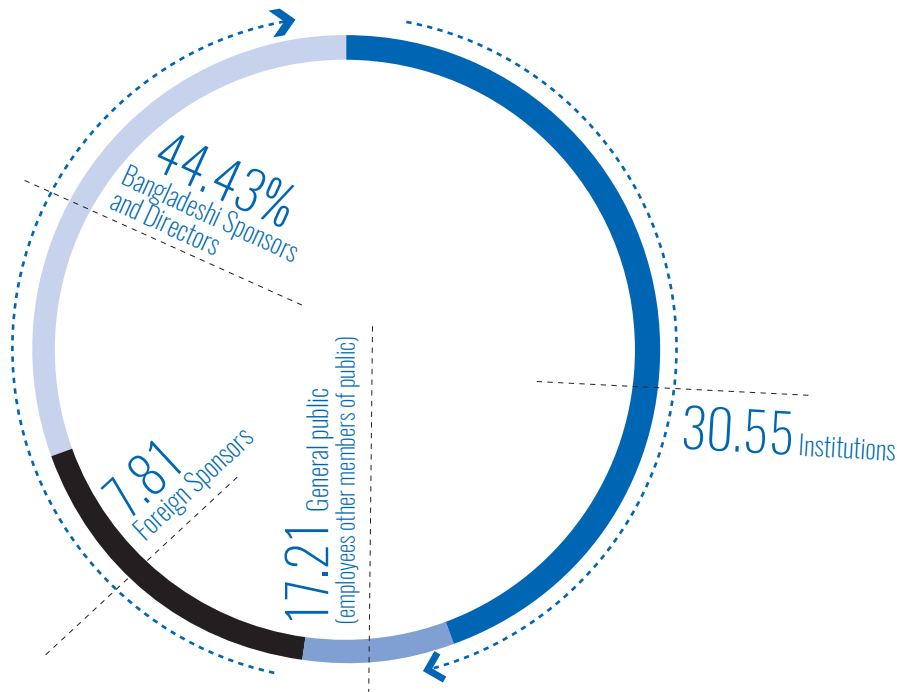
To import the lease asset(s) from foreign suppliers through establishment of letters of credit.

Term Deposits

Uttara Finance encourages saving behaviour of the general public by offering attractive interest rate on term deposit of following features:

- Semi Annual Profit Scheme
- Annual Profit Scheme
- Cumulative Profit Return Scheme
- Monthly Profit Return Scheme
- Quarterly Profit Return Scheme
- Half Yearly Profit Return Scheme
- Earn Ahead Profit Return Scheme
- Double Money Scheme
- Triple Money Scheme

CAPITAL AND SHAREHOLDING STRUCTURES



As on 31 December 2016 the Authorized Capital of the Company is Tk. 5,000,000,000 (Taka five hundred crore) only and Paid-up capital is Tk. 1,252,204,800 (Taka one hundred twenty five crore twenty two lac four thousand eight hundred)

only. The face value per share is Tk. 10 (Taka ten) only. The Paid-up capital of the Company consists only ordinary shares. Details of capital and shareholding structures are given below:

Capital	%	Taka
Authorized		
500,000,000 ordinary shares of Tk. 10 each		5,000,000,000
Issued, subscribed and paid up		
125,220,480 ordinary shares of Tk. 10 each		1,252,204,800
Shareholding Structure		
Bangladeshi Sponsors and Directors	44.43	556,348,610
Foreign Sponsors and Directors	7.81	97,828,500
General public (employees, other members of public)	17.21	215,516,330
Institutions	30.55	382,502,060
Foreign Investors	0.00	9,300

PATTERN OF SHAREHOLDING AND NUMBER OF SHAREHOLDERS

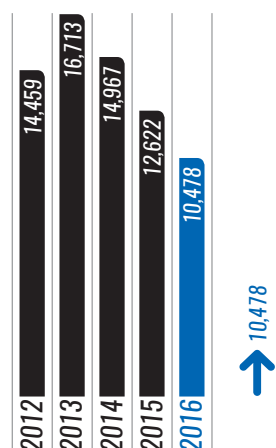
Uttara Finance and Investments Limited has been running with strong capital base. As on December 31, 2016 paid up capital of the Company was Tk. 1,252,204,800 against its authorized capital Tk. 500,000,000 and as on that date total number of Shareholders was 10,478 which was 12,622 as on December 31, 2015. The number of shareholders decreased by 2,144 due to small

investors mainly holder of 500 shares or below have sold their shares in the year 2016. There are no other major changes in either percentage of holdings or no. of shares of all other pattern. The shareholding pattern of the Company considering the number of shareholders and their shareholding are given below:

Pattern of shareholding and no. of shareholders statement as on 31 December of 2016 & 2015

Holding	Number of holders		% of total holding		No. of shares		Value of share (@Tk.10 each)	
	2016	2015	2016	2015	2016	2015	2016 (Tk.)	2015 (Tk.)
Upto 500 shares	5,945	7,304	0.77	0.93	968,384	1,158,886	9,683,840	11,588,860
501-5,000 shares	3,643	4,344	4.86	5.55	6,083,258	6,955,881	60,832,580	69,558,810
5,001-10,000 shares	408	454	2.27	2.49	2,847,606	3,112,012	28,476,060	31,120,120
10,001-20,000 shares	225	252	2.49	2.77	3,112,086	3,464,210	31,120,860	34,642,100
20,001-30,000 shares	57	70	1.11	1.38	1,388,141	1,727,743	13,881,410	17,277,430
30,001-40,000 shares	34	31	0.96	0.86	1,199,813	1,078,899	11,998,130	10,788,990
40,001-50,000 shares	30	29	1.10	1.05	1,373,058	1,318,862	13,730,580	13,188,620
50,001-100,000 shares	44	43	2.45	2.36	3,073,153	2,951,686	30,731,530	29,516,860
100,001-1,000,000 shares	92	95	83.99	82.62	105,174,981	103,452,301	1,051,749,810	1,034,523,010
1,000,001 and above	-	-	-	-	-	-	-	-
Total	10,478	12,622	100.00	100.00	125,220,480	125,220,480	1,252,204,800	1,252,204,800

NO. OF SHAREHOLDERS



NAME OF DIRECTORS, SPONSORS & TOP 10 SHAREHOLDERS AND THEIR SHAREHOLDINGS

The paid up capital of Uttara Finance and Investments Limited as on December 31, 2016 & 2015 was Tk. 1,252,204,800. Out of the total paid up capital the Directors and/or Sponsors including Nominee Directors and Independent Directors shareholding at the end of 2016 was 53.40% as against 48.09% of 2015. As per record of the Company's share register the top 10 shareholders holding as on December 31, 2016 was 62.31% which was 60.94% at the end of 2015. Details of Directors and/or Sponsors shareholding and top 10 shareholders shareholding are as given below:

Shareholding position of Sponsors/Directors as on December 31 of 2016 & 2015

Name	Position	2016		2015	
		Total no. of shares	Total value (Tk.)	Total no. of shares	Total value (Tk.)
Rashidul Hasan	Chairman	233,873	2,338,730	433,873	4,338,730
Matiur Rahman	Nominee Director	809,031	8,090,310	609,031	6,090,310
Mujibur Rahman	Nominee Director	2,603	26,030	2,603	26,030
A J Masudul Haque Ahmed	Executive Director	23,278	232,780	18,278	182,780
NG Chin Keong	Sponsor Director	4,891,425	48,914,250	4,891,425	48,914,250
Mrs. Chin Keong	Sponsor Director	4,891,425	48,914,250	4,891,425	48,914,250
Uttara Automobiles Ltd.	Sponsor Director	9,786,799	97,867,990	9,786,799	97,867,990
Uttara Apparels Ltd.	Sponsor Director	10,956,792	109,567,920	10,956,792	109,567,920
Uttara Motors Ltd.	Sponsor Director	6,392,667	63,926,670	6,392,667	63,926,670
Mehdadur Rahman	Sponsor Director	2,507,115	25,071,150	2,507,115	25,071,150
Zakia Rahman	Sponsor Director	2,507,115	25,071,150	2,507,115	25,071,150
Tahmina Rahman (Tina)	Sponsor Director	2,507,115	25,071,150	2,507,115	25,071,150
Md. Showkat Hossain, FCA	Independent Director	-	-	-	-
A. T. K. M. Ismail	Independent Director	1,595	15,950	1,595	15,950
Uttara Automobiles Manufac. Ltd.	Director	14,709,135	147,091,350	14,709,135	147,091,350
Kazi Imdad Hossain	Nominee Director	5,082	50,820	5,082	50,820
Nayeemur Rahman	Director	375,659	3,756,590	-	-
Uttara Motor Corporation Ltd.	Director	6,268,123	62,681,230	-	-
Total		66,868,832	668,688,320	60,220,050	602,200,500

Top 10 (ten) shareholders on the basis of shareholdings as on December 31 of 2016 & 2015

Name of the shareholders	2016		2015	
	No. of shares held	% of holdings	No. of shares held	% of holdings
Uttara Automobiles Manufac. Ltd.	14,709,135	11.75	14,709,135	11.75
Uttara Apparels Limited	10,956,792	8.75	10,956,792	8.75
Uttara Automobiles Limited	9,786,799	7.82	9,786,799	7.82
ICB	9,280,361	7.41	9,280,361	7.41
Uttara Motors Limited	6,392,667	5.11	6,392,667	5.11
ICB Unit Fund	6,306,307	5.04	6,628,072	5.29
Uttara Motors Corporation Ltd.	6,268,123	5.01	4,249,113	3.39
NG Chin Keong	4,891,425	3.91	4,891,425	3.91
Mrs. Chin Keong	4,891,425	3.91	4,891,425	3.91
Bangladesh Fund	4,512,799	3.60	4,512,799	3.60
Total	77,995,833	62.31	76,298,589	60.94

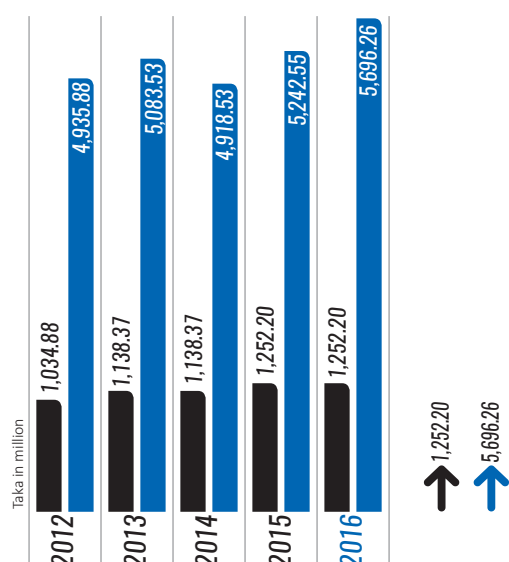
CAPITAL AND EQUITY STATISTICS

As on December 31, 2016 paid up capital of the Company was Tk. 1,252,204,800. The Bangladesh Bank vide its DFIM Circular no. 5, dated July 24, 2011 directed that minimum paid up capital of NBFIs would be Tk. 1,000,000,000 by June 30, 2013. The paid up capital of Uttara Finance and Investments Limited as on June 30, 2013 was Tk. 1,034,880,000. The Company has been maintaining strong equity which as on 31 December 2016 stands at Tk. 5,696,256,718 and the equity is 4.77 times of its paid-up capital whereas the market value per share is 6.09 times higher of face value of share.

Equity statistics of Uttara Finance and Investments Limited
as on December 31 of 2016, 2015, 2014, 2013 & 2012

Particulars	2016	2015	2014	2013	2012
Authorized capital (Taka)	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Paid up capital (Taka)	1,252,204,800	1,252,204,800	1,138,368,000	1,138,368,000	1,034,880,000
No. of outstanding shares of Tk. 10	125,220,480	125,220,480	113,836,800	113,836,800	103,488,000
Shareholders' equity (Taka)	5,696,256,718	5,242,550,336	4,918,534,932	5,083,530,640	4,935,880,079
Market capitalization (million Taka)	7,676.02	7,625.93	8,492.23	9,414.30	8,589.50

PAID-UP CAPITAL | SHAREHOLDERS' EQUITY



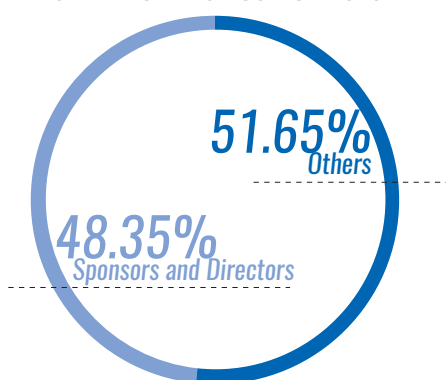
COMPLIANCE OF BANGLADESH SECURITIES AND EXCHANGE COMMISSION NOTIFICATION REGARDING SHAREHOLDING OF DIRECTORS

As per Bangladesh Securities and Exchange Commission Notification No. SEC/CMRRCD/2009-193/119/Admin/--- dated November 22, 2011 'All Sponsors/Promoters and Directors of a Company listed with any Stock Exchanges shall all time jointly hold minimum 30% (thirty percent) shares of the paid-up capital of the Company. The Sponsors/ Promoters and Directors holding less than 30% (thirty percent) shares shall acquire the rest amount within 6 (six) months of issuance of this Notification;'

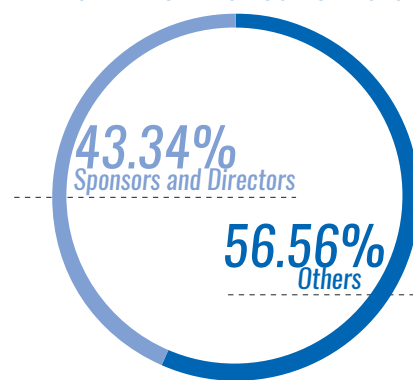
The Sponsors and Directors of Uttara Finance and Investments Limited from the inception of the Company never sold/transferred any shares of the Company. During the last few years the Sponsors

and Directors of the Company purchased a good number of shares from the secondary market. In the year 2016 the Sponsors or Directors neither bought and nor sold any shares of the company. The percentage of holding of Sponsors and Directors have increased from 43.34% to 48.35% due to appointment of one new Director namely Uttara Motor Corporation Ltd. present holding of which is 5.01%. As on December 31, 2016 the shareholding of present Sponsors and Directors as a whole other than Nominee Directors was 48.35 percent. Detailed shareholding position of Sponsors and Directors including Nominee Directors is given in page number 23.

SHAREHOLDING POSITION 2016



SHAREHOLDING POSITION 2015



Shareholding position of present Sponsors and shareholding Directors as on December 31 of 2016 & 15

Name of Sponsors/ shareholding Directors	Position	2016		2015	
		Total no. of shares	Percentage (%)	Total no. of shares	Percentage (%)
NG Chin Keong	Sponsor Director	4,891,425	3.91	4,891,425	3.91
Uttara Automobiles Ltd.	Sponsor Director	9,786,799	7.82	9,786,799	7.82
Uttara Apparels Ltd.	Sponsor Director	10,956,792	8.75	10,956,792	8.75
Uttara Motors Ltd.	Sponsor Director	6,392,667	5.11	6,392,667	5.11
Mehdadur Rahman	Sponsor Director	2,507,115	2.00	2,507,115	2.00
Zakia Rahman	Sponsor Director	2,507,115	2.00	2,507,115	2.00
Tahmina Rahman (Tina)	Sponsor Director	2,507,115	2.00	2,507,115	2.00
Uttara Automobiles Manufac. Ltd.	Director	14,709,135	11.75	14,709,135	11.75
Uttara Motor Corporation Ltd.	Director	6,268,123	5.01	-	-
Total		60,526,286	48.35	54,258,163	43.34

SHAREHOLDERS INFORMATION

in the 21st Annual General Meeting-2016

As per provision of Companies Act Uttara Finance and Investments Limited from its inception has been holding Annual General Meeting in each and every calender year without fail. In the year 2016 the 21st Annual General Meeting of Uttara Finance and Investments Limited was held on Monday, May 30, 2016 at Spectra Convention Centre (Kings Hall), House # 19, Road # 7, Gulshan-1, Dhaka-1212, Bangladesh at 10.30 am. Due notice having been given and a quorum being present the meeting was duly convened and constituted. The meeting was called to order by Mr. Rashidul Hasan, Chairman of the Board of Directors of the Company. The Company is taking the opportunity to convey heartiest thanks to 162 nos. shareholders for their kind presence in the meeting.



Shareholders in the 21st AGM



RETURN FROM INVESTMENT IN SHARES OF UTTARA FINANCE AND INVESTMENTS LIMITED

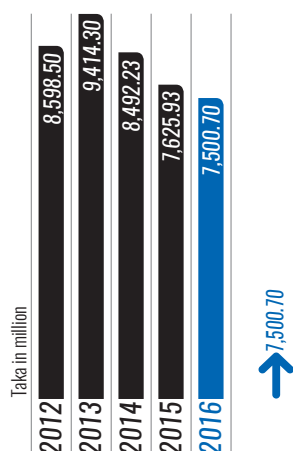
Uttara Finance and Investments Limited was incorporated in the year 1995 and from 1997 the Company consistently has been paying dividend to its Shareholders. Beside payment of cash dividend in most of the years of last 21 years the Company credited stock dividend to the Shareholders in the year 2004, 2006, 2009, 2010, 2011, 2012 & 2015. In the year 2006 and 2010 the Company also issued rights share to increase the capital to fulfill the minimum capital requirement as per Bangladesh Bank circular. After IPO in 1997 the paid up capital of the Company was 120.00 million and at the end of 2016 the paid up capital was Tk. 1,252.2048 million and at present the face value per share of the Company is Tk. 10.00 which was Tk. 100.00 at the time of incorporation. The Board of Directors and Management of the Company have been giving their best effort to maximize the return to its Shareholders. The rate of average return of last 21 years against investment in shares of the Company is 50.75 percent.

An analytical statement of return of Shareholder (IPO investor) of Uttara Finance and Investments Limited is as given below.

Particulars	No. of shares of Tk. 10	Amount in Taka
Investment		
Initial investment in IPO (assume 1 lot of 500 shares of Tk. 10 each)	500	5,000
10% stock dividend in 2004	50	-
	550	5,000
1R:1 @ Tk. 30 including premium of Tk. 20	550	16,500
	1,100	21,500
20% stock dividend in 2006	220	-
	1,320	21,500
25% stock dividend in 2009	330	-
	1,650	21,500
1R:3 @ Tk. 30 including premium of Tk. 20	550	16,500
	2,200	38,000
40% stock dividend in 2010	880	-
	3,080	38,000
40% stock dividend in 2011	1,232	-
	4,312	38,000
10% stock dividend in 2012	431	-
	4,743	38,000
10% stock dividend in 2014	474	-
Total shares and cost thereof before dividend of 2016	5,217	38,000

Return

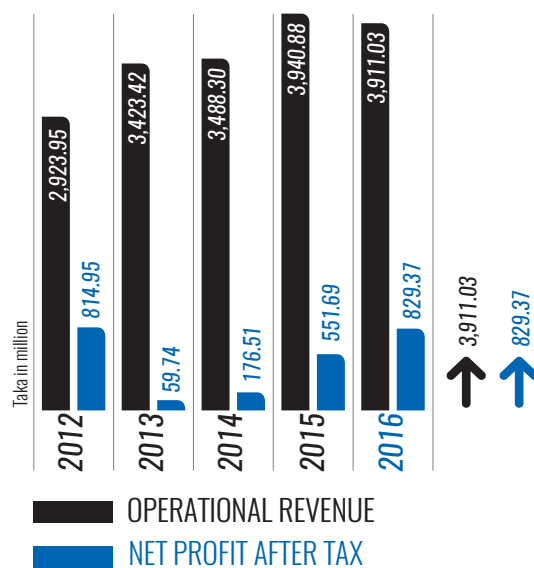
A	Market value of 5,217 shares	312,498
	(Market value after record date i.e. April 12, 2017 Tk. 59.90)	
B	Cash dividend per share for share of Tk. 10	
	1997 @ Tk. 1.00 for 500 shares	500
	1998 @ Tk. 1.50 for 500 shares	750
	1999 @ Tk. 1.50 for 500 shares	750
	2000 @ Tk. 2.00 for 500 shares	1,000
	2001 @ Tk. 2.50 for 500 shares	1,250
	2002 @ Tk. 2.50 for 500 shares	1,250
	2003 @ Tk. 2.50 for 500 shares	1,250
	2004 @ Tk. 1.50 for 500 shares	750
	2005 @ Tk. 2.50 for 550 shares	1,375
	2006 @ Tk. 1.00 for 1,100 shares	1,100
	2007 @ Tk. 3.00 for 1,320 shares	3,960
	2008 @ Tk. 3.00 for 1,320 shares	3,960
	2012 @ Tk. 2.00 for 4,312 shares	8,624
	2013 @ Tk. 3.00 for 4,743 shares	14,229
	2014 @ Tk. 2.00 for 4,743 shares	9,486
	2015 @ Tk. 3.00 for 5,217 shares	15,651
	2016 @ Tk. 3.00 for 5,217 shares	15,651
		81,536
A+B	Total return since IPO in 1997	394,034
	Percentage (%) of total return since IPO in 1997	1,036.93%
	Per year average return percentage (%) (Average yearly growth)	49.38%

MARKET CAPITALISATION

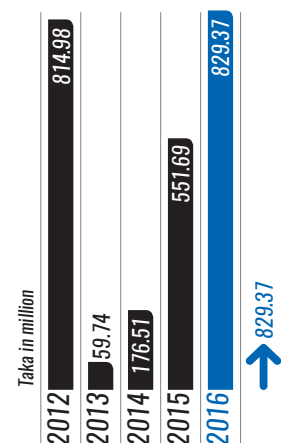
FINANCIAL PERFORMANCES

In the last one decade the Company has been maintaining a steady growth. The revenue, profit, investment, shareholders' equity etc. have been increasing. Some financial performances of 2016 along with comparative data of 2015 are given hereunder:

Particulars	Unit	2016	2015
Operational revenues	Tk.	3,911,025,588	3,940,880,869
Operational expenses	Tk.	2,596,393,395	2,487,886,245
Profit before provision and tax	Tk.	1,356,050,303	1,502,784,062
Net profit after tax	Tk.	829,367,822	551,689,004
Fixed assets	Tk.	120,411,908	134,248,252
Investments in lease	Tk.	11,302,057,312	11,369,037,232
Investments in term finance	Tk.	12,364,657,867	11,612,824,556
Shareholders' equity	Tk.	5,696,256,718	5,242,550,336
Long term loan	Tk.	4,134,618,496	4,924,979,225
Term deposit	Tk.	15,368,538,027	14,209,771,217
Debt equity ratio	times	3.44	3.86
Financial expenses coverage ratio	times	1.60	1.39
Net asset value per share of Tk. 10 each	Tk.	45.49	41.87
Earning per share of Tk. 10 each	Tk.	6.62	4.41
Dividend per share	%	30.00	30.00
Return on average equity	%	15.16	10.86

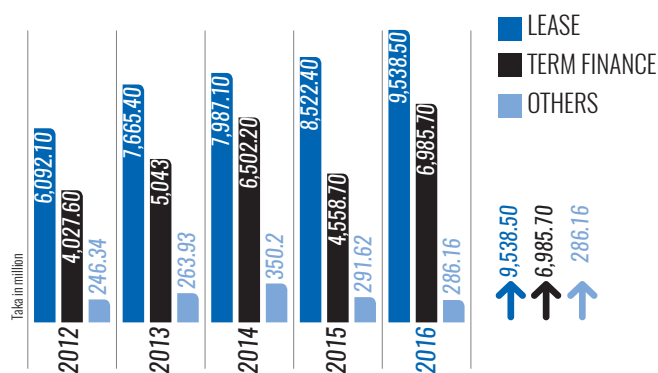


PROFIT AFTER TAX

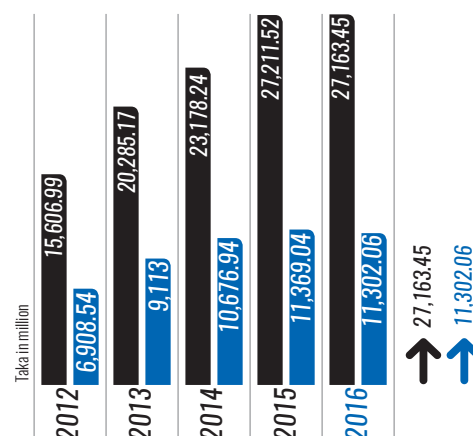


HISTORICAL DATABASE

Taka in million						
Particulars	Unit	2012	2013	2014	2015	2016
Business						
Business performance		9,278.97	11,539.13	13,047.30	13,372.72	16,810.36
Contract processed		10,366.04	12,972.63	14,839.50	14,813.42	19,008.56
Cumulative investment		15,605.99	20,285.17	22,299.30	27,211.52	27,163.45
Financial performances						
Operational revenues		2,923.95	3,423.42	3,488.30	3,940.88	3,911.03
Operational expenses		1,650.31	2,562.76	2,573.92	2,487.89	2,596.39
Profit before provision and tax		1,276.99	869.58	1,028.21	1,502.78	1,356.05
Net profit after tax		814.95	59.74	176.51	551.69	829.37
Fixed assets		168.55	153.65	148.72	134.25	120.41
Investments in lease		6,908.54	9,112.59	10,676.94	11,369.04	11,302.06
Investments in term finance		6,584.42	8,949.53	10,248.07	11,612.82	12,364.66
Shareholders' equity		4,935.88	5,083.53	4,918.53	5,242.55	5,696.26
Financial ratios						
Debt equity ratio	times	2.28	3.23	4.00	3.86	3.44
Financial expenses coverage ratio	times	1.74	1.08	1.23	1.39	1.60
Net asset value per share of Tk. 10	Taka	47.70	44.66	43.21	41.87	45.49
Profitability ratios						
Earning per share of Tk. 10	Taka	7.16	0.52	1.41	4.41	6.62
Cash dividend	%	20.00	30.00	20.00	30.00	30.00
Stock dividend	%	10.00	-	10.00	-	-
Return on average equity	%	18.00	1.19	3.53	10.86	15.16
Investment to net worth	times	3.16	3.99	4.99	5.19	4.77



SECTORWISE BUSINESS

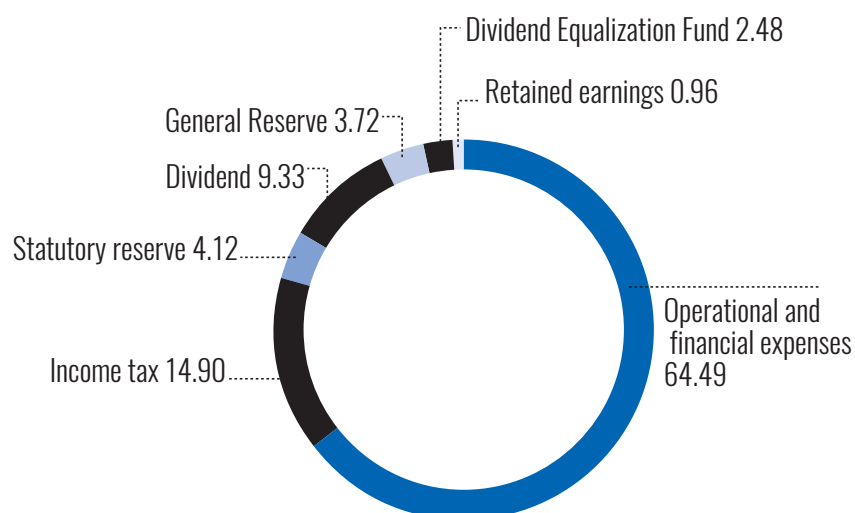
CUMULATIVE INVESTMENT
INVESTMENT IN LEASE

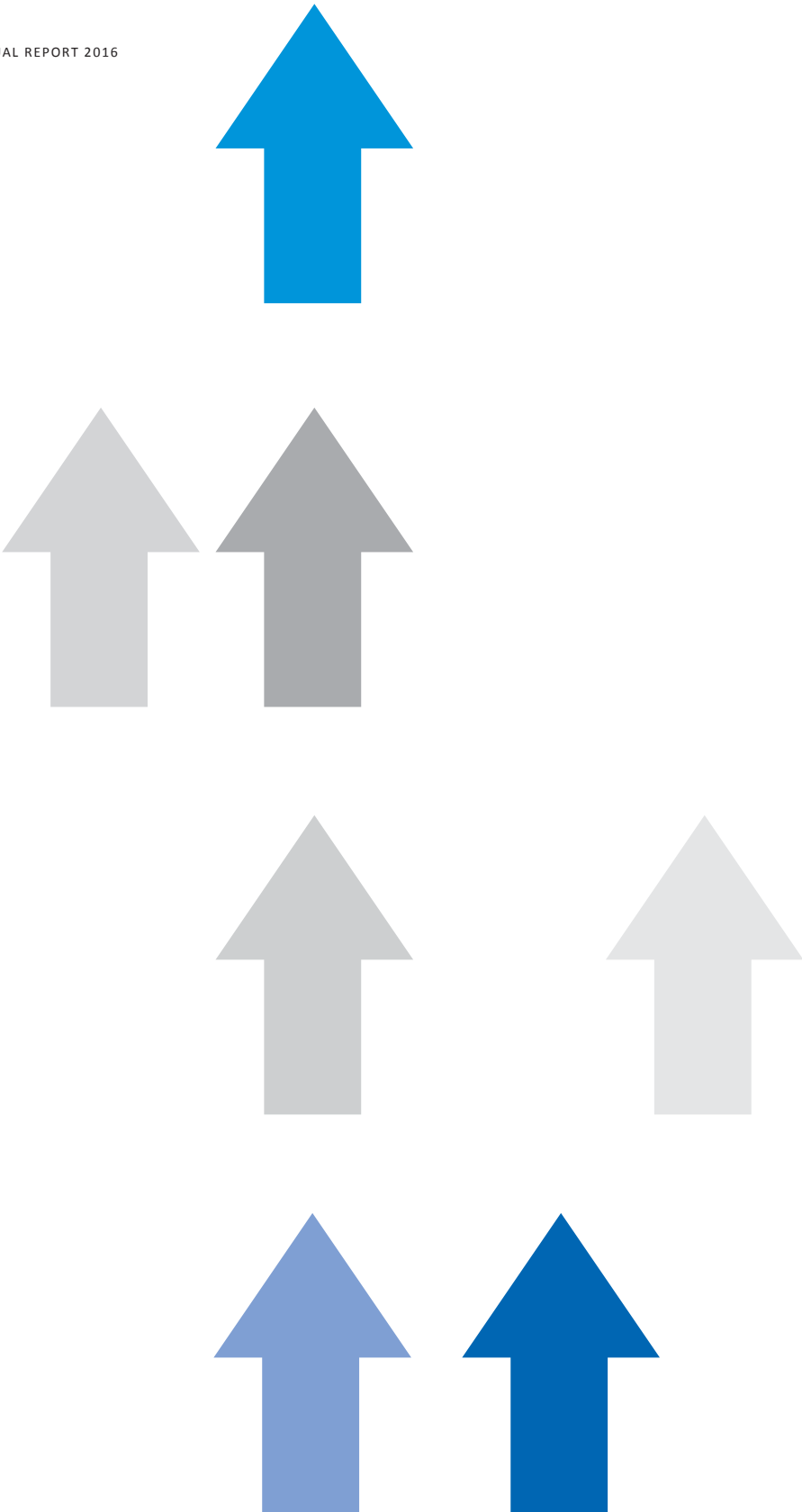
INCOME AND UTILIZATION THEREOF-2016

In the year 2016 the Company earned total revenue Tk. 3,952,443,698 out of which Tk. 3,911,025,588 from operational activities and Tk. 41,418,110 from non-operational activities which is 98.95 percent and 1.05 percent respectively. Major part i.e. 65.69 percent of total revenue is utilized for operational expenses and financial expenses whereas provision for non performing investment is (1.85) percent and provision for income tax is 15.18 percent. Details of income and utilization thereof are given below:

Income	Taka	%
Operational income	3,911,025,588	97.15
Non operational income	41,418,110	1.03
Provision reverse	73,317,519	1.82
Utilization of income		
Operational and financial expenses	2,596,393,395	64.49
Income tax	600,000,000	14.90
Statutory reserve	165,873,564	4.12
Dividend	375,661,440	9.33
General Reserve	150,000,000	3.72
Dividend Equalization Fund	100,000,000	2.48
Retained earnings	37,832,818	0.96

UTILIZATION OF INCOME





ANALYSIS OF PERFORMANCES 2016

All of the non banking financial institutions of Bangladesh passed a very challenging year along with other related industries of Bangladesh due to high interest rate, less investment opportunity due to political unrest, road blockade and hartal, anti government movement, poor infrastructure, fall in stock prices, etc. Most of the business men who run their business taking finance from different banks and NBFIs are forced to become defaulters and this leads to increase the numbers.

At Uttara Finance in 2016, business marketing was more of push than demand driven. Effort of Uttara Finance to reduce dependency on commercial banks as major source of fund continued by way of marketing by Deposit Mobilization Unit and intensive fund Management in money market. Management of Uttara Finance with kind support of the Board of Directors had been able to contain the projected business; disbursement and profit growth.

In the year 2017, major task of Uttara Finance will be to intensify diversification of fund mobilization; reduce dependency on bank borrowing to insignificant level by way of seeking long term foreign loan; enlarge Deposit Mobilization Unit; attain more efficiency in fund management; intensify involvement in Merchant Banking business etc.

Strategy

The Board and Management of Uttara Finance and Investments Limited appreciate very well that clientele is the heart of the organization. For giving financial services we always knock on our clients door to provide our assistance not only when the clients are in good position but also when they are in crisis.

Mission

- To be an outstanding company of motivated people with excellent team work spirit
- To provide quality services and ensure steady growth of the company
- To bring about a qualitative improvement in the life style of our people
- To provide lease finance to professional and technicians on attractive terms
- To encourage continuous technological development and creation of employment opportunities
- To ensure human resources development to meet

the challenges of the time

Vision

To serve the nation through participation in the development of the economy as a leading company of Bangladesh.

Target

Under the prevailing circumstances and demonstrated ability of Uttara Finance to cope with adverse situation in the past, management team of Uttara Finance is determined to maintain the growth rate and will make all out efforts to attain business of BDT 18,520 million. But this will practically remain subject to securing Long Term Loan from foreign sources and macro level socio-economic-political scenario. Thus, an extent of flexibility is likely to continue.

In spite of all macro level impediments in the year 2016 Uttara Finance reached to the following numbers:

Highlights	Taka in million
Business Contract achievement	19,008.56
Business Disbursement achievement	16,810.36
Total recovery (Lease and Term Loan)	13,176.68
Credit Line received	3,530.32
TDR (non bank) received	2,731.50
Repayment of Credit Line	4,320.68
Investment in Merchant Banking Unit	223.35
Investment in Shares	1,608.37

Operational and financial achievements

- a. During the year 2016 operational revenue of the Company is Tk. 3,911.03 million against which it was Tk. 3,940.88 million in 2015.
- b. The profit earned from lease and finance before tax in 2016 is Tk. 1,429.37 million which was in 2015 Tk. 901.69 million which reflects a growth of 58.52 percent.
- c. Income from Merchant Banking unit in 2016 recorded Tk. 166.36 million against Tk. 177.03 million of 2015 i.e. growth (6.03) percent.
- d. Management expense which was Tk. 195.57 million in 2015 increased by 8.59 percent to Tk. 212.37 million in 2016.
- e. Shareholders' equity in 2016 of Tk. 5,696.26 million increased by 8.65 percent over the amount Tk. 5,242.55 million of 2015.
- f. Company's borrowings from bank and other financial institutions in 2015 was Tk. 4,924.98

million which decreased by 16.05 percent to Tk. 4,134.62 million in 2016.

- g. Balance of Deposit received from different persons and institutions as on December 31, 2016 is Tk. 15,368.547 million which was Tk. 14,209.77 million as on December 31, 2015 i.e. growth of 8.16 percent

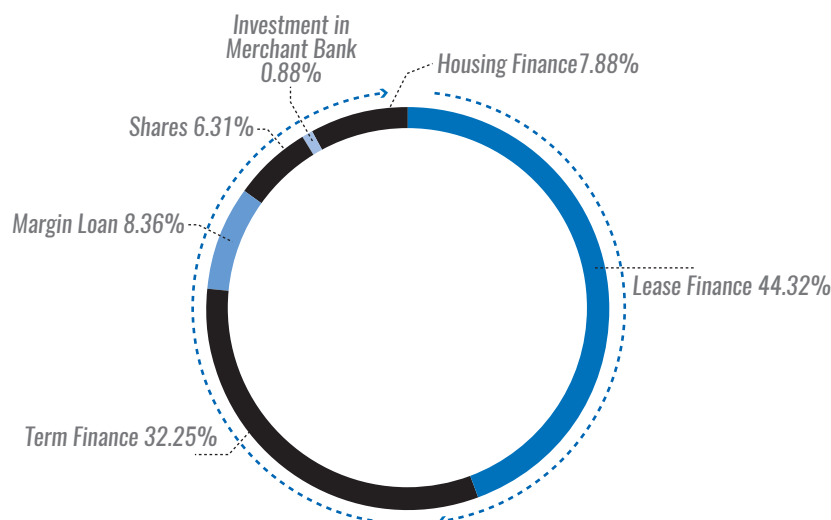
Income earning investment

The core business of Uttara Finance and Investments Limited is lease finance. Beside lease finance the Company also extends term finance facility and margin loan to its clients. The Board of Directors from the very inception of the Company had given their effort to invest in the core business of the Company and the Management is trying its level best to ensure quality investment. Company's total investment details as on 31 December of 2016 and 2015 are given hereunder:

Figures in Million Taka
2015

Head of investment	2016		2015	
	Amount	%	Amount	%
Lease Finance	11,302.06	44.32	11,369.04	45.75
Term Finance	8,223.36	32.25	7,553.22	30.39
Housing Finance	2,009.51	7.88	2,064.75	8.30
Margin Loan	2,131.79	8.36	1,994.85	8.03
Shares	1,608.37	6.31	1,393.41	5.61
Investment in Merchant Bank	223.35	0.88	477.48	1.92
Total	25,498.44	100.00	24,852.75	100.00

INVESTMENTS PORTFOLIO 2016



Non performing loan/assets

After making every investment, the recovery team was very serious to collect the installment/dues from the clients in time. In spite of maximum efforts the amount of non performing loan (NPL) increased to Tk. 1,707.03 million in 2016 which was Tk. 1,729.51 million in 2015. The percentage of NPL in 2016 is 7.21 which was 7.53 in 2015.

Against the non performing loan total accumulated amount of required provision was Tk. 557.41 million as on December 31, 2016 and the Company made the provision by charging the same against Company's earned profit. Besides total amount of interest suspense account is Tk. 550.75 million at the end of 2016 which was Tk. 557.21 million at the end of 2015.

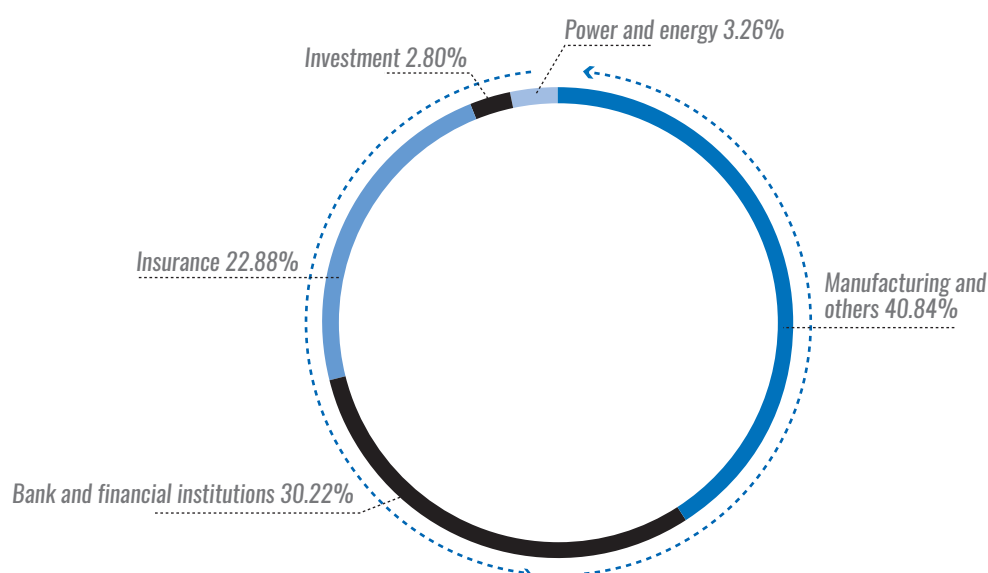
Investments in shares

Uttara Finance and Investments Limited also made investment in shares. At the end of 2015 Company's investment in share was Tk. 1,393.41 million which increased to Tk. 1,608.37 million in 2016. The market price of shares in hand as on December 31, 2016 was Tk. 1,418.80 million i.e.

Tk. 189.57 million provision was made for the difference. The investments made by the Company in different sectors to maintain a balanced diversified portfolio to minimize the risk associated with investment in shares. Sector wise investment positions in shares are given hereunder:

Sectors	No. of company	2016	%	2015	%
Bank and financial institutions	23	485,994,969	30.22	533,280,477	38.27
Insurance	13	368,061,152	22.88	349,917,139	25.11
Investment	5	45,024,325	2.80	39,169,560	2.81
Power and energy	5	52,483,581	3.26	341,087,266	24.48
Manufacturing and others	38	656,806,129	40.84	129,956,416	9.33
Total	84	1,608,370,156	100.00	1,393,410,858	100.00

SECTOR WISE INVESTMENTS IN SHARES-2016



Liquidity statement

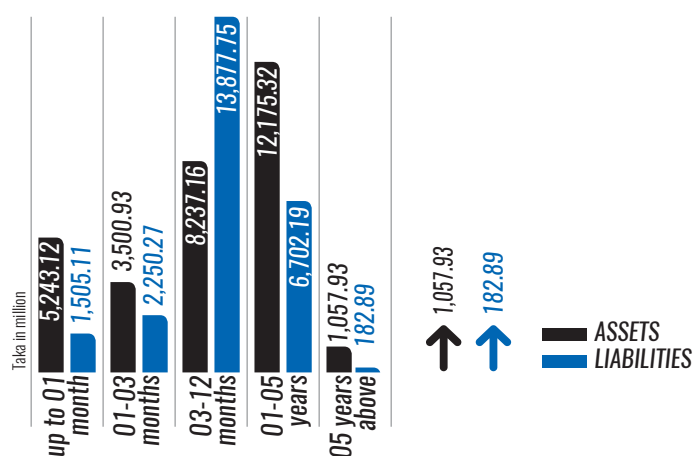
Liquidity statement given hereunder represents the liquidity position of the Company in different tenures. The statement prepared on the basis of agreement with the assets and liabilities related parties. In absence of any agreement, previous practice and best judgment had been applied to prepare the statement which was checked by the external auditors M/S K. M. Hasan & Co. Chartered Accountants. The Asset and Liability of

the Company was analyzed by the Asset Liability Management Committee regularly to ensure reasonable immediate encashable amount to meet up emergency need to pay off the financial obligations. The company feels proud to say that it never made a single day delay to pay any amount in the past even when there was a severe liquidity crisis in the money market. Present position of the Company is adequate to meet up its current and future payment requirements.

Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2016.

Particulars	Amounts in Taka					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	
Assets						
Cash in hand	114,727	-	-	-	-	114,727
Balance with Bangladesh Bank and its agent bank(s)	379,584,049	-	-	-	-	379,584,049
Balance with banks and other financial institutions	395,906,110	1,925,000,000	30,000,000	-	-	2,350,906,110
Money at call and short notice	200,000,000	-	-	-	-	200,000,000
Investments	-	-	1,829,149,321	2,569,450	-	1,831,718,771
Leases, loans and advances	4,267,512,117	1,575,929,850	4,712,999,206	12,052,340,986	1,057,933,020	23,666,715,179
Fixed assets including premises, furniture and fixtures	-	-	-	120,411,908	-	120,411,908
Other assets	-	-	1,665,015,429	-	-	1,665,015,429
Non-financial institutional assets	-	-	-	-	-	-
Total assets (A)	5,243,117,003	3,500,929,850	8,237,163,956	12,175,322,344	1,057,933,020	30,214,466,173
Liabilities						
Borrowings from banks, other financial institutions and agents	50,659,756	339,519,091	1,521,374,659	2,044,722,287	178,342,703	4,134,618,496
Deposits	1,436,535,518	1,790,754,424	7,479,235,325	4,657,462,760	4,550,000	15,368,538,027
Other deposits	-	120,000,000	-	-	-	120,000,000
Provision and other liabilities	17,911,010	-	4,877,141,923	-	-	4,895,052,932
Total Liabilities (B)	1,505,106,284	2,250,273,515	13,877,751,907	6,702,185,047	182,892,703	24,518,209,455
Net Liquidity Gap (A - B)	3,738,010,719	1,250,656,335	(5,640,587,950)	5,473,137,296	875,040,317	5,696,256,717

MATURITY OF ASSETS AND LIABILITIES



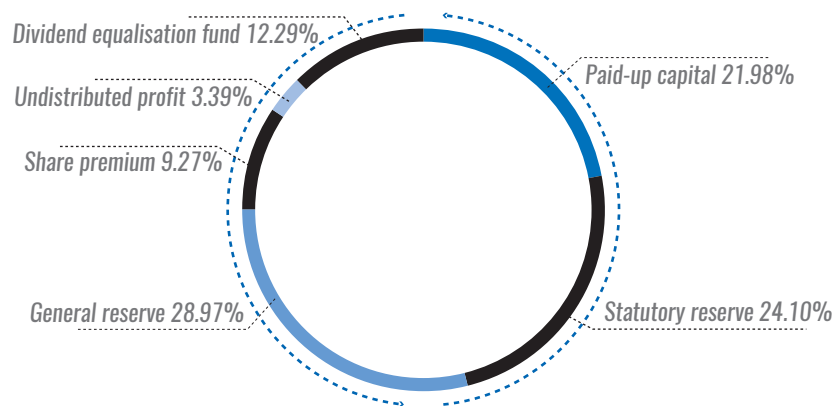
Shareholders' equity

The paid up capital of Uttara Finance and Investments Limited as on December 31, 2016 is Tk. 1,252,204,800 and as on the same date of 2015 the paid up capital of the Company was Tk. 1,252,204,800. On the other hand total equity of the Company at the end of 2016 is Tk. 5,696,265,718 against Tk. 5,242,550,336 of

2015. Good amount of earning, reasonable business growth, strong dividend payout policy, raising of capital on demand of regulatory bodies, Shareholders' contribution as premium is the pillar of the handsome amount of equity and the Company now is in very strong position than its peers. The position of equity is as given next page:

Heads	Amount in Taka			
	2016	%	2015	%
Paid-up capital	1,252,204,800	21.98	1,252,204,800	23.89
Statutory reserve	1,372,943,630	24.10	1,207,070,066	23.02
General reserve	1,650,000,000	28.97	1,500,000,000	28.61
Share premium	528,000,000	9.27	528,000,000	10.07
Undistributed profit	193,108,288	3.39	155,275,470	2.96
Dividend equalisation fund	700,000,000	12.29	600,000,000	11.45
Total	5,696,256,718	100.00	5,242,550,336	100.00

SHAREHOLDERS' EQUITY-2016



Loan from financial institutions

As on December 31, 2016 total amount of outstanding balance of loan is Tk. 4,134,618,496 against which was Tk. 4,924,979,225 in 2015 and Tk. 7,195,685,840 in 2014. At the end of year 2016 the Company had loan balance outstanding with 13 different commercial banks and 2 financial institutions. Uttara Finance and Investments Limited is enjoying the credit facility with different banks payable on instalment basis.

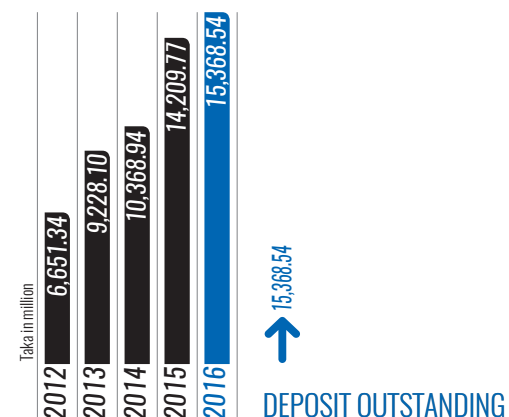
Zero Coupon Bond

Besides Shareholders' equity, bank loan/credit line and deposits, another important source of fund of the Company is Zero Coupon Bond. Outstanding balance as on December 31, 2016 of Zero Coupon Bond is Tk. 120,000,000 and the same was Tk. 1,110,000,000 in the year 2015.

A statement of source of fund as on 31 December 2016 is as given next page.

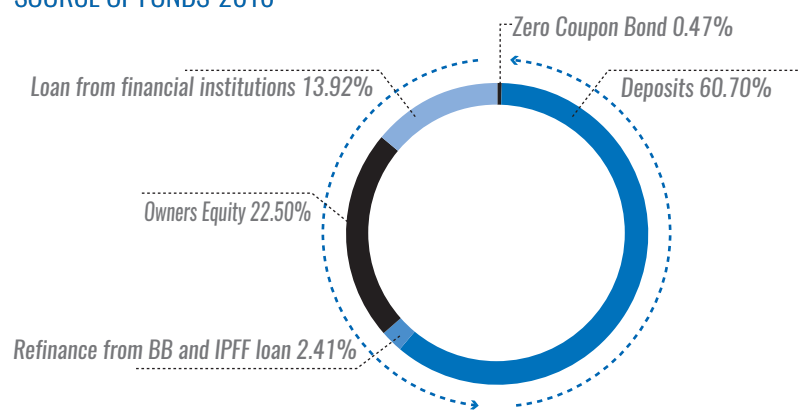
Deposit from different individuals and institutions

Deposit from different individuals and institutions is an important source of fund of Uttara Finance and Investments Limited. The amount of deposit receipts of the Company increasing day by day which is the reflection of depositors' confidence on the Company. At the end of 2016 the amount of outstanding deposit stood at Tk. 15,368,538,027 which was Tk. 14,209,771,217 and Tk. 10,368,944,199 respectively in the year 2015 and 2014.



Head of Funds			Amount in Taka	
	2016	%	2015	%
Owners Equity	5,696,256,718	22.50	5,242,550,336	20.57
Loan from Bank and financial institutions	3,524,993,074	13.92	4,292,494,825	16.84
Deposits	15,368,538,027	60.70	14,209,771,217	55.75
Zero Coupon Bond	120,000,000	0.47	1,110,000,000	4.36
Refinance from BB and IPFF loan	609,625,422	2.41	632,484,400	2.48
Total	25,319,413,241	100.00	25,387,300,778	100.00

SOURCE OF FUNDS-2016



Cash flows

During the year 2016 the net operating cash flows of the Company is Tk. 1,602,964,608 against Tk. 1,554,769,205 of 2015 and net investment through operating activities is Tk. 816,447,602 against Tk. 2,049,948,938 in 2015. Net cash flows from investing activities in 2016 is Tk. (895,192,151) against which it was Tk. 411,687,191 in 2015.

Operating expenses

In the year 2016 the operating expenses of the Company recorded to Tk. 2,596,393,395 out of which Tk. 2,384,020,124 was financial expenses, Tk. 212,373,271 was Management expenses including depreciation and others. In the year

2015 the same was Tk. 2,292,320,411 and Tk. 212,373,271 respectively. The Management expenses includes salary and benefits of employee, office rent, office maintenance, meeting expenses, printing & stationeries, travelling and conveyance, legal expenses etc.

Profit after tax

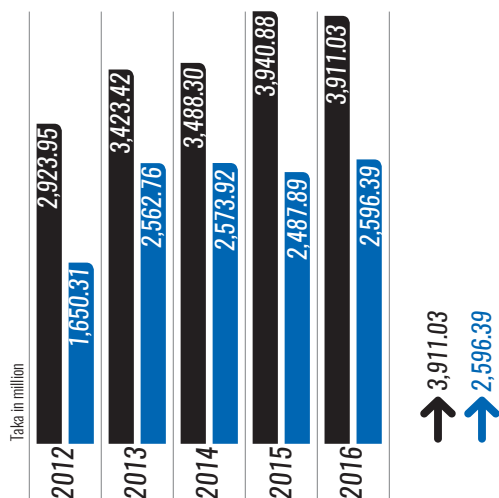
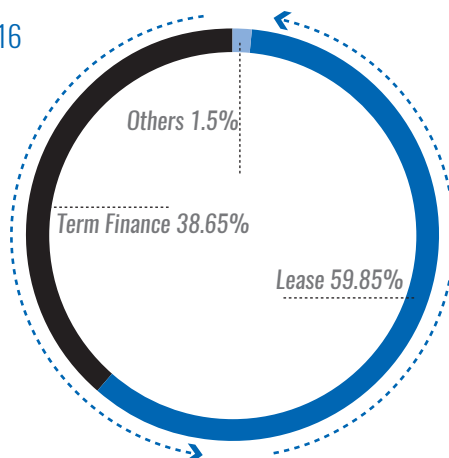
During the year 2016 the Company earned net profit after tax Tk. 829,367,822 against which it was Tk. 551,689,004 in the year 2015. The net profit before tax of 2016 is Tk. 1,429,367,822 against which provisional amount of tax is Tk. 600,000,000. Out of the profit before Tax Tk. 1,263,007,500 from general operation and Tk. 166,360,322 from Merchant banking operation.



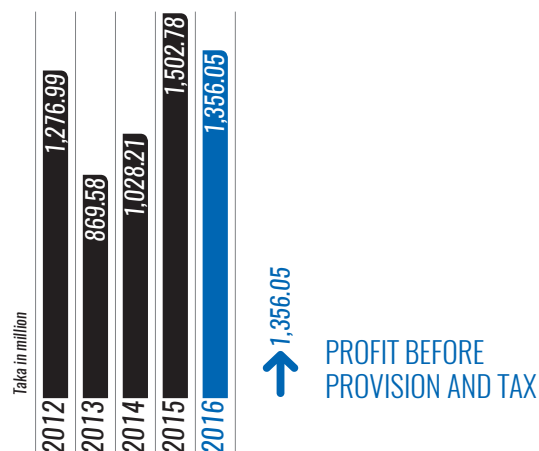
GRAPHICAL PRESENTATION

GRAPHICAL PRESENTATION OF PERFORMANCES

BUSINESS CONTRACT-2016

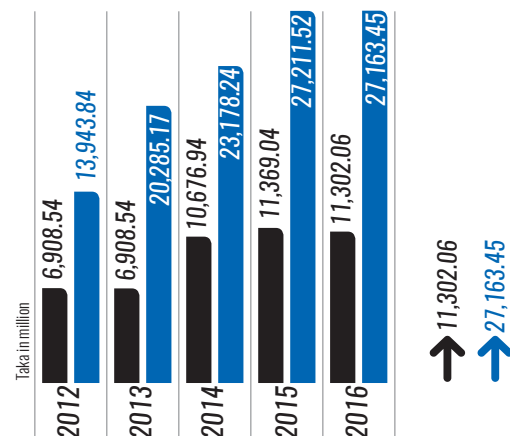


OPERATIONAL REVENUE AND EXPENSES



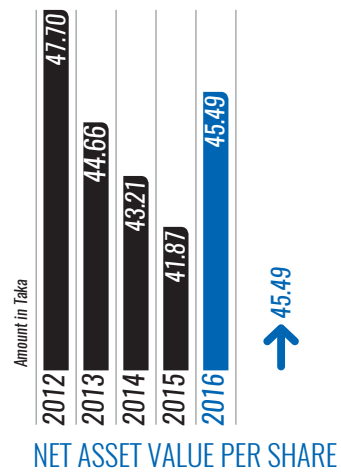
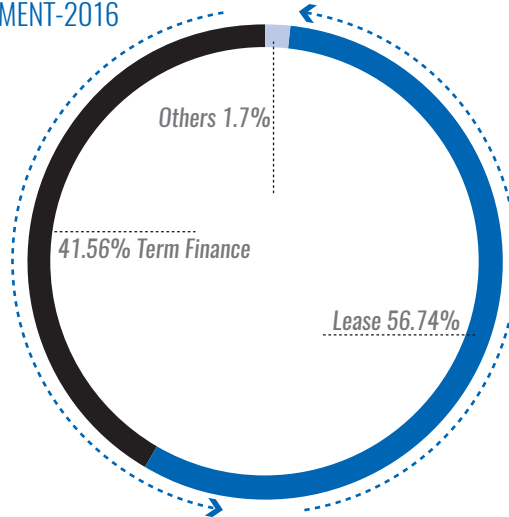
PROFIT BEFORE
PROVISION AND TAX

CUMULATIVE INVESTMENTS AND LEASE ASSETS

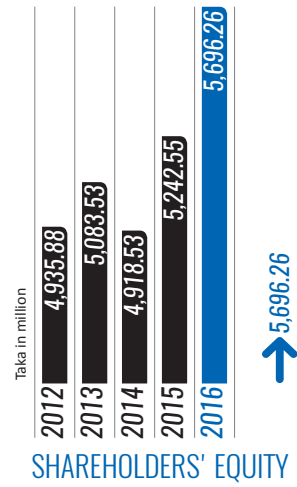


→ 11,302.06
→ 27,163.45

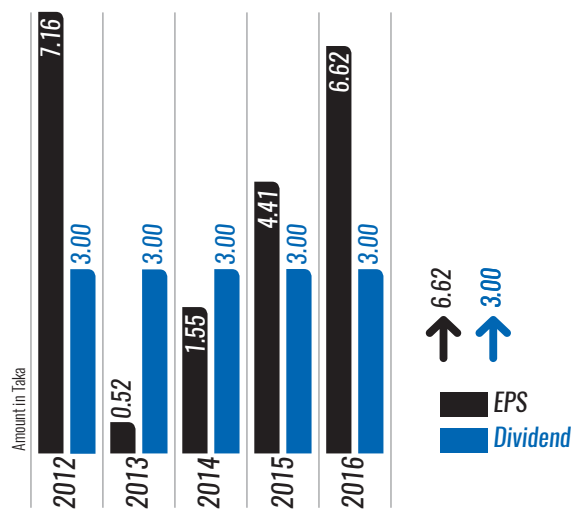
DISBURSEMENT-2016



NET ASSET VALUE PER SHARE



SHAREHOLDERS' EQUITY



EARNING PER SHARE AND DIVIDEND PER SHARE

BOARD OF DIRECTORS

Chairman

Rashidul Hasan
(Nominee Director of Uttara Automobile Manufacturers Limited)

Vice Chairman

Matiur Rahman
(Nominee Director of Uttara Automobiles Limited)

Directors

Mujibur Rahman
(Nominee Director of Uttara Apparels Limited)

Mehdadur Rahman

Zakia Rahman

NG Chin Keong

Tahmina Rahman (Tina)

Kazi Imdad Hossain
(Nominee Director of Uttara Motors Limited)

Nayeemur Rahman
(Nominee Director of Uttara Motor Corporation Limited)

Md. Showkat Hossain, FCA
Independent Director

A. T. K. M. Ismail
Independent Director

Managing Director & CEO

S. M. Shamsul Arefin, M. Com., MBA

STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS

Structure of the Board of Directors

The Board of Directors of Uttara Finance and Investments Limited is the governing authority of the Company. Rashidul Hasan is the Chairman and Matiur Rahman is the Vice Chairman of the 12 Members Board. The Board is governed by the Company's internal rules and regulations as well as guidelines issued by Bangladesh Bank, Bangladesh Securities and Exchange Commission and as per Company Act 1994. To do the duties properly and make its functions and operating procedures easier the Board is assisted by two of its committees namely;

1. Executive Committee

2. Board Audit Committee.

The Board has formed 7 Members Executive Committee consisting of 5 shareholding Directors, one independent Director and Managing Director where Shareholding Director Mujibur Rahman is the Chairman. The Board has also formed 3 Members Board Audit Committee where Independent Director A. T. K. M. Ismail is the Chairman and two Shareholding Directors are the Members. All the Board Committees are comprised with nonexecutive Directors and Independent Directors.

Size and composition of the Board

As per FID Circular no. 9 dated 11 September, 2002 of Bangladesh Bank, the number of shareholding Directors of the Board of a Non-banking Financial Institution shall be minimum nine and maximum eleven. The Board of Directors of Uttara Finance and Investments Limited consists of 12 (twelve) including Managing Director and two Independent Directors. As per BSEC's Notification, a listed company should have Independent Director of at least one-fifth of total Directors. Against nine shareholding Directors there are two Independent Directors of the Company. Details biography of the Members of the Board are given in the page no. 45 to 53.

Members of the Board

Nature of Directors	Number of Directors		
	Board of Directors	Executive Committee	Board Audit Committee
Shareholding Director	4 (Four)	2 (Two)	1 (One)
Shareholding			
Director-Nominee	5 (Five)	3 (Three)	1 (One)
Independent Director	2 (Two)	1 (One)	1 (One)
Managing Director	1 (One)	1 (One)	1 (One)
Total	12 (Twelve)	7 (Seven)	4 (Four)

Appointment, tenure, Retirement and Re-appointment of shareholding Directors

The subscribers as per Memorandum of the Company used to act as Directors till appointment of first Directors of the Company as per companies act. Article no. 51 of the Memorandum of the Company states that 'the number of Directors unless otherwise determined by the General Meeting shall not be less than 7 (seven) and not more than 15 (fifteen)'. The Board of Directors of the Company consists of 9 shareholding Directors and 2 Independent Directors. All the Directors of the Company are qualified as per Articles no. 61 of the Memorandum, provisions of Companies Act, Bangladesh Bank and Bangladesh Securities and Exchange Commission.

As per Article 62 of the Memorandum of the Company all Directors will be appointed for fixed term and shall retire from office in every subsequent year. One-third of the total number of Directors is to retire by rotation every year and as per Article 64 retired Directors are eligible for re appointment by re-election.

Appointment, eligibility, retirement and re-appointment of Independent Directors

As per section 1.2(i) of Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission 2 (two) Independent Directors have been reappointed by the Board of Directors for a further period of 3 (three) years and as per section 1.2(iii) of the same notification the Shareholders in the 21st Annual General

Meeting held on Monday, May 30, 2016 approved the reappointment of two Independent Directors.

Both the Independent Directors namely Md. Showkat Hossain, FCA and A. T. K. M. Ismail are eligible as per section 1.2(i) & 1.3 of notification number SEC/CMRRCD/2006-158/134/Admin/44, Dated 07 august 2012 and Uttara Finance and Investments Limited do hereby declare that none of them;

- i. holds more than one percent (1%) shares of the total paid-up shares of the company;
- ii. is a sponsor of the Company and is connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company:
Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members;
- iii. has any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;
- iv. is a member, director or officer of any stock exchange;
- v. is a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;
- vi. is a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;
- vii. is an independent director in more than 3 (three) listed companies;
- viii. has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);
- ix. has been convicted for a criminal offence involving moral turpitude;

The Board of Directors believe that both Independent Directors are knowledgeable with integrity who are able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.

A. T. K. M. Ismail, MA (Economics) is a retired Secretary of Bangladesh Government and Md. Showkat Hossain, FCA is a professional Chartered Accountants. Both of the Independent Directors have more than 12 (twelve) years of corporate management/ professional experiences.

Directors' responsibility

All the Directors are responsible and used to give best efforts to attend the meeting of the Board and the Board Committees to which such Director is a Member for developing and upgrading Company's Governance Principles, Code of Conduct and the Charter of each Committee. Papers relating to business of each meeting are placed before the members of Board and its Committees minimum three days before the date of meeting. The Board and its committees are not involved with day to day affairs of the Company.

Directors' fees

Each non executive Directors at present are entitled to receive fee @ BDT 8,000.00 (Taka eight thousand) only for attending Board of Directors meeting and Executive Committee meeting. The Managing Director & CEO is not entitled for any fee for attending the meeting. Other than the fee for attending in the meeting none of shareholding Directors and Independent Directors holds any position of profit and receives any remuneration.

Meeting

Each of the Board of Directors, the Executive Committee and the Board Audit Committee holds at least four regularly scheduled meetings in a year. In the year 2016 the Board of Directors, the Executive Committee and the Board Audit Committee met 7 times, 6 times and 5 times respectively to discuss scheduled businesses.

RESPONSIBILITY OF BOARD OF DIRECTORS



Board and its Members

The Board of Directors of the Company consists of 9 shareholding Director, 1 Managing Director and two independent Directors. As per section 1.2(i) of Notification no. SEC/CMRRCD/2006-158/134/ Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission 2 (two) new Independent Directors namely Md. Showkat Hossain, FCA and A.T.K.M. Ismail have been reappointed by the Board of Directors in the year 2016 for a further period of 3 (three) years. As per Article 62 of the Company one-third of the total number of Directors is to retire by rotation every year and being eligible re-elected in the AGM.

Responsibility of the Board of Directors

The Board is responsible for company's internal control system that covers not only financial matters but also good governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes, procedures and also for reviewing the adequacy and integrity thereof. Therefore, an ongoing process has been

established by the Board for identifying, evaluating, managing and reporting the significant risks.

The Board of Directors are responsible for ensuring that financial statements which is the state of its affairs of the Company have been prepared in accordance with International Financial Reporting Standard (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh give a true and fair view. The Board ensures that the estimates and judgments relating to the financial statements were made on prudent and reasonable basis and also ensures that proper books of accounts of all the transactions and prepares have been kept in right manner.

The Board also confirms that the financial statements comply with the requirements of the Companies Act, 1994, Securities and Exchange Rules, 1987, Financial Institutions Act, 1993, and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

As per section 184 of Companies Act, 1994 (Act no. XVIII of 1994) the Board of Director' is responsible for preparation of Board of Directors Report and the report to be prepared following corporate governance guideline given by Bangladesh Securities and Exchange Commission vide their notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 to include in annual report for presenting before the shareholders in the annual general meeting.

Delegation of the Board of Director's responsibility

The Board of Directors of Uttara Finance and Investments Limited have delegated the review work to the Executive Committee, Audit Committee and other appropriate Committees of the Company. These Committees discharge their duty and consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if required.

System of internal control and implementation thereof throughout the company has been delegated by the Board to the Management and to the department of ICC. However, the guidance asserts that the Board cannot rely solely on such an embedded process, but should regularly receive and review reports on internal control from the management.

Managing Director, Chief Financial Officer and Chief of Internal Control & Compliance of Uttara Finance and Investments Limited are responsible for evaluation of the effectiveness of Internal Control system of the company. This control assist the Board to meet its responsibilities for the integrity and accuracy of the company's accounting records from which financial statements are prepared after complying with required laws and standards. The Board of Directors is satisfied with the effectiveness of the system of the internal control for the year under review.

Directors' attendance in the Board of Directors meetings

During the year 2016 the Board of Directors met 7 times. Most of the Directors were present in all

the meetings. The Company Secretary and Chief Financial Officer were also present in all the meetings.

Auditors' appointment

In compliance of the requirement of appointment of an external auditor for audit of books and accounts the Board of Directors considering eligibility, the willingness of auditor and proposal of Board Audit Committee recommended for appointment of an audit firm of repute to be the Auditor of Uttara Finance and Investments Limited.

Going concern

The Directors of Uttara Finance and Investments Limited have considered the future profitability, cash flows, quality of asset & liability, current ratio, renewal and repayment of debt, nature of borrowing, creditors repayment credibility, investment portfolio, equity, employees turnover etc. in making their assessment and after due assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future.

FUNCTION AND ACTIVITIES OF HONOURABLE CHAIRMAN

The Chairman of Uttara Finance and Investments Limited is the key person of the Board. Mr. Rashidul Hasan, known as the father of the leasing industry in Bangladesh is the founder Chairman of the Company. After first appointment he has unanimously been re-appointed by the Board in the last 21 years. As a Chairman of the Company he, besides the Board of Directors is also the guardian of two Committees of the Board namely the Executive Committee and Board Audit Committee. As per guideline of different regulatory bodies and Company's Act 1994 the function and activities of honourable Chairman are given below:

1. The honourable Chairman will conduct the Board of Directors Meeting
2. The honourable Chairman will conduct the Annual General Meeting
3. The honourable Chairman will conduct the Extraordinary General Meeting
4. The honourable Chairman will not participate and/or interfere in any day to day activities of the Management.
5. The honourable Chairman will sign the minutes of Board of Directors Meeting
6. The honourable Chairman will sign the minutes of Annual General Meeting
7. The honourable Chairman will sign the minutes of Extraordinary General Meeting
8. The honourable Chairman will sign the offer letter to the Managing Director regarding appointment and benefit.
9. The honourable Chairman will sign the financial statements of the Company of first quarter, half yearly and third quarter.
10. Any other matter as approved by the Board.

DIFFERENT COMMITTEES OF BOARD OF DIRECTORS AND MANAGEMENT

Executive Committee

Chairman

Mujibur Rahman, Director

Members

Mehdadur Rahman, Director

Kazi Imdad Hossain, Director

Tahmina Rahman (Tina), Director

Nayeemur Rahman, Director

A. T. K. M. Ismail, Independent Director

S. M. Shamsul Arefin, Managing Director

Audit Committee

Chairman

A. T. K. M. Ismail (Independent Director)

Members

Mujibur Rahman, Director

Mehdadur Rahman, Director

Management Committee

S. M. Shamsul Arefin, M. Com., MBA, Managing Director

A J Masudul Haque Ahmed, Executive Director

Md. Jakir Hossain, FCA, DMD

Anil Chandra Das, SEVP

Stress Testing Implementation Committee

S. M. Shamsul Arefin, M. Com., MBA, Managing Director

Anil Chandra Das, SEVP

Uttam Kumar Saha, EVP

Kazi Arifuzzaman, VP

Md. Mainuddin, VP

BASEL Implementation Committee

S. M. Shamsul Arefin, M. Com., MBA, Managing Director

Anil Chandra Das, SEVP

Uttam Kumar Saha, EVP

Kazi Arifuzzaman, VP

Md. Mainuddin, VP

Prevention of Money Laundering and Terrorist Financing Committee

Anil Chandra Das, SEVP

Uttam Kumar Saha, EVP

Md. Mainuddin, VP

Sheikh Md. Ashiqur Rahman, SAVP

Md. Kamruzzaman, ACA, SAVP

Rajib Kumar Saha, SPO

Central Compliance Unit (CCU)

Md. Jakir Hossain, FCA, DMD

Anil Chandra Das, SEVP

Uttam Kumar Saha, EVP

Md. Mainuddin, VP

Portfolio Management Committee

S. M. Shamsul Arefin, M. Com., MBA, Managing Director

Md. Jakir Hossain, FCA, DMD

Anil Chandra Das, SEVP

Uttam Kumar Saha, EVP

Internal Control & Compliance (ICC) Committee

S. M. Shamsul Arefin, M. Com., MBA, Managing Director

Kazi Arifuzzaman, Vice President

Md. Kamruzzaman (Ryan), ACA, SAVP

Md. S. M. Kamruzzaman, AVP

Md. Kamruzzaman Mollah (Baker), SPO

Risk Management Forum

Uttam Kumar Saha, EVP

Kazi Arifuzzaman, VP

Md. Mainuddin, VP

Md. Mesbah Uddin Mahmud, VP

Nizamul Haque, AVP

Risk Analysis Unit

Md. Aershad Hossain Khan, AVP

Rajib Kumar Saha, SPO

Abu Kawsar, SPO

Integrity Committee

Anil Chandra Das, SEVP

Kazi Arifuzzaman, VP

Md. Mesbah Uddin Mahmud, VP

Md. Mainuddin, VP

Nizamul Haque, AVP

Mortgage Backed Securities & Corporate Bond Committee

Uttam Kumar Saha, EVP
Md. Mainuddin, VP
Md. Kamruzzaman, ACA, SAVP

Credit Administration Department

Anil Chandra Das, SEVP
Nizamul Haque, AVP
Nuveria Sultana, AVP
Nantanu Chowdhury, SPO

Asset Liability Management Committee (ALCO)

S. M. Shamsul Arefin, M. Com., MBA, Managing Director
Md. Jakir Hossain, FCA, DMD
Anil Chandra Das, SEVP
Uttam Kumar Saha, EVP
Kazi Arifuzzaman, VP
Faruk Jamil, VP
Md. Mainuddin, VP

Small & Medium Enterprise (SME) Committee

Md. Eunus Bin Rashid, AVP
Lipi Rani Podder, SO
Nazrul Islam, SO
Jakia Sultana, Officer
Shoeb Hossain, AO
Jesmin Sultana, AO

Women Entrepreneurs Dedicated Desk

Nuveria Sultana, AVP
Jakia Sultana, Officer
Jesmin Sultana, AO

Sustainable Finance Committee

Anil Chandra Das, SEVP
Uttam Kumar Saha, EVP
Kazi Arifuzzaman, VP
Faruk Jamil, VP
Choudhury Fazla Anwar, VP
Md. Mainuddin, VP
Monira Ferdous Jahan, SAVP
Moshiul Azam, SAVP
Sheikh Md. Ashiqur Rahman, SAVP

Sustainable Finance Unit

Anil Chandra Das, SEVP
Monira Ferdous Jahan, SAVP
Md. Eunus Bin Rashid, AVP
Md. Aershad Hossian Khan, AVP
Nuveria Sultana, AVP
Sajib Roy, SPO
Nantanu Chowdhury, SPO
Md. Abdul Latif, PO

Innovation Team

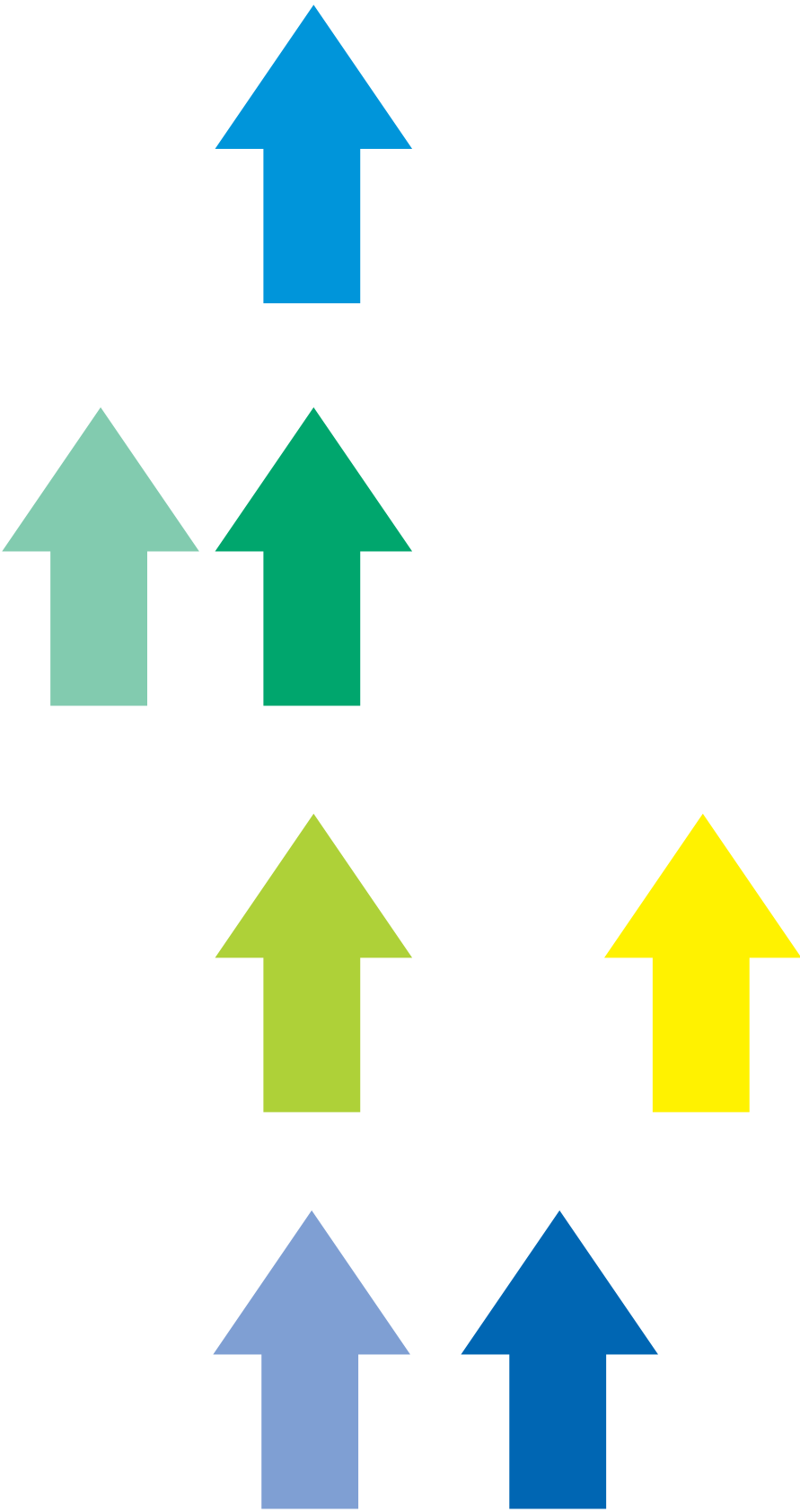
S. M. Shamsul Arefin, M. Com., MBA, Managing Director
Uttam Kumar Saha, EVP
Faruk Jamil, VP
Rajib Kumar Saha, SPO
Abu Kawsar, SPO
Nantanu Chowdhury, SPO
Imranul Haque, SO

Credit Risk Management Department

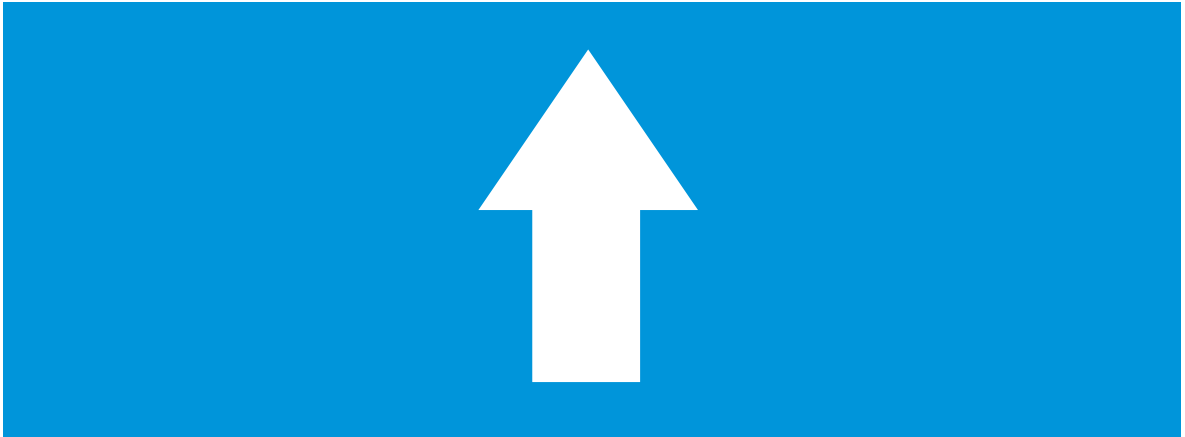
Anil Chandra Das, SEVP
Md. Mesbah Uddin Mahmud, VP
Faruk Jamil, VP
Nizamul Haque, AVP
Nuveria Sultana, AVP
Nantanu Chowdhury, SPO

Integrated Supervision System Desk

Abu Kawsar, SPO
Md. Imranul Haque, SO
Manoj Kumar Chakravorty, Officer



DIRECTORS' PROFILE

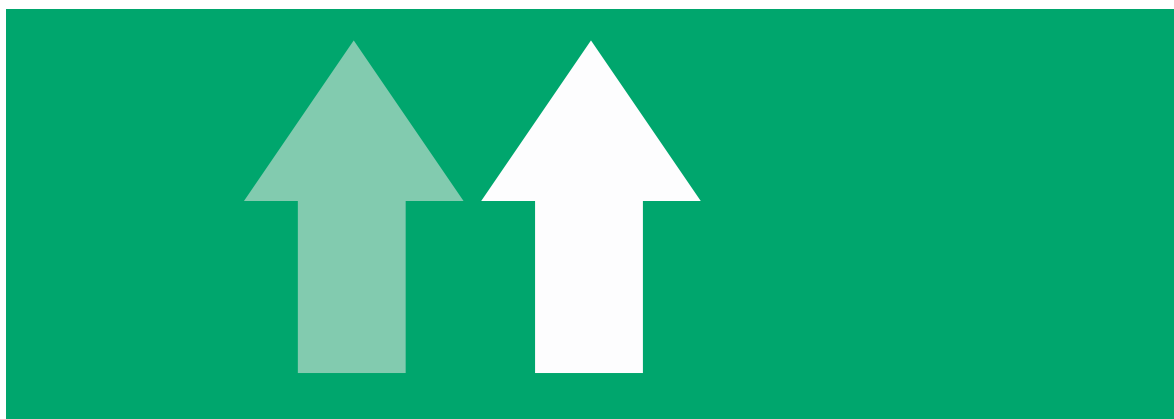


Rashidul Hasan
CHAIRMAN

Mr. Rashidul Hasan born on December 29, 1937, is a Bangladeshi by birth. He completed Graduation with Honours in Political Science from Dhaka University in 1959 and M. A. in 1960 and obtained Post-Graduate Diploma in Development Administration from Cambridge University, UK in 1970. He is a Fellow of the Economic Development Institute of the World Bank since 1977. He joined the erstwhile Civil Service of Pakistan in 1962 and served till 1985 (voluntarily retired). He was Director General, Department of Industries from 1976 to 1981.

Mr. Hasan was CEO & Managing Director of Industrial Promotion and Development Company of Bangladesh Limited (IPDC), the first joint venture investment and finance company of Bangladesh with IFC of the - World Bank, C.D.C of UK, D.E.G of Germany, AKFED of Switzerland and Government of Bangladesh from 1982 to 1988. He played the pioneering role and helped to set-up the first joint venture leasing company namely IDLC of Bangladesh Limited (present IDLC Finance Limited) and was the founder Chairman of the Company from 1984 to 1988.

At present holding the position of Director in a good number of reputed national and multinational companies like Bata Shoe Company (Bangladesh) Limited, Reckitt and Benckiser Bangladesh Limited, Trustee of Kumudini Welfare Trust of Bangladesh Limited and Chairman of PHULKI, a NGO.



Matiur Rahman
VICE CHAIRMAN

Mr. Matiur Rahman son of late Nurul Islam Bhuiyan born on 1st March 1953 is a Bangladeshi by birth. He is a graduate in Commerce and well established renowned businessman of the Country. He is a Sponsor Director of Uttara Finance and Investments Limited being nominated by Uttara Automobiles Limited and Vice Chairman of the Board of Directors of the Company. Mr. Rahman acted as founder President of Japan-Bangladesh Chamber of Commerce and Industry and served from June 2004 to March 2006. He was the past president of Dhaka Chamber of Commerce & Industries, the largest and most vibrant Chamber of the country for two consecutive years covering 2002 & 2003. At present Mr. Rahman is the Advisor of Japan-Bangladesh Chamber of Commerce and Industry and Bangladesh-Thai Chamber of Commerce and Industry.

Mr. Matiur Rahman is the Chairman and Managing Director of different companies of Uttara Group namely Uttara Motors Limited, Uttara Automobiles Limited, Menoka Motors Limited, Uttara Tyre Retreading Co Limited, Uttara Apparels Limited, Hallmark Pharmaceuticals Limited, Uttara Hongkong JVC Ltd., Uttara Services Limited, Uttara Knitting & Dyeing Limited, Uttara Knitwears Limited, Uttara Properties Limited, Uttara Automobile Manufacturers Limited, Uttara Motors Corporation Limited, and also honourable Director of Eastern Insurance Company Limited, National Life Insurance Company Limited, Artisan Ceramic Limited, Uttara Exchange and Securities Limited, UGC Securities Limited, Eastern Securities Limited, Consolidated Tea Plantation Limited, Eastern Motors Limited, Hill Plantation Limited.

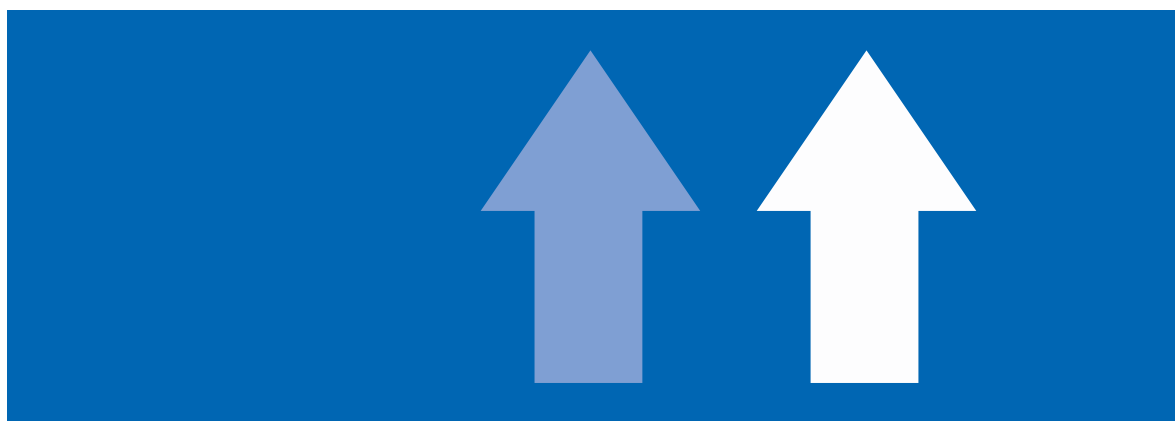


Mujibur Rahman
DIRECTOR

Mr. Mujibur Rahman son of late Nurul Islam Bhuiyan born on 12th April 1955 is a Bangladeshi by birth and is a graduate in Arts. He is a Sponsor Director of Uttara Finance and Investments Limited being nominated by Uttara Apparels Limited. He is the Chairman of the Executive Committee and Member of the Board Audit Committee of the Company.

Mr. Mujibur Rahman is the Chairman of Eastern Insurance Company Limited and Deputy Managing Director of different companies of Uttara Group namely Uttara Motors Limited, Uttara Tyre Retreading Company Limited, Uttara Apparels Limited, Hallmark Pharmaceuticals Limited, Uttara Services Limited, Uttara Knitting & Dyeing Limited, Uttara Knitwears Limited, Uttara Automobile Manufacturers Limited, Uttara Motors Corporation Limited.

Mr. Mujibur Rahman is also honourable Director of National Life Insurance Company Limited, Uttara Exchange and Securities Limited, UGC Securities Limited, Eastern Securities Limited, Eastern Motors Limited.



Mehdadur Rahman
DIRECTOR

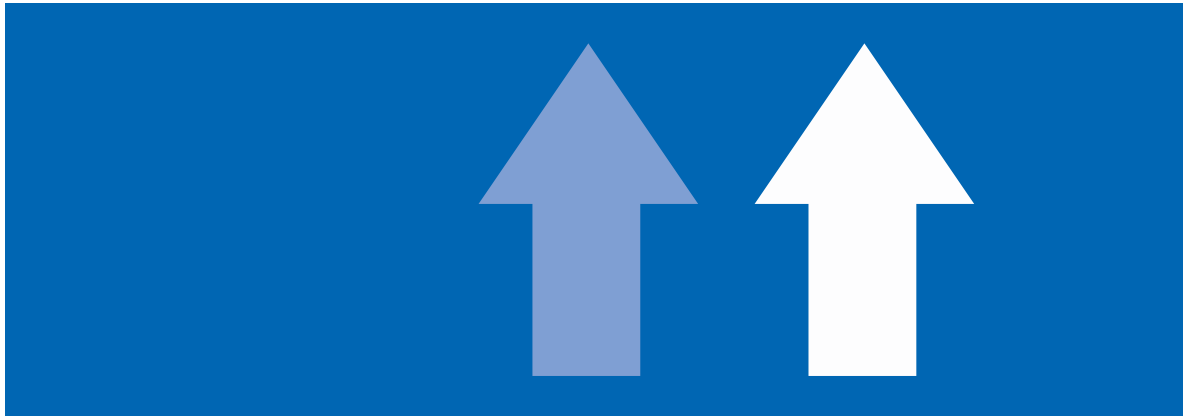
Mr. Mehdadur Rahman son of late Mukhlesur Rahman, the founder Chairman and Managing Director of Uttara Group & late Mahbuba Khatun born on 13 April 1970 is a Bangladeshi by birth. He is a graduate in International Business Administration. He is a Sponsor Director of Uttara Finance and Investments Limited and also a Member of the Executive Committee and Board Audit Committee of the Company.

Mr. Mehdadur Rahman is Deputy Managing Director of different companies of Uttara Group namely Uttara Motors Limited, Uttara Automobiles Limited, Menoka Motors Limited, Uttara Tyre Retreading Co. Limited, Uttara Apparels Limited, Hallmark Pharmaceuticals Limited, Uttara Services Limited, Uttara Knitting & Dyeing Limited, Uttara Knitwears Limited, Uttara Automobile Manufacturers Limited, Uttara Motors Corporation Limited, and honourable Director of Eastern Insurance Company Limited, National Life Insurance Company Limited, Uttara Exchange and Securities Limited, UGC Securities Limited, Eastern Securities Limited, Uttara Hong Kong JVC Limited, Eastern Motors Limited, Hill Plantation Limited.



N.G. Chin Keong
DIRECTOR

Mr. N.G. Chin Keong born on 31 August 1954 in Singapore. He is a Certified Public Accountant and also a renowned business man of Singapore. Mr. Chin Keong has no other investment in Bangladesh and he is Sponsor Director of Uttara Finance and Investments Limited.



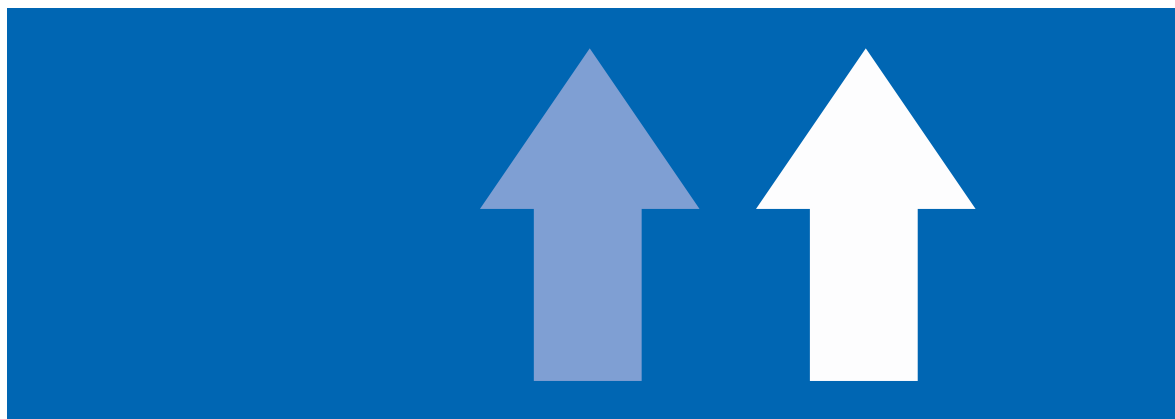
Zakia Rahman
DIRECTOR

Mrs. Zakia Rahman born on 05 July 1958 is a Bangladeshi by birth. She is a graduate in Commerce. Mrs. Zakia Rahman is the Sponsor Director of Uttara Finance and Investments Limited. She is honourable Director of different companies of Uttara Group namely Uttara Motors Limited, Uttara Automobiles Limited, Menoka Motors Limited, Uttara Tyre Retreading Co Limited, Uttara Apparels Limited, Hallmark Pharmaceuticals Limited, Uttara Hongkong JVC Ltd., Uttara Services Limited, Uttara Knitting & Dyeing Limited, Uttara Knitwears Limited, Uttara Properties Limited, Uttara Automobile Manufacturers Limited, Uttara Motors Corporation Limited and Eastern Insurance Co. Limited



Tahmina Rahman (Tina)
DIRECTOR

Mrs. Tahmina Rahman (Tina) born on March 29, 1977 is a Bangladeshi by birth. She is the daughter of late Mukhlesur Rahman, the founder Chairman and Managing Director of Uttara Group & late Mahbuba Khatun. She is a Bachelor of commerce. Mrs. Tahmina Rahman (Tina) is the Sponsor Director of Uttara Finance and Investments Limited and Member of the Executive Committee of the Company. She is also honourable Director of different concerns of Uttara Group namely Uttara Motors Limited, Uttara Automobiles Limited, Menoka Motors Limited, Uttara Tyre Retreading Co Limited, Uttara Apparels Limited, Hallmark Pharmaceuticals Limited, Uttara Hongkong JVC Ltd., Uttara Services Limited, Uttara Knitting & Dyeing Limited, Uttara Knitwears Limited, Uttara Properties Limited, Uttara Automobile Manufacturers Limited, Uttara Motors Corporation Limited,



Kazi Imdad Hossain
DIRECTOR

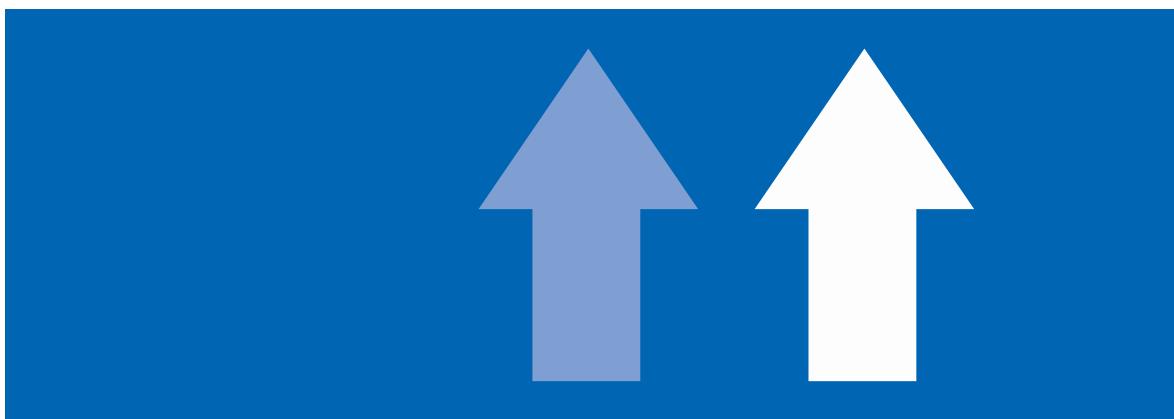
Mr. Kazi Imdad Hossain born on 25 November 1945 is a Bangladeshi by birth. He is a Bachelor of Science and Executive Director of Uttara Motors Limited. He is a Director of Uttara Finance and Investments Limited being nominated by Uttara Motors Limited and Member of the Executive Committee of the Company.

Mr. Hossain is also Director of Eastern Insurance Co. Limited and National Life Insurance Co. Limited.



Nayeemur Rahman
DIRECTOR

Mr. Nayeemur Rahman is the youngest Director of Uttara Finance and Investments Limited. Mr. Rahman is the elder son of honourable Vice Chairman Mr. Matiur Rahman and Director Mrs. Zakia Rahman. He has born in Bangladesh on 2nd February 1983. He completed his BBA degree from North South University of Bangladesh. After completion of the Post Graduation from England he joined Uttara Group to look after the HR and Brand Management of fifteen different companies of the group. He is also an Honourable Director of Eastern Insurance Company Limited.



A. T. K. M. Ismail
INDEPENDENT DIRECTOR

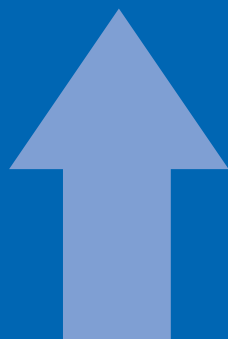
Mr. A. T. K. M. Ismail, born on March 01, 1952 is a Bangladeshi by birth. He is BA (Hons.) MA in Economics from Dhaka University, completed one year Post Graduate Diploma in GIS (Geographic Information System) from the International Institute of Aerospace Survey and Earth Sciences, The Netherlands in 1989 and also completed Post Graduate Diploma in Population Sciences, Dhaka University in 2009. Mr. Ismail is a Retired Secretary of the Government of Bangladesh. He is the Chairman of Board Audit Committee of Uttara Finance and Investments Limited. Mr. Ismail attended Food Administrator's Course at the Canadian International Grains Institute, Winnipeg, Canada, attended Procurement Management training from the International Training Centre of ILO, at Turin, Italy and training on Managing at the Top (MATT) from Birmingham University and the UK Civil service College.

Mr. Ismail is a vastly experienced person in Manpower and Labour sector (Headed the Labour Wing of the Bangladesh Embassy in Kuwait), experienced in Procurement, experienced in Administration of Criminal Justice and also experienced in Environment and Geographic Information System (GIS)



Md. Showkat Hossain ^{FCA}
INDEPENDENT DIRECTOR

Mr. Md. Showkat Hossain, FCA, is a Bangladeshi by birth. He is a professional chartered accountant and Fellow Member of the Institute of Chartered Accountants of Bangladesh. Mr. Hossain is the Partner of A. Wahab & Co., Chartered Accountants. Before starting his journey as partner of A. Wahab & Co., Chartered Accountants he served in Accounts and Finance division in Bangladesh Petroleum Corporation (BPC), Eastern Refinery Limited (ERL), Jamuna Oil Company Limited (JOCL), Dhaka Electric Supply Company Limited (DESCO) and Dhaka Ahsania Mission (DAM). Also worked with Bangladesh Energy Regulatory Commission (BERC) as Member of the Commission and was nominated by the Government to represent Government as Director of Padma Oil Company Limited (POCL) and Jamuna Oil Company Limited (JOCL). He worked for NCR Corporation, USA in its regional offices in Bahrain, Cyprus and Kuwait, in the Accounts Division. He is experienced in audit of world renowned multinational companies like, Unilever, Glaxo, Hoechst, James Finlay, etc. as well as limited companies under Government sector corporations like, Eastern Refinery, Chittagong Steel Mills, R R Jute Mills, Bangladesh Gas Fields, etc.



S. M. Shamsul Arefin
CEO & MANAGING DIRECTOR

S M Shamsul Arefin, CEO & Managing Director is a B.Com (Hons) & M.Com in Accounting from 'Dhaka University' in 1985. MBA with Major in Finance from 'United Kingdom' in 1987. Associate of 'British Institute of Management (U.K)' in 1987. He was recruited as an Officer by former 'Al Baraka Bank Bangladesh Limited'. After successful completion of theoretical and practical experience he was transferred to various branches of the Bank and finally to Industrial Finance Cell as Financial Analyst. He joined on 01 July 1996 in UFIL's Business Division as Assistant Vice President (AVP). He was promoted as SAVP, VP, SVP & finally EVP. Before taking the charge of Managing Director he worked in various departments and finally worked as second man of the Company. Lastly in the year 2003 he took up the complete charge of UFIL being promoted as Managing Director. During his 34 years service career he attended various conferences which includes; 3 days 'Securitization' course on Financial Institutions Development Project (FIDP), Bangladesh Bank in 2001. Trade Cash and Finance 'making forfeiting work for you' Int'l Chamber and BNP Paribas jointly organized in Paris, France in 2005. Understanding the UCP 600, Organized by International Chamber in Paris, France in 2007. Financial Markets Forum, Organized by Standard Chartered Bank, Dubai, U.A.E in 2012. Bangladesh Investment Summit, Organized by Deutsche Bank & Standard Chartered Bangladesh at Singapore in 2012. World Leasing Convention, Organized by Euromoney Seminars, London, UK at Berlin, Germany in 2013. Leadership & Financial Risk Management, Organized by Standard Chartered Bank at Malaysia in 2014.

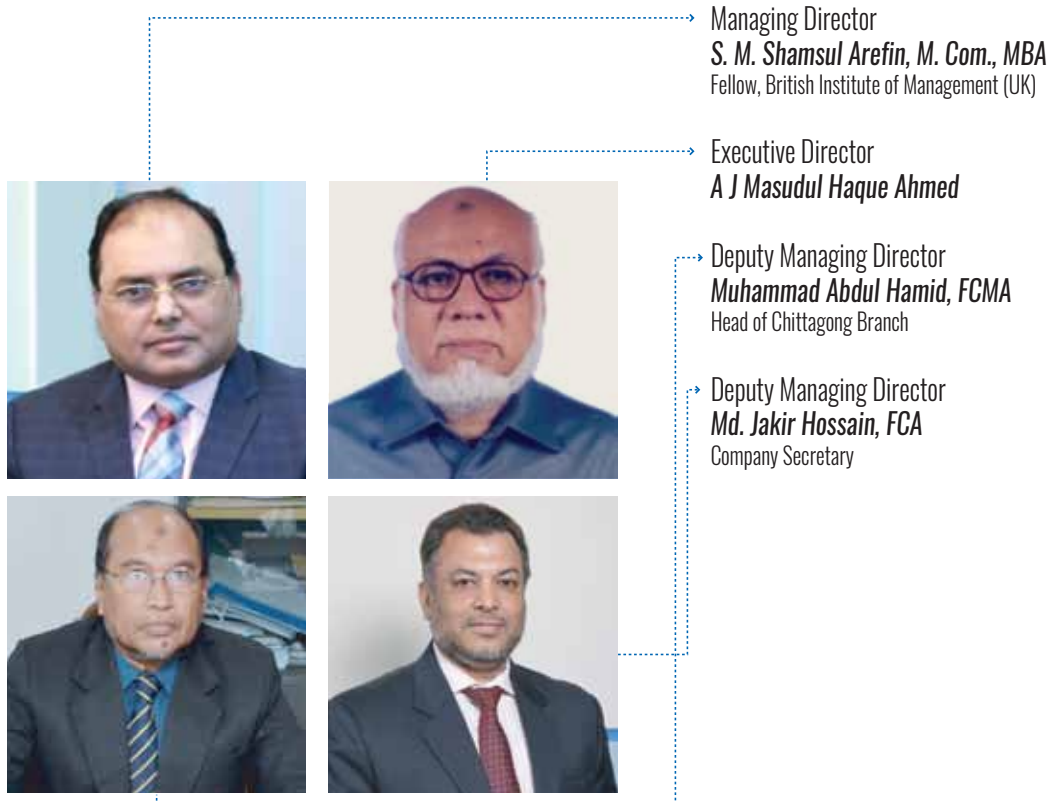


MANAGEMENT



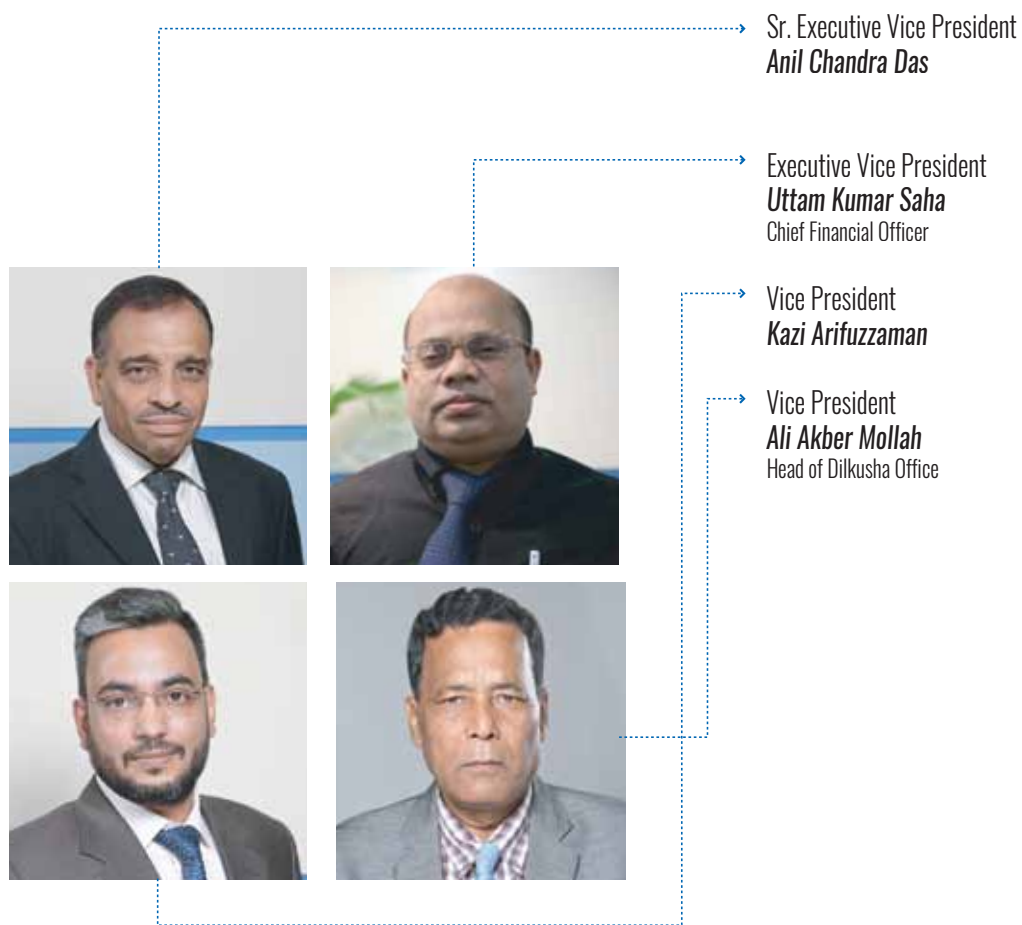


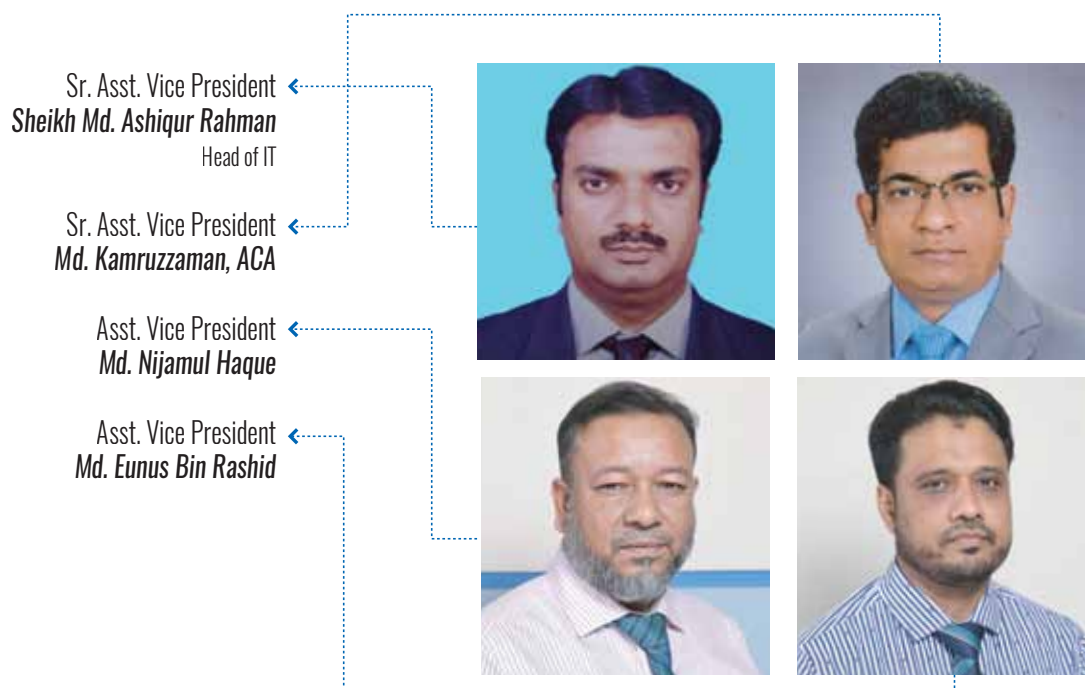
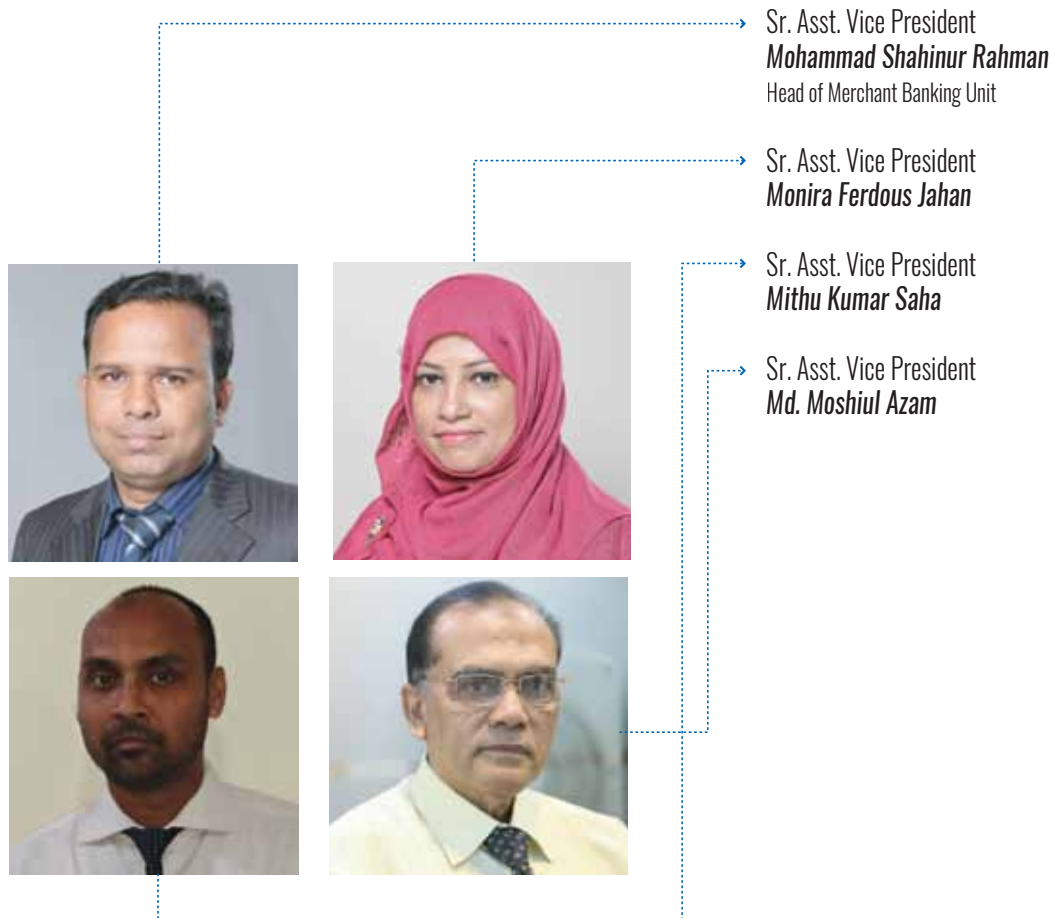
The success of Uttara Finance and Investments Limited within such a short time is the result of hard working and efficiency of the work force of the company. Uttara Finance has a team of well-educated and experienced executives who have been contributing substantially in the continued progress of the organization. The assistance of the work force enables the management of the company to run their business successfully and with the highest zeal.

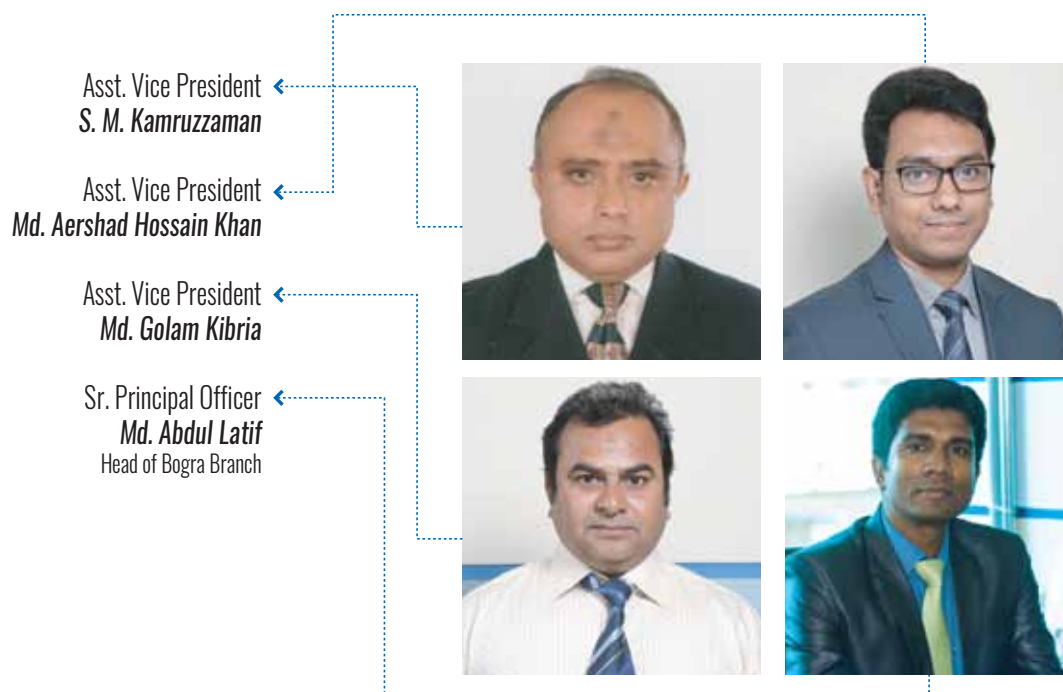


MANAGEMENT









REPORT ON HUMAN RESOURCES



Female workforce (Head Office)

Human Resources

Human Resources is the greatest asset in any financial institution. It is the enabling environment that gives birth to creative thinking and achievement of laudable objectives. Continuity of Human Resources immensely strengthens an organization, develops a sense of belongings and above all gives the strength to face all odds.

Uttara Finance and Investments Limited's (UFIL) strength is the quality and perseverance of its employees and their shared sagacity of being part of a unique team. Their diverse vantage points and unique abilities create wide range of skills and knowledge that strengthen Company's success in achieving goals. In order to achieve its expected growth and achieving goal, it is essential to train-up and retain its quality up to the mark. To achieve target in the financial institutions it depends, more than anything else on the know-how, experience, talent and commitment of a Company's human capital. For Uttara Finance and Investments Limited to continue to succeed, the Company must be able to attract, develop and retain highly experienced and qualified human resources.

Human Resources planning mean recruiting right number of employees, developing their potentials and right kind of employees at the right place, doing the right things in right time for the employees to achieve the goals of the organization. Human Resources planning of UFIL is carried out in set procedures. The procedures are as follows:

- Analyzing the current Manpower inventory
- Marketing future Manpower forecasts
- Improving upon recruitment/selection procedure.
- Designing training plan.

Manpower

The total workforce of UFIL as on 31 December 2016 is 182 compared to 171 on the same date of the previous year. Out of 182 permanent employees, 131 are officials and 51 are supporting staff. The total female employees are 32.

Recruitment

A career with Uttara Finance and Investments Limited demands a high level of diligence and dedication. The work of the company requires individuals of uncommon ability and to this end great efforts have been made in assembling company's current group of employees. Uttara Finance and Investments Limited believes that having a wide-range of age and experiences in its workforce it helps the Company meeting the wide-ranged needs of its valued clients, agents, etc. This is shown in the structure of the workforce. Uttara Finance and Investments Limited places a special emphasis on ensuring that new positions are filled by the most skilled and qualified candidates, in terms of their education, experience and ability. Recruitment strategy of Uttara Finance and Investments Limited is based on attracting highly qualified candidates through employee networks, selective head-hunting and advertisement. Human Resource Committee is responsible for recruiting the talents. The Human Resource Department is an important partner in achieving these targets.

Promotion

To improve the attachment, working environment and efficiency of employees, Promotion is considered to be a main motivating factor. Employees of the company are promoted on the basis of their performance, appraisal and approved by the competent authority. Merit, seniority, efficiency, devotion to work, discipline and sense of responsibility are given priority in promotion.

Training

Training is a proven instrument for human resources development. To survive in a competitive environment triggered by globalization and onset of innovative ideas and technology, creation and trained human resources is an imperative. Uttara Finance and Investments Limited provide need based training of the employees which is aimed at capacity and professional skill building through out the year.

Career and development

Uttara Finance and Investments Limited comprises a group of enterprising female and male members who are distinguished by their initiatives, diligence, imagination and ambition. The Company's work is driven by a sense of teamwork and solidarity that transcends Company's hierarchy. The people of Uttara Finance and Investments Limited are part of a culture of integrity and leadership, which help their role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. The average length of service within the Company is almost 7 years.

Job satisfaction and retention

Uttara Finance and Investments Limited seeks not only to attract the most qualified personnel, but to retain them by creating a superior working environment and attending to their needs. To ensure success for the Company as a whole, employees are encouraged to engage in synergetic teamwork, and every effort is made to facilitate communication and the flow of information. Employee's initiative and responsibility are promoted through challenging

assignments where rewards are determined by results. Employee turnover at the Company was at a comparable level to the previous year. The total turnover rate for the company was around zero percent, which is largely dependent on external factors. The real challenge is to keep unwanted turnovers (resignation) at a minimum and we may state that we could meet this challenge with success.

Incentives

By rewarding good results, Uttara Finance and Investments Limited encourages its people to fulfill their potential and in this way supports the optimum performance of the Company. The system of profit-sharing in the form of performance bonus exemplifies how the Company works as a community and by the same token, shares the spoils of success as a community. By aligning the interest of employees and shareholders, Uttara Finance and Investments Limited enables its people to play more active role in bringing the success of their own community.

Transport facilities

Uttara Finance and Investments Limited provides full-time cars to the top Executives. In addition, adequate allowances are provided to senior and mid level Executives. Transport facilities for other employees are provided in the form of pick up and drop.

Cultural and sporting events

Uttara Finance and Investments Limited contributes in annual picnic, celebrates Bengali and English New Year and also arranges Iftar party.



Support Staff
(Head Office)



Support Staff (Dilkusha Office)



Support Staff (Gulshan Branch)

Maternity benefits

Female employees are entitled to this benefit in the form of 6 (six) months maternity leave with full pay as approved by our Board of Directors in terms of the directives of Bangladesh Bank. But the said facility is restricted upto 2 (two) kids only.

Insurance scheme

Group Insurance benefits for the employees have been arranged by Uttara Finance and Investments Limited.

Human resource strategy

- To ensure maximum employees success –empowers the individual, provides an opportunity to show initiative and commands independent initiative;
- To maintain a spirit of ambition, efficient decision-making, flexibility and quick responses to changes;
- To attract qualified personnel by creating a motivated workplace;
- To retain competent employees by creating a superior workplace;
- To provide new employees with appropriate training from the outset;
- To encourage employees to maintain professional skills and give them the opportunity to develop and grow;
- To create a strong management team;
- To sustain an environment that supports a balance between work and life;
- To ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and financial benefits;
- To arrange the interests of employees with the ultimate interests of the Company.

Statement on work force of 2016

Level of employee	No. of employees	percentage (%)
Senior Management Level	26	14.29
Mid Level	84	46.15
Entry Level	21	11.54
Support Staff	51	28.02
Total	182	100.00

Male Female ratio

Male	150	82.42%
Female	32	17.58%
Total	182	

Age Group of Officials & Support Staff

	Number	percentage (%)
Bellow 30 years	42	23.08%
30 to 50 years	127	69.78%
Above 50 years	13	7.14%

Payment of salary and allowances

	Taka
Total salary and allowances	106,144,764
Managing Director's salary and allowances	13,450,000

Employees movement

Total employee as on January 01, 2016	171
Fresh appointment during the year	18
Retirement / resignations	7
Total as on December 31, 2016	182

Training to the employees

During the year of reporting total 60 employees participated in 28 different training programs. For the training programs the employees' of the company were engaged for 26 working days.

RISK MANAGEMENT

Risk management is a discipline at the core of every financial institution which encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure proper management of risks related to financing business. The objective of risk management is to identify and analyze risks and manage their consequences. Perhaps the non-bank financial institutions have the most specific focus on the management of financial risks. The approach to risk is grounded on the strong practices of corporate governance that are intended to strengthen ourselves enterprise risk management framework and also position of the company to manage the changing regularity environment in an effective and efficient manner. The governance of risk management starts with our Board, which plays an important role in reviewing and approving risk management policies and practices. The company's governance structure provides the protocol and responsibilities for decision-making on risk management issues and ensures their adequate implementation. We do maintain a strong inter-departmental communication link on risk factors and foster a culture of collaboration in decision-making among the revenue-producing units, independent control and support functions, committees and the senior management. In addition to embracing the industry best practices for assessing, identifying and measuring risk, we consider guidelines for managing core risks of financial institutions issued by the country's central bank, the Bangladesh Bank vide FID Circular Number 10 dated 18 September 2005. Our risk management capabilities are connected around a strong management structure and information system, an effective risk-rating system and robust policies. The primary objective of risk management is to protect the company's financial strength and reputation and ensure efficient capital deployment to support business activities and enhance shareholder value. Effective risk management coupled with the adoption of BASEL-II recommendations benefits, by augmenting capitalism and optimizing costs to risk and successful funding activities.

Our Risks

We are to identify the risk factors associated with our business and to take effective measures in the functional process to minimize and control the risks in the area of lending, internal control, liquidity and treasury management. Introduction of risk analysis culture, loan classification and ratings are the broad schemes for assessing the risk status of our assets and liabilities.

We are in the business of accepting risk, our primary aim to collect and manage risks on behalf of our stakeholders and make a profit for shareholders. The ongoing development of contemporary risk management methods and the increased use of innovative financial products have brought about substantial changes in the business environment facing today.

Some Risks

We do possess a comprehensive risk management framework that enables us to monitor, evaluate and manage the risks we assume in conducting our day-to-day activities. These include credit, market, liquidity, operational and strategic risk exposures.

Credit Risk

It is the loss arising from the failure of a client, its counter-party or related parties to meet their contractual obligations. Credit risk also includes those risks which create losses to the community in general or other stakeholders resulting from the failure in measuring the risk of approving credit. In our company, Credit risk may arise on account of the following:

- Default risk
- Credit concentration risk
- Recovery risk
- Counter-party risk
- Related-party risk
- Environmental risk

Market Risk

The risk of loss arising from changes in market variables such as interest rates, security prices, equity index levels, exchange rates, commodity prices and general credit spreads are considered to be market risks.

Operational risk

The risk of loss arises from inadequate or failed internal processes, people and systems, or the risk of loss resulting from external causes, whether deliberate, accidental or natural are operational risks. These diverse risks are explained as follows:

System Risk-The risk of loss caused by piracy, theft, failure, breakdown or disruption in technology, data or information.

Process Risk-The risk related to the execution and maintenance of transactions and the various aspects of running a business.

People Risk-The risk of loss intentionally or unintentionally caused by an employee, for example an error or a misdeed, or involving employees such as disputes.

External Risk-The risk of loss on account of damage to physical property or assets from natural or unnatural causes. This category includes the risk presented by actions of external parties such as the perpetration of fraud or in the case of the regulators, the execution of change that would alter the Company's ability to continue operating in certain markets.

Liquidity and funding risk

The risk of being unable to either meet our payment obligations on maturity or borrow funds from the market at an acceptable price to fund actual or proposed commitments-include the liquidity and funding risk.

Strategic risk

- **Business volume risk:** In our company, such a risk may arise from declining business volumes and market share, from competitive pressures and loss of leadership position and from over-trading, which may affect profitability due to revenue volatility and reduced earnings spreads, credit rating and reputation. Risk of over-trading may lead to insufficient capital.
- **Reputation risk:** It is the risk related to the trustworthiness of the business. Damage to a firm's reputation can result in loss of revenue or loss of shareholder value, even if the Company is not found culpable.
- **Project risk:** If projects undertaken by the Company are not viable and feasible because of an adverse market environment, the company may run the risk of being encumbered by such projects.

- **Technology risk:** Technology risk is associated with the failure in identifying opportunity for implementing new technology as well as failure implementing new technology. If business units cannot identify new technology with a view to differentiating their products and services, they might lose out to other service providers. Also, if a technology is implemented which is not actually compatible with the organization's function, it not only brings forth operational challenges but also runs the risk of monetary wastage.

Risk management strategies**Integrated risk management approach:**

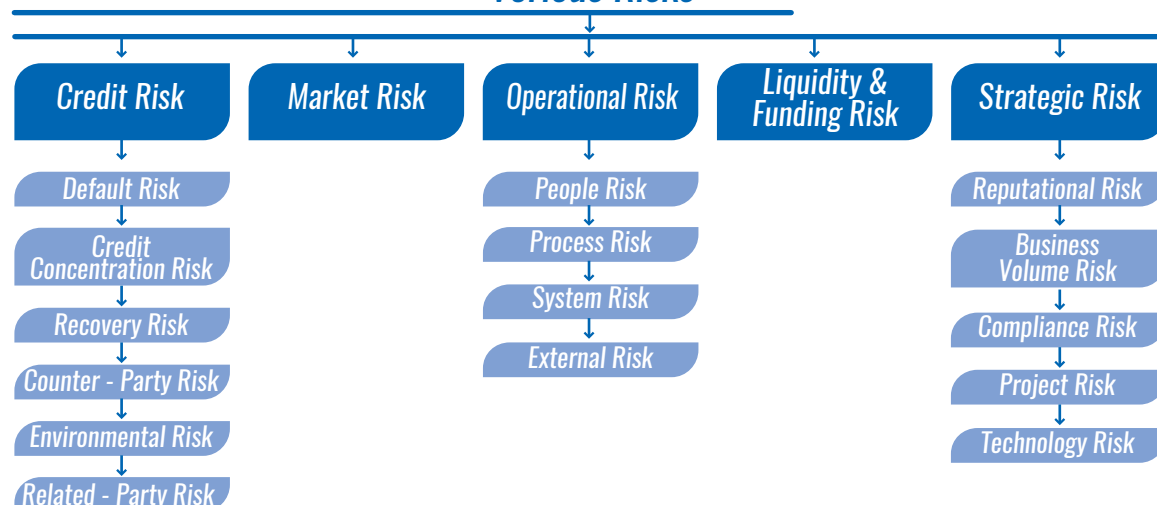
Integrated risk management refers to integrating risk data into the strategic decision-making framework of the Company and making decisions which take into account the risk tolerance degrees of a department. In other words, it encompasses the active supervision of market, credit and liquidity risks on a concurrent basis. Another part of our Integrated Risk Management is managing diversified risks by different teams in an integrated manner. In our company, market risk and liquidity risk is managed by our Treasury department under supervision of top management. Credit Risk Management is responsible for managing credit risk. These two teams coordinate with Corporate Affairs and Finance department to manage legal, compliance and strategic risk.

Pillars of risk management and control principles:

The pillars that support our efforts towards achieving an appropriate between risk and return include the following:

1. Protecting our financial strength by controlling risk exposures, potential risk concentration at the level of individual exposures, at specific portfolio levels and at an aggregate firm-wide level across all risk types.
2. Protecting our reputation through a sound risk culture characterized by integrated view of risk, performance and reward and by ensuring through compliance with our standards and principles, particularly our Code of Conduct.
3. Complete management accountability whereby business management, as opposed to risk control, own all risks assumed throughout the firm and are responsible for the continuous and active management of all exposures to ensure the right balance between risk and return.

Various Risks



4. Independent control functions which monitor the effectiveness of the business's risk management capabilities and also oversee risk taking activities.

5. Comprehensive and transparent risk disclosure to senior management, the Board of Directors, shareholders, regulators, rating agencies and other stakeholders.

credit rating

We use a rating scale ranging from 1-8 whereby the 1-3 risk rates are tagged as satisfactory and above satisfactory and the 4-5 risk rates are tagged as average risk. Any client whose rating is less than 6 may not be considered for the loan. This process allows the management to monitor changes and trends in risk levels and manages risk to optimize returns.

Environmental risk rating:

We do maintain a general Environmental due diligence checklist and sector-specific environmental due diligence checklists. The environmental risk rating formulated through the compilation of the checklist. Environmental risk rating can either be low, moderate or high. In case of high for any proposal, post-facto approval is secured from the Executive Committee. We comply with the environmental risk management Guidelines for Banks and Financial Institutions in Bangladesh issued by the Bangladesh Bank in January 2011. Environmental risk management Guidelines have been incorporated in our credit policy. Environmental and social risks are now actively considered along with the general credit risks while assessing a prospective borrower. Environmental risks is a facilitating constituent of

credit risk arising from environmental issues the risk can arise on account of environmental impact due to prevailing environmental conditions.

In addition to national laws and regulations, we have also voluntarily adopted the principals of the UN Global Compact and the UN Environment programme Finance Initiative. Going forward, these will also become a part of our credit risk assessment structure, bringing forth a more rigorous environmental and social risk management framework.

Credit risk measurement in general:

Ongoing active monitoring and management of credit risk position

Ongoing active monitoring and management of credit risk position is an integral part of our credit risk management activities. CRM's research team regularly reviews market conditions and our exposure to various industrial sub-sectors. We aim to proactively identify counter-parties that highlight the likelihood of problems well in advance, on the basis of the application of risk management tools in order to effectively manage credit exposure and maximize recovery. Measurement tools include credit rating systems, which are used in the calculation of regulatory and economic capital & environmental risk rating and stress testing.

Stress testing:

Stress-testing guidelines issued by the Bangladesh Bank since 2010, these guidelines were revised for NBFIs in June 2012 after a thorough analysis of situational requirements and future perspectives, and lastly amended one we communicated on 19 January 2016 (through DFIM

circular# 02). Following which, we complement its regular standardized risk reporting process with stress tests to capture the effects of exceptional but plausible events on the company's capital and liquidity positions. The company deploys regular stress-tests to calculate credit exposures, including potential concentrations that would result from applying shocks to credit risk factors (interest rates and equity prices for instance), these shocks include a wide range of moderate and extreme market movements. Stress-tests are regularly conducted jointly with the firm's market and liquidity risk functions.

Credit risk mitigation:

We do follow various credit risk mitigation techniques to organize credit exposure and reduce losses. These techniques are used consistently and reviewed periodically to meet operational management risk associated with their legal, practical and timely enforcement. A key focus of our credit risk management approach is to avoid undue concentrations in the credit portfolio whether in terms of counter-party, group, sectors or products. The Company's portfolio management supports a comprehensive assessment of concentrations within credit risk portfolio for provision of subsequent risk-mitigating actions and diversification across geographical boundaries, sectors, borrower groups and products. The analysis is also used to determine strategies for both portfolio and individual counterparties within the portfolio based on their risk/reward profile and potential. The use and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used include.

Credit limits:

We possess a set of Board-approved prudential limits to address counter-party concentration risks. These allow higher exposure to better-rated customers and lower exposure to lower-rated customers. Excesses beyond tolerance limits are considered on a case-by-case basis at the time of credit sanctioning and are reported quarterly to the Board.

Sustainable cash flow:

An important aspect of our credit review is a deep focus on the asset to be financed and the expected cash flow in order to minimize the probability of losses from late and delinquent payments. Hence, borrower credit-worthiness is determined on the basis of their reliability to make timely payments.

Measures of reliability include credit payment history, references from current and past suppliers and qualitative character of the management/owners. Projected cash flows are also used to demonstrate the cash flows to make payments within the prescribed terms ability of the applicant to generate enough revenue and conditions. This includes evidence that the business continues to operate successfully and has been responding to its liabilities on time.

Collateral:

Collateral is the security in the form of an asset or third-party obligation that serves to mitigate inherent risks of credit loss due to exposure by either substituting the borrower default risk or improving recoveries in the event of a default. The principle types of collateral taken comprise cash and cash equivalent instruments, properties (residential, commercial and industrial), capital funds, plant and equipment. Realizable value of the collateral is computed on a conservative view of current market prices, suitably discounted for price volatility and the lack of a ready market for assets. All realization costs are taken into account as well. Collaterals taken by ourselves are well-documented to ensure that credit risk mitigation is legally effective and enforceable.

Risk transfer:

In some cases, we hold guarantees, letters of credit (LC) and similar instruments from third parties, which enable it to claim the settlement in the event of default on the part of the counter-party. Guarantor counter-parties include banks, parent companies, shareholders and associated counter-parties. Credit-worthiness is established for the guarantor for counter-party credit approvals.

Market risk management

Market risk may arise in the following forms:

- Interest rate risk: Interest rate risk is the exposure of our financial condition to adverse movements in interest rates arising from re-pricing, maturity mismatches, changes in underlying rates and other characteristics of assets and liabilities in the normal course of business.
- Equity price risk: Results from exposures to changes in prices and volatility of individual equities, baskets of equities and equities indices. Our credit policy ensures that exposures are sufficiently diversified and within the Company's risk appetite.

The Company Asset Liability Management Committee (ALCO) regularly meets to assess prevailing market risks. ALCO members analyze the changes in interest rates and market conditions and conduct an analysis on the asset-liability maturity gap and product re-pricing, thereby taking effective measures to monitor and control interest rate risks.

We do define policies and procedures for limiting and controlling interest rate by delineating responsibility and accountability and defining authorized instruments and position-taking opportunities. ALCO ensures that the Company embraces the policies and procedures that enable effective interest rate risk management. These include maintaining :

- An interest rate risk management review process
- Appropriate limits on risk taking
- Adequate systems of risk measurement
- A comprehensive interest rate risk reporting system and effective internal controls

Interest rate reports for the top management include summaries of the Company's aggregate exposures, compliance with policies and limits, summaries of reviews of interest rate risk policies and procedures and findings of internal and external auditors.

We have an efficient and effective Management Information System (MIS) for measuring, monitoring, controlling and reporting interest rate exposures. The interest rate risk management systems assess the effects of rate changes on both the earnings and economic value. Interest rate risks in new products are identified by carefully scrutinizing the maturity and re-pricing repayment terms of an instrument. The Company considers worse case scenarios and ensures that appropriate contingency plans are present to tackle these situations.

We have an adequate system of internal controls to ensure the integrity of its interest rate risk management processes and to promote effective and efficient operations, reliable financial and regulatory reporting and compliance with relevant laws, regulations and institutional policies.

Liquidity risk management

Liquidity is of critical importance to financial institutions. Insufficient liquidity has been the cause behind most recent failures of financial institutions. We possess a comprehensive and conservative set of liquidity and funding policies

to address both firm-specific and broader industry/market liquidity events. Our principal objective is to create a well capitalized firm with a strong inherent ability of our core business to continue to generate revenue, even under adverse circumstances.

We manage liquidity risks according to the following principles:

- Asset-liability management: We assess anticipated holding periods for our assets and their expected liquidity in a stressed environment. We manage maturities and diversity of our funding across markets, products and counter-parties and seek to maintain liabilities of appropriate tenor relative to our asset base.
- Butter liquidity: We maintain some butter liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment. We invest our liquid funds in a manner which emphasizes the need for security and liquidity.

Periodic analysis of Policies and Guidelines

All policies are periodically modified, which helps our company to cope with the current market situation and changes in the industry.

Following the Policy Guideline for Green Banking issued by the GB and CSR department of the Bangladesh Bank on 11 august 2013, we formulated its our green banking policy. Major areas covered in the policy include:

- Governance
- Environment and social risk in credit risk management
- In- house environment management
- Green finance, products and marketing
- Climate risk fund
- Training, awareness and green events
- Disclosure and reporting.

Credit risk management

Our Credit Risk Management Process: Risk is inherent in all types of business. However, for UFIL credit risk is considered to be the challenging one. Though UFIL have been facing difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to negligent credit standard for borrowers and counterparties, poor portfolio management or lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a institution's counterparty.

Credit risk management process:

1. Approving transactions and setting and communicating credit;
2. Monitoring compliance with established credit exposure limits;
3. Assessing the likelihood that counter- party will default on its payment obligations;
4. Measuring the firm's current and potential credit exposure and losses resulting out of counter-party default;
5. Reporting of credit exposure to the senior management the Board and regulators;
6. Communication and collaboration with other independent control and support functions such as operations, legal and compliance.

Credit approval process**Different policies customized for different market segments**

Our credit management process are designed with the aim of combining an appropriate level of authority in its credit approval process with timely and responsive decision-making and customer service. The process for each division is tailored to the risk profile and service requirements of its customers and product portfolio. A Board-approved credit policy is adequately documented among business divisions and is strictly adhered to pre-sanction. Key parameters associated with credit structuring and approval is periodically reviewed to ensure continued relevance.

Segregation of credit appraisal from loan origination

The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of the credit decision-making process. The Credit Evaluation Committee (CEC) regularly meets to review market and credit risks related to lending and recommends and implements appropriate measures to counter associated risks. An independent Credit Risk Management (CRM) department has been instituted to scrutinize projects from a risk-weighted perspective and to assist the management in creating a high-quality credit portfolio that maximizes returns from risk assets.

Credit risk measurement:

Our principle objective of credit risk measurement is to deploy various tools to support quantitative risk assessment from the level of individual

facilities right up to the total portfolio, including credit approval process, ongoing credit risk management and reporting and portfolio analysis.

Client specific credit risk measurement:**Client's payment history review**

We receive credit report from the credit Information Bureau (CIB) of the Bangladesh Bank .the reports are scrutinized by the CRM and CEC department to assimilate the liability condition and repayment behavior of the client. Depending upon the report, opinions are taken from the client's banks, suppliers' and buyers' thus stakeholders' opinion are taken to understand the market position are to understand the repayment behavior of the proposed customer.

Internal rating procedures:

We formulate the Risk Grading Model (RGM) to promote corporate safety and soundness by facilitating informed decision-making .this model measures credit risk and categories individual and group credit on the basis of the risk. We possess different internal rating tools to assess the credit risk on corporate, SME and Retail Banking Clients. Credit rating is based on the analysis and evaluation of both quantitative and qualitative factors .the specific factors analyzed are dependent on the type of the counter-party. The analysis emphasizes a forward-looking approach concentrating on economic trends and financial fundamentals. Credit offers use peer analysis, industry comparisons, external rating, research and the judgment of credit specialists. At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counter-party are used in assigning a Our liquidity and funding strategy is proposed by the Treasury department and is approved by the ALCO and overseen by the board and Directors. Liquidity and funding limits are set at group and business division-levels, taking into consideration current and projected business strategies a risk tolerance. Performance is monitored against limits and targets and regularly communicated to the management. These limits and targets are periodically reviewed and reconfirmed by the respective authorities.

Liquidity requirements are managed on a day-to-day basis by the Treasury division. It is also responsible for ensuring that sufficient funds are available to meet short-term obligations, even in a

crisis and to maintain diverse funding sources. The division maintains liquidity based on historical requirements, anticipated funding requirements for operations, current liquidity position, collections from financing, available sources of funds and risks and returns. We aim to maintain a sound liquidity position to meet our liabilities when due, whether under normal or stressed conditions.

We have been following the stress-testing guidelines issued by the Bangladesh Bank since 2010. The guidelines were revised for NBFIs in June 2012, then in 19 January 2016, after a thorough analysis of the situation requirements and future perspectives. We perform regular stress analysis to determine the asset/liability structure that allows the Company to maintain an appropriately balanced liquidity and funding position various scenarios and circumstances. Moreover, we manage its liquidity and funding risks with the overall objective of optimizing the value of the business across a broad range of market conditions.

We possess adequate internal controls over its liquidity risk management process. An effective system has created a strong control environment with an in-built process of identifying and evaluated liquidity risks. It also possesses an adequate information system that produces regular independent reports and evaluations to review adherence with established policies and procedures.

A summary of lease/loan classification and provision for 2016 and 2015 is presented next page to forecast future funding requirements and understand present collection from financing:

Operational Risk management

Operational risk management arises from inadequate/failed internal processes, human errors and system failures or from external causes (deliberate, accidental or natural). Such events may cause direct financial losses indirectly as revenue forgone due to suspension of business. They may also damage our reputation, causing long-term financial implications. Operational risks are inevitable consequences of being in business and managing it is a core element of our business activities.

Managing operational risks timely and information as well as a strong control culture, we seek to manage our operational risks through-

1. Training, supervision and development of our resource;
2. Active participation of the senior management in identifying and mitigating key operational risks;
3. Independent control and support functions that monitor operational risks on a daily basis, we have instituted extensive policies and procedures and implementation controls designed to prevent the occurrence;
4. Proactive communication between our revenue-predicting units and our independent control and support functions;
5. Building a network of system throughout the firm to facility the collection of data used in analyzing and assessing our operational risk exposure. Appropriate internal control measures are put in place address operational risks. We have also established an Internal Control and Compliance (ICC) department to address operational risks and to implement policies to

		Taka in million	
		Year	
		2016	2015
Unclassified (UC)	Standard(STD)	16,551.52	17,108.57
	Special Mention Account (SMA)	3,276.38	2,148.93
Total Unclassified	(STD+SMA)	19,827.90	19,257.50
Classified	Sub-Standard(SS)	535.51	306.60
	Doubtful (DF)	515.36	218.88
	Bad/Loss (BL)	656.16	1,204.03
Total Classified (SS+DF+BL)		1,707.03	1,729.51
Margin Loan		2,131.79	1,994.85
Total Outstanding		23,666.72	22,981.86

counter such risks. In line with regulatory requirements, the ICC is responsible for the following:

1. Assess compliance with applicable laws and regulations, Codes and guidelines, internal procedures and policies. Timely audit is conducted where compliance with laws, regulations and guidelines is critical and appropriate recommendations for enhancement in processes and controls are enunciated;
2. Track transaction and report any suspicious transactions to the local designated authority. It also imparts on anti-money laundering in order to enable staff to mitigate compliance risks as recommended by local regulations;
3. Act as a control point within the company and deliver timely advice in relation to compliance queries emanating within the Company;
4. A compliant cell has been formed in line with the DFIM circular 13/2011 to ensure prompt settlement of complaints.

In our company proper credit administration includes efficient and effective operations related to monitoring, documentation, contractual requirements, legal covenants and collaterals, among others, accurate and timely report to the management and compliance with management policies and procedures and applicable rules and regulations.

All business of our company, audited to assess control adequacy and effectiveness from a

process. The Company gathers information of different risks from reports and plans that are published within the institution (like audit reports, regulatory reports, management reports, business plans and operations plans, among others). A careful review of these documents reveals gaps that can present potential risks. The data from the report are then categorized into internal and external factors and converted into the likelihood of potential to the institution.

Business volume risk management

To encounter and mitigate business volumes risks, the following risk mitigation measures are in place:

Regular review of the impact of the global meltdown and taking appropriate measures

At a glance, some portfolio-

Sector-wise exposure

We do enjoy a well- diversified credit portfolio in which the credit risk is spread across different sectors of the economy, as detailed below:

Credit risk concentration limits

As on 31 December 2016 no regulatory and prudential limits were exceeded with respect to credit connection risk. We comply with the following regulatory prudential limits: credit exposure to a customer or any group of closely-related customers shall not exceed 30% of its capital base. I also credit connections, notably connections over 15% of the Company's capital base, are reported:

- (i) Quarterly to the Risk Management Committee
- (ii) Quarterly to the Central Bank

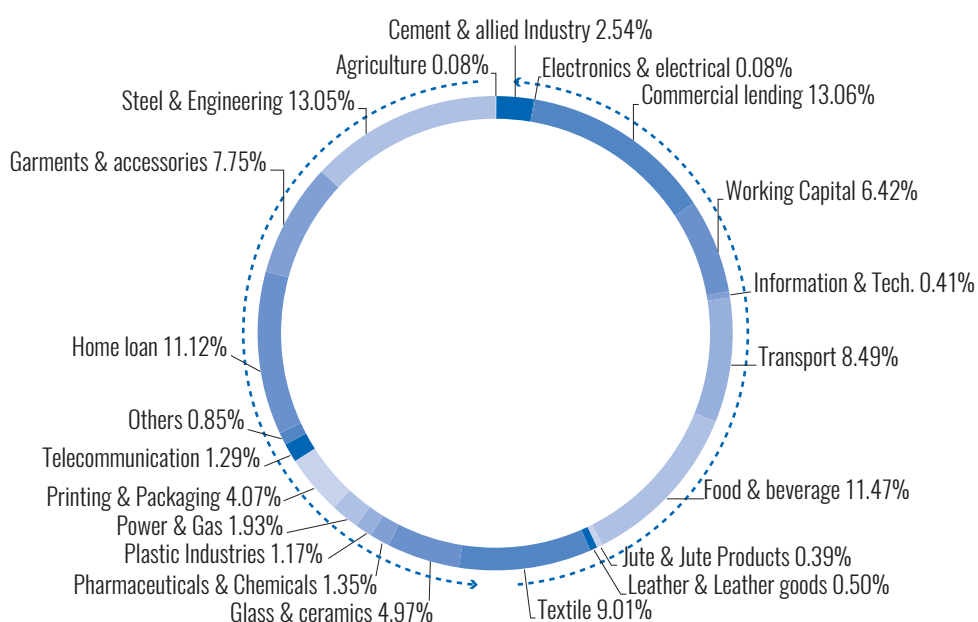
Top-10 Group Exposure

Client Rank	Group Exposure (taka in crore)	% of UFIL's equity
Client- 1	170.72	29.97%
Client- 2	160.00	28.09%
Client- 3	133.46	23.43%
Client- 4	133.34	23.41%
Client- 5	124.10	21.79%
Client- 6	108.73	19.09%
Client- 7	102.01	17.91%
Client- 8	89.47	15.71%
Client- 9	70.00	12.29%
Client- 10	66.41	11.66%

Top-10 Sectoral Exposure

Sectors	Net Exposure (taka in crore)	% of Total Industrial Portfolio
Commercial lending	309.02	13.06%
Steel & Engineering	308.83	13.05%
Food & beverage	271.46	11.47%
Home loan	263.13	11.12%
Textile	213.18	9.01%
Transporting	200.95	8.49%
Garments & accessories	183.50	7.75%
Working Capital	152.00	6.42%
Glass & ceramics	117.64	4.97%
Printing & Packaging	96.37	4.07%

INDUSTRY-WISE LOANS, ADVANCES AND LEASES:



Adequacy of risk management process

We possess well-established processes for management of all material risks that are associated with its business activities. The Company's policy is to maintain a strong core capital and utilize its efficiency throughout its activities with the objective of optimizing shareholder returns while maintaining a prudent balance between the core capital and the underlying risks of the business.

The capital management processes ensure that each entity/segment maintains sufficient capital levels for legal/regulatory compliance purposes and to meet BASEL-II requirements, besides keeping a cushion for uncertainties and supporting depositor confidence.

Type of Risk	Rating
Credit Risk	Moderate
Market Risk	Moderate
Liquidity Risk	Low
Operational Risk	Low
business volume Risk	Low

CHAIRMAN'S REPORT



Chairman's Report

Bismillahir Rahmanir Rahim

Dear Valued Shareholders,

Assalamo Alaikum.

I, on behalf of the Board of Directors have great pleasure to extend a hearty welcome to you all to the twenty-second Annual General Meeting of Uttara Finance and Investments Limited. I have the pleasure to present before you the Annual Report of 2016 including the audited financial statements and auditor's report thereon. I would take this opportunity to briefly discuss the developments during the year and also some issues following the close of our financial year in December 2016.

Bangladesh has an impressive track record on development and the economy has grown at 6% (percent) or more in the last one decade with human development maintaining the pace. Poverty dropped by nearly one third, coupled with increased life expectancy, literacy and per capita food intake. According to the World Bank, nearly 15 million Bangladeshi's moved out of poverty trap since 1992. The GDP during the current fiscal year ending in June 2017 is likely to be between 7-7.5%.

Bangladesh has attained the status of a lower middle income group from that of a LDC during 2015 which is indeed a commendable achievement. However, to maintain the status will require substantial efforts in many fronts.

Bangladesh can easily become an export power house with its labour intensive manufacturing and service exports growing on double digits on a sustained basis. Exports from Bangladesh reached BDT 34,241.90 billion in FY15-16. On the other hand RMG Sector has a target of \$50 billion in the year 2021 coinciding with 50 years of independent of Bangladesh. The Leather Sector is also expected to grow rapidly. All those targets are achievable if policies are implemented to address the structural deficiencies

prevailing at this moment. It is encouraging to note that the government has allowed the private sector to establish Special Economic Zones (SEZ's) for Japan, China and India to complement existing Export Processing Zones (EPZ'S).

The IMF has identified several areas as a recipe for the Government to fuel the growth of the country's gross domestic product which has been stuck at around 6% for a decade. Now as per suggestion of IMF Bangladesh needs to prioritise major infrastructure projects, make available lands for investors and reform the financial sector as a part of its measures to boost economic growth. Bangladesh is also labeled as one of the expected drivers of growth in emerging markets in near terms for the steady growth and improvement in social indicators. Bangladesh is grouped with four other developing countries, all having a population of 100 million each. The four other countries are Indonesia, Pakistan, Nigeria and Mexico.

The year 2016 has been comparatively peaceful with very little disruption to normal life. As such, we are in a position to give you a result which shows remarkable growth over last year and are likely to please all of you as shareholders of the Company. During the year under review, we reached a milestone of projects sanctioned and amount disbursed during the year and finally showed a post tax profit of BDT 82.94 crore. This milestone was achieved with hard work, dedication of all the employees and considerable support and guidance of the members of the esteemed Board of Directors. We wish to assure you all that your Company will continue to look for opportunities to diversify and bring new products in to the market for further development and progress and that we will make every effort to give you higher profits on your investments. We are deeply grateful to you for your confidence in our efforts. You have been the most receptive, cooperative and patient shareholders and Insha Allah we will not disappoint you.

I also wish to express my grateful thanks to the esteemed members of the Board of Directors for their excellent cooperation, suggestion and advice throughout the year. They have been forward looking, most thoughtful and kind.

The Management of the Company has been very dynamic and innovative to meet day-to-day situation effectively during the days of political turmoil filled with grim uncertainty. The entire Management Team performed admirably and in unison in a praiseworthy manner to produce a remarkable result under the leadership of the Chief Executive of the Company. I seek your blessings for the Management Staff of Uttara Finance so that their hard work and brilliant efforts may continue in 2017 heralding a brighter future for the Company.

Thank you once again for attending the AGM and I wish to assure you that we value your suggestions received from time to time.

May Almighty Allah's blessings be on all of you.

Allah Hafez



Rashidul Hasan

MESSAGE FROM MANAGING DIRECTOR & CEO



Message from Managing Director & Cco

Bismillahir Rahmanir Rahim

Dear Valued Shareholders, valued clients and well wishers

Assalamo Alaikum.

I, on behalf of the management have great pleasure to extend a hearty welcome to you all to the twenty-second Annual General Meeting of Company.

Bangladesh economy faced lots of challenges during the year 2016 and expecting more changes and unwanted situation during the current year as disclosed by the Centre for Policy and Dialogue (CPD), specially that revenue would be less to the extent of BDT 38,000 crore against expectation. They have also quoted that every year NBR fixed the target in an average 13% higher than the previous year even than they have been achieving target more than 34% so, advising of this kind of target to NBR is nothing but simply a fun with them. Besides in their conclusion they commented that for a good economic atmosphere right now it has become essential to implement institutional discipline and for that purpose formation of 3 commission is emergent. The 1st one commission who will turned back institutional discipline in the banking sector and the 2nd one for controlling price of essentials and the last one for confirming perfect evaluation of implementation of Government Development Projects.

On the other hand the Banks & Financial Sectors faced many challenges during the last year specially hacking Reserve of Central Bank and the industries have been impacted by continued process of liberalization of world trade and reforms undertaken by the regulatory agencies in Bangladesh. Money Market & Foreign Exchange Market have passed through occasional swings and tough times putting emphasis on the need to embrace changes as a way of doing business. In this critical situation Hon'ble Finance Minster has also commented that during the Fiscal Year 2017 - 2018 shortfall of GDP will be 5.4% and also disclosed the term that in this Fiscal Year there is a deficit in the budget to the tune of Tk.97,000

crore and which will be exceeded to the extent of Tk. 100,000 crore in the next fiscal year which indicates requirement of taking huge loan from the financial sectors by the Government. This year GDP target is 7.2% and budget would be around Tk.3,90,771 crore on the other hand as per IFM & World Bank suggestion Government will move for withdrawal of subsidy from the budget which in other way disclosed in the manner that other than agriculture sectors subsidies on all the sectors will be withdrawn. As against the above situation the economist of the country suggested that once again refinancing the State Owned Banks, Government should initially reinstate financial discipline in those banks and side by side allocation in the sector of different NGOs & Local Government be more transparent.

We have recognized our shortfalls and anticipated new trends and market requirements from the beginning and adopted corporate strategies accordingly. Our goal to do business with all ethical standards and in a complete transparent manner will continue. Our achievement of excellence will depend on our core values and strengths.

Against this background, the year 2016 was then also an extremely satisfying year for us. In financial perspective, we have not only registered accelerated growth in all areas of business operations but also succeeded in achieving qualitative improvements in many areas of our operations. We have made a profit of Tk. 82.94 crore registering a growth of 50.33% over the previous year. Our valued customers entrusted us with a deposit of Tk. 15,368.54 million, which is 8.15% higher than that of 2015. We have enlarged our business portfolio by demonstrating strengths in the fiercely competitive market.

The market conditions remained very tight and upbeat throughout the year under review and this has led us to spontaneous and resilient actions on all fronts of our activities. However, cost was kept under strict control and in clear focus. It increased proportionately with the revenue earning and that

too without compromising quality. Taking risk is an integral part of a financial services industry. For a Financial Institution like ours, managing risk-assets, market and operational risks is a pre-requisite for achieving attractive rates of return for the shareholders. We constantly strive to make an appropriate balance between risk and return.

Considering above all economic and financial factors and despite the size of network and complexities in business we shall continue to surface attractive opportunities in investment to take the Company to newer heights as we are confident with our last 21 years of experience. Every interaction with our corporate customers, individuals and respected shareholders who always inspiring us and specially analyst in the field of economy we continuously listening to them about their views, opinions and priorities. About the quick compliance and execution of new ideas and specially requirement of supplying day to day new data to our different regulators and Government Agencies we have a pool of talented & skilled workforce and migration is almost below 1%.

Last but not the least, I once again repeatedly disclosed that our result were very impressive by all standards for the year just ended. We are keen to set new standards, more efficient and consistent process that will lead to satisfy the customers more and also more revenue earnings. Winning has become a strong part of our culture and equally strong part of the culture is a commitment to win the right thing.

On behalf of myself and entire Management, I once again repeat my gratitude and lot of thanks initially to my Board and specially to my Regulators, i.e. Banking Division, Ministry of Finance, Bangladesh Bank, SEC, DSE, CSE & RJSC, respected shareholders, honorable customers and my colleagues for their continuous support, advice, guidance, hard working and talented personnel leadership and their professionalism in the all arena of economy & financial world is undoubtedly appreciated. We love to works together as a "TEAM" from day one to achieve our Vision.

Management Commitment

Finally commitment of our Management is that success and responsibility moves together and considering the Company as a top rated and blue chip one we will continue to pay our part as a responsible corporate citizen of a sound and supportive Government and contribute to the economy of the country so rapidly as the present Government is doing so in all the sectors of the economy which would only be possible if Almighty Allah (SWT) bestow His unbound favors upon us all.

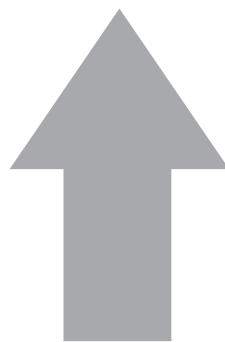
Best Regards,



S. M. Shamsul Arefin
Managing Director & CEO



REPORT OF THE
BOARD OF DIRECTORS



Bismillahir Rahmanir Rahim

Dear Shareholders

Assalamu Alaikum

I, on behalf of the Board of Directors of Uttara Finance and Investments Limited take this opportunity to extend a hearty welcome to all of you at the 22nd Annual General Meeting of the Company. I also take this opportunity to present before you the twenty second Annual Report of the Company along with the Financial Statements and Auditor's Report thereon for the year ended December 31, 2016 for your kind perusal.

Economic scenario worldwide

Economic growth in recent years has fallen short of expectations in both advanced and emerging market economies. As the world economy moves further away from the global financial crisis, the factors affecting global economic performance are becoming more complex. After the global financial crisis many of the high-income countries have been making desperate efforts to recover and emerging economies are less dynamic than in the past but the global economy is still struggling to gain momentum. A further deceleration of activity in key emerging and developing economies overshadowed a modest recovery in major high-income countries in 2016. As per World Economic Outlook update of October 2016 published by IMF the world economy is continuing a pattern of disappointing returns like the past several years. The expected world economic growth rate for the year 2016 revised down by 0.01 percent as against initial projection of 3.2 percent. The world economic growth projection for the year 2017 is also revised to 3.4 percent from the initial projection. "Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June UK vote in favor of leaving the European Union (BREXIT) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer." mentioned in the executive summary of World Economic Outlook update of October 2016 published by IMF.

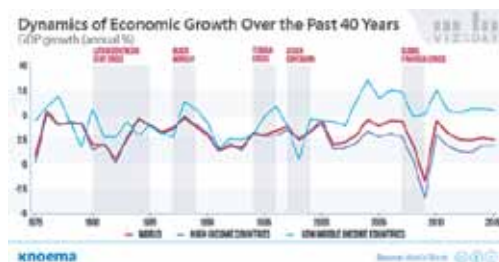
From the recorded growth report since 1980 it is

found that most of the large emerging and developing economies have been slowing over the last five years. This kind of performance was mainly due to a continued deceleration of economic activity in emerging and developing economies amid weak commodity prices, global trade and capital flows. In 2016 emerging market and developing economies growth is expected to strengthen slightly to 4.2 percent after five consecutive years of decline.

The recovery in major high-income countries gained traction in 2015 and has been increasingly driven by stronger domestic demand as labor markets heal and credit conditions improve. Growth in high-income country during the period year 2015 was around 2.0% against last year growth of 1.9 percent. Growth in major economies has shown divergent results, as the recovery of Japan, European Union, New EU members and the Euro area gains momentum whereas other European countries lag behind. Due to improvements in the labor markets and extremely accommodative monetary policy the activities of the United States and the United Kingdom have gathered force but financial crisis have been lingering due to slow recovery. The recovery has been weaker than anticipated in the mid of 2015. However, developed economies are expected to contribute more to global growth.

Growth of the emerging markets and developing economies also has strengthened slightly in 2016. Developing and emerging countries growth is 4.2 percent in 2016 improve marginally from 4.0 percent of 2015 after five consecutive years of decline the outlook of these economies is uneven and generally weaker than in the past. China is undergoing a carefully managed slowdown but continues on a path of gradual deceleration. A further slowdown in China leading the decline of potential growth throughout the emerging and developing economies, persistently downcast growth in major high-income countries, and heightened geopolitical tensions. Natural disaster, political and social unrest, dependence on developed countries, lack of infrastructure etc. are the barriers for developing countries to have the expected growth. Disappointing growth reflected in other developing, middle and low-income countries not only for weak external demand but also domestic policy tightening, political uncertainties and supply-side constraints. With a

much anticipated slowdown in China and persistently weak economic performances in other large developing and transition economies notably Brazil and the Russian Federation.



As per report of IMF in the year 2016 the world GDP growth at current price is 3.10 percent which was 3.2 percent in 2015 reflects weaker than expected due to US activity before and after presidential election as well as materialization of Brexit vote in favour of leaving the EU whereas GDP of EURO area showing growth 1.7 percent in 2016 against 2.0 percent growth of 2015. In the year the GDP growth of major advanced economies (G7) is 1.6 percent, other advanced economies (excluding G7 and EURO zone) is 2.0 percent, Emerging and Developing Economies is 4.2 percent and ASEAN-5 is 4.8 percent which was 2.1 percent, 2.0 percent, 4.0 percent and 4.8 percent respectively. Growth of two large economies in Europe, Germany and France, reported 1.7 percent and 1.3 percent in the year 2016.

In the year 2016 the growth recorded in African Economies is 1.4 percent. South Africa and Egypt are the main two hub of this area's economy. The big South Africa's economy posted growth of 0.1 percent in 2016 which was 1.4 percent in 2015. Though a good number of challenges like armed conflicts, spread of Ebola, insufficient efforts for poverty reduction and education exist in this area, growth continued due to strong performance of oil-exporting countries.

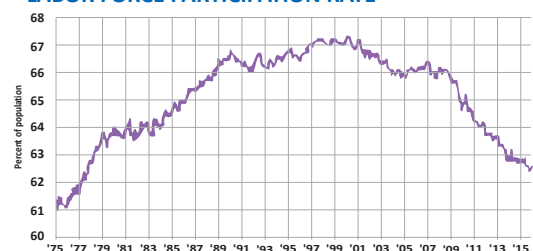
Combined GDP growth of low income developing countries is around 3.7 percent in the year 2016 against 4.0 percent of past year. A good number of measures have already been taken by the developed and developing countries to maintain the growth rate. High unemployment, fiscal consolidation, and a narrow business confidence are expected to be continued in the year 2017 in developed high-income countries and growth in USA and Europe may not reach the growth rate of pre-crisis period.

The growth of Emerging and developing Asian

regional economy is 6.5 percent, is less than the expected and also less than the growth rate of last year. The largest economies of this region India and China, leads the growth rate of Asia Region by achieving 7.6 percent and 6.6 percent respectively whereas both Korea and developing countries like Pakistan, Bangladesh and Sri Lanka followed the two big economies. Since the largest export market of South Asian countries had severely been affected by the debt crisis in the previous years, bank lending and foreign direct investment (FDI) in this area declined in 2016.

As reported by Bureau of Labor Statistics unemployment levels have been decreasing across the world and present unemployment rate is 4.0 percent which was 5.0 percent at the end of 2015. In some countries the decline in unemployment to pre crisis levels somewhat overstates the recovery in employment, given the decline in labor force participation. The jobless rate of USA, world's largest economy fell to 4.5 percent from 5.0 percent showing gain than the most-pessimistic forecast. Significant progress has been made in repairing the macroeconomic damage from the crisis during the last few years but the progress is uneven and the crisis scars still quite visible especially in some countries of EURO area. The share of the working-age population in the labor force, known as the labor force participation rate was 63.0 percent at the end of December 2016 up from a post-recession low of 62.4 percent in September 2015, the lowest since May 1979. The average number of hours worked for all employees increased while earnings stagnated. To recover, different austerity measures have already been taken and some areas have shown marked improvements. Trading on the stock and bond markets has improved and stock indexes have risen across Europe. Experts opined that uncertainty created by the debt crisis will gradually fade away.

LABOR FORCE PARTICIPATION RATE



During the last one decade the number of countries classified as 'low-income' (according to the World Bank definition) has fallen to 33 from

65 in 2001. Graduated countries are experiencing faster, more stable, growth. Half of the countries that attained middle-income status over this period from Sub-Saharan Africa and East Asia for new discoveries or intensified exploitation of metal and oil reserves and several other countries graduation followed the post recessions rebound, implementation of structural and political reforms.

Growth of low income countries remained robust in 2016 but macroeconomic imbalances are emerging in some countries. Activity in low-income countries has been supported by robust domestic demand, underpinned by investment, good harvests, and robust remittances. Low income countries are mainly small, heavily reliant on agriculture and remittances and also tend to have weak institutions. In low-income countries agriculture accounts for about 25 percent of GDP and in many cases, exports are dominated by agricultural commodities. Many low-income countries are also heavily dependent on remittances to support consumption and investment. On an average, remittances accounted for almost 6 percent of GDP in low-income countries in 2016, much more than FDI. However, in contrast to middle-income countries, economic activity in low-income countries strengthened in 2016 on the back of rising public investment, significant expansion of service sectors, solid harvests, and substantial capital inflows. Growth in low-income countries is expected to remain strong in the year 2017.

World economy forecast

Year 2017 is going to be very crucial for the world economy. The increase in economic, political and institutional uncertainty and reduction in trade and financial flows between the UK and rest of the EU over the medium term is expected to have negative microeconomic consequences especially in the UK. According to a survey from a leading business lobby group one fifth of British business leaders are considering moving operations abroad after the country's shock decision to leave the EU. A majority of business leaders' plans for investment and hiring are being put on hold or scaled back since they think the vote for Brexit is bad for them. The leaders of the German Industry Association, the Chamber of Commerce and the Employers' Association all have expressed fears about uncertainties. Britain's referendum decision to leave the EU and Donald Trump's victory in the US presidential election surprised pollsters and

markets around the world. Anton Boerner, head of the German trade association said all the external uncertainties were weighing on export firms. Considering the result of the elections in France, Germany, Netherlands and presidential election of US the analysts have predicted that the precious metal, gold would likely trade lower than in 2016, even as the US Federal Reserve's decisions to adjust interest rates in December 2016 is already behind investors' minds. Despite different tribulations World Economic Outlook of IMF in January 2017 issue is hopeful to record 3.4 percent growth of the world economy in the year 2017 compared to 3.1 percent in 2016. The World Economic Outlook of IMF in its January 2016 issue report that "In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016-17. The projected pickup in growth in the next two years- despite the ongoing slowdown in China-primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, notably Brazil, Russia, and some countries in the Middle East, though even this projected partial recovery could be frustrated by new economic or political shocks." The IMF projected on January 2016 that the global economy especially emerging and developing markets will pick up pace in 2017 and 2018. The IMF report has also predicted that oil price will increase gradually from average of USD 43 a barrel in 2016 to above USD 50 a barrel in 2017. Advanced economies are likely to see growth of 1.8 percent in 2017 and other High-income countries are likely to grow at 2.3 percent in 2017, up from 2.0 percent in 2016, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still-low financing costs. Despite positive growth in most countries of Latin America and the Caribbean aggregate GDP growth is projected at 1.6 percent in 2017.

Growth in emerging market and developing economies is projected to increase from 4.2 percent of 2016 to 4.6 percent in 2017. In developing countries of Asia, as the domestic headwinds that held back growth in 2016 ease

and the recovery in high-income countries slowly strengthen, growth is projected to gradually accelerate and is expected to regain some momentum in 2017. The projected growth rate is averaging 6.3 percent but many of the factors underpinning the recent slowdown are expected to persist. In particular, the contribution of commodity exporters to global growth is expected to remain significantly lower than that observed during the commodity boom years. As the economy continues to rebalance, growth in China is expected to slow down to 6.2 percent in 2017, primarily reflecting weaker investment growth. Though some of the countries facing strong headwinds from China's economic rebalancing and global manufacturing weakness, India and the rest of emerging Asia are projected to continue growing at a robust pace.

It is very much expected that lower prices of oil will contribute to diverging prospects for oil-exporting and importing countries. The oil importers will be benefited from use of imported oil for which it is very much expected that world GDP will increase by 0.3 percent in 2017. Due to unexpected fall of demand in emerging market economies oil prices have declined by about 55 percent since September 2014. As per World Economic Outlook in January 2016 report "Higher growth is projected for the Middle East, but lower oil prices, and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook."

Losses from lower oil exports should sap up to USD 300 billion from economies in the Middle East and Central Asia this year as countries in the region adjust to falling crude oil prices. Economies that are particularly dependent on oil exports will be hit hardest by more than 50 percent decline in petroleum prices. The price of oil has plunged more than 55 percent to under USD 50 per barrel since June 2014 due to demand and supply gap mostly for United States domestic production which doubled over the last six years. This is the lowest price after 2009 recession. As per IMF statement falling crude prices will not translate immediately into major gains for oil importers in the Middle East and Central Asia, which have been hurt by the slowing growth prospects of key trading partners in the Euro zone and Russia. The IMF advised advanced economies to maintain accommodative monetary policy to avoid increases in real interest rates as cheaper oil

increases the risk of deflation.

In January 2017 update of the IMF World Economic Outlook warns that the policies of the incoming Trump administration in the US can also affect its projections. The IMF cites the projected growth pickup in Emerging Market and Development Economies as the primary factor behind the strengthening of global outlook over 2017-18. Global growth is also backed by a gradual normalization of conditions in large economies that are currently experiencing microeconomic strains.

Risks to this slow-moving global recovery are significant and tilted to the downside. Financial market volatility could sharply raise developing countries' borrowing costs, an unwelcome development after several years of heavy capital market issuance by some developing countries. Intensifying geopolitical tensions, bouts of volatility in commodity markets, or financial stress in a major emerging market could lead to a reassessment of risk assets. If the Euro Area or Japan slips into a prolonged period of stagnation or deflation, global trade could weaken even further. Although it is a low-probability event given China's substantial policy buffers, a sharper decline in growth could trigger a disorderly unwinding of financial vulnerabilities and would have considerable implications for the global economy.

Bangladesh economy

In spite of lot of limitations, street violence, frequent nationwide work stoppage in the country and uncertainty in the global economy, the economy of Bangladesh, over the last ten years has been maintaining its Gross Domestic Product (GDP) growth of nearly 6 percent. Growth pattern of last one decade proves Bangladesh economy has been on a stable and positive growth path. In the fiscal year 2015-2016 the GDP growth of the country recorded around 7.1 percent which was 6.6 percent in the fiscal year 2014-2015. According to the Bangladesh Bureau of Statistics

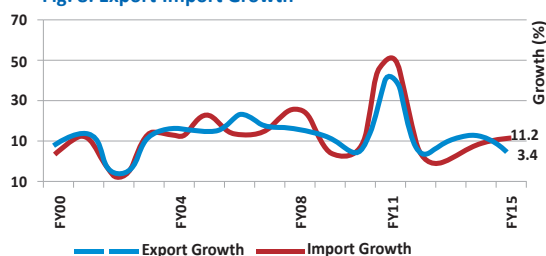
Chart 2.1 Bangladesh real GDP growth



(BBS), GDP at current market price was Taka 17,328.6 billion for FY16 which was 14.3 percent higher than that of the preceding fiscal year. In this fiscal the economy is expected to grow at a respectable pace. Recently on the basis of available data of first three quarters (July 2016 to March 2017) of the current fiscal the Bangladesh Bureau of Statistics (BBS) estimate that the country's expected economic growth at the end of this fiscal is 7.5 percent. In the fiscal year 2015-2016 per capita real GDP and GNI were estimated at BDT 55,259 and BDT 58,442, respectively. Per capita nominal GDP and per capita real GDP grew faster than the previous fiscal year.

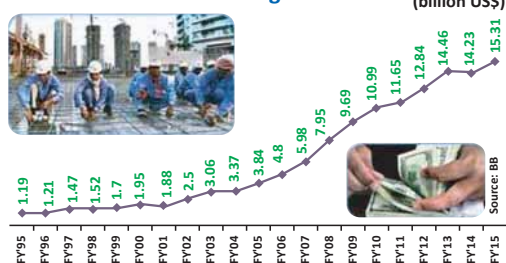
Despite political agitation early in 2015 that adversely affected transport services, exports, and private investment, growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and public investment. During the year 2015-2016 the industry sector witnessed 11.10 percent growth lead by RMG sector with 15 percent growth. For having different advantage and 30 years experience as per survey report of the McKinsey & Co., Bangladesh remains at the top of the list of apparel-sourcing markets. After Rana Plaza tragedy due to failure to comply with safety issues some factories were fully shut down and some are partly following inspection by Accord and Alliance. Besides the Generalized System of Preference (GSP) facility in USA still remains suspended due to lack of fulfillment of different conditions including workers safety and labor rights. For better future of this sector and to ensure the growth Bangladesh does not have any choice but to overcome. Despite the tragedies, Bangladesh is still regarded as a popular sourcing destination with growth potential, forecasted by US Fashion Industry Association (USFIA). Bangladesh exports mainly Readymade Garments including knit wear and hosiery which is 80% of exports revenue and it is very much anticipated that by the end of 2020 the amount of export of this sector will reach around 45 billion USD.

Fig. 8: Export-Import Growth



According to Bangladesh bank statistics during the first six months of current fiscal the country's remittance inflow has witnessed a sharp fall compared to that of the last fiscal. During July-December period of Financial Year 2016-2017 the wage earners' remittances declined by 17.63 percent to USD 6.17 billion against USD 7.49 billion of corresponding period of Financial Year 2015-2016. Devaluation of several foreign currencies including Pound and EURO contributed to the fall of remittances and decline of Oil price, unrest in the Middle East and legal status problems of the migrant workers in Gulf countries has lead to cut off income of migrant workers. Illegal channel of sending money in home like 'HUNDI' is also a major cause for showing the said decline of remittance. Many of our friendly countries like Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, Oman Libya and Malaysia considered as traditional destinations to Bangladeshi workers are gradually opening their closed doors and thus manpower export registered 0.75 million in the calendar year 2016 which is 36.31 percent higher than the previous year 2015.

Inward Remittance in Bangladesh



On February 05, 2016 USD 101 million were withdrawn by hacking Bangladesh bank Account with the Federal reserve bank of New York out of which USD 20 million has been recovered from Sri Lanka and USD 81 million which was transferred to Philippines, USD 65 million yet to recover and the hope is dwindling day by day. Though there have been several negative activities of foreign currency earnings the foreign exchange reserves of Bangladesh Bank reached to record USD 31

billion at the end of 2016 which is the second highest in South Asia and almost equivalent of nine months import coverage of the country which is comparable to many East Asian economies like South Korea, Singapore, Hong Kong, Indonesia and Malaysia. External sector performance has improved markedly with strong external current account position and much larger capital and financial account inflows, leading to a rapid reserve buildup. This positive and welcoming development however has happened in an environment when Bangladesh is passing through a challenging time though some analyst opined it as weakness of the economy to use available resources for domestic investment.

Agriculture and food sectors are expected to be nearly self-sufficient. Due to gas and power price hike several times in the past years the gas and power based sector was affected seriously though the rental power policy and power import from India has increased the power supply significantly to the national grid to 13,000 MW but yet to match with the ever-increasing demand of the country. Gas and power price hike affected agriculture and other social sectors and hurt marginalized individuals through hikes in prices of essential products. Taking into consideration the ever lowest price of fuel in international market the government have adjusted the fuel price nominally and expected that the government shall adjust the fuel price further.

National Economic Council (NEC) yesterday approved BDT 1,23,345.80 crore including self financed project BDT 12,645.80 crore for the annual development program (ADP) for the fiscal year 2016-17 giving top priority to the transport sector. Among the self finance projects the allocation of BDT 3,000 crore for six projects under the Power Division.

Transport sector received the highest allocation with BDT 28,502.96 crore (26.10 per cent) followed by education sector with BDT 14,457.39 crore (13.23 per cent), physical infrastructure sector BDT 12,971.63 crore (11.88 per cent), power sector BDT 12,564.53 crore (11.51 per cent), rural development and rural institution BDT 8,987.77 crore (8.23 per cent), health sector BDT 6,979.23 crore (6.39 per cent), agriculture sector BDT 4,991.11 crore (4.57 per cent), ICT sector BDT 3,388.91 crore (3.10 per cent), water resources sector BDT 3,378.37 crore (3.09 per

cent), and public administration BDT 2,998.45 crore (2.75 per cent). The new ADP for FY 2016-17 features a total of 1,296 projects including 1,001 investment projects. The NEC allocated BDT 6,026.48 crore allocated for Padma Multipurpose Bridge project that has so far witnessed 34 per cent overall progress.

During the first 3 months of fiscal year 2016 - 2017 implementation of ADP has slowed down significantly. This raised serious doubts about whether the government would be able to maintain implementation achievement rate of last five years. Only 6.14 percent of ADP has been implemented in the first quarter (BDT 7,569 crore) and it is very much unlikely that ADP implementation can go above 70 percent at the end of the year if the present trend continues.

The main risk to implement ADP is collection of revenue. Upto September 2016 collection of revenue is BDT 43,597 crore i.e. 17.96 percent against annual budgeted amount BDT 2,42,752 crore. Local experts opined that collection of rest BDT 1,99,155 crore may be hit hard in remaining nine months.

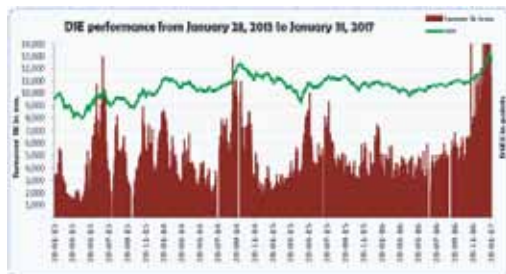
Reducing poverty by controlling inflation and creating employment opportunity is the main challenge of Bangladesh Government. The unemployment rate of the country at the end of 2016 is 5.5 percent though per capita income is all time high of USD 1,466 (GNI nominal). The increase of price of daily necessities increased the poverty level which is now more or less 40% of the total population. The inflation rate in September 2016 now around 5.71 percent whereas inflation of food and essentials is 4.56. To keep the inflation in control the Central Bank has tightened its monetary policy stance in part by restraining growth of private credit and larger component of domestic credit.

Creation of employment opportunity is the first priority of the Government to reduce poverty and poverty reduction strategy paper - II outlined that SME is a vital element of the Strategic Block for pro-poor growth and as underlying in the sixth five year plan 2011 - 2015, Bangladesh Bank has given high importance to channeling funds to this sector to gear up the pace of pro poor growth rate. The Government of Bangladesh has been making outlines of the strategies to achieve a healthy economic growth. Experts from different segments of the society opined that besides SME

development, labor intensive industrialization is the only way to achieve higher GDP growth. Infrastructural facility, electricity and gas supply are not sufficient and therefore investment in the productive sectors has come to a standstill for which growth of this sector is not satisfactory.

Capital market of Bangladesh

After 2010 the position of stock markets has been deteriorated day by day till mid of 2016. The regulatory bodies, Stock Exchanges, all investors, Merchant Bankers, Brokers and share market related other concerns experienced biggest ever fall of share prices. Though a lot of reform works and different measures have been taken by the government and regulatory bodies already appeared as ineffective in the last six years and the capital market has lost its inherent strength due to negative equity created from margin loan after fall of value of securities. Experts opined that poor involvement of banks, FIs and their Merchant Banks for exposure barrier by Bangladesh Bank, inactiveness of other large institutional investors, lack of confidence of individual investors, unstable money market, higher interest rate on deposit, fall of foreign investment, absence of justice of different cases and last but not the least political instability is the reason of failure to boost up the markets. Investors who have sold out their stocks in the very early stage of market crash and capable to re-invest in the share market are now very choosy to invest further. Those who have been involved in share market during last 5 years have lost their confidence to a great extent.



For providing relief to the large number of small investors who suffered monetary losses the government has unveiled a stimulus package for the affected small investors whose investment was BDT 10 lac or below. By availing refinance small investors have benefited but not up to the mark because impact of this fund to improve the overall market is not effective. After January 5, 2014 election different bodies of stock market are trying their level best to make the market

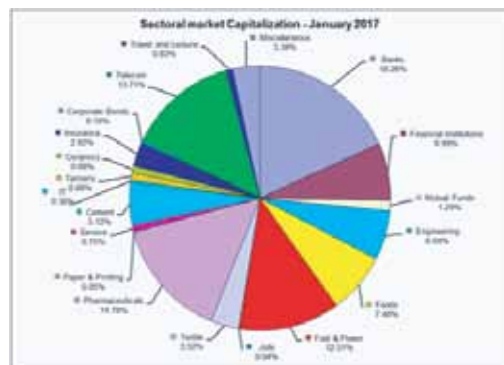
attractive and also to recover the confidence of the investors. Investors, who are still active in the market after suffering huge loss, now very careful to act in the market and careful about issuer's fundamentals. Investors want to earn profit within the shortest possible time and therefore most of them run after rumor and fall in the trap of gamblers. Besides Initial Public Offering (IPO) and Right Issue are main two tonics to attract new and as well as old investors in the market. But issuer companies did not show interest as they fear that they would not get expected price. At the end of the year 2016 total number of listed securities is 560 against 559 of 2015 and 546 of 2014. Experts and Merchant Bankers opined that the number of issue could have been higher if the market remained stable.



After collapse of stock market, issue of reform measures of stock exchanges comes to the fore front. Revised index has started in the main bourses at the beginning of 2013. Taking into consideration the global trend, demutualization of both the exchanges have already been made like most of the stock exchanges in the developed and developing countries. Demutualization ensures the operational transparency and enhances investor's confidence regarding fair trading but is not the ultimate remedy of all problems of the market. Surveillance Software has been procured and installed by Bangladesh Securities and Exchange Commission (BSEC) to identify the transaction manipulation. Effective financial safeguards like corporate governance, adoption of International Financial Reporting Standards (IFRS), special tribunal for the market, political stability, lower rate of bank interest, active participation of institutional investors like different banks, mutual funds, merchant banks, insurance companies and some brokerage houses may pull the market to improve the confidence of the small investors to inject further fund into the market. Mutual funds which only securities to invest should prove itself as a dependable place of managing funds of the small investors.



The stock market of Bangladesh is a frontier in the global prospective and long way to go to attain the international standards. Bangladesh Securities and Exchange Commission is yet to be made truly independent. This regulatory body should have certified Chartered Accountants for analysis of different financial statements. The main two share markets should take more training programs even through electronic media for the grassroots investors who do not have enough knowledge but active in the market to invest blindly without knowing the fact and giving importance to rumor and put their feet into the manipulators trap. For

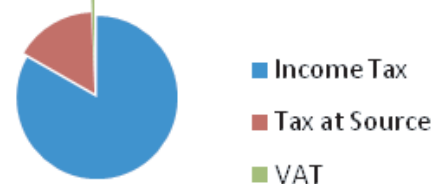


correct decision investors should have knowledge about different common items like price index, market capitalization, sectors, face value of shares, EPS, PE ratio, NAV, prospective growth, industry average, risk of the market, impact of cash dividend, stock dividend, right shares etc. The importance of Bangladesh bank is equally important who should ensure sustainability of a sound banking system inside the money market and strengthening its coordination with the stock market regulator.

Payment of tax

Uttara Finance and Investments Limited deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from various payments and also deposits income taxes of the Company's income. During the year of reporting the company directly contributed to the national economy by way of payment to the

Payment of Tax and VAT 2016



government exchequer BDT 520.00 million as income tax, BDT 94.77 million as against tax deduction at source and deducted value added tax BDT 4.29 million which was BDT 400.00 million, BDT 38.48 million and BDT 16.88 million respectively in the year 2015. For tax payment on due compliance in the last financial year Uttara Finance and Investments Limited has been honoured for consecutive second year by National Board of Revenue of Government of Bangladesh. S. M. Shamsul Arefin, Managing Director & CEO on behalf of the Company received the Crest and Certificate from National Board of Revenue.

The Industry

Non Banking Financial Institutions (NBFI) are formed and supervised by Bangladesh Bank under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFI is Taka 1.0 billion as per the Financial Institution Regulation, 1994. The business activities of NBFI's are appeared as narrow in comparison with Commercial Banks operating in Bangladesh. By financing to various sectors like manufacturing and service industries, trade, housing, transport, information and communication technology and capital markets the NBFI are playing very vital role in the economy of Bangladesh. This sector consists of specialized financing companies, leasing companies, investment companies, merchant banks, etc. Upto end of December 2015 there are 33 NBFI operating their business in the country of which 3 are government-owned, 19 are

Chart 7.1 Investment pattern of NBFI as of 30 June 2016



Source: Department of Financial Institutions and Markets, BB.



privately owned local companies and the remaining 11 are established under joint venture with foreign participation. NBFIs are operating with 220 branches throughout the country.

As per Bangladesh Bank data the cumulative investment of NBFIs at the end of June 2016 is BDT 672.8 billion which was BDT 611.0 billion in 2015 means investments of NBFIs have increased by 10.12 percent. Major portion of investment of NBFIs are mainly in the form of term loan. Investments of NBFIs in different sectors of the economy shows that industrial sector is the leading sector at the end of June 2016 which is 43.0 percent of total investment followed by real estate 16.6 percent, margin loan 3.6 percent, trade and commerce 17.7 percent, merchant banking 3.9 percent, agriculture 1.9 percent and others 13.3 percent. On the other hand total deposits of the NBFIs in 2016 rose to BDT 351.4 billion after increasing by 10.47 percent from BDT 318.1 billion of 2015 whereas the aggregate liability including equity of the industry is BDT 572 billion at the end of June 2016 which was BDT 509.0 billion in 2015. Rating on the basis of six crucial dimensions namely capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity to market risk known as CAMELS rating is the main basis of evaluation the performance of NBFIs. Out of 32 NBFIs, (one NBFI is yet to come under this operation) 1 was evaluated as "1 or Strong", 15 were "2 or Satisfactory", 13 were "3 or Fair" and 3 were "4 or Marginal". As reported in Bangladesh Bank Annual Report 2016, non-performing loan of the industry is used to judge the asset quality have increased to BDT 45.1 billion in 2016 which is 12.75 percent higher than BDT 40.0 billion of 2015. The NPL of 2016 is 9.00 percent of total loan and lease which was 8.92 percent in the year 2015. The Shareholders equity of all NBFIs increased by 12.65 percent from BDT 96.35 billion in 2015 to BDT 100.8 billion in 2016. The total assets of

NBFIs in 2015 stands at BDT 538.65 billion which was BDT 453.13 billion in 2014.

AS per Bangladesh Bank Stress test results, based on data at the end of June 2016 out of 33 NBFIs, 5 were positioned as green and 13 were positioned as yellow and therefore, 18 NBFIs performed as resilient institutions whereas 15 NBFIs were positioned as red.

Industry outlook for 2016

All of the non banking financial institutions of Bangladesh have passed a very challenging year along with other related industries of Bangladesh due to interest rate volatility, less investment opportunity, poor infrastructure, fall in stock prices, etc.

Besides state owned and private banks, Non Banking Financial Institutions of Bangladesh are now one of the major financial intermediaries and have been playing very vital role as one of the key segments of the financial system of the Country through investment in different sectors by financing and leasing activities to ensure economic development.

Bangladesh Bank, the Central Bank of Bangladesh, which is the prime authority of monetary policy might continue with tight credit policy to control

Chart 7.3 NBFIs total, classified loan/lease and their ratios



the inflation. The revenue collection of current fiscal is not up to the mark and expected that the deficit of revenue collection will exceed BDT 300 billion. To meet up with development expenditures if the government borrowed more from different commercial banks, the stability of money market is likely to be uncertain and thus interest rate in the money market is likely to increase and the economy may see a slowdown in terms of business activity. The non banking financial institutions have to face more challenges to maintain their growth and recover investments in the coming days.

Principal activities of the company

Principal activities of the Company is to extend credit facility for the industrial development of the country through operating lease, finance lease, sale and lease back, term finance, documentary credit, bridge finance, syndicated finance, working capital finance, SME, auto loan etc. The Company through its merchant banking unit provides different services like underwriting, portfolio management, issue management, asset management, corporate advisory service and also provides margin loan through investors' account. To encourage the savings behavior and also to help form capital of the nation, the Company is offering term deposit with attractive interest rate and different flexible features. Shareholders may kindly note that there were no significant changes in the nature of principal activities of the Company and the group during the financial year under review.

Taking into consideration all of the above factors, Uttara Finance and Investments Limited has prepared its business plan for the year 2017. The Management of the Company has been making all out efforts to achieve the business target.

Operational performance of Uttara Finance

In the year 2016 the achievement of Uttara Finance and Investments Limited was remarkable. By the grace of the Almighty Allah and by maintaining a prudent operating policy the company has maintained a steady growth in all of the growth indicators. During the year of reporting the business growth was substantially higher over the figures of 2015. Business contract processed in 2016 is BDT 1,900.86 crore against targets of BDT 1,670 crore. In 2016 disbursement has been made for BDT 1,810.36 crore against targets BDT 1,500 crore. Disbursement of 2016 is 25.71 percent higher than the disbursement of 2015 of

BDT 1,337.27 crore whereas business contract is 28.16% higher than the business contracts of 2015 BDT 1,900.86. In the year 2016 Uttara Finance has achieved net profit growth of 50.33 percent. This trend is likely to be maintained in spite of difficulties presently faced in the leasing and finance sectors and InshaAllah the shareholders will be presented a good result at the end of the year. The business achievement in 2016 and growth percentage over the last year are as given below:

Particulars	Amount in million		% of growth over last year
	2016 Taka	2015 Taka	
Business Performances			
Contract Processed	19,008.56	14,831.42	28.16%
Contract disbursed	16,810.36	13,372.72	25.71%
Financial performances			
Operational Revenues	3,911.03	3,940.90	(0.76)%
Profit before provision and Tax	1,356.05	1,502.78	(9.76)%
Net profit after tax	829.37	551.69	50.33%
Profit from general operation	1,189.69	1,325.76	(10.26)%
Profit from MBU	166.36	177.03	(6.03)%
Fixed assets	120.41	134.25	(10.31)%
Investment in lease	11,302.06	11,369.04	(0.59)%
Investment in term finance	10,232.87	9,617.97	6.39%
Investment in margin loan	2,131.79	1,994.85	6.87%
Investment in shares	1,608.37	1,393.41	15.43%
Shareholder's equity	5,696.26	5,242.55	8.65%

The Management ensured that a healthy balance was maintained in manufacturing, power generation, agriculture, information technology, import substitution industries, small and medium enterprises, export oriented industries and the real estate sectors. In the process, the company could diversify to a number of sectors essential for national growth.

Branch operation

For ensuring greater participation in the economy as well as financial sector, the Company has been expanding its operational network by opening new branches. During the year of reporting Uttara Finance has made its business through three of its branches located in Chittagong, Bogra and Gulshan besides its two corporate offices located one in Dilkusha and another in Tejgaon area of Dhaka. All the branches of Uttara Finance and Investments Limited have made good profit in the year 2016. The Company has the plan to open more branches in the coming days.



1



2



3

Working force of:

1. Gulshan branch
2. Dilkusha office
3. Merchant banking unit
4. Bogra branch
5. Chittagong branch



4



5

Information technology

To ensure the best and quality service to its customer, generate and deliver instant error free report for internal and external use Uttara Finance and Investments Limited has been using integrated software which is exclusively designed and developed for non banking financial institutions. For smooth IT operations the Company established a strong IT department headed by a Chartered Accountant as Department Head consisting of qualified professional personnel. IT Personnel are involved with development of software, database integration and migration, hardware procurement, installation and maintenance, network infrastructure development to ensure trouble free links, troubleshooting of different network, pc devices etc. Besides IT department is also responsible for backup of data, backup power, antivirus, terminal server, new branches connectivity, internet and intranet connections.

Financial result

The accounts for the year ended 31 December 2016 have been audited by M/S. K. M. Hasan & Co., Chartered Accountants, a renowned audit firm, for the year. After thorough scrutiny of all books of accounts and systems they have compiled and certified the figures. The Board states that:

- The Financial Statements prepared by the Management of the Company are fairly presented.
- Proper Books of Accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates have also been made based on reasonable and prudent judgment.
- International Accounting Standards (IAS), as applicable in Bangladesh has been followed in preparation of the financial statements.
- Effectively implemented and monitored internal control system is sound.
- Subject to appliance of various measures regarding going concern the Board has no doubt about the ability of the company to continue its operation in foreseeable future.
- There is no significant deviation in operating results in comparison with last years.

As per the audited Financial Statements for the

year ended 31 December 2016 the gross profit and net profit margin of the Company is 39.04 percent and 21.21 percent which were 41.83 percent and 14.00 percent respectively in the year 2015. During the year of reporting there was no extraordinary gain or loss in the reported profit. The year end results of 2016 with comparative figures of 2015 are as under:

	2016	Amount in Taka 2015
Operational Revenues	3,911,025,588	3,940,880,869
Interest expenses	2,384,020,124	2,292,320,411
Gross profit	1,527,005,464	1,648,560,458
Operational Expenses	212,373,271	195,565,834
Non Operational income	41,418,110	49,789,438
Profit before Provision and Tax	1,356,050,303	1,502,784,062
Tax Expenses	600,000,000	350,000,000
Provisions	(73,317,519)	601,095,058
Profit after Tax	829,367,822	551,689,004
Earnings Per Share	6.62	4.41

Significant deviation of operating results'

As per the audited financial statements for the year ended 31 December 2016 net profit earned is BDT 829.37 million which was BDT 551.69 million in the year 2015 means there are some deviation in profit earning of 2015 and 2016. Taking into consideration the classification status of clients, diminution in the value of investment and equity position of Margin Loan, substantial provision have been made by the Company for classified loan, leases and other investments. Provision charged BDT (73.32) million in 2016 which was BDT 601.09 million in 2015.

In the year 2016 net profit earned is BDT 251.64 million in first quarter (Q1), BDT 653.46 million at half year end and BDT 843.27 million at end of third quarter (Q3) which was BDT 231.49 million, BDT 532.42 million and BDT 813.13 million respectively in the year 2015 which means no significant deviation occurred between quarterly financial performances.

This profit mainly derived from the core business of the company.

Related party transaction

In terms of Bangladesh Accounting Standard - 24 namely "Related party disclosures" the Company discloses the transactions in notes to the financial statements under the head "Related party transactions" mentioning the basis of finding out related parties and their transactions. Descriptions of transactions as recorded by the Company related with its Directors are given in

the note 38 (page no.189) to the financial statements.

Proposed appropriation of profit

The members of the Board of Directors of Uttara Finance had threadbare discussion on the dividend to be distributed and agreed to declare 30 percent cash dividend for the Shareholders of the Company.

Current year's net profit is now recommended to be appropriated as under:

Description	Amount in Taka	
	2016	2015
Statutory reserve @ 20% of net profit	165,873,564	110,337,801
Dividend @ 30% (dividend @ 30% - 2015)	375,661,440	375,661,440
General reserve	150,000,000	-
Dividend equalization fund	100,000,000	-
Retained earnings for the year	37,832,818	65,689,763

Dividend

The Company has a strong dividend policy. The Company has been paying substantial dividend for the last few years. The details of dividend payment amount, payout ratio are given in historical database.

Plan for utilization of undistributed profits

At the end of the year 2016 the amount of undistributed profit of the Company is BDT 2,543.11 million which was BDT 2,255.28 million at the end of 2015 maintained in the name of general reserve, dividend equalization fund and retained earnings excluding the statutory reserve BDT 1,372.94 million and BDT 1,207.07 million respectively for the year 2016 and 2015. This strong base of equity enables the company to show healthy NAV and has been helping the Company to carry out its regular business operation. This undistributed profit already had been invested through disbursement against lending for profit maximization. In the coming years, if needed, this fund is to be distributed to the Shareholders in the form of Dividend and/or to meet contingencies in future as authorized under Article 100 of the Schedule I of the Companies Act 1994. Additionally with this retention, a reasonable debt equity ratio is maintained for having the borrowing power.

Key operating and financial data

Key operating and financial data for last five years is given in the page no. 25 under the head historical database.

Utilization of amount received from public issue, right issue etc.

In the year 2016 the Company has not collected any fund through public issue or right issue or repeat public offering or direct listing or through any other instrument except issuing of term deposit receipts. The detailed movement of term deposit receipts is given in the note no. 11 (page no. 179) of the financial statements.

Directors

The Board of Directors of the Company consists of 9 Members excluding Managing Director, two independent Directors and one Executive Director. As per Article 62 of the Company one-third of the total number of Directors are to retire by rotation every year. Accordingly, three Directors namely Mujibur Rahman, Zakia Rahman and Tahmina Rahman (Tina) retired from their office and being eligible offered themselves for re-election. Details about all Directors given in the page no. 45-53 as Director profile.

Directors' attendance in the Board of Directors meetings

During the year 2016 the Board of Directors met 7 times. Most of the Directors were present in all the meetings. During the year 2016 average presence of the Board Members was 79.07 percent. The Company Secretary and Chief Financial Officer were also present in all the meetings. Attendance detail of each Director is appended below:

Name of Directors	No. of Position in the Board	Total Meeting	Meetings Attended
Rashidul Hasan (Nominee Director)	Chairman	7	7
Matiur Rahman (Nominee Director)	Vice Chairman	7	6
Mujibur Rahman (Nominee Director)	Director	7	6
Mehdadur Rahman	Director	7	4
Kazi Imdad Hossain (Nominee Director)	Director	7	7
Zakia Rahman	Director	7	6
Tahmina Rahman (Tina)	Director	7	4
N. G. Chin Keong	Director	7	-
Nayeemur Rahman	Director	2	1
Md. Showkat Hossain, FCA	Independent Director	7	7
A. T. K. M. Ismail	Independent Director	7	6
S. M. Shamsul Arefin	Managing Director	7	7

Directors' remuneration

As per DFIM circular letter no. 13 dated 30 November 2015 from December 2015 the Company has been paying @ BDT 8,000 to the non executive Directors for attending each Board of Directors meeting and Executive Committees meeting. During the year of reporting a sum of

BDT 608,000 was paid to the Directors for their attendance in the meetings which was BDT 421,500 in 2015. Other than fees for attending the Board meetings and Executive Committee meetings, the Directors including the Independent Directors are not entitled to any other remuneration. Details of directors' emoluments paid during the year are given in notes 30 (page no. 187) to the financial statements.

Pattern of shareholdings

As on December 31, 2016 the paid-up Capital of Uttara Finance and Investments Limited is BDT 1,252,204,800 and the Authorized Capital is BDT 5,000,000,000 where the nominal value per share is BDT 10 each. As per Clause 2(k) of SEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 pattern of Shareholdings of Related parties, Directors, CEO, Executives, Head of Internal Audit, Company Secretary & CFO including their spouses and minor children, other top five employee and Shareholders having 10% or more voting interest are given below. Details of shareholdings at end of 2016 are given in the page no. 16-20 and note no. 13 (page no. 182) of the financial statements.

Name of Shareholders	Status of Shareholder	No. of Shareholding
Uttara Motors Limited	Sponsor	6,392,667
Uttara Automobiles Limited	Sponsor	9,786,799
Uttara Apparels Limited	Sponsor	10,956,792
Rashidul Hasan	Chairman	433,873
Mrs. Chin Keong	Sponsor (retired)	4,891,425
Matiur Rahman	Nominee Director	609,031
Mujibur Rahman	Nominee Director	2,603
Mehdadur Rahman	Sponsor	2,507,115
Kazi Imdad Hossain	Nominee Director	5,082
Zakia Rahman	Sponsor	2,507,115
Tahmina Rahman (Tina)	Sponsor	2,507,115
NG Chin Keong	Sponsor	4,891,425
Nayeemur Rahman	Director	375,659
Uttara Automobiles Manf. Ltd.	Director	14,709,135
Md. Showkat Hossain, FCA	Independent Director	nil
A.T. K. M. Ismail	Independent Director	1,595
S. M. Shamsul Arefin	CEO	nil
A J Masudul Haque Ahmed	Executive Director	18,278
Muhammad Abdul Hamid, FCMA	DMD	nil
Md. Jakir Hossain, FCA	DMD	762
Anil Chandra Das	SEVP	nil
Uttam Kumar Saha	EVP	nil
Ali Akbar Mollah	VP	1,262
Kazi Arifuzzaman	VP	413
Mesbah Uddin Mahmud	VP	24
Chowdhury Fazla Anwar	VP	nil
Mainuddin	VP	nil
Faruk Jamil	VP	nil

Independent Directors

As per Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission, the appointment of Independent Director should be approved by the Shareholders in the Annual General Meeting. In compliance with the section 1.2(i) of the above said notification 2 (two) new Independent Directors namely Md. Showkat Hossain, FCA and A. T. K. M. Ismail have been appointed by the Board of Directors for a period of 3 (three) years and as per section 1.2(iii) of the same notification the Shareholders in the 18th Annual General Meeting held on Monday, May 27, 2013 approved the appointment of the Independent Directors and the tenure of Independent Directors expired on May 26, 2016. After expiry of first three years term taking into consideration of section 1.2(vi) of the above said Notification, the Board of Directors unanimously appointed Md. Showkat Hossain, FCA and A. T. K. M. Ismail as Independent Directors for a period of further three years term and the Shareholders in the 21st Annual General Meeting held on Monday, May 30, 2016 approved the appointment of the Independent Directors and the tenure of Independent Directors will be expired on May 29, 2019.

Auditors

M/S K. M. Hasan & Co., Chartered Accountants one of the leading Chartered Accountants firms in Bangladesh has carried out the audit of the Company for the year 2015 and has completed second consecutive years of audit of their term very creditably. The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. In compliance with the same M/S K. M. Hasan & Co., Chartered Accountants being eligible for audit for consecutive third year expressed their willingness to continue as Auditor for the consecutive third year.

The Board of Directors considering the willingness and proposal of Board Audit Committee recommended for appointment of M/S K. M. Hasan & Co., Chartered Accountants, an audit firm of repute to be the Auditor for the year 2017 to hold office from the conclusion of the 22nd Annual General Meeting until the conclusion of the next 23rd Annual General Meeting of Uttara Finance

and Investments Limited.

Risks and concerns

Risk is integral part of business and therefore risk management is important for making business successful. To ensure sustainable growth, execute the business plan, uphold the reputation the identification, evaluation and management of risk is very vital in business community.

To establish potential risk management system different committees have been formed where Company's senior management are members. All the committee work together but independently to mitigate different risks. All teams regularly reviews risk related issues, find out risk factors and recommend for necessary steps. Considering different rules, regulations, guidelines and recommendations of different committees, the company takes appropriate measures to minimize the risk.

Details about risk management policies and practices are discussed in the 'Statement of risk management report' on page no. 63.

Internal control

Internal controls are integral part of sound management. Reviewing the effectiveness of internal control is an essential part of the Board's responsibilities while management is accountable to the Board for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so. The Board of Directors of Uttara Finance and Investments Limited have delegated the review work to the Executive Committee, Audit Committee and other appropriate Committees of the Company. System of internal control and implementation thereof throughout the company has been delegated by the Board to the Management and to the department of ICC. However, the guidance asserts that the Board cannot rely solely on such an embedded process, but should regularly receive and review reports on internal control from the management.

All internal control systems have some limitations. Further, because of changes in conditions, situations etc. effectiveness may vary over time. Managing Director, Chief Financial Officer and Chief of Internal Control & Compliance of Uttara Finance and Investments Limited are responsible for evaluation of the effectiveness of Internal Control system of the company. This control

assists the Board to meet its responsibilities for the integrity and accuracy of the company's accounting records from which financial statements are prepared after complying with required laws and standards. The Board of Directors is satisfied with the effectiveness of the system of the internal control for the year under review.

A separate report on Internal Control has been set out on page no. 114.

Going concern

Going Concern is an assumption that a company will not go out of business and liquidate its assets and therefore, the company must be able to generate and/or raise enough resources to stay operational. For preparing financial statements going concern assumption is taken into consideration. Bangladesh Accounting Standards require Directors of Companies' to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue business for a foreseeable period. Companies have to make adequate disclosures about the going concern and financial statements also have to be prepared on going concern basis.

The Directors of Uttara Finance and Investments Limited have considered the future profitability, cash flows, quality of asset & liability, current ratio, renewal and repayment of debt, nature of borrowing, creditors repayment credibility, investment portfolio, equity, employees turnover etc. in making their assessment and after due assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future.

A separate report on going concern has been set out on page no. 121.

Status of corporate governance

Status of compliance of corporate governance as per Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 of Bangladesh Securities and Exchange Commission and DFIM Circular No. 07 dated September 25, 2007 of Bangladesh Bank are given hereafter in page no. 130 and 137 as 'Annexure-I' and 'Annexure-II' respectively.

Professional certificate on status of compliance of corporate governance also given in the page no. 129.

Conclusion

On behalf of the Board of Directors and on my own behalf I would like to convey my deep sense of appreciation to all the Shareholders who had taken such keen interest in the affairs of the Company during the year under review. It has indeed been a unique experience to receive suggestions and advice on important policy matters of the Company. We are indeed very grateful to each and every one of you for such keen and incisive observation. We sincerely hope that you will continue to advise, support and encourage us similarly in the future for continued progress.

The Management team has performed admirably under the policy guidance of the Board of Directors.

I on behalf of the Board wish you all good health, peace and prosperity in the spheres that you are operating.

Your large turnout has been a source of inspiration for us.

On behalf of the Board of Directors



Rashidul Hasan
Chairman

Reference:
World Bank report, IMF report, Bangladesh Bureau of Statistics, Bangladesh Bank



REPORT ON ACTIVITIES OF
DIFFERENT COMMITTEES



REPORT OF THE AUDIT COMMITTEE

The audit committee of Uttara Finance and Investments Limited is a Sub-Committee of the Board of Directors. As per corporate governance guidelines issued by Bangladesh Securities and Exchange Commission vide their notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2013, Internal Control & Compliance (ICC) guidelines of Bangladesh Bank through DFIM circular no. 13, dated October 26, 2011 stated that the Committee was responsible for submitting their report to the Board whether the financial statements of the company reflected true and fair view of the state of affairs. The Committee is also responsible for ensuring a good monitoring system. These responsibilities and compliance along with appropriate governance are incorporated in the Committee Charter.

Members of Audit Committee

As per the guidelines issued by Bangladesh Securities and Exchange Commission the audit Committee should be formed with at least three Members of the Board including one Independent Director and Chairman of the Committee must be an Independent Director. Therefore, all the non-executive Directors of the Company are eligible to serve in the Audit Committee. The Members of the Committee should be financially literate.

The Audit Committee of the Company has three Members including one Independent Director who is the Chairman of the Committee where Company Secretary of the Company is the Secretary of the Committee. During the year of reporting the Committee comprises of the following Members:

Name	Position in the Board	Position in the Audit Committee
A. T. K. M. Ismail	Independent Director	Chairman
Mujibur Rahman	Director	Member
Mehdadur Rahman	Director	Member
Md. Jakir Hossain FCA	Company Secretary	Secretary

Besides the Chairman, Members and Secretary of the Committee, the Chief Executive Officer, Chief Financial Officer, Chief of Internal Control & Compliance (ICC), the External Auditors are eligible to attend the Committee Meetings.

Scope of work of Audit Committee

The Audit Committee of Uttara Finance and Investments Limited is authorized for the following activities:

- Stuffing and set out duties, responsibilities, performance, objectivity etc. of internal audit Department;
- Review the functions of the internal audit department;
- Analysis of internal audit report;
- Requesting the Board of Directors for kind action as per recommendation of the internal audit department;
- Review of the Advice of the Board of Directors regarding appointment of External auditor;
- Review the External auditor's report, advice and recommendation and financial reporting process;
- Review of the internal control and internal checking policy as well as effectiveness of internal control system;
- Review of compliance of various regulatory bodies requirement, laws, rules, regulations, guidelines and internal code of conducts;
- Review of matter which may have adverse effect;
- Review of the accounting policy matter;
- Ensure proper use of Company's assets;
- Report to the Board of Directors;
- Investigate any matter and access to all documents & information of the company;
- Seek information from any director or employee;

Responsibilities and functions of the Audit Committee

The Audit Committee is responsible for:

- Review the monthly, quarterly, half yearly and annual financial statements;
- Review the implementation of accounting policies;
- Ensure the implementation of the internal control systems and its adequacy;
- Assist the Board of Directors in its evaluation of internal control systems;
- Review statement of significant related party transactions submitted by the Management;
- Review the activities, resources and organizational structure of Internal Audit
- Review the internal auditors' reports;
- Review the overdue status of the Company's portfolio and non-performing clients
- Review the report of Management on business operations;
- Assist the Board of Directors in its understanding of accounting practices;
- Assist the Board of Directors in its understanding of Management Information System;
- Review statement of significant related party transactions submitted by the Management;
- Assist the Board in its understanding of internal and external auditing processes;
- Review the terms of engagement and independence of the external auditors;
- Review scope of work and access to information of external auditors;
- Discuss with external auditors regarding financial reporting, accounting policies, principles, assumptions, related party disclosures, post balance sheet events, risk management process, adjustments on external audit queries;
- Discuss with the external auditors, the Chief Executive Officer and the Chief Financial Officer about audited annual financial statements included in this annual report;
- Review and approve the Annual Audit Report;
- Review Management reports issued by external auditors' and Management's response thereon;
- Oversee the annual reporting process and

review the annual report before its publication;

- Review of auditors' appointment proposal and to recommend the same to the Board;
- Review the annual budget of the Company;
- Review the compliance of rules, regulations, orders, notifications, circulars etc. issued by different regulatory bodies;
- Review of Bangladesh Bank's inspection report and Management responses thereon;

For the year ended 31 December 2016 the Audit Committee after considering, analyzing and reviewing information provided by Management, internal audit and external audit states that:

1. The internal control system of the Company is adequate and effective;
2. The control system have ensured that the Company's assets have been safeguarded;
3. Accounting records have been maintained properly;
4. The external auditors performed their audit independently;
5. Audited financial statements recommended for approval by the Board to place before the Shareholders in the 22nd AGM of the Company;
6. Responses of Management on management report submitted by external auditors appeared as satisfactory;
7. Responses of Management on inspection report submitted by Bangladesh Bank appeared as satisfactory;
8. There are no material deviations on compliance rules, regulations, orders, notifications, circulars etc. issued by different regulatory bodies;
9. Available resources of the Company have been utilized efficiently;
10. Considering the eligibility the external auditors are recommended for appointment for the year 2017;

sd/-
Chairman
Audit Committee
April 12, 2017

ACTIVITIES OF DIFFERENT COMMITTEE

Stress Testing

UFIL conducts periodic reviews of its risk management process to ensure its integrity, accuracy, and reasonableness through stress testing. A FI should have written policies and procedures governing the stress-testing program. UFIL carrying out stress testing as per Bangladesh Bank guidelines regularly, on quarterly intervals. It helps in assessing potential risk, mitigation of such risks as well as current and future capital requirement of UFIL. As of 31 December 2016, the combined post-shocks Capital to Risk-weighted Asset Ratio (CRAR) at handsome level of UFIL stood at 20.13% in terms of stress test parameters set by Bangladesh Bank (BB).

At institutional level, stress testing techniques provide a way to quantify the impact of changes in a number of risk factors on the assets and liabilities portfolio of the institution. Therefore as a part of risk management unit we prepare stress testing report at each quarter to check out four major shocks (interest rate risk, credit risk, equity price risk, liquidity risk) under different magnitude level to ensure optimum allocation of capital across its risk profile. The Company has adopted the standardized approaches for market risk and operational risk. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move toward Internal Model Approach for market risk. Capital adequacy assessments and Plans, incorporating stress test results, are submitted quarterly to Bangladesh Bank. Implementing the Basel II framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Company management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and new standards established in the Basel II Framework published in

December 2010. We are constantly reviewing to further improve and refine our businesses and risk management capabilities as well as engaging in dialogue with industry peers and regulators to position ourselves for the far-reaching consequences of these reforms.

BASEL II Implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from 01 January 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" have come fully into force from 01 January 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all FIs for the purpose of statutory compliance. As per CAMD guidelines, Financial Institutions should maintain a Capital Adequacy Ratio (CAR) of minimum 10%. In line with CAMD guideline's requirement, UFIL has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

The BASEL newly named as Capital Adequacy and Market Discipline (CAMD) is responsible for the implementation of Basel Accord for Financial Institution (BAFI) of UFIL. Managing risk based capital adequacy is the most important responsibility of the Committee. The BASEL Implementation Desk (BID) of the Risk Management Department manages Basel activities. The results of risk based capital analysis along with recommendations are placed in the Committee meeting by the BID where important decisions are made to maintain minimum/ regulatory capital and manage related risks. The BASEL Implementation Committee Charter states that the Committee has the following responsibilities specially:

- Apply the action plan of BASEL-II and review thereof;
 - Communicate issues related to the implementation of BASEL-II to the management;
 - Assist in carrying out the quantitative impact study (QIS), if necessary;
 - Engage in capacity building and training according to the training need assessment for the concerned officials; and
 - Establish a planning and supervisory review as required by Pillar-II of BASEL-II framework, etc.
- The reviews of the BASEL-II Implementation Committee include
- Review of action taken in previous BIU meetings
 - Economic and market status and outlook;
 - Credit, market and operational risks related to capital adequacy;
 - Review of BASEL II implementation status; and
 - Anything other followings requirements if any.

Anti Money Laundering (ALM) and Anti Terrorist Financing

Bangladesh, being one of the active countries effectively fighting against money laundering and terrorist financing, has updated the relevant laws, namely, Money Laundering Prevention Act 2012 (amended in 2015) and Anti-Terrorism Act 2009 (amended in 2012 and 2013). Both the Acts have empowered Bangladesh Financial Intelligence Unit (BFIU) to play the anchor role in

combating money laundering and terrorist financing activities by issuing directives and formulating various guidelines & policies for the reporting organizations like banks and financial institutions and other stakeholders. UFIL from very beginning treats the money laundering and terrorist financing issues as vital part of its core risk management strategies. The Bank always pursues a policy of strict adherence to all regulatory instructions and follows good corporate governance in all its activities. In 2015, UFIL took following measures to combat Money Laundering and Terrorist Financing in an effective way:

- i. The Manual on Anti Money Laundering and Combating Terrorist Financing has been updated in July, 2015 incorporating the directives of the above noted Acts, BFIU Master Circular No. 10 dated 24 December 2014 and relevant guidelines and policies of Bangladesh Bank in order to prevent money laundering and combat against terrorist financing;
- ii. UFIL prepared the "UFIL Money Laundering and Terrorist Financing Risk Management Guideline- 2015";
- iii. Automated sanction screening has been implemented in October, 2015;
- iv. AML/CFT training is being arranged under a new module appropriate for new entrant and the refreshers. At the end of 2015, significant number of officials got training on Anti-Money Laundering and Anti- Terrorism issues;
- v. Enhanced due diligence is performed in case of opening of accounts of Politically Exposed Persons (PEPs) as per directive of Bangladesh Bank which is in line with recommendations of Financial Action Task Force (FATF);
- vi. Desk of the CAMLCO is ensuring submission of error free Cash Transaction Report (CTR) and Suspicious Transaction Report (STRs) if any applicable of our company data to BFIU, Bangladesh Bank;
- vii. Up gradation of KYC of all UFIL Account holders has been running as per BFIU instructions;
- ix. UFIL has completed the KYC;
- x. Automatic transaction Profile Exception Reports are generated for daily review and monitoring of transactions at branch level as well as in the Head Office;
- xi. Regular meeting and teleconferences are also held from the Office of the CAMLCO to create awareness and to measure ability to combat ML/TF and its evaluation process.

Anti money laundering risk management

- UFIL Reviewed and updated the KYCs of almost all customer accounts under 'Time Bound Action Plan';
- UFIL's Manual on Prevention of Money Laundering & Combating Terrorist Financing (CTF) has been updated in July, 2015;
- UFIL's Money Laundering and Terrorist Financing Risk Management Guideline- 2015 has been prepared.
- Automated the system of generating Transaction Profile Exception Report for daily review and monitoring of transactions at branch level as well as in the Head Office, is under process;

- Automated sanction screening is to be implemented shortly;
- UFIL complied with almost all the BB observations as of 31 December 2015;
- AML training was arranged under a new module appropriate for new entrants and the refreshers;
- Special AML audit of branches is to be conducted by the desk of the CAMLCO as well as by the Internal Control & Compliance Department shortly;

As a responsible and compliant financial institution, UFIL has been managing money laundering and terrorist financing risk since its inception. In this regard, the company follows the requirements laid down by the various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU). UFIL compliance program for combating money laundering and terrorism financing consists of the following components:

Functions of the Committee are as follows:

- Keeping updated with changes in regulations regarding the combating of money laundering and terrorist financing and accordingly adopting changes to UFIL's AML and Anti Terrorism Activities (ATA) compliance policies;
- Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements;
- Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives;
- Ensuring that proper KYC along with effective risk assessment and control procedures are in place providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions;
- Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars;
- Development of adequate testing procedures to detect and prevent lapses in compliance;
- Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures.

Asset Liability Management

The Asset-Liability Management policy leads the process and procedures for mitigation of liquidity risk of UFIL. ALCO works under specific Terms of References (functions) approved by the Board. Treasury Division and ALM desk under regular supervision of top management reviews the overall liquidity position of UFIL and takes appropriate strategy, process in line with the industry position for managing liquidity risk of UFIL. Asset Liability Management (ALM) at UFIL. We have built a robust ALM system over the years to measure, manage and monitor different aspect of the major balance sheet risks (liquidity risk and Interest rate risk). We have a dedicated ALM desk that provides input to the Asset Liability Management Committee (ALCO). It tracks, analyzes and reports Balance Sheet movements to senior management and ALCO. In addition to that, it also monitors the economic outlook, major changes in the operating environment and predicts the future interest rate movement to suggest proper balance sheet movement in line with the strategic goal of UFIL.

The main responsibilities of the ALCO are to look after the financial market activities, manage liquidity and interest rate risk and understand market position and competition among other activities. In carrying out its responsibilities, the ALCO convene periodical (monthly) meetings and regularly reviews the decisions of the meetings with due consideration of the market situations.

Ensures formation of an optimal structure of the Company's balance sheet to provide the maximum profitability, limiting the possible risk level:

- Ensures control over the capital adequacy and risk diversification;
- Guarantees execution of the uniform interest policy;
- Determines Company's liquidity management policy;
- Controls over the state of the current liquidity ratio and resources of the Company;
- Formation of UFIL's capital markets policy;
- Controls over dynamics of size and yield of trading transactions as well as extent of diversification thereof;
- Controls over dynamics of the basic performance indicators (ROE, ROA, etc.) as prescribed in the Company's policy; etc.

Portfolio Management

UFIL's discretionary portfolio management (DPM) service to manage Cap Invest", to reflect its more accurate identity. We have an experienced team of fund managers who manages funds on behalf of our investors by developing appropriate investment strategies, monitoring market performance regularly, diversifying the portfolio and actively managing risk. According to their desired risk-return profiles, our clients can choose from a wide variety of investment products.

Main Activities of the Committee are:

- Reviews and recommend credit risk section of the risk framework, narratives and risk appetite metrics and limits supporting the credit risk section of the Company's risk appetite statement to the Portfolio Management Committee for approval;
- Reviews and assess the process for establishing the Company's allowance for credit losses;
- Reviews with senior management the Company's significant policies, processes and metrics for identification of management and planning for credit risk. Periodically reviews management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards;
- Oversees management's administration of the Company's credit portfolio, including management's responses to trends in credit risk, credit concentration and asset quality, and reviews reports from senior management regarding compliance with applicable credit risk related policies, procedures and tolerances;
- Functionally manages Credit review and annually approves the unit's budget and operating plans, including ratification of key administrative matters. Coordinate its oversight of credit risk with the Company's Audit Committee in such a manner as the committees or their chairs deem appropriate, to assist the Audit Committee in its responsibility of reviewing the financial statements of the Company. The Committee to discuss with the Audit Committee quarterly, the Committee's review of the Company's allowance for credit losses;
- Coordinates its oversight of credit risk with the Risk Management Committee in such a manner

as the committees or their chairs deem appropriate, including providing reports to the Risk Management Committee on the Committee's review of and actions taken with respect to credit risk;

- Annually Reviews its own performance based on criteria or in accordance with procedures agreed upon with Bangladesh Bank Guidelines;
- Carry out such other duties that may be delegated to it by the Board from time to time; etc.

Internal Control and Compliance

The Internal Control Committee addresses operational risks and frames and implements policies to encounter such risks. The Committee assesses operational risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks. Under the new framework, the Internal Control and Compliance (ICC) department will act as a separate line of defense against operational risks. In line with regulatory requirements, ICC is responsible for the following:

- Assess compliance with applicable laws and regulations, codes and guidelines, internal procedures and policies;
- Timely audits are conducted where compliance with laws/regulations/guidelines is critical and appropriate recommendations for enhancement in processes and controls are enunciated;
- Track transactions and report any suspicious transactions to the local designated authority. It also imparts training on anti-money laundering in order to enable staff to mitigate compliance risks as recommended by local regulators;
- Act as a contact point within UFIL and deliver timely advice in relation to compliance queries emanating within the Company;
- The audit committee of the board the contact point for the internal control unit. The unit adequately staffed so that it can perform its duty properly. In order to ensure that availability of efficient people with internal control, UFIL make it mandatory for all middle to senior management staff to spend at least two years with internal control for understanding the duty properly;

- The head of internal control unit report directly to the Audit Committee of the Board. He is responsible for the both compliance and control related tasks which include compliance with laws and regulation, audits and inspection, monitoring activities and risk assessment;
- The audit team of the internal control unit performs periodic and special audit and inspection;
- The compliance unit responsible to ensure that UFIL complies with all regulatory requirements while conducting its business.

Risk Management Forum

The Risk Management Forum was formed on April 15, 2013 in accordance with the Bangladesh Bank's DFIM Circular no. 01 dated April 07, 2013 to introduce proactive risk management procedures in line with the international best practices framework.

- Reviews Management's plans for mitigation of the material risks faced by UFIL, evaluating their potential impact and implementing appropriate strategies to manage those risks;
- Oversight and Reviews the implementation of risk management as well as Regulatory compliance and internal control systems;
- Promotes awareness of a risk based culture and the achievement of a balance between risk minimization and reward for risks accepted;
- Reviews the sufficiency of personnel, systems, procedures and other risk management issues;
- Reviews and assesses the integrity and adequacy of the Risk Management Function, including processes and organizational structure;
- Reviews the adequacy of the Capital;
- Reviews and assess the adequacy of the risk measurement methodologies;
- Reviews and assesses various internal limits;
- Reviews other major risk concentrations as deemed appropriate;
- Recommends to the Board the parameters of the Company's risk reward strategy, monitor the alignment of risk profile with risk appetite as defined in the Board risk appetite statement and with current and future capital requirements, and oversee risks inherent in the Company's

operations;

- Discusses with Management and the external auditors any correspondence with regulator or government agencies and any published reports that raise risk issues material to the Company;
- Reviews the monitoring of the performance of reputational risk management and controls.
- Monitors changes anticipated for the economic and business environment, including consideration of emerging trends, organizational and regulatory changes as well as other factors considered relevant to the Group's risk profile;
- Recommends to the Board the parameters of UFIL's risk management strategy monitor the risk profile and oversee inherent risks. which includes the following matters:
 - Market Risk;
 - Liquidity Risk;
 - Credit Risk;
 - Operational Risk.

Risk Analysis Unit (RAU)

Concurrent with the formation of the RMF, the UFIL Risk Analysis Unit (RAU) was formed to act as the secretariat of the Risk Management Forum with the responsibility for identifying and analyzing various types of risks appropriately and in a timely manner.

Broadly, Risk Analysis Unit (RAU) will be responsible solely to identify and analyze all sorts of risks appropriately and timely. This Unit is to act as the secretariat of Risk Management Forum. In compliance with the Bangladesh Bank guidelines RAU is work independently from all other units/divisions of the FI, e. g. no member of this unit will be involved in any sort of ratings of transactions, or setting/working to achieve any target imposed by the FI. S/He will not also be involved in the process of determining any standard or threshold ranges for risk management goals.

Risk Analysis unit will be responsible only for the followings:

- Promote broader understanding of risk and work closely with risk management to ensure risk management initiatives are in place for risk controlled UFIL practices;
- Work as an active risk associate by identifying departmental risk issues and perform analysis;

- Escalate respective risk issues to risk management unit in a monthly basis for discussion and enforce mitigation in monthly risk associates forum;
- Assist RMF to plan and reduce operational surprises and losses by recommending risk mitigation strategies;
- Finalize enterprise level risk issues to RMF meeting for management evaluation and resolutions;
- Implement RMF resolutions and monitor the risk mitigation process within the given deadline & update status to RMF;
- Interact with all the relevant stakeholders of UFIL to create risk awareness and encourage control of risk at enterprise level;
- Business and Support functions risk associates will escalate risks to this forum under supervision of Chief Risk Officer (CRO). Other Risk management committees have been established for active senior management oversight, understanding, and dialogue on policies, profiles, and activities pertaining to the relevant risk types. These include the Management Credit Committee, the Asset and Liability Management Committee, the Steering Committee for BASEL-II Implementation, Central Compliance Unit for Anti-Money Laundering and the ICT Committee. Both risk taking and risk control units are represented on these committees, emphasizing shared risk management responsibilities. UFIL Internal Audit conducts regular independent reviews of loan portfolios and business processes to ensure compliance with the Company's risk management frameworks, policies, processes, and methodologies;
- RAU identifies and analyzes all sorts of risks appropriately and in a timely manner;
- Collect all relevant data related to the risk indicators from different sources and information systems;
- Assess the quality, completeness and correctness of this data;
- Identify and quantify the risks and their exposures to material loss;
- Prepare a risk management paper on a monthly basis.

Integrity System

In accordance with Bangladesh Bank's letter no. HR-1(O&D) Focal-1/2013-2 dated 10 October 2013 to abide by the code of integrity and good governance in line with National Integrity Strategy of Bangladesh, UFIL formed the Committee.

Functions of the Committee are as follows:

- Create awareness on code of integrity and good governance across the company;
- Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards;
- Amend existing policies and procedures as per requirements;
- Evaluate and reward the respective employees for integrity and good work;
- Improve e-governance system;
- Develop complaint management system; and
- Implement code of conduct; etc.
- Advises and monitors the Management and Board in a continuous basis with regard to, whether the management is committed to the economically sound, sustainable development of the company while observing the principles of sound, responsible management, fulfilling the company's social responsibilities and protecting the natural resources of the environment (environmental, social and governance (Green banking) issues), and
- Whether the business management is aligned to these values with the objective of a holistic corporate culture.
- Monitors the Management Board's measures that ensure the company's compliance with legal requirements, authorities' regulations and the company's own in-house policies (preventive compliance control).
- Reviews the Non-Banking Financial Institution's Code of Business Conduct and Ethics to foster conduct on the part of company employees that is exemplary in every way, both within and outside the company, and that such conduct is not just aligned to the formal compliance with statutory requirements.
- Supports on request the Risk Management Forum in monitoring and analyzing the legal and reputational risks that are material to the UFIL.

For this purpose, it advises the Management Team on how to generate awareness of the importance of such risks (e.g. in the UFIL Code of Business Conduct and Ethics).

- Supports on request the preparation of the Executive Committee's recommendations for Supervisory Board decisions on pursuing recourse claims or taking other measures against current or former members of the Management Team and these are presented by its Chairperson to the Executive's Committee. Maintains and monitors the list, approved by the Supervisory Board, of the litigation cases that are being closely monitored by the Supervisory Board.

The Integrity Committee, Audit Committee and Risk Management Forum coordinate their activities and work together regularly and - if required - on an ad hoc basis to ensure the necessary exchange of information to capture and assess all relevant risks for the performance of their tasks.

Mortgage Backed Securities and Corporate Board

Mortgage backed Securities and Corporate Board Committee activities of Mortgage Loan Unit include sales, marketing, business promotions and relationship management with customers and developers. The unit provides customer service management like planning, budgeting, target setting and allocation and also execution, monitoring and evaluation of sales deal, customer service quality, etc.

Credit Administration

UFIL's Credit Administration Department (CAD) and Internal Control and Compliance (ICC) departments are responsible for assessing operational risks across the Company and also ensure an appropriate framework to identify, assess and manage operational risks.

A credit administration division confirms that perfect security documents are in place before disbursement. UFIL is continuing a unique process of rechecking security documentation by a second legal adviser other than the lawyer who vetted it originally. The division also monitors borrower's compliance with lending covenants and agreed terms and conditions.

Operations of Credit Administration Department (CAD) of UFIL

UFIL is one of the leading non banking financial institutions in the country. The nonbank financial institutions (NBFIs) constitute a rapidly growing segment of the financial system in Bangladesh. The NBFIs have been contributing toward increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet the growing needs of different types of investment in the country.

UFIL started its operation in 1995 and it is the pioneer financial institution in Bangladesh. UFIL has different kinds of products and services. UFIL is financing in different sectors through their products and services. It has Merchant Banking Unit.

Roles and responsibilities:

The purpose of the Committee is to manage the credit and lending decisions and strategies, it includes:

- i. Overseeing the credit management, including reviewing internal credit policies and establishing portfolio limits;
- ii. Reviewing the quality and performance of the credit portfolio. In addition, the Committee is responsible for any other matters delegated to it by the Board. Hence, it is the responsibility of the Committee to:
 - a. Operate a sound credit granting process
 - Review and approve credit proposals in accordance with Board approved credit policies and standards. Where required, submit credit requests beyond the Committee's scope to the Board for a decision;
 - Review credit policy changes initiated by the management of the UFIL and recommend them to the Board of Directors for its approval.
 - Ensure compliance by the UFIL's credit policies with the statutory requirements prescribed by the regulatory/supervisory authorities;
 - Request rapid portfolio reviews or sector /industry reviews, where deemed appropriate.
 - b. Maintain adequate controls over credit risk
 - Monitor capital allocation and define limits in line with risk appetite;

- Ensure credit risk exposure is kept within acceptable limits to maximize the UFIL's risk adjusted rate of return.
 - Maintain appropriate credit administration, measuring and monitoring process
 - Review credit approval framework and assign credit delegated limits in line with the UFIL's policy;
 - Review and recommend to the Board, facilities that they believe should have Board approval.
- d. Identification and Administration of problem credits
- Monitor on an ongoing basis the UFIL's credit quality, review periodic credit portfolio reports and assess portfolio performance.
 - Ensure post - credit monitoring and postmortem reviews are performed, where deemed appropriate.
- e. Aware of the cyclical aspects of the economy (both internal and external)
- Monitor the resulting shifts in the composition and quality of the loan portfolio.
- f. Ensure all new credit risk related products are reviewed from a credit risk management perspective.
- g. Review of the committee

Members of the Committee work closely with the Board of Directors to maintain proper credit standards for the UFIL. The Board undertakes a review of the Committee's performance, objectives and responsibilities according to its terms of reference to ensure that it is operating effectively.

Green Banking

Overview-

With rising global awareness on the negative impact of fossils fuels and other conventional energy sources, UFIL has identified Green Banking as one of its major priority sectors and is recognized as one of the market leaders in promoting the concept of green banking in Bangladesh.

At UFIL, we are focusing on the ideology of 'mother planet and its sustainability', shifting from the traditional financing approach to next generation green banking that supports

sustainable and environmentally positive development. We do so through providing a wide range of specially designed products and services at preferential terms and rates. Since its incorporation, UFIL's Green Banking Unit (GBU) has been promoting environmental friendly practices and reducing its overall carbon footprint.

Bolstered by strong growth, UFIL is ready to take the challenge of meeting 5% direct green financing, a target set for all the banks and non-banking financial institutions from January 2016 by Bangladesh Bank to ensure financing environment-friendly projects. Special attention has been given to few niche sectors such as green industry, compliance management and clean energy. Another advantage is that this product is the coming together of all business units under one umbrella, as green finance is eligible for large corporate and also small businesses. Despite the different challenges related to lowering of commercial interest rates, limited refinance window and availability of cheaper-cost foreign currency lending, UFIL's green desk leads the market with its robust service standards and relationships driven approach. Working with different DFIs for customized, blended and low-cost green financing options represents one of the major achievements of 2016.

Complementing our traditional financing approach, we have moved towards Green Banking that supports sustainable and environmentally viable development with a range of specially designed products and services at preferential terms and rates. Since its incorporation, UFIL Green Banking Unit (GBU) has been promoting environment-friendly practices and has been reducing carbon footprint from banking activities as well as its customers.

Green Office Guide

We have developed a Green Office Guide (GOG) for UFIL consisting of a set of general instructions to be followed, aimed at better in-house environmental management across the organization by achieving key approaches such as saving electricity, minimization of water/paper, keeping the office clean and hygienic.

Our product offering

As per the refinance scheme of Bangladesh Bank, UFIL offers number of products under green finance in the following sectors:

- Renewable Energy: Solar, Biogas, Wind & Hydro Electricity;
- Energy Efficiency: Intervention based on Energy Audit, LED bulb etc.
- Solid Waste Management: Composting, Electrification;
- Liquid Waste Management;
- Recycling: Plastic recycling, Recycle of paper and battery;
- Alternative Energy;
- Non-fire Block Brick: Compressed Block Brick;
- Fire Brick: Conversion, HHK, Tunnel;
- Miscellaneous: Palm oil, Green Industry;
- Expand product portfolio of Green Banking.

Activities of Green Banking Unit

- Promotes sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles;
- Avoids financing in the industry(ies) / project(s) / business(es), which may be threat to the environment despite their financial viability;
- Encourages the employees, the existing and potential clients and other stakeholders to develop, practice & promote for developing & using Environment friendly/Green Technology/products/production process;
- Encourages UFIL to embrace E-Commerce as a facilitator to green banking;
- Develops the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in house environmental risk management system through introduction of appropriate technology;
- Promotes awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR);
- As per the guidelines of Bangladesh Bank, UFIL has to take different initiatives to introduce Green Banking in it's all financial activities.

The Credit Risk Management (CRM)

All credit applications are submitted to the CRM Division for approval. The CRM division approves the credit proposal within the limit set by the Board of Directors. Other application those exceeds the limit, CRM division coordinates and prepares credit recommendations to The

Management Executive Committee (MCC), the Board Executive Committee and to the Board of Directors.

The Management Executive Committee (MCC):

The MCC reviews all applications beyond the Credit Department's credit line. The MCC conducts credit meetings on a weekly basis. The purpose of the Credit Committee is to:

- Process credit applications exceeding the credit line of the Credit Department;
- Process and provide recommendations for all credit applications to be submitted to the Board of Directors;
- Implement the guidelines for the credit area as approved by the Board of Directors; and
- Supervise the overall credit granting procedure.

Board of Directors:

The Board of Directors reviews all applications that are beyond the MCC's credit line. Credit processing must be conducted on the basis of extensive knowledge of the risks inherent to each individual exposure for the purpose of striking a balance between risk and earnings opportunities and in compliance with the overall goals defined by the Board of Directors and Bangladesh Bank.

Integrated Super Vision System (ISS)

At UFIL, risk data is integrated into the strategic decision-making framework of the Company and the risk tolerance degrees of various departments and divisions are taken into account in decision making process. Another part of our ISS is managing diversified risks by different teams in an integrated manner. At UFIL, treasury department manages market risk and liquidity risk whereas Credit Risk Management is responsible for managing credit risk. Operational risk management is the responsibility of our ICC team. These teams co-ordinate with Corporate Affairs, Finance and Strategic Planning departments to manage legal, compliance and strategic risk.

The five pillars that support of UFIL's approach to achieving an appropriate balance between risk and return includes the following:

- Protecting IUFIL's financial strength by controlling risk exposures and mitigating potential risk concentration at the level of individual exposures, at specific portfolio levels and at an aggregate firm-wide level across all risk types;

- Protecting our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward and by ensuring thorough compliance with our standards and principles, particularly our Code of Conduct;
- Complete management accountability whereby business management, as opposed to risk control, own all risks assumed throughout the firm and are responsible for the continuous and active management of all exposures to ensure the right balance between risk and return;
- Independent control functions which monitor the effectiveness of the business's risk management capabilities and also oversee risk-taking activities.
- Comprehensive and transparent risk disclosure to senior management, the Board of Directors, shareholders, regulators, rating agencies and other stakeholders.

Innovation Team

UFIL nurtures its spirit of innovation through its three integral pillars - People, Product and Processes. The following articulates the scope of innovation of each of these pillars and the respective team which are engaged in this:

- Increase efficiency in the hiring process;
- Improve incentive structure to drive performance;
- Automate people management processes through use of HR Management software for employee on boarding, objective setting, performance appraisal, compensation management etc.;
- Conduct Market research;
- Introduce new innovative products;
- Innovate by tinkering with existing products;
- Introduce non-financial services;
- Improve customer on-boarding experience;
- Introducing New Service platforms and reduce customer service time;
- Increase efficiency through process improvements;
- Increase process and information security;
- Automate internal service request management processes.

Central Compliance Unit (CCU)

Central Compliance Unit (CCU) is a committee

which responsible for supervising the Anti-Money Laundering (AML) and Anti-Terrorism Activities (ATA) at UFIL. The CCU is constituted as per the "Guidance Notes on Prevention of Money Laundering and Terrorist Financing" issued by Bangladesh Financial Intelligence Unit, Bangladesh Bank, BFIU Circular no.04 dated 16 September 2012.

Objective of CCU

- To ensure compliance of regulatory rules and regulations related to AML and ATA;
- To implement and enforce UFIL's AML policies to prevent money laundering and terrorist financing;
- To ensure effective implementation of AML and ATA program across the company effectively; etc.

Functions of the Committee are as follows:

- Keeping updated with changes in regulations regarding the combating of money laundering and terrorist financing, and accordingly adopting changes to UFIL's AML and ATA compliance policy;
- Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements;
- Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives;
- Ensuring that proper KYC along with effective risk assessment and control procedures are in place;
- Providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions;
- Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars;
- Development of adequate testing procedures to detect and prevent lapses in compliance;
- Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures.

Small and Medium Enterprise (SME) Credits-

Overview

UFIL's SME division provides a wide bouquet of

loan products and solutions to small and medium enterprises (SMEs), helping them to meet up their aspirations of achieving sustainable business growth. Our suite of loan facilities and financing solutions, including term loans, working capital, project financing for small enterprises and working capital and project financing loans for medium enterprises, among others, have created a real impact in the market and led to the division's sustainable growth over the years.

Products

A complete list of our products under the SME division has been provided under the products and services policies. Core highlights, 2016 Increasing technological content recognizing the growing competition in the industry, the division made some investments on technology to ensure faster and easier services to SME clients. Towards this, the division fully implemented an automated credit appraisal system after the success of its pilot run. This technological advancement will not only save time in credit assessment and approval but also contribute to environmental sustenance by reducing paper usage.

The division accords the highest priority to its customers and maintains a strong culture of nurturing customer relationships. Our primary objective is to provide the best service standards in the industry. Towards this extent, the division introduced its priority SME customer model, which identifies the most valuable customers and focuses on serving them through innovative relationship based activities. The division operates its business with a large relationship management team. In order to drive performance of this team, the division introduced an objective performance evaluation system, which recognizes star performers as we encourage them to sustain their performance while helping others with the tools to elevate their standards. Influential trends shaping the industry. The Bangladeshi financial sector witnessed a successful year in 2016. As business activity across industries gained momentum the country's GDP grew a handsome 7.05% in FY 2015-16, registering one of the fastest growth rates in the world. The financial sector also surpassed the private sector credit disbursement target. NBFIs are investing significantly in technology to serve this emerging digital generation. On the other hand however, the recent shocking cyber heist of Bangladesh where millions were siphoned into offshore accounts raised

concerns among banks/NBFIs on cyber security. Therefore, the country will witness larger investments in securing their cyber systems and infrastructure, going forward. Although private sector credit growth was remarkable during the first half of the year 2016, the second half witnessed a perceptible slowdown with excess liquidity remaining a challenge throughout 2016 driving down both average lending rate as well as the average deposit rate. Going forward, the Bangladesh government is hopeful of achieving a GDP growth of 7.2% for the fiscal year 2016-17. Over the long-range however, the government's 7th Five-Year Plan has set a target of achieving an average GDP growth of 7.4% though the country's Finance Ministry is targeting a growth rate of about 8% over the next two years. Seven core values drive SME Department in delivering results to our CMSME clients and the community we operate in. Pursuing and living up to these values is a responsibility we take great pride in. We act with integrity. We act consistently based on a set of values, ethical standards and principles. We conduct all our activities with fairness, honesty and integrity.

We work carefully to build a deeper level of trust with our clients and fund providers through appropriate investment ideas and value added services. We create a caring, engaged and enabled work environment that recognizes both individual and team contributions in pursuit of high performance. We believe that a good team in an entrepreneurial environment results in achieving target. We are open, honest and fair in what we say and do and accountable to all including the community for our actions and inactions. We are focused on the highest level of transparency providing timely and accurate information about company's performance and financial results to meet the CMSME client expectation. We aspire to achieve excellence in all that we do. We deliver what we promise and add value beyond expectations. We pursue continued growth and strive to achieve the highest levels of performance in all endeavors. We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability. Our values and standards are the basis of our success. They always have been. They always will be. They shape the culture and define the character of our company. They guide how we behave and make

decisions. About half of the population of Bangladesh is women. Empowering of the women through SME finance is another priority of UFIL. Each branch of UFIL has a 'dedicated woman entrepreneur Help Desk' for the convenience of the female entrepreneurs. During the year 2016, UFIL financed BDT 254.17 million to the women entrepreneurs.

Some other current trends shaping the industry include the following:

- All-time high market liquidity, resulting in lower interest rates and signaling an encouragement for entrepreneurs to avail more facilities from financial institutions;
- With interest rates trending downwards, banks/NBFIs are focusing more on retail clients and are investing significantly in technology with a view to reach out to and serve clients on a larger scale;
- Technological upgrades, particularly in agro commodity and other manufacturing sectors, have a visibly positive impact on efficiency, which could, in turn, foster local demand and exports;
- Growing exports on the back of a stronger perception among foreign buyers augured by rising compliance with international production standards. Throughout the year 2016, exports continued to gain strength, especially in the second half of the year wherein exports registered a 4.4% growth Year over Year (YoY) (source: Export Promotion Bureau);
- The annual development plan (ADP) implementation was better than that of the last year with a 41% YoY growth.

Overall, 27% of the total ADP outlay was invested in the first half of FY 2016-17 with the government fast tracking some infrastructure projects.

Risks facing the business-

- Declining interest rates;
- Rising non-performing loans;
- Funding risks;
- Rising competitive intensity;
- Customer takeover attempts and poaching of employees by new entrants in the segment Outlook;

- We expect to focus on business growth along with maintaining portfolio quality and strengthening the UFIL SME brand in SME financing;
- Strengthening human capital to enhance productivity to optimal levels through extensive training;
- Introducing new products and modifying the existing products to meet the evolving market demand;
- Implementing web/app-based client service to better serve our customers as well as create an institutional memory;
- Providing training to women entrepreneurs of different districts with a view to enhance their capacities and capabilities;
- Tying-up with local and multi-lateral agencies to work towards the development of marginal sectors that possess significant growth potential;
- Focus more on SME customer-engagement activities.

Sustainable Finance

Sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large.

A sustainable financial institution is a financial marketplace that, as a whole, contributes to sustainable development and value creation in economic, environmental and social terms. In other words, one that ensures and improves economic efficiency, prosperity and economic competitiveness both today and in the long-term, while contributing to protecting and restoring ecological systems and enhancing cultural diversity and social well-being.

Activities that fall under the heading of sustainable finance, to name just a few, include sustainable funds, green bonds, impact investing, microfinance, active ownership, credits for sustainable projects and development of the whole financial system in a more sustainable way.

Some activities of Sustainable Finance Committee and Sustainable Finance Unit:

- Financing in line of Green banking policies;
- Implementing Corporate Social Responsibility

(CSR) instructed by Bangladesh Bank;

- To prepare and responsible to implement of Environmental and Social Risk policy;
- To prepare and responsible to implement of sector wise Environmental and Social Risk management;
- To prepare and responsible to implement of Green Office Guide;
- To prepare and responsible to implement of Green Strategic Planning;
- Measuring Carbon Footprint (yearly basis);
- Create and operate of climate risk fund;
- Ascertain Green Marketing;
- Ascertain Collaborative CSR relating activities in financial sector;
- To prepare and responsible to implement of submitting Sustainability Reporting;
- Implementation in Sustainable Development Goals time to time relating to Bangladesh Government and Bangladesh Bank's Guidance activities;
- Implementing guidelines of Bangladesh bank relating to environmental banking, CSR, Sustainable banking and Sustainable financing.
- Submitting all kinds of reports and statements relating to environmental and CSR to Bangladesh bank;
- To communicate with Bangladesh Bank, relating

to all kinds of sustainable financing;

- Performing participation agreement signature and activities of Re-finance/Pre-Finance/ Reimbursements application of the department of Bangladesh Bank's Sustainable Finance Departments area of On-Lending/On-Blending (Refinance / Pre-Finance / Reimbursement) Scheme / Fund / Facility/Project;
- Innovating Financial Instrument and approval activities of Bangladesh Bank under Green Finance and Sustainable Finance;
- Conducting minimum 1 (one) meeting per month submitting to finance committee of its improvement statement;
- Preparing yearly budget of Green Finance, CSR, Climate Risk Fund, and Green marketing and approve from Board of Directors by the Sustainable Finance Committee;
- Submitting minimum quarterly report to Executive Committee about its Units activities improvement;
- Ascertaining conduct training of Officials/Staffs relating to environmental banking, CSR, Sustainable finance;
- Supporting to Internal control & compliance Department when performing environmental banking, CSR, Sustainable Banking and Sustainable finance related Inspection by Bangladesh Bank.

REPORT ON FUND MANAGEMENT

Our Fund Management:

Maximizing Return, Minimizing Risk

Overview

In a financial institution, fund management function is traditionally known as treasury activities. The management of the cash flow of a financial institution is more important than its other activities. The fund manager ensures that the maturity schedules of the deposits and credit lines coincide with the demand for loans. To do this, the manager looks at both the liabilities and the assets which influence the institutions' ability to issue credit.

Funding and transaction processing are the key activities of treasury department and therefore, it is known as the heart of the Company and equally important for both internal & external stakeholders. In Bangladesh where money market is very volatile, a fund manager must also pay close attention to cost and risk in order to really capitalize on the cash flow opportunities. A financial institution runs on the ability to offer credit to customers. Ensuring the proper liquidity of the funds is a crucial aspect of the fund manager's position.

Funds management can also refer to the management of fund assets mainly focused on:

- Improving the rates of interest
- Access to funds on same day
- Diversifying bank credit risk

Money Market Scenario of Bangladesh for financial institutions

The Bangladesh economy is within the mainstream of the continuously changing global financial system. Financial system has developed here consisting mainly of the capital and the money market. Capital markets are essentially about matching the needs of investors with those that need capital for development. The money market currently existing has also developed due to certain needs. In general, these needs can be termed as need for short term liquidity within our financial system, to carry out the day to day economic activities and obviously to meet and

match need for short term lending and borrowing of the participants within the financial system. T-bill market is by far the largest component of the money market in Bangladesh.

At present, main fixed income financial products are bank deposits, bank loans, government savings certificates, term loans, treasury bills and government bonds.

Treasury Functions of Uttara Finance

The treasury department of Uttara Finance ensures liquidity at an optimum cost and also explores new funding avenues to minimize the Cost of Funds (COF). Through management of liquidity, bank credit line operations and relevant risk, the treasury department of Uttara Finance puts its emphasis on the following attributes:

- Forecasting of fund demand
- Raising of fund through diversified channel
- Projection analysis
- Day to day fund management
- Processing of transactions
- Planning about contingent liquidity
- Conducting monthly ALCO meeting
- Asset-liability risk analysis
- Interest rate risk analysis
- Money laundering and terrorist financing risk analysis

Year 2016 was comparatively stable than the year 2015. The commercial banks manage its fund management activities more effectively and efficiently than the year 2015 due to manage liquidity position in the money market. Interest rates on all types of deposits and borrowings-lending came down from the beginning of 2016. The call money rate also moved down further.

Taking lesson from market volatility due to huge borrowings by the government for meeting different development expenditures following steps have already been taken:

- Ensure sufficient liquidity
- Maintain minimum dependency on call money
- Contain cost of funds within tolerable limits, and
- Ensure strong Asset Liability Management

Liquidity Management

In Uttara Finance liquidity management involves forecasting of fund requirements, maintaining sufficient capacity to meet the financial needs and accommodating fluctuations in asset and liability levels which are required to ensure sufficient funds to meet all financial commitments in time and in a cost effective manner.

In the year 2016 Uttara Finance managed its fund in a very effective manner to meet its funding objectives and enhanced its liquidity position to ensure adequate liquidity in an adverse market scenario. The disbursement requirement, maturity of credit line installments, term deposit maturity, and other payment obligations of the Company regularly monitored by the ALCO and accordingly strategized well poised plans to meet the liquidity requirements from dependable funding avenues in desired time buckets.

Sources of borrowed fund

The prime funding source of Uttara Finance has been term deposit for the last couple of years, increasing day by day due to investors' confidence on the company. As of December 31, 2016 total term deposit amount was BDT 15,368.54 million which was BDT 14,209.77 million in the year 2015 which means the growth rate of deposit is 8.15 percent. During the year of reporting BDT 2,731.49 million deposits received as against BDT

4,856.78 million in 2015 whereas BDT 1,572.73 million paid on maturity which was BDT 1,015.95 million in the previous year.

The treasury department of the Company has been trying to reduce reliance on conventional borrowing from the commercial banks. In the year 2016 the deposit borrowing ratio was 78.80:21.20 while deposits contributed 78.30 percent funding portfolio which was 70.19 percent in earlier year.

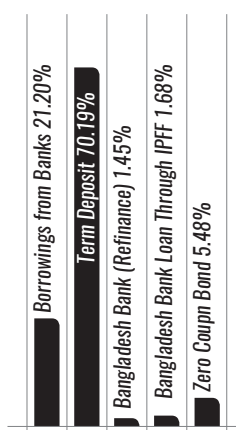
Besides deposits and bank borrowings strong focus was laid on utilization of Bangladesh Bank's (BB) refinancing windows and loan from IPPF through Bangladesh Bank which is the lowest cost funding avenue of the Company. Uttara Finance is currently participating in Small and Medium Enterprise (SME) refinancing schemes, women entrepreneur refinance scheme and Agro refinancing scheme of Bangladesh Bank. At the end of 2016 balance of Bangladesh Bank refinance scheme was BDT 294.81 million and balance of loan through IPPF was 314.82 million against BDT 292.56 million and BDT 339.93 million of 2015 respectively. The company also issued Zero Coupon Bond balance of which at the end of 2016 was BDT 120.00 million against 1,110.00 million of 2015. A schedule of different sources of fund is given below:

Source of Fund	Balance as on 31 December 2016		Balance as on 31 December 2015	
	Amount	%	Amount	%
Borrowings from Banks and FIs	3,524,993,074	17.99	4,292,494,825	21.20
Term Deposit Receive	15,368,538,027	78.30	14,209,771,217	70.19
Bangladesh Bank Loan through IPPF	314,818,439	1.60	339,926,125	1.68
Bangladesh Bank (Refinance)	294,806,983	1.50	292,558,275	1.45
Zero Coupon Bond	120,000,000	0.61	1,110,000,000	5.48
Total	19,623,156,523	100.00	20,244,750,442	100.00

Source of fund 2016



Source of fund 2015



Cost of borrowings (COB)

During the year most of the Banks and NBFIs paid comparatively lower amount of interest due to reduced rate of interest of borrowings and deposits. In the year 2016 the rate of interest was comparatively lower than the previous year. During the year the company charged total financial cost BDT 2,384,020,124 Which was BDT 2,292,320,411 in the year 2015. The average cost of borrowings for the year 2016 was 8.74 percent against 9.01 percent of 2015.

Taking into consideration of very limited sources of fund and absence of low cost funds like banks, Uttara Finance performed well in managing its cost of borrowings (COB) as well as funds (COF). A number of policy measures have already been adopted by ALCO to manage the cost of funds throughout the year.

Asset-Liability Management

Among different risks, liquidity risks and interest rate risks are major two risks of financial institutions for which a system is required to detect them to ensure sustainability of the organization in the long run. The Asset Liability Committee (ALCO) comprised of Senior

Management of the organization is responsible to establish approved Asset Liability Management (ALM) Policy. Key responsibility of the committee is to review and manage potential liquidity risks and interest rate risks which may arise from market movements, regulatory changes and/or changes in economic/political environment and to ensure compliance with the regulations of Bangladesh Bank in respect of statutory obligations. The committee also reviews and set deposit-pricing and asset-pricing strategy and determine deposits and assets growth for better Asset Liability Management (ALM) of the Company.

Conclusion

After the political unrest during 1st half of 2015 the political situation of the country quait natural and favors the economic condition gradually. The Government of Bangladesh and Bangladesh Bank have taken several steps to outlive the situation and interest have come down to single digit.

Private investment have been raising day by day due to favourable business condition exist.

Lastly, we thank our honorable investors, shareholders, stake-holders for being with us.

INTERNAL CONTROL SYSTEM OF UTTARA FINANCE AND INVESTMENTS LIMITED

Internal control is an integral process of UFIL that is caring by the management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit, the following general objectives are being achieved

- Executing orderly, ethical, economical, efficient and effective operations;
- Fulfilling accountability obligations;
- Complying with applicable laws and regulations;
- Safeguarding resources against loss, misuse and damage.

Internal control is a dynamic integral process of UFIL that is continuously adapting to the changes organization is facing. Management and personnel at all levels are involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

Internal control is not one event or circumstance, but a series of actions that permeate activities. These actions take place throughout UFIL's operations on an ongoing basis. Internal control is therefore different from the perspective of some observers who view it as something added on to UFIL's activities, or as a necessary burden. The internal control system is intertwined with UFIL's activities and is most effective when it is built into the UFIL's infrastructure and is an integral part of the essence of the organization.

An internal control system oversight the whole process in relation with the policies, processes, laws, regulations, tasks, behaviors and other aspects of UFIL to facilitate effective and efficient operation by enabling it to respond appropriately ICC Risk Management Guidelines to significant business, operational, financial, compliance and other risks to achieving of UFIL's objectives. Effective internal controls strengthen the base of safe and sound operations. Internal control is a process, rather than a structure. It is a continuing series of activities planned, implemented and monitored by the board of directors and management at all levels within an organization. It

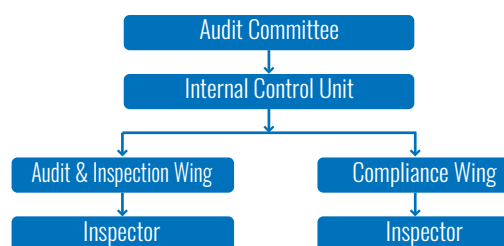
provides only reasonable assurance, not absolute assurance, with regard to achievement of the organization's objectives.

Structure of the Internal Control Unit

For an effective control system a separate organizational structure is also set by UFIL

- The audit committee of the board the contact point for the internal control unit. The unit adequately staffed so that it can perform its duty properly. In order to ensure that availability of efficient people with internal control, UFIL make it mandatory for all middle to senior management staff to spend at least two years with internal control for understanding the duty properly;
- The head of internal control unit report directly to the Audit Committee of the Board. He is responsible for the both compliance and control related tasks which include compliance with laws and regulation, audits and inspection, monitoring activities and risk assessment;
- The audit team of the internal control unit performs periodic and special audit and inspection.
- The compliance unit responsible to ensure that UFIL complies with all regulatory requirements while conducting its business.

Structure of Internal Control Unit



Internal Control Environment

The control environment of UFIL reflects the overall attitude, awareness and actions of the board and management concerning the importance of internal control. It is the framework under which internal controls are developed, implemented and monitored. It consists of the mechanisms and arrangements that ensure

internal and external risks to which UFIL is exposed to. Control environment factors include integrity, ethical values and competence of the employees, management's philosophy and operating style, the way management assigns authority and responsibility and how it organizes and develops human resources. The appropriate and effective internal controls are developed and implemented to sound and prudently manage these risks, reliable and comprehensive systems are to be put in place to appropriately monitor the effectiveness of these controls. The factors which together comprise the control environment are:

- Board of directors actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that the company is appropriately and effectively managed and controlled;
- Management actively manages and operates the company in a sound and prudent manner;
- Organizational and procedural controls supported by an effective management information system to sound and prudently manage the company's exposure to risk; and
- Independent audit mechanism to monitor the effectiveness of the organizational and procedural controls.

Risk Assessment

Risk assessment is the process of identifying and analyzing relevant risks to the achievement of the UFIL's objectives and determining the appropriate response. It implies

1. Risk identification
 - related to the objectives of UFIL;
 - comprehensive;
 - includes risks due to external and internal factors, at both the UFIL and the activity levels;
2. Risk evaluation
 - estimating the significance of a risk;
 - assessing the likelihood of the risk occurrence;
3. Assessment of the risk appetite of the organization;
4. development of responses.
 - our types of responses to risk must be considered transfer, tolerance, treatment or termination; of these, risk treatment is the most relevant to these guidelines because effective internal control is the major mechanism to treat risk;
 - The appropriate controls involved can be

either detective or preventive.

As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment an ongoing interactive process. It implies identifying and analyzing altered conditions and opportunities and risks and modifying internal control to address changing risk. As stressed in the definition, internal control provides only reasonable assurance that the objectives of the organization are being achieved. Risk assessment as a component of internal control, plays a key role in the selection of the appropriate control activities to undertake. It is the process of identifying and analyzing relevant risks to the achievement of UFIL's objectives and determining the appropriate response. Consequently, setting objectives is a precondition to risk assessment. Objectives are defined before management can identify the risks to their achievement and take the necessary actions to manage those risks. That means having in place an ongoing process for evaluating and addressing the impact of risks in a cost effective way and having staff with the appropriate skills to identify and assess the potential risks. Internal control activities are a response to risk in that they are designed to contain the uncertainty of outcome that has been identified.

Control Activities

Control activities are the policies and procedures established to address risks and to achieve the UFIL's objectives. Effective, control activities are appropriate, function consistently according to plan throughout the period, and cost effective, comprehensive, and reasonable and directly relate to the control objectives.

Control activities occur throughout UFIL, at all levels and in all functions. It includes a range of detective and preventive control activities as diverse, such are

1. authorization and approval procedures;
2. segregation of duties;
3. controls over access to resources and records;
4. verifications;
5. reconciliations;
6. reviews of operating performance;
7. reviews of operations, processes and activities;
8. supervision

UFIL reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to

control activities in order to achieve the objectives. Control activities are the policies and procedures established and executed to address risks and to achieve the UFIL's objectives.

Information and Communication

Information and Communication Systems are systems established to ensure proper capture of data and information and generates reports that would make it possible to control of UFIL. Information and Communication systems produce report covering operational issues, financial information, control compliance, strategic information and staff accountability to the control system. Monitoring ensure that audit findings and recommendations are adequately and promptly resolved. Internal control system is monitored. Monitoring involves a process of assessment of the quality of the system's performing overtime. Monitoring is achieved by

- i. Ongoing monitoring includes regular management and supervisory activities and other actions personnel take in performing their duties; and
- ii. Specific separate evaluations cover the evaluation of the effectiveness of the internal control system and ensure that internal control achieves the desired results based on predefined methods and procedures. Internal control deficiencies are reported to the appropriate level of management.

Monitoring

Monitoring of UFIL ensures that audit findings and recommendations are adequately and promptly resolved. Internal control system needs are monitored. Monitoring involves a process of assessment of the quality of the system's performance overtime.

Identification of the risks UFIL is exposed to both internally and externally

Risk is the element of uncertainty or possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an organization to cope with the complex business environment in which it operates.

As a financial institution, UFIL is exposed to number of risks, among which the major ones include

- Credit risk; • Market risk; • Liquidity risk;
- Operational risk; etc.

A more detailed discussion of these risk and strategies adopted to manage and mitigate these are given in the statement of Risk management portion of the report. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

Board of Directors of UFIL, acknowledges its overall responsibility for maintaining the adequacy and effectiveness of the company's system of the view that the internal control framework is designed to manage the company's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the company. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material misstatement of management and financial information or against financial losses and fraud.

Subject to the caveats of reasonable assurance mentioned above, the Board confirms that it has reviewed and assessed the company's system of internal controls with regard to its adequacy and effectiveness in providing reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance will applicable laws and regulations.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the objectives mentioned in the preceding paragraphs.

Management Committee (MANCOM)

UFIL already having a management committee, the meetings of which are presided over by Managing Director. MANCOM reviews and recommends all policies and strategies, which are forwarded to the Board for approval/ratification and after being prepared by the concerned related departmental heads. The Senior Management reviews the reports of internal & external audit, reports of regulatory bodies and takes appropriate steps to remove the irregularities, for compliance.

The success of UFIL within such a short time is the result of hard working and efficiency of the work force of the company. UFIL has a team of well-educated, distinct and experienced executives who

have been contributing substantially in the continued progress of the organization. The assistance of the work force enables the management of the company to run their business smoothly and with the highest zeal.

Our Management Committee (MANCOM)

S. M. Shamsul Arefin, M. Com., MBA, Managing Director & CEO

A J Masudul Haque Ahmed, Executive Director

Md. Jakir Hossain, FCA, DMD & Company Secretary

Anil Chandra Das, Sr. Executive Vice President

Credit Evaluation Committee

The activities of Credit Evaluation Committee of UFIL-

1. Approving transactions and setting and communicating credit;
2. Monitoring compliance with established credit exposure limits;
3. Assessing the likelihood that a counter-party will default on its payment obligations;
4. Measuring the UFIL's current and potential credit exposure and losses resulting out of counter-party default;
5. Reporting of credit exposure to the senior management, the Board and regulators. Use of credit risk litigators including collateral;
6. Communication and collaboration with other independent control and support functions such as operations, legal and compliance.

Remuneration Committee-

UFIL's remuneration committee is established to ensure that remuneration arrangements supports the strategic aims of a business and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.

The remuneration committee delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management. The definition of senior management for this purposes determined by the Board but normally includes the first layer of management below board level.

The CEO and Managing Director (MD) is the

chairman of the committee and all members of the MANCOM are members of the Committee.

Frequency of holding meetings

Meetings of the HR and compensation committee are in-principle called by the head of human resources. The committee shall meet as often as required for its proper functioning and to review the company's overall human resource strategy and make recommendations to the Board/Management for changes and improvements in this regard.

Attendance

Only members are entitled to attend the meetings of the HR and Compensation Committee, other department heads may attend the meetings on invitation by the committee from time to time.

Responsibilities

The responsibilities and functions of the committee are as follows

- Review the competitiveness of the company's executive compensation programmers to ensure
 - i. Attraction and retention of quality staff;
 - ii. Motivation of employees to achieve the company's overall business objectives;
 - iii. Alignment of interests of the key leadership with the long-term interests of the company's shareholders.
- Review trends in management compensation, oversee the development of new compensation plan and when necessary, approve the revision of existing plans;
- Review the performance of the management system;
- Approve salaries, bonus and other compensation for all employees. The committee will recommend appropriate salaries, bonus and other compensation to the Board for approval;
- Review and approve developmental activities for employees ;
- Review and make recommendations concerning long-term incentive compensation plans and policies.

Risk Management Forum (RMF)

The Risk Management Forum was constituted in accordance with the Bangladesh Bank's DFIM Circular No. 01 dated 07 April 2013 to introduce proactive risk management procedure in line with international best practices framework.

Responsibilities of RMF

- i. Designing overall risk management strategy of UFIL;
- ii. Communicating views of the Board and senior Management regarding the Risk Management Culture and Risk Appetite all over UFIL;
- iii. Prepare risk management policies and procedures;
- iv. Monitor prescribed/threshold limits of Risk Appetite set by the regulator and/or by the UFIL;
- v. Develop, test, and observe the use of models to measure and monitor the risks;
- vi. Develop and observe implementation of stress testing;
- vii. observe the Capital Management functions in accordance with the Risk Based Capital Adequacy measurement accord i.e. BASEL-II/ CAMD;
- viii. Determined the most cost-effective way to minimize the risks;
- ix. Highlight the risky portfolios and deficiencies of the UFIL's timely manner and reporting these analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions;
- x. Review the market conditions, identifying the external threats and providing with recommendations for precautionary measures accordingly; and
- xi. Develop overall information system/MIS to support risk management functions of UFIL.

Members of Risk Management Forum

Uttam Kumar Saha, EVP

Kazi Arifuzzaman, VP

Md. Mainuddin, VP

Md. Mesbah Uddin Mahmud, VP

Nizamul Haque, AVP

Risk Analysis Unit (RAU)

Risk analysis is the review of the risks associated with a particular event and action. It is applied to projects, information technology, security issues and any action where risks are analyzed on a quantitative and qualitative basis. Risk analysis is a component of risk management.

Function of Risk analysis Unit

- Collect all relevant data from different models and information systems for analyzing risk;
- Assess the quality, completeness and

correctness of all relevant data/information needed to analyze risks;

- Highlight risky portfolios and deficiencies of the bank on timely manner with recommendations and suggestions;
- Analyze data / information through preparation of paper named Risk Management paper;
- Identify, evaluate/measure, control and monitor major risks in line with the standard set in the policy guideline to avoid unnecessary loss and ensure the UFIL's in pricing all risk correctly;
- Oversee the capital management function of the UFIL's in consistency with the Risk Based Capital Adequacy Measurement Accord (Basel-II);
- Identify, Assess and quantify key transaction risks inherent in a given transaction to ensure that the quality of the assumption are tested against due diligence carried out by different operational business units;
- Review market conditions and take precautionary measures towards facing abnormal market situation and vulnerability of investments of the UFIL;
- Analyze the bank's own resilience capacity towards facing financial difficulties of the bank;
- Ensure through independent oversight that different risks are identified, evaluated, monitored, and reported within the established risk management framework;
- Take necessary steps to bring the position within limit and also assess and measure volatility of market and vulnerability of investment from time to time;
- Conduct periodic stress tests so that any errors/mistakes/lapses are eliminated gradually during daily operations of the Bank; and
- Exercise governance and oversight over the bank's risk rating systems to ensure that they are fit for purpose and adequately utilized to control risk in the bank.

Members of Risk Analysis Unit

Md. Aershad Hossian Khan, AVP

Rajib Kumar Saha, SPO

Abu Kawsar, SPO

Integrity Committee

In order to comply the Bangladesh Bank requirement followed by HR-1(O&D) FOCAL-

1/2013-2, dated 10 October 2013, the below-mentioned responsible executives are engaged to be the member of the Integrity Committee

Anil Chandra Das, EVP (Focal point)

Kazi Arifuzzaman, VP

Md. Mesbah Uddin Mahmud, VP

Md. Mainuddin, VP

Md. Nizamul Haque (Liton), AVP

Functions

The functions of the Committee

- Create awareness on the code of integrity and good governance across the Company;
- Identify the scope where employee efficiency can be developed and arrange appropriate training in this regard;
- Amend existing policies and procedures as per requirements;
- Evaluate and reward respective employees for integrity and good work;
- Improve the e-governance system;
- Develop a complaint management system;
- Implement the Code of Conduct.

Central Compliance Unit (CCU)

Members of Central Compliance Unit (CCU) have been attending the meeting of Central Task Force and others meetings arranged by Bangladesh Bank and other agencies. Anti-Money laundering Division is very much adhere to the existing law/regulation & always ready to fully comply with the rules & regulations of Central Bank as well as other regulatory authorities.

Following members are responsible to perform the activities according to Anti Money Laundering Guidelines as "Central Compliance Unit (CCU)"

Md. Mainuddin, VP

Kamruzzaman Molla (Baker), SPO

Responsibilities of the Committee

CCU is the prime mover of UFIL for ensuring the compliance of AML & CFT measures. Its main responsibilities are to

- Develop UFIL's policy, procedure and strategies in preventing ML, TF & PF;
- Coordinate UFIL's AML & CFT compliance initiatives;
- Coordinate the ML & TF risk assessment of the UFIL and review thereon;
- Present the compliance status with recommendations before the CEO or MD on half

yearly basis;

- Rearward STR/SAR and CTR to BFIU in time and in proper manner;
- Report summary of self assessment and independent testing procedure to BFIU in time and in proper manner;
- Impart training, workshop, seminar related to AML & CFT for the employee of UFIL;
- Take required measures to submit information, report or documents in time.

For shouldering these responsibilities UFIL's authority may consider to give the following authority to CCU

- appointment of BAMLCO and assign their specific job responsibilities;
- requisition of human resources and logistic supports for CCU;
- Make suggestion or administrative sanction for non compliance by the employees.

Basel II Implementation

UFIL came under the Basel-II accord from January 2012 aiming at consolidating capital base of the financial institutions. We've taken the move to strengthen financial base of the NBFIs and ensure management efficiency in the long run through maintaining the global practice. Now it has become obvious for the financial institutions to implement the advices as prescribed in the Basel accord, which will act as a guide to develop a risk-adjusted asset and liability portfolio and capital structure. It has also prepared an action plan for implementation of the Basel-II framework properly.

The Basel-II implemented with three specific approaches -standardized approach, standardized rule-based approach and basic indicator approach - as initial steps. The standardized approach will be used for calculating risk- weighted amount against credit risk supported by external credit assessment institutions.

The standardized rule-based approach measure market risk and the basic indicator approach for the operational risk.

Responsibilities of BASEL Committee

The role and responsibilities of BASEL Committee

- i. Apply the action plan of Basel II in UFIL and review there-of;
- ii. Communicate issues related to Basel II implementation of UFIL Management;

- iii. Capacity Building program and training according to Training Need Assessment (TNA) for the concerned officials;
- iv. Establish planning and supervisory review as required by pillar-II of Basel II framework.

Communication and relationship with shareholders

It is the UFIL's policy that all external communication by the Company will

- Be factual and subject to internal vetting and authorization before issue;
- Not omit material information;
- Express information in a timely, clear and objective manner. UFIL strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives. The company's website www.uttarafinance.biz displays, inter-alia, the annual report, half yearly report, monthly business review, product offerings, recent announcements, presentations and events updates

The Company reports to its shareholders four times a year through quarterly and half-yearly report. All shareholders have the right to attend the Annual General Meeting (AGM) where they can meet and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or if they are unable to attend, to appoint proxies.

All disclosures required by the Bangladesh Securities and Exchange Commission, Listing Regulations of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited and the Bangladesh Bank are made adequately and promptly. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public.

Preparation and presentation of financial statements and the Director's responsibility

Financial statements are prepared and presented by the management. The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/or other irregularities, selecting suitable accounting policies and applying those policies consistently and making reasonable and prudent judgments and estimate where necessary.

Ethics and compliance

UFIL remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in the Company's Code of conduct which covers, among other issues, in the following areas

- Their relationship with and responsibilities to UFIL;
- Their relationship with and responsibilities to customers;
- Compliance with laws and regulations;
- Acting in a professional and ethical manner;
- Protection of business assets;
- Disclosure of conflicts of interest;
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading;

Existence of effective anti-fraud programmes and controls

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework.

Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. A whistle-blower policy has already been formulated additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

Redress of investor complaints

UFIL has a formal complaint management process that is open to all stakeholders including both investors and customers. A dedicated complaints cell is headed by mid level officer for dealing with complaint boxes kept at all UFIL branches.

Members of Complain cell Unit

Abu Kawsar, SPO

Md. Imranul Haque, PO

Hosne Ara, PO

At UFIL, we embrace a uniquely distinct concept for environmental and social initiatives that are focused on bringing forth measurable results at the grassroots- for societies and communities whose basic needs remain unmet. Hence, we believe that aligning our corporate social responsibility (CSR) initiatives with strategies and efforts that create the maximum impact captures our deep sense of compassion towards humanity at large.

REPORT ON ABILITY TO CONTINUE AS GOING CONCERN

Going concern is a fundamental accounting concept and assumption in the preparation of financial statements. As per Bangladesh Accounting Standard (BAS) 1, financial statements of a Company are required to be prepared on the basis of going concern concept. Under going concern concept it is assumed that the Company will continue its business indefinitely and will not cease trading or liquidate and therefore, the Company must be able to generate and/or raise enough resources to stay operational.

Since preparation of financial statements is Management's responsibility, it has to make an assessment of an entity's ability to continue as a going concern. As per Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 regarding corporate governance issued by Bangladesh Securities and Exchange Commission, the Board of Directors are to report on going concern.

Every year the management of Uttara Finance and Investments Limited made assessment to find out material uncertainties that may raise reasonable doubt about the Company's ability to continue as going concern. The assessment was made by the management on the basis of financial results for the year ended December 31, 2016, relating events after the Balance Sheet date, creditors' behavior, business plan, future expected outcome and inherent risk involved in business. Management has considered following factors to judge whether the Company is running as going concern and also to prepare financial statements for the year ended 31 December 2016 based on going concern assumption:

Financial Factors Current Assets

The amount of current assets and current liabilities of Uttara Finance and Investments Limited as on 31 December 2016 is Tk. 25,082.52 million and Tk. 15,766.31 million means net current assets Tk. 9,316.21 million and the same was Tk. 5,070.94 million in 2015. Positive current assets represents the ability to meet its short-term obligations from its short-term assets.

Fixed Term Deposits with excellent repayment records

During the year ended 31 December 2016 the Company received fixed term deposits Tk. 2,731.50 million and on maturity repaid amount was Tk. 1,572.73 million. At the end of 2016 outstanding balance of fixed term deposit amount of the Company was Tk. 15,368.54 million (2015-Tk. 14,209.77 million) which is yet to mature for payment to the depositors on due date and based on past experience it may be assured that major part of the present outstanding amount would be renewed further due to lenders confidence on the Company.

Short Term Borrowings

The nil balance of short term borrowings of the Company as on 31 December 2016 indicates company's less dependency on short term borrowings.

Consistent support by lenders

Borrowings from different banks are the main source of funds of the Company and it has excellent track record in repayment of instalments/ matured amount. During the year 2016 the Company received against credit facility Tk. 3,530.32 million and repaid Tk. 4,320.68 million. Outstanding balance of borrowed amount as on 31 December 2016 was Tk. 4,134.62 million. Very good and competitive terms of allowed credit facility in the year 2016 and outstanding amount at the end of the year against credit line indicates lender's confidence with easy and fair accessibility of the Company to the funding sources to meet increasing need for growth.

Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2016 was showing positive operating cash flows of Tk. 1,602.96 million and statement of liquidity also showing positive liquidity meaning the Company has strong ability to meet current and future obligations.

Key financial ratios

Key financial ratios of the Company of last five years given in the page 'historical database' of

this Annual Report is indicating Company's sound financial strength and growth prospects.

Consistent payment of dividends

Since inception the Company has been paying dividend in the form of cash or stock to its Shareholders. The Company paid average dividend @ 31.00 percent during the five years period from 2010 to 2016 reflecting Company's commitment to its Shareholders.

Credibility in payment of obligations

There was no such instance that the Company had requested to its lenders for rescheduling or extension of term loan which proved Company's excellent track record in repayment of its loan liabilities.

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2016 the Company received had requested to its lenders for rescheduling or extension of term loan which proved Company's excellent track record in repayment of its loan liabilities.

Operating performance growth

During the year 2016 total disbursement of the Company was Tk. 16,810.36 million against approval of Tk. 19,008.56 million which in the year 2015 was Tk. 13,372.72 million and Tk. 14,813.420 million showing business growth of 25.71 percent and 28.32 percent respectively over last year whereas operating revenue of the Company for the year 2016 was Tk. 3,911.03 million which was in 2015 Tk. 3,488.30 million. During the year ended 31 December 2016 the Company earned net profit after tax of Tk. 551.69 million which was Tk. 829.37 million in the year 2015. All those indicators showed Company's continuance in foreseeable periods.

Strong equity base

As on 31 December 2016 total equity of the Company stood at Tk. 5,696.26 million which was Tk. 5,242.55 million in 2015 reflects company's long-term viability. Uttara Finance and Investments Limited has been enhancing its equity gradually with very prudent dividend policy for long term sustainability of the Company.

Timely disclosure of financial results

Uttara Finance and Investments Limited is committed for transparent disclosure of quarterly, half yearly and annual financial results within the time frame given by regulatory bodies and as stated in the respective laws.

Operating Factors

Expansion of business

Uttara Finance and Investments Limited has been continually expanding its operations through increasing its products and services and also by new business territory considering the demand of its existing and potential customers as well as for enhancing its earnings stream.

Corporate environment and employees' satisfaction

A good working environment is most important for every company to ensure its success for employees' job satisfaction. Uttara Finance and Investments Limited is an excellent working place with friendly and corporate environment that always attracts qualified candidates and encourages existing employees to continuously

enhance their skills and excel in their fields. The Company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. Communication among the employees is very excellent. The Company pays a very competitive compensation package and there exists a good number of employees benefits like transport benefit, health check-up, life insurance benefit, maternity benefit, performance related bonus, gratuity, etc. which are considered to be instrumental for employees satisfaction.

Other Factors

Maintenance of sufficient capital

Owners' equity of the Company as on 31 December 2016 stands at Tk. 5,696.26 million and the same was Tk. 5,242.55 million in 2015. At the end of 2016 the paid up capital of the Company was Tk. 1,252.2048 million while the minimum paid-up capital requirement of Bangladesh Bank is Tk. 1,000.00 million.

CAMEL Rating

Bangladesh Bank, the central bank of the country and the license authority of the Company use CAMEL rating as a tool for evaluating the strength and performance. The composite CAMEL rating adjudged by Bangladesh Bank after reviewing the financial statements of Uttara Finance and Investments Limited for the year ended 31 December 2016 signified satisfactory performance and there was no adverse material observation on the activities of the Company.

Corporate governance is the way of direction and control by the Management through processes, customs, policies and laws and also relationship among the Stakeholders like Shareholders, creditors, employees, customers and suppliers to achieve the goals for which the organization is governed. An organization is a legal entity created by law that defines the existence of its own. Corporate governance guidelines summarize certain principles promoting the function of the board and its committees and the effective governance of the company. Corporate governance disclosure mainly related with five broad categories namely:

- Auditing
- Board and management structure and process
- Corporate responsibility and compliance
- Financial transparency and information disclosure

- Ownership structure and exercise of control rights

Principles and codes of corporate governance have been developed and issued from regulatory bodies with the support of governments. Weaknesses of the institutions are highlighted in absence of corporate governance mechanisms.

Parties to corporate governance

The most influential party involved in corporate governance is the Board of Directors and its committees. Besides the Board of Directors, the Chief Executive Officer, other executives and line Management, Shareholders, auditors, different government agencies and authorities, stock exchanges, influential Stakeholders like lenders, suppliers, employees, creditors, customers and the community at large are also related party of corporate governance.

All parties to corporate governance have an interest, whether direct or indirect, in the financial performance of the Company. Employees receive salaries & benefits, lenders expect specified interest payments and equity investors want to receive dividend & to make capital gains on their stock. On the other hand customers are concerned with the quality services. These parties provide value to the company in the form of financial, physical, human and other forms of capital. Many parties may also be concerned with corporate social performance.

Principles of corporate governance

The following are the principles of corporate governance:

- Rights and equitable treatment of shareholders
- Interests of other stakeholders
- Role and responsibilities of the board
- Integrity and ethical behavior
- Disclosure and transparency

Composition of Board of Directors

The Board of Directors of the Company consists of 9 non Executive Directors excluding two Independent Directors. Generally the vacancies of Directors are filled up in the Annual General Meeting every year by the Shareholders after having Board of Directors' consent in the Board Meeting. As per Article 62 of the Company one-third of the total number of Directors are to retire by rotation every year and can be reelected if eligible.

The Managing Director is also appointed by the Board following the respective section of companies act and after having permission from Bangladesh Bank and Shareholders' approval in the AGM, if required. Without prior permission of central bank the Board cannot remove the Managing Director from his position.

Responsibility of Board of Directors

The Board of Directors is expected to play a key role in corporate governance. In Uttara Finance the Board of Directors is responsible for endorsing the organization's strategy, developing directional policy, appointing, supervising and remunerating chief and senior executives and ensuring accountability of the organization to its investors and authorities.

Stress Test

Uttara Finance and Investments Limited passed the stress test done by Bangladesh Bank in 2015 on the capital adequacy statement as prepared by the Company on the basis of audited financial statements for the year ended 31 December 2015 means that there is no requirement for additional capital.

Credit Rating

The Company was rated as AA- (Double A minus) in the long run and ST-1 for short term by National Credit Ratings Ltd. that reflected strong capacity for timely serving of financial obligations offering high safety. Such institutions carry very low risk. ST-1 reflects strong capacity for timely payment of financial commitments and carries lowest credit risk.

Changes in Government Policy

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company.

Management Assumptions

Taking into consideration the above mentioned

factors the Management thinks that during the period of assessment there was no such event or conditions the outcome of which may increase any uncertainty about the continuance of the Company's business.

Besides considering the nature, size and complexity of business, the Management opines that there were no such external factors that might affect Management assessment regarding continuance of business.

Conclusion

Based on the above indications, directors feel it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the financial statements and therefore the Management has prepared the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on ability to continue as a going concern over the period of assessment. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

The above matters may individually or collectively cast significant doubt about the going concern assumption for any entity. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists. The Director's assessment of whether the Company is a going concern entity involves making appropriate inquiries of all the above matters including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the above indications, which give reasonable assurance as to Company's continuance as a going concern for the foreseeable future.

REPORT OF THE MANAGING DIRECTOR & CEO AND THE CHIEF FINANCIAL OFFICER TO THE BOARD OF DIRECTORS

The Financial Statements namely Balance Sheet, Profit & Loss Account, Cash Flow Statement, Statement of Changes in Equity and Notes to the Accounts of Uttara Finance and Investments Limited for the year ended 31 December 2016 which have audited by M/S. K. M. Hasan & Co., Chartered Accountants have been reviewed by us.

Based on our review of the Financial Statements for the year ended 31 December 2016 which have audited by M/S. K. M. Hasan & Co., Chartered Accountants and the internal control system of the Company we jointly certify that to the best of our knowledge and belief:

- i) The Financial Statements have been prepared and presented fairly in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations;
- ii) The Financial Statements prepared by the Management of the Company are fairly presented and do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- iii) The financial statements present a true and

fair view of the company's affairs;

- iv) Proper Books of Accounts have been maintained;
- v) Expenditures are incurred for the purposes of the Company's business;
- vi) Fraudulent transactions not made by the company;
- vii) Adequate provisions have been made for leases/loans and advances, investments and other assets which are, in our opinion, doubtful of recovery;
- viii) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates have also been made based on reasonable and prudent judgment;
- ix) Effectively implemented and monitored internal control system is sound;
- x) Subject to appliance of various measures regarding going concern the Board has no doubt about the ability of the company to continue its operation in foreseeable future;
- xi) There is no significant deviation in operating results in comparison with last year;



Uttam Kumar Saha
EVP & CFO



S. M. Shamsul Arefin
Managing Director & CEO

CORPORATE GOVERNANCE

Independent Director

The securities and Exchange Commission vide its circular no, SEC/CMRRCD/2006-158/134/ Admin/44, dated August 07, 2012 directed that one fifth of total number of Directors of the Board should be Independent Director and also given some criterion about Independent Director. Since total number of the Board of Directors of Uttara Finance and Investments Limited is eight, the Board taking into consideration of the above said circular, pleased to appoint Independent Directors.

Members of the Board and its Committees

There are two Committees formed by the Board namely Executive Committee and Board Audit Committee. Two separate persons are Chairman of these two Committees and responsible for different types of activities with different scopes and terms of references. Both the Committees are responsible for reporting to the Board. All the Members of both the Committees are non Executive Director. The Board and its Committees' Members name and position for the year 2016 are given hereunder:

Name of Directors	Position in the Board	Position in Executive Committee	Position in Board Audit Committee
Rashidul Hasan	Chairman	-	-
Matiur Rahman	Vice Chairman	-	-
Mujibur Rahman	Member	Chairman	Member
Mehdadur Rahman	Member	Member	Member
Kazi Imdad Hossain	Member	Member	-
Zakia Rahman	Member	-	-
Tahmina Rahman (Tina)	Member	Member	-
NG Chin Keong	Member	Member	-
Nayeemur Rahman	Member	Member	-
Md. Showkat Hossain, FCA	Independent Director	-	-
A. T. K. M. Ismail	Independent Director	Member	Chairman
S. M. Shamsul Arefin, M. Com., MBA	Managing Director	Member	-

Directors' attendance in the meetings

During the year 2016 the Board of Directors met 7 times and the Executive Committee of the Directors met 6 times. Most of the Directors were present in all the meetings. The Company Secretary and Chief Financial Officer were also present in all the meetings. Each honourable Member of the Board of Directors and Executive Committee are entitled to receive Tk. 8,000.00 (Taka eight thousand) only for attending each meeting. Other than meeting attendance fee the non Executive Member of the Board has not received any amount as remuneration, allowances, honorarium etc. from the Company.

Chairman of the Board

The Chairman is the key person of the Board of Uttara Finance and Investments Limited appointed by the Members of the Board each year for a period of one year. The key responsibility of the

Chairman is directing and organizing the business of the Board, setting Board meeting's agendas, signing papers like minutes, Board of Directors report, Chief Executive Officer's appointment letter etc. on behalf of the Board. The Chairman of the Company has no engagement and does not interfere in the day-to-day business of the Company.

Executive Committee of the Board

The Chairman of the Executive Committee plays very important role since he is the key person of the Committee formed by the Board to assist the Board of Directors. Including one Independent Director and Managing Director there are seven Members in the Committee. Key responsibility of the Committee Chairman is setting meeting's agendas, directing and organizing the business of the Committee meeting. The Committee works within the Board's given area and the Chairman of the Committee has

no engagement and does not interfere in the day-to-day business of the Company.

Board Audit Committee

The Board Audit Committee including its Chairman is a three Members Committee where one Independent Director A. T. K. M. Ismail, Rtd. Secretary of the Government is the Chairman. The Committee is mainly responsible for internal control activities, recommendations to approve the quarterly, half yearly and annual financial statements by the Board, looking after the activities of internal and external auditors, recommendation to the Board about appointment of external auditor, appointment of the chief of internal auditor, etc. The Terms of Reference (ToR) of the Audit committee of the Company is fixed as per DFIM Circular no. 13, dated October 26, 2010. The Committee is responsible to report to the Board and to the regulatory bodies, if needed.

Managing Director

The Chief Executive Officer of the Company known to all as Managing Director (MD) is the leader of the Management and is responsible to look after Company's day-to-day affairs to implement the Board of Directors' policy and strategy, setting financial targets and to give effort to achieve the same. The Managing Director is the controlling authority of the Management and accountable to the Board.

Chairman and Managing Director of the Company are separate persons

The Chairman of the Company Rashidul Hasan is a non Executive Director and the Managing Director Shamsul Arefin is the Chief Executive of the Company appointed by the Board of Directors after having approval from Central Bank.

Directors' Independence

The Board of Directors and Managing Director of the Company have been working for Uttara Finance and Investments Limited with vast experience in financial sectors. All the Directors of the Company are independent in mind to take any decision and pass judgment.

Management Committee

The Managing Director is the Chairman of Management Committee where another top three executives of the Company are the Members. The Management Committee of the Company is responsible for strategic decisions to ensure the governance. The role of the Committee is to look after all matters related to day-to-day operation of

the Company.

Company Secretary and CFO

The Company Secretary and Chief Financial Officer (CFO) of the Company are separate persons. The Company Secretary Mr. Jakir Hossain is a fellow Chartered Accountant appointed by the Board of Directors responsible for arranging meetings of the Board and its Committees and to ensure submission of papers relating with respective meetings after collecting the same from the Senior Management. The Secretary is also responsible to inform the Board of different Governance related matters. The CFO of the Company Uttam Kumar Saha mainly responsible for record keeping and preparing financial report to submit to the Board Audit Committee. Both Company Secretary and CFO are used to be present in all meetings of Board of Directors, Executive Committee and Board Audit Committee.

Minutes of the Board of Directors, Executive Committee and Board Audit Committee submission to Bangladesh Bank

As per Bangladesh Bank DFIM circular Letter no. 07, dated 14 February 2014 and DFIM circular number 13 dated 26 October 2011 the minutes of Board of Directors meeting, Executive Committee meeting and Board Audit Committee are required to be submitted to Bangladesh Bank within five working days of the meeting held.

Price Sensitive Information disclosure

The Board of Directors and Management are always aware about the price sensitive information of the Company. As per regulatory requirement the company disseminates all of its price sensitive information within 30 minutes of having every decision/information to the Securities and Exchange Commission and Stock Exchanges through fax and thereafter by sending the hard copy by special messenger or by courier service. At the same time the Company publishes the same sensitive information in widely circulated one Bangla and one English daily newspapers.

Shareholders information in the 21st Annual General Meeting

The 21st Annual General Meeting of Uttara Finance and Investments Limited was held on Monday, May 30, 2016 in Spectra Convention Centre (Queens Hall), House # 19, Road # 7, GulshanD1, Dhaka - 1212, Bangladesh at 10:30 am. Due notice having been given and a quorum

being present the meeting was duly convened and constituted. The meeting was called to order by Mr. Rashidul Hasan, Chairman of the Board of Directors of the Company. The company is grateful and taking the opportunity to pass heartiest thanks to 162 number of Shareholders for their kind presence in the meeting.

Disclosure of Financial Statements

The Company, as per requirement of the regulatory bodies, gives high priority to circulate and publish financial statements, financial data etc. in time. In the year 2016 one annual report were circulated to the shareholders and one half yearly statement and two quarterly statements had been published in one bangla and one english daily news papers. The Balance Sheet as on December 2015 was also published in newspapers. All of the above were also available in the web site of the company www.uttarafinance.biz.

Related party disclosure

The Company made its related party transactions on arm's length basis. The company entered into transaction with other related entities in normal course of business that fall within the definition of related party as per Bangladesh Accounting Standard (BAS) 24; "Related Party Disclosures". Transactions with related parties are executed on the same terms, including interest rate and

collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials do not involve more than a normal risk.

Report from Management and annual budget

Each year a report of Management is placed before the Board of Directors meeting. The report contains last year's business targets, achievement and business plan for the coming year. Considering the achieved target, socio economic condition and other related aspects the Board finalizes new business targets. Besides a detailed budget of income and expenditure is placed before the Executive Committee and the committee considering the last year's budget, variations and coming year targets approve a new budget for the coming year.

Securities and Exchange Commission vide its Notification no. SEC/CMMRRCD/2006-158/134/Admin/44 dated August 07, 2012 and Bangladesh Bank vide DFIM Circular no. 7 dated September 25, 2007 have issued guidance for corporate governance practice. Uttara Finance and Investments Limited has been operating its activities with full compliance of SEC notification and Bangladesh Bank circular. The compliance status of SEC notification including auditors report thereon and Bangladesh Bank circular is given hereafter.

PROFESSIONAL CERTIFICATE ON COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE UTTARA FINANCE AND INVESTMENTS LIMITED

Certificate on the Compliance with Corporate Governance

We have examined the compliance with Corporate Governance of Uttara Finance and Investments Limited (the company) for the year ended 31 December 2016 as stipulated in notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, as amended vide notification dated 21 July 2013 and 18 August 2013 of Bangladesh Securities and Exchange Commission.

The compliance with Corporate Governance is the responsibility of the management of the company. Our examination was limited to the procedures and implementation thereof as adopted by the company for ensuring the compliance with Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned notification.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Dhaka, Bangladesh
Dated, 13 April 2017


S. F. AHMED & CO
Chartered Accountants

Annexure-1

Uttara Finance and Investments Limited Details of Compliance with Corporate Governance For the year ended 31 December 2016

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission vide notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Report under condition no. 7.00 of the above referred notification

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.	BOARD OF DIRECTORS:			
1.1	Board's Size: Board members should not be less than 5 (five) and more than 20 (twenty).	✓		No. of Directors of the Board are 9 (nine), page no. 37-39
1.2	Independent Directors			
1.2 (i)	Appointment of Independent Directors: at least 1/5th of total no. of directors.	✓		No. of Independent Directors of the Board are 2 (two), page no. 37-39
1.2 (ii)	Independent Director means a Director.	✓		
1.2 (ii) a)	Independent Director should not hold any share in the company or hold less than one percent (1%) shares of the total paid-up shares of the Company.	✓		States in the page no. 38 & 92
1.2 (ii) b)	Independent Director should not be a sponsor of the company and is not connected with the company's sponsors or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	✓		
1.2 (ii) c)	Independent Director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		
1.2 (ii) d)	Independent Director is not a member, director or officer of any Stock Exchange.	✓		
1.2 (ii) e)	Independent Director is not a shareholder, director or officer of any member of Stock Exchange or an intermediary of the Capital Market.	✓		
1.2 (ii) f)	Independent Director is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm.	✓		
1.2 (ii) g)	Independent Director shall not be an independent director in more than 3 (three) listed Companies.	✓		
1.2 (ii) h)	Independent Director has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI).	✓		
1.2 (ii) i)	Independent Director has not been convicted for a criminal offence involving moral turpitude.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		States in the page no. 38 & 92
1.2 (iv)	Post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	✓		States in the page no. 38 & 92
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		States in the page no. 38
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	✓		States in the page no. 38
1.3	Qualification of Independent Director (ID)s			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		States in the Directors profile page no. 52
1.3 (ii)	The person should be a Business Leader/ Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experiences.	✓		States in the Directors profile page no. 52
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	NA	NA	NA
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	✓		Chairman & CEO are separate person. States in the Directors profile page no. 37
1.5	The Directors' Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		States in the BOD Report page no. 86
1.5 (ii)	Segment-wise or product-wise performance.	✓		States in the BOD Report page no. 86
1.5 (iii)	Risks and concerns.	✓		States in the BOD Report page no. 93
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	N/A	N/A	N/A
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	N/A	N/A	N/A
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilisation of proceeds from public issues, rights issues and/or through any others instruments.	N/A	N/A	N/A
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	N/A	N/A	N/A

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		States in the BOD Report page no. 90
1.5 (x)	Remuneration to directors including independent directors.	✓		States in the BOD Report page no. 91
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		States in the BOD Report page no. 90
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		States in the BOD Report page no. 90
1.5 (xiii)	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.	✓		States in the BOD Report page no. 90
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		States in the BOD Report page no. 90
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		States in the BOD Report page no. 93
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		States in the BOD Report page no. 93
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		States in the BOD Report page no. 90
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		States in the BOD Report page no. 91
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A	N/A	N/A
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		States in the BOD Report page no. 91
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by-	✓		
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	N/A	N/A	N/A
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		States in the BOD Report page no. 92
1.5 (xxi) c)	Executives;	✓		States in the BOD Report page no. 92
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		States in the BOD Report page no. 92 & 16-20

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xxii) a)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-	✓		States in the BOD Report page no. 91 & 45-53
	A brief resume of the director;			States in the BOD Report page no. 91 & 45-53
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	✓		States in the BOD Report page no. 91 & 45-53
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):			
2.1	Appointment The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		States in the BOD Report page no. 56-57
2.2	Requirement to attend the Board Meetings The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	✓		States in the BOD Report page no. 91
3	AUDIT COMMITTEE:			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		States in the BOD Report page no. 43
3(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		States in report of the Audit Committee Report page no. 96-97
3(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		States in report of the Audit Committee Report page no. 96-97
3.1	Constitution of the Audit Committee			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		States in report of the Audit Committee Report page no. 96-97
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		States in report of the Audit Committee Report page no. 96-97
3.1(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		States in report of the Audit Committee Report page no. 96-97

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.1(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	✓		No such vacancy occurred in the year of reporting
3.1(v)	The company secretary shall act as the secretary of the Committee.	✓		States in report of the Audit Committee Report page no. 96
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		States in the page no. 43
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	✓		Chairman of Audit Committee was present in the 21st AGM.
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		States in the Audit Committee Report page no. 96-97
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	✓		States in the Audit Committee Report page no. 96-97
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		States in the Audit Committee Report page no. 96-97
3.3 (iii)	Monitor Internal Control Risk management process.	✓		States in the Audit Committee Report page no. 96-97
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		States in the Audit Committee Report page no. 96-97
3.3 (v)	Review along with the management, the annual financial statements before submission to the Board for approval.	✓		States in the Audit Committee Report page no. 96-97
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		States in the Audit Committee Report page no. 96-97
3.3 (vii)	Review the adequacy of internal audit function.	✓		States in the Audit Committee Report page no. 96-97
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		States in the Audit Committee Report page no. 96-97
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		States in the Audit Committee Report page no. 96-97
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	N/A	N/A	N/A
3.4	Reporting of the Audit Committee			

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-	✓		
3.4.1 (ii) a)	report on conflicts of interests;	✓		No such event found
3.4.1 (ii) b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		No such event found
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	✓		No such event found
3.4.1 (ii) d)	any other matter shall be disclosed to the Board of Directors immediately.	✓		No such event found
3.4.2	Reporting to the Authorities			
	If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	✓		No such event found
3.5	Reporting to the Shareholders and General Investors	✓		No such event found
	Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.			
4	EXTERNAL/STATUTORY AUDITORS:			
	The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-			Auditor M/S K.M. Hasan & Co., Chartered Accountants are not any how related with the Company.
4(i)	Appraisal or valuation services or fairness opinions.	✓		
4(ii)	Financial information systems design and implementation.	✓		
4(iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
4(iv)	Broker-dealer services.	✓		
4(v)	Actuarial services.	✓		
4(vi)	Internal audit services.	✓		
4(vii)	Any other service that the Audit Committee determines.	✓		
4(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
4(ix)	Audit/certification services on compliance of corporate government as require under clause (i) of condition no. 7.	✓		
5	SUBSIDIARY COMPANY:			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	N/A	N/A	N/A
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	N/A	N/A	N/A
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	N/A	N/A	N/A
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	N/A	N/A	N/A
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	N/A	N/A	N/A
6	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):			
	The CEO and CFO shall certify to the Board that:-			
6 (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		States in page no. 125
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		States in page no. 126-138
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		

Annexure- II

Compliance report on good governance guideline issued by Bangladesh Bank

For good governance Bangladesh Bank vide DFIM Circular no. 7 dated September 25, 2007 issued guidelines for financial institutions. Uttara Finance and Investments Limited has taken necessary steps in compliance of the guidelines. A compliance report on said guidelines is given below.

Sl. No.	Particulars	Compliance
1.	<p>a. Responsibility and Scope of Directors:</p> <p>i. Vision /mission will be set by directors. For expanding business and for achieving quality and efficiency directors will set goals and will set tactics and plan for achieving the goals. They will change, modify even deduct the tactics and plan in specific interval. But for any change or replacement of organization it is necessary to discuss with management.</p> <p>ii. For future success, Directors will make analysis of success/failure and will include this comparative analysis in the annual report. Based on this they will set future activities and tactics and will inform it to shareholders in AGM.</p> <p>iii. The Board of Directors will determine key performance indicators of Chief Executor and other employees of higher level and will evaluate it in 6 month interval.</p> <p>b. Establishment of Associated Committee: For taking urgent decision executive committee can be established jointly by directors and management. But there will not be any alternative directors in such kind of committee.</p> <p>c. Financial Management:</p> <p>i. According to Director's own decision, the annual budget and related report will be finalized.</p> <p>ii. Different related statements ð income-expenditure, loan/lease statement, liquidity management, adequacy of capital, preservation of provision, law related works and directors will judge steps that will be taken if default occurs in collecting loan/lease.</p> <p>iii. The rules of purchase and procurement will be determined by Directors and based on this, they will determine the expenditure. For contraction of budget within different scope, the execution power of expenditure will be vested on Directors & related higher authority.</p> <p>iv. The execution of bank account will be determined by Director. For transparency a group will be formed based on combined effort of Director and management and they will execute the account according to their joint signature.</p> <p>d. Loan/Lease/Investment Management:</p> <p>i. According to Directors discretion, the evaluation of the proposal of loan / lease/investment, disbursement of loan / lease/ investment, regular collection and monitoring related rules will be set. Director will distribute this power efficiently and distribution of similar power will be held upon Chief Executor and concerned employees.</p> <p>ii. No Director will interfere directly or indirectly in granting loan; especially in times of related party transaction they will not give any opinion.</p> <p>iii. Director will give decision about syndicated loan / lease / investment.</p> <p>e. Risk Management: Risk Management Guideline based on 'Core Risk Management Guideline' will be permitted and checked by the audit committee</p> <p>f. Internal Audit & Compliance Management: For achieving quality and efficiency and to establish internal control as well as compliance, a regular audit committee to build up and will be permitted by the board. Internal audit report, External report and BB inspection report will be submitted to the board through Audit Committee.</p> <p>g. Human Resource Management: Principles & Service Rule regarding Human Resource Management of financial institution (Such as: Appointment, promotion, training, transfer, discipline, punishment system etc.) would be approved by the board. As per service rule, the board of directors cannot be involved in case of the appointment, promotion, transfer and punishment etc. The board can only involve based on service rule in the recruitment, provision of Managing Director, Deputy Managing Director and GM or Equivalent position to GM. No one of the board directors can involve in the selection committee of other personnel of the organization appointment and promotion except the above.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

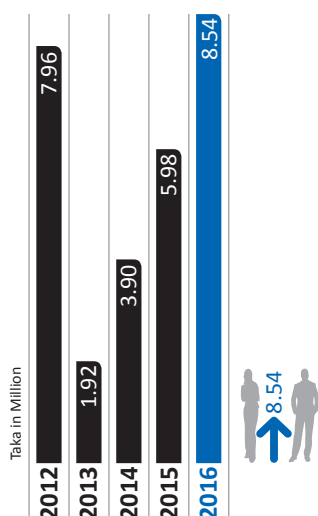
Sl. No.	Particulars	Compliance
	h. Appointment of CEO & MD and his remuneration as well as increasing allowance: An efficient CEO will be recruited and his remuneration & increase of allowances will be approved by board through permitted by Bangladesh Bank.	Complied
	i. Various facilities provided to the Chairman: An office room, P.A, a telephone and vehicle facilities can be provided to the chairman for the interest of the company. Thus, the board will be approved regarding this.	Complied
2.	Responsibilities and Scope of Chairman: i. As the chairman of the board would not take the executive capacity so he can not involve the administrative and operational activities.	Complied
	ii. The chairman will sign and approved the minutes of board meeting.	Complied
	iii. Appointing CEO and the increase of allowances approval related activities and papers will be signed by chairman.	Complied
3.	Responsibilities and Scope of CEO: i. The CEO will perform the responsibilities regarding financial, business and administrative. The CEO will report to the board for achieving the goal of business and to enhance of business through business plan and implementation of the plan.	Complied
	ii. He will ensure that the Financial Institution act.1993 and its related circular, rules & regulation will comply duly in the daily activities of the financial institution.	Complied
	iii. All employees' appointment and promotion except DMD and GM or equivalent position will be decided by the CEO. Thus, approval of the board of written HR policy and service rule must be followed.	Complied
	iv. The activities and job responsibilities of the employees will be restructured.	Complied
	v. All employees' transfer and punishment except DMD and GM or equivalent to GM' will be controlled by the CEO.	Complied
	vi. He will sign all papers and report which is sent to Bangladesh Bank	Complied

VALUE ADDED STATEMENT

The valued added statement appended below is the details of total value addition by Uttara Finance and Investments Limited and distribution thereof. The distribution of added value reveals how the Company contributed for socio-economic development by paying salaries and allowance to the employee, dividend to the Shareholders, taxes to the Government and some amount for growth and safety.

	2016		2015	
	Taka	%	Taka	%
Revenues	3,952,443,698		3,990,670,307	
Financial expenses	(2,384,020,124)		(2,292,320,411)	
	1,568,423,574		1,698,349,896	
Provision	73,317,519		(601,095,058)	
Operating expenditure excluding salary, allowances and depreciation	(87,660,565)		(74,828,637)	
	1,554,080,528		1,022,426,201	
Distribution of added value				
Salary and allowances	106,144,764	6.83	102,550,769	10.03
Provision for tax	600,000,000	38.61	350,000,000	34.23
Dividend	375,661,440	24.17	375,661,440	36.74
Statutory reserve	165,873,564	10.67	110,337,801	10.80
General reserve	150,000,000	9.65	-	
Dividend equalization fund	100,000,000	6.43	-	
Retained earnings and depreciation	56,400,760	3.63	83,876,192	8.20
	1,554,080,528	100.00	1,022,426,201	100.00
No. of employees	182		171	
Value added per employee	8,538,904		5,979,101	

YEAR WISE VALUE ADDED PER EMPLOYEE



ECONOMIC VALUE ADDED STATEMENT

Economic Value Added (EVA) statement is a financial performance indicator that reflects economic achievement of a Company for a particular period. It helps the user of the financial statements who required data regarding economic achievement of the Company. An investor of the Company knowing the EVA can determine how well the Company is running and also can compare with its peers. Companies which show higher percentage of positive added value are attractive for the investors of the sector.

Economic Value Added (EVA) is nothing but the surplus amount of profit after tax but before provision less cost of average equity.

The mathematical equation of economic value added (EVA) is as given below:

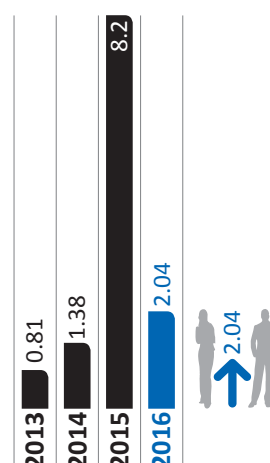
$$\text{EVA} = (\text{Profit after tax} + \text{provision made during the year}) - \text{Cost of average equity.}$$

The rate of cost of average equity is the expected risk free return on investment plus risk premium on investment. Bangladesh Government Sanchaya

Patra rate is taken as risk free rate and investment risk premium is assumed on the basis of calculated risk.

In the table given hereunder shows the economic added value of Uttara Finance and Investments Limited for the following years ended December 31.

PERCENTAGE OF ECONOMIC VALUE ADDED ON CAPITAL EMPLOYED

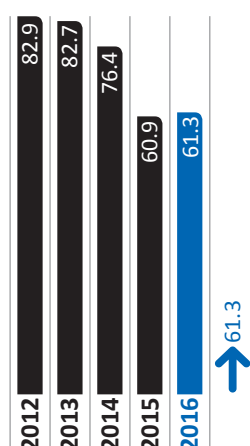


		Amount in Taka			
Sl. No.	Particulars	2016	2015	2014	2013
1	Profit before provision but after tax:				
2	Profit before provision and tax	1,356,050,303	1,502,784,062	1,028,210,584	869,583,968
3	Tax expenses	600,000,000	350,000,000	360,000,000	140,000,000
4	Profit before provision but after tax (4 = 2-3)	756,050,303	1,152,784,062	668,210,584	729,583,968
5	Charges for average capital employed:				
6	Average capital employed (calculation note no. 1)	7,667,340,228	7,014,590,566	6,418,588,631	5,876,395,374
7	Percentage of cost of average capital employed	7.82%	8.23%	9.03%	11.61%
8	Cost of average capital employed (8 = 6*7)	599,586,006	577,300,804	579,598,553	682,249,503
9	Economic value added (9 = 4-8)	156,464,297	575,483,259	88,612,031	47,334,465
10	Percentage of EVA on average capital employed	2.04%	8.20%	1.38%	0.81%
11	Percentage of EVA on operating revenue	4.00%	14.60%	2.54%	1.38%
12	Percentage of PAT on average capital employed	10.82%	7.86%	2.75%	1.02%
Calculation no. 1					
a	Shareholders equity	5,696,256,718	5,242,550,336	4,918,534,932	5,083,530,640
b	Accumulated provision for doubtful accounts and future loss	2,161,277,941	2,234,595,460	1,633,500,403	1,201,611,286
c	Total capital employed (c = a + b)	7,857,534,659	7,477,145,796	6,552,035,335	6,285,141,926
d	Last year capital employed	7,477,145,796	6,552,035,335	6,285,141,926	5,467,648,822
e	Average capital employed (c + d)/2	7,667,340,228	7,014,590,566	6,418,588,631	5,876,935,374

MARKET VALUE ADDED STATEMENT

Market value added is simply the difference between the market value of fully paid up shares and book value/nominal value of shares. Market value added statement reflects Company's performances evaluated by the market through market price of shares and therefore it is external evaluation. The acceptance of the Company to the Investor than other companies of the sector can easily be understood by market value added Statement. Different financial factors like earning per share, net asset value, dividend pay out, revenue growth, profit growth etc. and non financial factors like future prospects of products, Board of Directors, number of shares available in the market, government policy for the sector etc. works behind the market value of shares. Investors always expect positive market value added.

CLOSING MARKET PRICE PER SHARE OF TK. 10

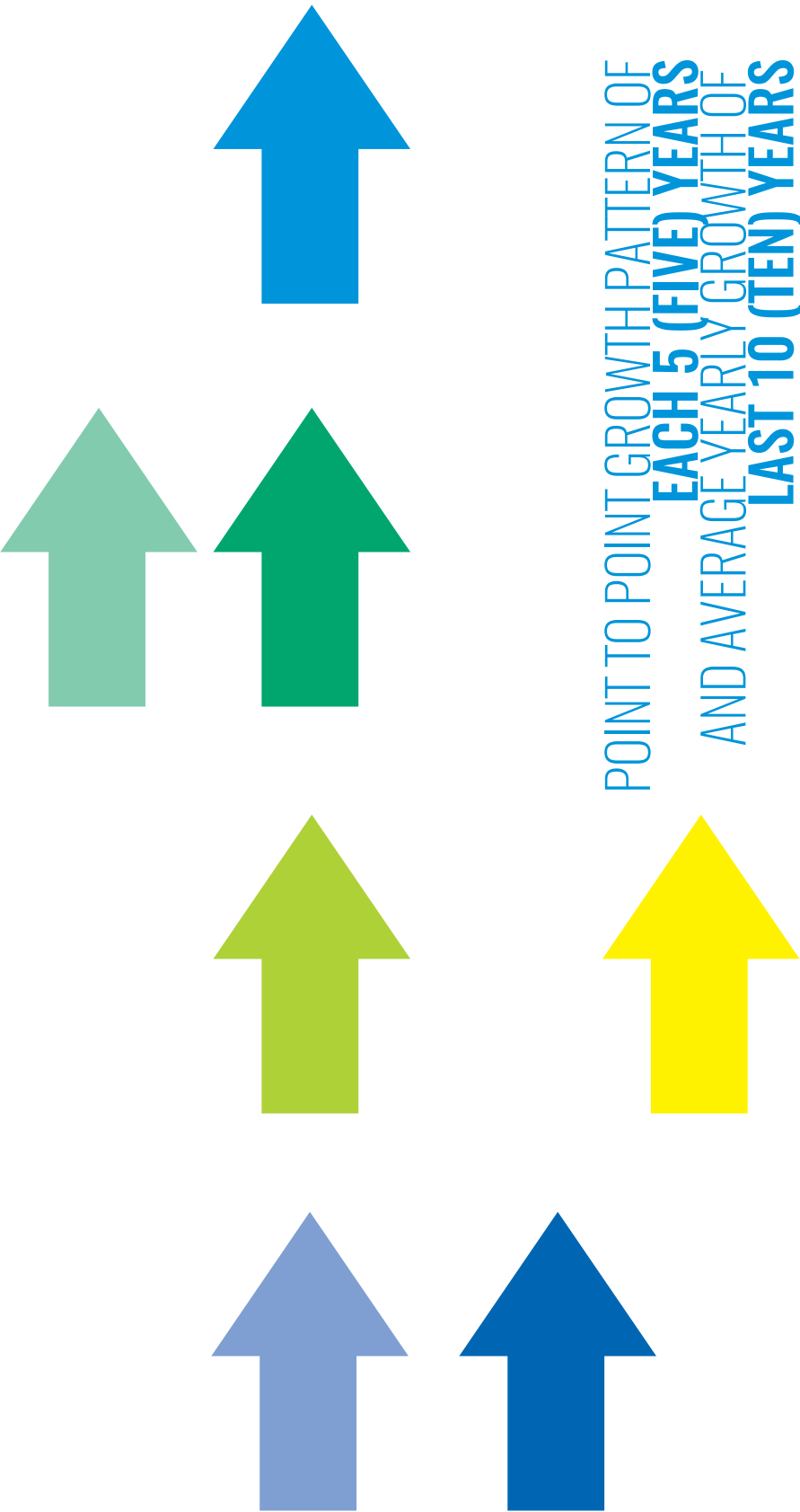


The statement of market value added of Uttara Finance and Investments Limited for the year ended December 31, 2016 and 2015 is appended below:

Particulars	Amount in Taka	
	2016	2015
Market value of outstanding shares	7,676,015,424	7,625,927,232
Book value of outstanding shares	1,252,204,800	1,252,204,800
Market value added	6,423,810,624	6,373,722,432
Total no. of outstanding shares of Tk.10	125,220,480	125,220,480
Market value added per share of Tk. 10	51.30	50.90
Market price per share of Tk. 10	61.30	60.90

FINANCIAL HIGHLIGHTS AS PER BANGLADESH BANK FORMAT

Particulars	(Amount in Taka)	
	2016	2015
Paid-up Capital	1,252,204,800	1,252,204,800
Total Assets	30,214,466,173	30,539,761,548
Total Deposits	15,368,538,027	14,209,771,217
Total Loans and Advances	23,666,715,179	22,981,861,788
Total Contingent Liabilities and Commitments	-	-
Credit Deposit Ratio	153.99%	161.73%
Percentage of Classified Loans Against Total Loans and Advances	7.21%	7.53%
Profit After Tax and Provision	829,369,822	551,689,004
Amount of Classified Loans During Current Year	1,707,027,693	1,729,505,895
Provisions Kept Against Classified Loans	557,412,320	813,300,156
Provision Surplus against classified loan	-	-
Cost of Fund	7.82%	8.23%
Interest Earnings Assets	23,666,715,179	22,981,861,788
Non-interest Earnings Assets	6,547,750,994	7,557,899,760
Return on Investment (ROI)	3.50%	2.40%
Return on Assets (ROA)	2.74%	1.81%
Income from Investment	41,227,402	47,794,603
Earnings per Share	6.62	4.41
Net Income per Share	6.62	4.41
Price Earnings Ratio	13.82	13.81



1. Revenue

Year	Amount (Million Taka)	Growth of five years	Average yearly growth
2016	3,952.44	139.23%	43.00%
2011	2,838.84	308.86%	
2006	919.13		
2. Total assets			
2016	30,214.47	180.73%	43.25%
2011	16,717.99	239.32%	
2006	6,985.54		
3. Investment in lease and term finance-cumulative			
2016	23,666.72	235.68%	39.53%
2011	10,041.70	167.73%	
2006	5,986.76		
4. Shareholders' equity			
2016	5,696.26	138.23%	46.03%
2011	4,120.90	333.03%	
2006	1,237.39		
5. Fixed assets			
2016	120.41	69.68%	26.71%
2011	172.80	383.32%	
2006	45.08		
6. Yearly business contract			
2016	19,008.56	249.89%	68.34%
2011	7,606.70	273.47%	
2006	2,781.50		
7. Yearly disbursement			
2016	16,810.36	245.50%	59.45%
2011	6,847.40	242.15%	
2006	2,827.80		
8. Cumulative investment			
2016	27,163.45	198.87%	45.37%
2011	13,658.73	228.15%	
2006	5,986.76		
9. Cumulative deposit			
2016	15,368.54	356.81%	62.37%
2011	4,307.16	174.81%	
2006	2,463.95		

INDICATORS OF COMPANY'S DIFFERENT GROWTH THAN THE PREVIOUS YEAR i.e. 2016

Growth of profit after tax 50.33%

Profit after tax for the year 2016-Tk. 829,367,822 & 2015-Tk. 551,689,004

Growth of interest income 10.25%

Interest income for the year 2016-Tk. 3,518,909,100 & 2015-Tk. 3,191,735,711

Growth of net interest income 23.62%

Net interest income (interest income-financial expenses)
for the year 2016-Tk. 1,243,287,890 & 2015-Tk. 1,005,694,754

Growth of profit before TAX 58.52%

Profit before TAX for the year 2016-Tk. 1,429,367,822 & 2015-Tk. 901,689,004

Growth of total investment in lease and TF 2.98%

Total investment in lease and TF for the year 2016-Tk. 23,666,715,179
& 2015-Tk. 22,981,861,788

Growth of term deposit 8.15%

Term deposit at end of 2016-Tk. 15,368,538,027 & 2015-Tk. 14,209,771,217

Growth of investment in finance 6.47%

Investment in finance at end of 2016-Tk. 12,364,657,867 & 2015-Tk. 11,205,180,195

Growth of refinance from BB 0.77%

Refinance from BB at year end of 2016-Tk. 294,806,983 and 2015-Tk. 292,558,275

Growth of net asset valu 8.64%

Net asset valu as on December 31, 2016-Tk. 45.49 & 2015-Tk. 41.87

Growth of earning per share 50.33%

Per share earning for the year 2016-Tk. 6.62 & 2015-Tk. 4.41

Growth of shareholders equity 8.65%

Shareholders equity as on 31 December
2016-Tk. 5,696,256,718 & 2015-Tk. 5,242,550,336

Growth of business targets achievement 28.32%

Business targets achievement for the year 2016-Tk. 19,008.56 million
and 2015-Tk. 14,813.42 million

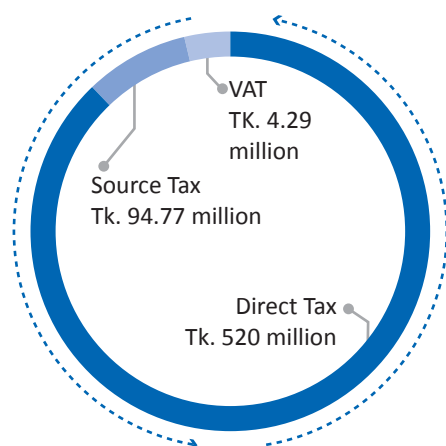
Growth of disbursement 3.02%

Disbursement in 2016-Tk. 16,810.36 million and 2015-Tk. 13,372.72 million

CONTRIBUTION TO GROSS DOMESTIC PRODUCT (GDP)



DIRECT CONTRIBUTION TO THE NATIONAL ECONOMY



Uttara Finance and Investments Limited as a non banking financial institution has been contributing to the national economy by providing financial services for industrialization and capital market development of the country. As on December 31, 2016 total number of active clients of the Company was around 1450 and outstanding amount of lending in lease and term finance was Tk. 23,666.72 million. Most of the investments of the Company in the form of lease & term loan were for procuring capital machineries and the Company also provided working capital loan. Besides, the Merchant Banking Unit of the Company has been working for the capital market by giving managerial service, underwriting and margin loan.

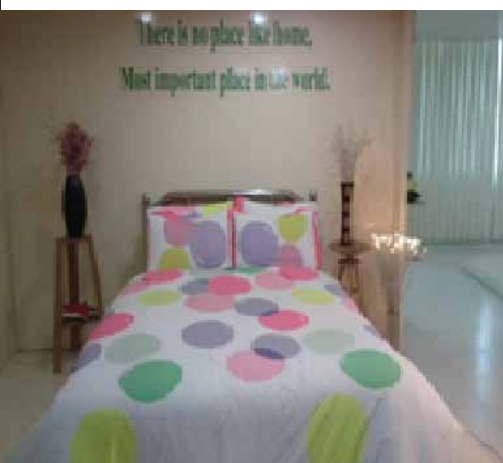
As a Bangladesh Bank licensed company Uttara Finance and Investments Limited is a renowned

and dependable place of cash investment for a minimum period of three months to maximum one hundred fifty six months. By taking term deposit from individuals and institutions the company has been helping the national economy to increase national savings. During the year 2016 the company received total Tk. 2,731.50 million as deposit and the cumulative balance of deposit as on December 31, 2016 is Tk. 15,368.54 million which was Tk. 14,209.77 million as on December 31, 2015.

Uttara Finance and Investments Limited always has been working for creating employment opportunity directly to the company and by investing in different potential projects. The company recruited total 8 employees in different discipline in the year 2016 which in 2015 was 7. The Company made a good amount of investment for development of urban transport which also helped the national economy by giving facility for moving people and goods faster and also created employment opportunity for people of lower income group.

During the year of reporting Uttara Finance and Investments Limited directly contributed to the national economy by paying Direct Tax, Source Tax, Excise Duty and Value Added Tax (VAT). In the year 2016 the Company paid Direct Tax Tk. 520.00 million, Source Tax Tk. 94.77 million and VAT Tk. 4.29 million which were Tk. 400.00 million, Tk. 38.48 million and Tk. 16.88 million respectively in the year 2015.





DIFFERENT INVESTED PROJECTS



PICTURES OF 21ST AGM





Training Program with Bangladesh Bank



Stall in the Bangladesh capital market expo 2016

AUDITOR'S REPORT TO THE SHAREHOLDERS OF UTTARA FINANCE AND INVESTMENTS LIMITED

We have audited the accompanying financial statements of UTTARA FINANCE AND INVESTMENTS LIMITED which comprise the balance sheet as at 31 December 2016, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management of UTTARA FINANCE AND INVESTMENTS LIMITED is responsible for the preparation and fair presentation of these financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements of the Company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

Opinion

In our opinion, the financial statements of the Company give a true and fair view of the financial position as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994 the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

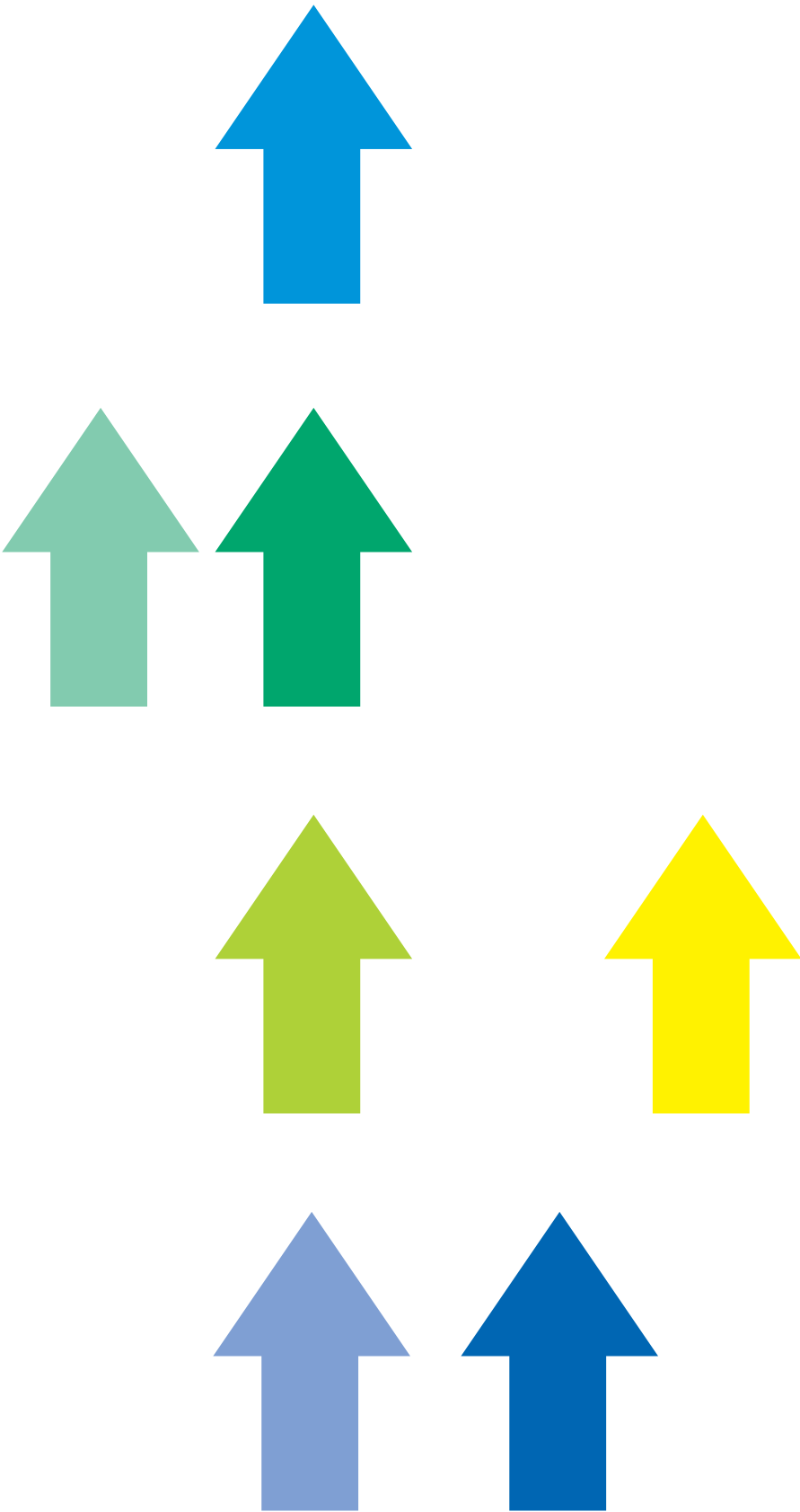
We also report that:

- (i) we have obtained all 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 and found them satisfactory;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (iii) the company's balance sheet and profit or loss account of the company together with annexed notes from 1 to 41 dealt with this report are in agreement with the books of account;
- (iv) The expenditure incurred was for the purposes of the Company's business;
- (v) The information and explanations required by us have been received and found satisfactory;

- (vi) The financial statements of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;
- (vii) The records and accounts of the branches have been properly maintained and consolidated in the financial statements;
- (viii) Adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (ix) Statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) Taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;
- (xi) Nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) Proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank and other regulatory authorities have been complied properly;
- (xiii) The internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- (xiv) The instructions of 'First Schedule' of Bank Company Act, 1991 (revised up to 2013) are properly complied while preparing financial statement of the Uttara Finance and Investments Limited;
- (xv) The Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/ leases found satisfactory;
- (xvi) The financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- (xvii) We have reviewed over 80% of the risk weighted assets of the Company during the course of our audit and we have spent over 1,750 person hours for the audit of books and accounts of the Company;
- (xviii) All other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report;

Place: Dhaka
Dated: 23 March 2017


K. M. HASAN & CO.
Chartered Accountants



FINANCIAL STATEMENTS

BALANCE SHEET

As at 31 December 2016

	Notes	Amount in Taka 2016	Amount in Taka 2015
PROPERTY AND ASSETS			
Cash	3		
In hand (including foreign currencies)		114,727	107,299
Balance with Bangladesh Bank and its agent (including foreign currencies)		379,584,049	373,358,156
		379,698,776	373,465,455
Balance with other banks and financial institutions	4		
In Bangladesh		2,350,906,110	2,820,532,343
Outside Bangladesh		-	-
		2,350,906,110	2,820,532,343
Money at call and short notice	5	200,000,000	-
Investments	6		
Government		-	-
Others		1,831,718,771	1,870,893,092
		1,831,718,771	1,870,893,092
Leases, loans and advances	7		
Leases, loans, cash credits, overdrafts etc.		23,666,715,179	22,981,861,788
Bills purchased and discounted		-	-
		23,666,715,179	22,981,861,788
Fixed assets including premises, furniture and fixtures	8	120,411,908	134,248,252
Other assets	9	1,665,015,429	2,358,760,618
Non-financial institutional assets		-	-
Total Assets		30,214,466,173	30,539,761,548
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	4,134,618,496	4,924,979,225
Deposits and other accounts	11		
Current deposits		-	-
Bills payable		-	-
Savings bank		-	-
Term Deposits		15,368,538,027	14,209,771,217
Other deposits		-	-
Bearer certificate of deposit		-	-
		15,368,538,027	14,209,771,217
Other liabilities	12	5,015,052,932	6,162,460,770
Total Liabilities		24,518,209,455	25,297,211,212
Capital/Shareholders' Equity			
Paid-up capital	13	1,252,204,800	1,252,204,800
Statutory reserves	14	1,372,943,630	1,207,070,066
General reserves	15	1,650,000,000	1,500,000,000
Share Premium	16	528,000,000	528,000,000
Dividend equalization fund		700,000,000	600,000,000
Retained earnings	17	193,108,288	155,275,470
Total Shareholders' Equity		5,696,256,718	5,242,550,336
Total Liabilities and Shareholders' Equity		30,214,466,173	30,539,761,548

BALANCE SHEET

As at 31 December 2016

	Notes	Amount in Taka 2016	Amount in Taka 2015
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements		-	-
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Other commitments			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance Sheet Items including Contingent Liabilities		-	-

These financial statements should be read in conjunction with the annexed notes.



Mujibur Rahman
Director



S. M. Shamsul Arefin
Managing Director



Uttam Kumar Saha
Chief Financial Officer

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 23 March 2017



K. M. HASAN & CO.
Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

	Notes	Amount in Taka 2016	Amount in Taka 2015
Interest income	19	3,518,909,100	3,191,735,711
Interest paid on deposits, borrowings etc.	20	(2,275,621,210)	(2,186,040,957)
Net interest income		1,243,287,890	1,005,694,754
Investment income	21	41,227,402	47,794,603
Commission, exchange and brokerage	22	-	-
Other operating income	23	105,951,626	457,525,844
Total operating income (A)		1,390,466,918	1,511,015,201
Salary and allowances	24	92,694,764	90,900,769
Rent, taxes, insurance, electricity etc.	25	32,187,348	30,571,194
Legal expenses	26	3,520,853	2,858,158
Postage, stamp, telecommunication etc.	27	5,858,487	2,949,271
Stationery, printings, advertisements etc.	28	9,152,205	7,145,366
Managing Director's salary and allowances	29	13,450,000	11,650,000
Directors' fees	30	872,660	644,772
Auditors' fees	31	386,500	386,500
Depreciation and repair of company's assets	32	21,648,838	20,987,023
Other expenses	33	21,005,282	17,165,316
Total operating expenses (B)		200,776,937	185,258,369
Profit before provision (leasing) (C=A-B)		1,189,689,981	1,325,756,832
Profit transferred from merchant banking operation		166,360,322	177,027,230
Total profit before provision (D)		1,356,050,303	1,502,784,062
Provision against leases, loan and advances	34	(209,352,738)	441,280,129
Provision for diminution in value of investments	35	(18,893,970)	98,565,077
Other provisions	36	154,929,189	61,249,852
Total provision (E)		(73,317,519)	601,095,058
Profit before taxes (D-E)		1,429,367,822	901,689,004
Provision for taxation			
Current tax	12.3.3	600,000,000	350,000,000
Deferred tax		-	-
		600,000,000	350,000,000
Net profit after tax		829,367,822	551,689,004
Retained earnings brought forward		155,275,470	55,434,667
		984,643,292	607,123,671
Appropriations			
Statutory reserve		165,873,564	110,337,801
General reserve		150,000,000	-
Dividend equalization fund		100,000,000	-
Issue of bonus share		-	113,836,800
Cash dividend		375,661,440	227,673,600
Retained surplus for the year		193,108,288	155,275,470
		984,643,292	607,123,671
Earnings per share (EPS)	37	6.62	4.41

These financial statements should be read in conjunction with the annexed notes.


Mujibur Rahman
Director


S. M. Shamsul Arefin
Managing Director


Uttam Kumar Saha
Chief Financial Officer

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 23 March 2017


K. M. HASAN & CO.
Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

Merchant Banking Operation

	Amount in Taka 2016	Amount in Taka 2015
Operational income		
Commission income	7,084,388	4,642,182
Capital gain on sale of Securities	99,838,747	86,869,824
Dividend income	21,359,188	15,082,649
Interest on loan to investors	150,538,953	173,946,484
Portfolio management fees	6,998,836	10,942,001
Documentation fees	194,750	136,174
Issue Management fees		-
Underwriting Commission	150,000	-
	286,164,862	291,619,314
Operational expenses		
Financial expenses	108,398,914	106,279,454
Management expenses	11,596,334	10,307,465
	119,995,248	116,586,919
Profit from operation	166,169,614	175,032,395
Non-operational income		
Interest on deposits	190,708	1,994,835
Net profit transferred to profit and loss account (main operation)	166,360,322	177,027,230

These financial statements should be read in conjunction with the annexed notes.


Mujibur Rahman
Director


S. M. Shamsul Arefin
Managing Director


Uttam Kumar Saha
Chief Financial Officer

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 23 March 2017


K. M. HASAN & CO.
Chartered Accountants

CASH FLOW STATEMENT

For the year ended 31 December 2016

	Amount in Taka 2016	Amount in Taka 2015
(A) Cash Flows from Operating Activities		
Interest receipts	3,848,859,076	3,697,438,109
Interest payments	(2,083,620,658)	(2,186,040,957)
Dividend receipts	62,586,590	7,999,623
Capital gain from sale of securities	99,838,746	86,869,824
Cash payments to employees	(115,186,098)	(112,858,234)
Cash payments to suppliers and Management expenses	(67,022,897)	(63,325,880)
Income tax paid	(553,843,004)	(438,438,340)
Receipt from other operational activities	411,352,553	563,125,060
Cash generated before changes in operating assets and liabilities	1,602,964,308	1,554,769,205
Increase/(decrease) in operating assets and liabilities		
Net Loans and advances to customers	(984,853,391)	(4,070,069,341)
Loans and deposits from banks and other customers	368,406,081	1,570,120,403
Investment in call money	(200,000,000)	450,000,000
Bank Overdraft	(292)	-
Cash generated from operating assets and liabilities	(816,447,602)	(2,049,948,938)
Net cash generated from operating activities	786,516,705	(495,179,733)
(B) Cash Flows from Investing Activities		
Acquisition of fixed assets	(5,030,897)	(3,716,664)
Redemption of Zero Coupon Bond	(990,000,000)	(260,000,000)
Investments in Treasury bills	-	982,607,000
Sale of Securities	1,192,966,290	375,200,254
Investment in Securities	(1,093,127,543)	(682,403,399)
Net Cash used in investing activities	(895,192,151)	411,687,191
(C) Cash Flows from Financing Activities		
Dividend paid	(354,717,466)	(227,673,600)
Issuance of shares	-	-
Net cash (used in) investing activities	(354,717,466)	(227,673,600)
(D) Net increase in cash and cash equivalents (A+B+C)	(463,392,912)	(311,166,142)
(E) Effects of exchange rate changes on cash and cash equivalents		
(F) Cash and cash equivalents at beginning of the year	3,193,997,798	3,505,163,940
(G) Cash and cash equivalents at the end of the year (D+E+F)	2,730,604,886	3,193,997,798
Cash and Cash equivalents at end of the year represents		
Cash in hand (including foreign currencies)	114,727	107,299
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	379,584,049	373,358,156
Balance with other Banks and financial institutions	2,350,906,110	2,820,532,343
Total cash and cash equivalents	2,730,604,886	3,193,997,798



Mujibur Rahman
Director



S. M. Shamsul Arefin
Managing Director



Uttam Kumar Saha
Chief Financial Officer

Place: Dhaka
Dated: 23 March 2017

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Particulars	Paid up capital	Share Premium	Statutory reserve	General reserve	Dividend equalization fund	Retained earnings	Amount in Taka Total
Balance on 01 January 2016	1,252,204,800	528,000,000	1,207,070,066	1,500,000,000	600,000,000	155,275,470	5,242,550,336
Transfer to statutory reserve	-	-	165,873,564	-	-	(165,873,564)	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency transaction difference	-	-	-	-	-	-	-
Net gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-
Net profit for the year 2016	-	-	-	-	-	-	-
Dividend paid in cash	-	-	-	-	-	829,367,822	829,367,822
Bonus dividend for 2015	-	-	-	-	-	(375,661,440)	(375,661,440)
Dividend equalization fund	-	-	-	-	100,000,000	-	-
Transfer to general reserve	-	-	-	150,000,000	-	(100,000,000)	-
Balance as at 31 December 2016	1,252,204,800	528,000,000	1,372,943,630	1,650,000,000	700,000,000	193,108,288	5,696,256,718
Balance on 01 January 2015	1,138,368,000	528,000,000	1,096,732,265	1,500,000,000	600,000,000	55,434,667	4,918,534,932
Transfer to statutory reserve	-	-	110,337,801	-	-	(110,337,801)	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency transaction difference	-	-	-	-	-	-	-
Net gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-
Net profit for the year 2015	-	-	-	-	-	-	-
Dividend paid in cash	-	-	-	-	-	551,689,004	551,689,004
Bonus dividend for 2014	-	-	-	-	-	(227,673,600)	(227,673,600)
Dividend equalization fund	113,836,800	-	-	-	-	(113,836,800)	-
Transfer to general reserve	-	-	-	-	-	-	-
Balance as at 31 December 2015	1,252,204,800	528,000,000	1,207,070,066	1,500,000,000	600,000,000	155,275,470	5,242,550,336



Mujibur Rahman
Director



S. M. Shamsul Arefin
Managing Director



Uttam Kumar Saha
Chief Financial Officer

Signed in terms of our separate report of even date annexed.



K. M. HASAN & CO.
Chartered Accountants

Place: Dhaka
Dated: 23 March 2017

STATEMENT OF LIQUIDITY ANALYSIS (MATURITY OF ASSETS AND LIABILITIES)

As at December 2016

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Amounts in Taka Total
Assets						
Cash in hand	114,727	-	-	-	-	114,727
Balance with Bangladesh Bank and its agent bank(s)	379,584,049	-	-	-	-	379,584,049
Balance with banks and other financial institutions	395,906,110	1,925,000,000	30,000,000	-	-	2,350,906,110
Money at call and short notice	200,000,000	-	-	-	-	200,000,000
Investments	-	-	1,829,149,321	2,569,450	-	1,831,718,771
Leases, loans and advances	4,267,512,117	1,575,929,850	4,712,999,206	12,052,340,986	1,057,933,020	23,666,715,179
Fixed assets including premises, furniture and fixtures	-	-	-	120,411,908	-	120,411,908
Other assets	-	-	1,665,015,429	-	-	1,665,015,429
Non-financial institutional assets	-	-	-	-	-	-
Total assets (A)	5,243,117,003	3,500,929,850	8,237,163,956	12,175,322,344	1,057,933,020	30,214,466,173
Liabilities						
Borrowings from banks, other financial institutions and agents	50,659,756	339,519,091	1,521,374,659	2,044,722,287	178,342,703	4,134,618,496
Deposits	1,436,535,518	1,790,754,424	7,479,235,325	4,657,462,760	4,550,000	15,368,538,027
Other deposits	-	120,000,000	-	-	-	120,000,000
Provision and other liabilities	17,911,010	-	4,877,141,922	-	-	4,895,052,932
Total Liabilities (B)	1,505,106,284	2,250,273,515	13,877,751,906	6,702,185,047	182,892,703	24,518,209,455
Net Liquidity Gap (A - B)	3,738,010,719	1,250,656,335	(5,640,587,950)	5,473,137,296	875,040,317	5,696,256,717


Mujibur Rahman
Director


Uttam Kumar Saha
Chief Financial Officer


S. M. Shamsul Arefin
Managing Director

Place: Dhaka

Dated: 23 March 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Background of the Company

1.1 Corporate information

Uttara Finance and Investments Limited was registered with the registrar of Joint Stock Companies on 07 August 1995 and commenced its operations in Bangladesh on 08 August 1995 as a public limited company under the Companies Act 1994 after obtaining license from Bangladesh Bank under the Financial Institutions Act 1993 and its shares are quoted in the Dhaka and Chittagong Stock Exchanges since 1987 and obtained license of Merchant Operations from the Securities and Exchange Commission on 25 March 1998. The Company has its Head Office and Head Office-Extension in Dhaka and Branch Office in Chittagong through out the country.

1.2 Principal activities and nature of operation

The company extends lease financing, as its core business, for all type of machinery and equipment including vehicles for industrial, commercial and private purpose. It has also expended its activities into Short-Term Finance, Term Finance and merchant banking operation.

1.3 Its products and services

1.3.1 Lease financing

UFIL provides lease finance under simple terms and conditions for acquisition of capital machineries for industrial undertakings, industrial equipments, office equipments, medical equipments and construction equipments etc.

1.3.2 Documentary Credit

UFIL imports the lease asset(s) from foreign suppliers through establishment of letters of credit.

1.3.3 Term financing

UFIL provides loan within the period series from one year to five years to the customers. The Company also extends financing in the processing industries of the agricultural products depending on the nature of a product, profitability of the project and socioeconomic factors.

1.3.4 Small and Medium Enterprise (SME) refinancing

UFIL provides refinance in the SME sectors after compliance with the terms and conditions of the Company. It also encourages women entrepreneurs by providing loan facilities under this scheme as per the rules and regulations provided through Bangladesh Bank as per ACSPD circular no. 08, dated 26 May 2008.

1.3.4a Small enterprise

Small enterprise does not include ideally any Public Limited Company and which do not fulfill the following criteria such as;

For service and business concerns

Total fixed assets excluding land and building is within Tk. 50,000 to 5,000,000 and employed personnel are not more than 25.

For manufacturing concern

Total fixed assets excluding land and building is within Tk. 50,000 to 15,000,000 and employed personnel are not more than 50.

1.3.4b Medium enterprise

Medium enterprise does not include ideally any Public Limited Company and which do not fulfill the following criteria such as;

For service and business concerns

Total fixed assets excluding land and building is within Tk. 5,000,000 to 100,000,000 and employed personnel are not more than 50.

For manufacturing concern

Total fixed assets excluding land and building is within Tk. 15,000,000 to 200,000,000 and employed personnel are not more than 150.

1.3.5 Working capital financing

UFIL offers also working capital financing which is essential to any business for operation and development. It helps to keep the business current and competitive within the market. Any commercial real estate or equipment that produces an income for the business, can obtain working capital financing from UFIL that can help to pay down credit lines or accounts payable, freeing up money for growth opportunities.

1.3.6 Merchant banking activities

UFIL is operating merchant banking activities after obtaining license from the Securities and Exchange Commission (SEC) since 1998 and at now its activities are in the following grounds;

- i. Securities trading in secondary market;
- ii. Margin loan;
- iii. Investor portfolio;
- iv. Issue management;
- v. Underwriting of issues;
- vi. Financial consultancy; and
- vii. Project counseling.

2. Significant accountings policies**2.1 Basis of preparation**

The financial statements have been prepared on the basis of going concern concept under historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP) and after due compliance with Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS).

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis.

2.3 Compliance with local laws

The Financial Statement have been prepared in compliance with the requirements of the Companies Act 1994, the Financial Institutions Act, 1993, Guidelines from Bangladesh Bank, Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987, Listing Regulations of Dhaka and Chittagong Stock Exchange and other relevant local laws as applicable. Cash flows from operating activities are computed under direct method as prescribed by the Securities and Exchange Rules 1987.

2.4 Functional, presentational and reporting currency

The presentation of financial statements has been made in accordance with the DFIM Circular No. 11 dated 23 December 2009 of Bangladesh Bank. These financial statements have been presented in Bangladesh Taka (BDT) which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka. The financial statements are stated in Taka unless or otherwise signified.

2.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of liabilities, income and expenses. Actual results may differ from these estimates and these are reviewed on an ongoing basis.

2.6 Accounting for leases

Following Bangladesh Accounting Standards (BAS) 17, 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 including un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of gross 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, in respect of lease are charged in the year in which such costs are incurred.

2.7 Property, plant and equipment

2.7.1 Recognition and measurement

Items of property, plant and equipment are measured at original cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Fully depreciated assets are carried in the books at one/zero percent of their original cost.

2.7.2 Leased assets

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2.7.3 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. Maintenance expenses of the property, plant and equipment are recognized in the profit and loss account as incurred.

An item of property, plant and equipment is de-recognized 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.

2.7.4 Depreciation

Depreciation is provided on the straight-line method with a pro-rata charge based on the date of acquisition. Depreciation on addition of fixed assets is charged on the date of acquisition of assets and depreciation is charged at the end of disposal of assets on concerned date. The depreciation rates per annum applicable to different categories of property, plant and equipment are as follows:

Asset category	Rate of depreciation (%)
Land and Building	0
Building and Premises	10
Furniture and fixtures	15
Office equipment	15
Computer	15
Office decoration	20
Motor vehicles	20

2.8 Revenue recognition

2.8.1 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 on a pattern reflecting a constant return on the net investment. In case of structured lease, finance income is recognized on the basis of lease structure. Earned finance income due over ninety days is not recognized as revenue rather it is recognized as interest suspense. Suspended interest is recognized as income on cash basis when it is received.

2.8.2 Income from long term and short term finance

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

2.8.3 Income from bank deposits

Interest from short term deposits and fixed deposits are recognized on accrual basis taking into account the principal outstanding and the effective rate over period of maturity.

2.8.4 Fee based income

Fee based income are recognized as revenue when it is received.

2.9 Merchant Banking Operations

The Unit is engaged in Merchant Banking Operations under a license granted by Securities and Exchange Commission and maintains its accounting records from which accounts are prepared according to applicable directives issued by Securities and Exchange Commission. Operational income is recognized on accrual basis considering the establishment of right to receive the same.

2.10 Intangible assets

Software is generally charged off as revenue expenditure but considering the ability of generation of future economic benefits and the cost incurred to procure software, sometimes it is shown as intangible asset, which is amortized on a straight-line basis over a period of five years.

2.11 Interest suspense account

Interest income outstanding over ninety days is not recognized as revenue rather it is recognized as interest suspense account as per FID circular no. 03, dated 03 May 2006 of Bangladesh Bank. Suspended interest is recognized as revenue when it is being received.

2.12 Borrowing cost

Borrowing costs are recognized as expense in the year in which they are incurred.

2.13 Account receivable

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

2.14 Provision for doubtful assets

Provisions, specific and general, are made on the basis of end review by the management as per policy of the Company and of guidelines contained in Bangladesh Bank's 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. A minimum appropriate general provision for unclassified leases and loans to the extent of 1% of the outstanding receivables is provided. The Company maintains full provision against leases and loans in case of payments outstanding for over three months irrespective of the status of classification. The Company also maintains special provision for regular leases and loans where management has doubt about recovery.

2.15 Income tax expenses

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The company qualifies as a "Financial Institutions"; hence the applicable tax rate is 40%.

Deferred tax is recognized using balance sheet liability method, providing for all temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are

expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax has not been provided in the financial statements. The management has determined that deferred tax will be computed as per BAS-12 and in compliance with DFIM circular no. 07 dated 31 July 2011 for the year ended 31 December 2017.

2.16 Provision for accrued expenses

Provisions have been recognized in the balance sheet as follows:

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

2.17 Contingent liabilities and contingent assets

The company does not recognize contingent liability and contingent asset but discloses the existence of contingent liability 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 recognized because outflow of resources is not likely or obligation cannot be measured reliably.

2.18 Cash and cash equivalents

Cash flow statement is prepared principally in accordance with BAS-7 "Cash Flow Statement" and the cash flow from the operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules, 1987 and the considering the provisions of Paragraph 18(b) of BAS which prescribed that Enterprise of changes encourage to report Cash Flow Statement from operating activities using the direct method. Cash and cash equivalents consist of cash in hand and cash at bank, that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

2.19 Cash Reserve Requirements and Statutory Liquidity Ratio

The Company maintains cash reserve requirements and statutory liquidity ratio with the Bangladesh Bank current account as per FID circular no. 06, dated 06 November 2003 and subsequent in FID circular no. 02, dated 10 November 2004 for statutory cash reserve requirements. The Company meets the terms of CRR and SLR in a satisfactory way in accordance with Section-19 of the Financial Institutions Act 1993 and Clause-05 of the Financial Institution Regulations 1994.

2.20 Statutory reserve

This represents 20% to its reserve fund before declaration of dividend based on profit after tax set aside in compliance with clause 6 of the Financial Institution Regulations, 1994.

2.21 Director of the Company

At the end of the year under audit, there were eight Directors in the Board of Directors of the Company excluding the Managing Director. The Managing Director is the Chief Executive and Ex-officio Director of the Company.

2.22 Related party disclosure

The Company transacts with 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.

2.23 Impairment of assets

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and impairment losses are recognized in profit and loss.

2.24 Earnings per share

The company presents basic earnings per share (EPS) data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2.25 Reporting period

These financial statements cover one year from 01 January 2016 to 31 December 2016.

2.26 Events after the Reporting period

As per BAS -10 "Events after balance sheet date" Events after balance sheet date are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) Those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).

There were no materials events have occurred after the reporting period which could affect the values stated in the financial statements.

2.27 Proposed Dividend

The proposed dividend are not recognized as a liability in the balance sheet in accordance with the BAS 10: Events after the balance sheet date. Dividend payable to the company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

BAS 1: Presentation of financial statements also requires the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed in the notes to the financial statement.

2.28 Comparative information

Comparative information has been disclosed in respect of the year 2015 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

		Amount in Taka 2016	Amount in Taka 2015
3.	Cash		
	3.1 Cash in hand (including foreign currencies)		
	In local currency	114,727	107,299
	In foreign currency	-	-
		114,727	107,299
	3.2 Balance with Bangladesh Bank and its agent		
	In local currency	379,584,049	373,358,156
	In foreign currency	-	-
		379,584,049	373,358,156

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

Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, Financial Institutions Regulations 1994 and

FID Circular No. 06 dated 06 November 2003 and FID circular No. 02 dated 10 November 2004 issued by Bangladesh Bank.

"Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposit which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term of Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, Received from individuals and institutions (Except Banks and Financial Institutions)."

Statutory Liquidity Ratio (SLR) has been calculated at the rate of 5.0% on total liabilities, (including CRR of 2.5%) on Total Liabilities (excluding deposits from Banks and Financial Institutions). SLR is maintained in liquid assets in the term of cash in hand (notes & coins in BDT), balance with Bangladesh Bank and other Banks and Financial Institutions, investments at call, unencumbered treasury bill, prize bond, savings certificate and any other assets provided by Bangladesh Bank.

	Notes	Amount in Taka 2016	Amount in Taka 2015
Both the reserves as maintained by the Company are shown below:			
(a) Cash Reserve Requirement			
Required reserve (2.5% of term deposits)		369,984,000	306,557,000
Actual reserve maintained		379,584,049	373,358,156
Surplus		9,600,049	66,801,156
(b) Statutory Liquidity Ratio			
5% of total liabilities			
Required reserve (including CRR)		1,011,238,081	933,950,000
Actual reserve maintained (including CRR)	3.4	2,730,604,886	3,193,997,798
Surplus		1,719,366,805	2,260,047,798
Total required reserve		1,011,238,081	933,950,000
Actual reserve held		2,730,604,886	3,193,997,798
Total surplus		1,719,366,805	2,260,047,798
3.4 Actual reserve maintained (including CRR)			
Cash in hand		114,727	107,299
Balance with Bangladesh bank and its agent		379,584,049	373,358,156
Balance with other banks and other financial institutions	4	2,350,906,110	2,820,532,343
		2,730,604,886	3,193,997,798
4. Balance with Other Banks and Financial Institutions			
In Bangladesh			
Current account	4.1	14,242,293	19,870,871
Short-term deposit accounts	4.2	381,663,817	1,105,661,472
Fixed deposit receipts		1,955,000,000	1,695,000,000
		2,350,906,110	2,820,532,343
Outside Bangladesh		-	-
		2,350,906,110	2,820,532,343
4.1 Current account			
Name of Banks	Bank Account No.		
Commercial Bank of Ceylon Plc	CD-1805001865	1,000	264,788
IFIC Bank Ltd	CD-1017124285001	503,000	(3,232,347)
Uttara Bank Ltd	CD-154512200211912	32,488	1,435,253
Rupali Bank Ltd	CD-200085087	4,120	95,420
Social Islami Bank Ltd	CD-0081330008175	-	287,358
State Bank of India	CD-05120043520001	12,735	363,138
The City Bank Ltd	CD-1102004981001	263,808	79,846
Mercantile Bank Ltd	CD-010111100025962	2,382	13,970
NCC Bank Ltd	CD-00280210008023	-	23,002
Eastern Bank Ltd	CD-01011060011025	922,342	398,087

		Notes	Amount in Taka 2016	Amount in Taka 2015
UCBL	CD-004311100102277		298,324	1,772,396
Standard Chartered Bank	CD-01284919401		11,041,857	14,408,477
BRAC Bank Ltd	CD-1501200132042001		1,005,948	1,610,190
The City Bank Ltd	CD-1102351488001		62,745	63,585
Shahajalal Islami Bank Ltd	CD-400111100014280		77,174	1,470,275
Premier Bank Ltd	CD-10711100100164		14,370	817,433
			14,242,293	19,870,871
4.2 Short-term deposit accounts				
Name of Banks	Bank Account No.			
AB Bank Ltd	STD-4005231614430		1,475	71,906
Bank Alfalah Ltd	STD-03700011		24	94,484
Bank Asia Ltd	STD-00536000571		179,372,291	87,855,313
Bank Asia Ltd	STD-00336000903		2,556,585	2,294,944
Bank Asia Ltd	STD-03236000061		9,427,148	14,680,671
Bank Asia Ltd	STD 06336000003		(318,713,966)	153,854,473
Bank Asia Ltd	STD-00236000639		82,320,639	23,805,467
Bangladesh Commerce Bank Ltd	STD-005-0320000070		3,179,284	53,190,546
NCC Bank Ltd	STD-00270325000261		31,473,862	51,020,064
Dhaka Bank Ltd	STD-0201150000001033		38,707	434,268
Dutch Bangla Bank Ltd	STD-0110120000000146		369,082	796,194
Dutch Bangla Bank Ltd	STD-1071200000984		13,123,573	9,896,553
Exim Bank Ltd	STD-00113100049022		145,833	51,385,670
First Security Bank Ltd	STD-010113100001397		9,331	108,603
Farmers Bank Ltd.	STD-0113000001482		546,672	4,764,606
IFIC Bank Ltd	STD-1017127135041		137,883,963	199,037,445
IFIC Bank Ltd	STD-2045171125041		1,385,133	946,864
IFIC Bank Ltd	STD- 117812735041		-	-
IFIC Bank Ltd	STD- 1017347635041		58,806	59,027
IFIC Bank Ltd	STD-1013-127135-041		92,473	48,021
Islami Bank Bangladesh Ltd	STD-20501090900003210		2,425,162	355,142
Jamuna Bank Ltd	STD-00060320000515		22,181	251,428
Midland Bank Ltd.	STD-0004-1090000079		135,983	17,391,483
Mercantile Bank Ltd	STD-011913100000066		120,989	1,567,877
Mercantile Bank Ltd	STD-010113100001852		10,301	91,681
Mutual Trust Bank Ltd	STD-00120320000339		-	129,469
Mutual Trust Bank Ltd	STD-00030320001651		26,396	1,545,299
National Bank Ltd	STD-004836001188		(18,948,522)	10,269,893
National Bank Ltd	STD-000236002942		-	13,124
One Bank Ltd	STD-0125080101009		1,302,084	1,284,116
One Bank Ltd	STD-005015398002		41,169,975	64,537
One Bank Ltd	STD-0145117007008		1,523,461	4,865,813
One Bank Ltd	STD-0195153652009		326,430	866,028
The Premier Bank Ltd	STD-012413100000117		6,400	108,014
The Premier Bank Ltd	SND-13100000005		132,476	3,163,901
Prime Bank Ltd	STD-10431010001894		3,342,230	112,703,734
Prime Bank Ltd	STD-1083102002869		809,663	10,518,865
Prime Bank Ltd	STD-10831050002877		41,206,031	72,369,712
Pubali Bank Ltd	STD-3555102-2450		36,201	1,224,577
Shahajalal Islami Bank Ltd	STD-400413100000229		55,129	486,281
Social Islami Bank Ltd	STD-03113600000081		525,461	3,008,704
Social Islami Bank Ltd	STD-03113600000107		47,435	647,966
Social Islami Bank Ltd	STD-02713600000017		(66,135,236)	110,860,604
Social Islami Bank Ltd	STD-02213600000416		-	680,912
Social Islami Bank Ltd	STD-0081360000425		-	91,106
Sonali Bank Ltd	STD-000236002496		3,150,970	8,233,279

		Notes	Amount in Taka 2016	Amount in Taka 2015
Southeast Bank Ltd	STD-002713100000102		242,282	237,468
Standard Bank Ltd	STD-00236001357		478,315	464,121
Standard Chartered	STD-02284919401		30,027,169	37,431,817
The City Bank Ltd	FCD-5122021030001		506,363	505,708
The City Bank Ltd	STD-3102004981001		1,148,590	9,874,901
United Commercial Bank Ltd	STD-001713200001226		8,630,674	26,215,422
United Commercial Bank Ltd	STD-094131000000050		186,019,616	13,720,514
United Commercial Bank Ltd	STD-005613200000511		2,445	72,857
Trust Bank Limited	SND-0053-0320000161		46,248	-
			381,663,817	1,105,661,472

4.3 Maturity grouping of balance with other banks and financial institutions

Payable on demand		775,604,886	1,498,997,798
Up to 1 month		-	-
Over 1 month but not more than 3 months		1,925,000,000	-
Over 3 months but not more than 1 year		30,000,000	1,605,000,000
Over 1 year but not more than 5 years		-	90,000,000
Over 5 years		-	-
		2,730,604,886	3,193,997,798

5. Money at call and short notice

Jamuna Bank		200,000,000	-
		200,000,000	-

6. Investments

Government securities

Treasury bills		-	-
National investments bond	-	-	-
Bangladesh Bank bill		-	-
Government notes/ bonds		-	-
Prize bonds		-	-
Others		-	-

Other investments

Investment in marketable securities	6.1	1,605,800,706	1,390,841,408
Investment in non-marketable securities	6.2	2,569,450	2,569,450
Investment in merchant banking unit		223,348,615	477,482,234
		1,831,718,771	1,870,893,092

6.1 Investment in marketable securities

This represents investment made by the Company in different companies' shares listed in the stock exchanges. The sector-wise investment as on 31 December 2016 was as under:

	No. of company	Market value (closing 2016)	2016	2015
Quoted				
Bank and FIs	23	450,632,932	485,994,969	533,280,477
Insurance	13	242,477,511	368,061,152	349,917,139
Investment	5	33,632,975	45,024,325	39,169,560
Power and energy	5	50,851,484	52,483,581	341,087,266
Manufacturing and others	36	527,401,866	554,236,700	27,386,966
	82	1,304,996,768	1,505,800,727	1,290,841,408
Unquoted				
Shandhani Life Growth fund	1	108,091,550	99,999,979	100,000,000
	1	108,091,550	99,999,979	100,000,000

	No. of company	Market value (closing 2016)	Amount in Taka 2016	Amount in Taka 2015
	83	1,413,088,318	1,605,800,706	1,390,841,408

6.2 Investment in non-marketable securities

CDBL	1	5,711,810	2,569,450	2,569,450
	84	1,418,800,128	1,608,370,156	1,393,410,858

All investments in marketable securities valued on an aggregate portfolio basis, at the lower of cost and market value, at the balance sheet date.

Market price for securities not listed as on reporting date, has been shown at cost for calculation purpose.

Provision has been made against all investment in marketable securities after net off gain/loss from market price of shares as per DFIM Circular # 02: date: 31.01.2012.

	Notes	2016	2015
7. Loans, Advances and Leases			
Inside Bangladesh			
Lease Finance	7.1	11,302,057,312	11,369,037,232
Term Finance Institutions	7.2	8,215,556,588	7,546,171,392
Term Finance Personal loan	7.3	7,803,326	7,047,191
Margin Loan	7.4	2,131,785,584	1,994,854,749
Housing Finance	7.5	2,009,512,369	2,064,751,224
		23,666,715,179	22,981,861,788
7.1 Lease Finance			
Balance at January 1		11,369,037,232	10,645,691,698
Add: Addition during the year		6,615,101,477	6,310,319,805
		17,984,138,709	16,956,011,503
Less: Realization during the year		6,682,081,397	5,586,974,271
Balance at December 31		11,302,057,312	11,369,037,232
Aging analysis of lease finance			
Payable on demand		916,647,904	502,378,252
Over 1 month but not more than 3 months		65,474,136	31,430,289
Over 3 months but not more than 1 year		2,459,164,545	1,721,812,730
Over 1 year but not more than 5 years		7,860,770,727	9,014,974,718
Over 5 years		-	98,441,243
		11,302,057,312	11,369,037,232
7.2 Term Finance Institutions			
Balance at January 1		7,546,171,392	6,532,285,585
Add: Disbursement made during the year		5,261,683,744	3,066,825,064
		12,807,855,136	9,599,110,649
Less: Realization during the year		4,592,298,548	2,052,939,257
Balance at December 31		8,215,556,588	7,546,171,392
Aging analysis of Term finance			
Payable on demand		1,218,078,628	627,679,226
Over 1 month but not more than 3 months		1,010,187,809	1,825,907,984
Over 3 months but not more than 1 year		2,253,185,723	390,945,051
Over 1 year but not more than 5 years		2,676,171,408	3,469,353,644
Over 5 years		1,057,933,020	1,232,285,487
		8,215,556,588	7,546,171,392
7.3 Term Finance Personal loan			
Balance at January 1		7,047,191	7,133,855
Add: Disbursement made during the year		4,660,000	3,382,724
		11,707,191	10,516,579

	Notes	Amount in Taka 2016	Amount in Taka 2015
Less: Realization during the year		3,903,865	3,469,388
Balance at December 31		7,803,326	7,047,191
Aging analysis of Term finance-personal loan			
Payable on demand		1,000,000	-
Over 1 month but not more than 3 months		267,905	-
Over 3 months but not more than 1 year		648,938	238,167
Over 1 year but not more than 5 years		5,886,483	6,809,024
Over 5 years		-	-
		7,803,326	7,047,191
7.4 Margin Loan to portfolio investors			
Balance at January 1		1,994,854,749	1,761,580,875
Add: Disbursement made during the year		136,930,835	233,273,874
		2,131,785,584	1,994,854,749
Less: Realization during the year		-	-
Balance at December 31		2,131,785,584	1,994,854,749

Margin loan to portfolio investors are provided by the merchant bank division of the Company as part of their normal business activities and the Company considers this as having similar characteristics of retail/personal lending. Based on detailed review, the Company note that shortfall, if any on individual client's portfolio and margin lending exposure are temporary in nature and any potential shortfall is expected to be recouped in near future. Moreover, the Company is also continuing its recovery efforts by requesting those clients to bring in additional fund to cover shortfall. Nevertheless, the Company is closely monitoring this matter and if it become obvious that additional provision is required it shall be provided for in due course. However, as per BSEC notification - SEC/CMRRCD/2009-193/155 dated 09 December 2013, Taka 6,12,49,852 provision made in the year 2015 as much as required and amounting taka 15,49,29,189 provision made in the year 2016 as much as required, thus 100% provision made.

7.5 Housing Finance			
Balance at January 1		2,064,751,224	1,978,323,678
Add: Disbursement made during the year		1,410,000,000	1,484,200,000
		3,474,751,224	3,462,523,678
Less: Realization during the year		1,465,238,855	1,397,772,454
		2,009,512,369	2,064,751,224
Balance at December 31		2,009,512,369	2,064,751,224
Ageing analysis of Housing finance			
Payable on demand		-	-
Over 1 month but not more than 3 months		500,000,000	-
Over 3 months but not more than 1 year		-	-
Over 1 year but not more than 5 years		1,509,512,369	2,064,751,224
Over 5 years		-	-
		2,009,512,369	2,064,751,224
7.6 Maturity grouping of investments are as follows:			
Payable on demand		4,267,512,116	1,130,057,478
Over 1 month but not more than 3 months		1,575,929,851	1,857,338,272
Over 3 months but not more than 1 year		4,712,999,206	2,112,995,948
Over 1 year but not more than 5 years		12,052,340,986	16,550,743,359
Over 5 years		1,057,933,020	1,330,726,731
		23,666,715,179	22,981,861,788
7.7 Loans, Advances & Leases on the Basis of Significant			
Advance to allied concerns of Directors		-	-
Advance to Chief Executive Officer, Other Senior Executives and Staffs		7,803,326	7,047,191

	Notes	Amount in Taka 2016	Amount in Taka 2015
Advances to industries		21,527,126,269	20,979,959,848
Margin loan		2,131,785,584	1,994,854,749
		23,666,715,179	22,981,861,788
7.8 Advances to Customers for more than 15% of FI's Total Capital			
Number of clients		8	6
Amount of outstanding advances		10,172,163,661	8,872,005,651
Amount of classified advances		238,458,808	-
Measures taken for recovery		n/a	n/a
7.9 Industry-wise loans, Advances and Leases			
Agriculture		18,857,949	130,509,155
Cement and allied Industry		600,578,279	733,351,878
Electronics & electrical Products		19,948,156	34,635,626
Food production & processing industry		3,090,243,496	2,363,349,855
Garments and Knitwear		1,519,969,823	821,586,416
Glass & ceramics		97,229,730	597,795,789
Housing		2,009,512,369	2,064,751,224
Iron, Steel and Engineering		2,714,564,403	3,425,515,744
Jute and Jute products		92,277,652	96,901,651
Leather and Leather goods		118,676,299	116,279,271
Margin loan		2,131,785,584	1,994,854,749
Paper, printing and packaging		1,176,433,814	376,176,710
Pharmaceuticals and Chemicals		320,569,405	237,614,313
Plastic industries		276,491,907	248,527,717
Power, Gas, Water and Sanitary services		455,644,493	270,454,751
Ship Manufacturing Industry		963,704,523	251,458,770
Telecommunication		304,640,269	178,264,692
Textile		200,988,138	1,796,513,013
Trade and commerce		2,631,262,419	2,704,557,036
Transport and Aviation		1,835,009,080	3,557,736,573
Others		3,088,327,392	981,026,854
		23,666,715,179	22,981,861,788
7.10 Geographical Location-wise (Division)			
In Bangladesh			
Dhaka		16,409,088,825	16,097,879,883
Chittagong		7,063,026,015	6,729,557,126
Bogra		194,600,339	154,424,779
Sylhet		-	-
Barisal		-	-
Rajshahi		-	-
		23,666,715,179	22,981,861,788
7.11 Classification as per Bangladesh bank rules			
Unclassified			
Standard		16,551,521,066	17,108,572,294
SMA		3,276,380,835	2,148,928,850
		19,827,901,901	19,257,501,144
Classified			
Sub-standard		535,508,303	306,599,254
Doubtful		515,358,101	218,876,435
Bad		656,161,290	1,204,030,206
		1,707,027,694	1,729,505,895
Total		21,534,929,595	20,987,007,039

	Notes	Amount in Taka 2016	Amount in Taka 2015
Margin loan		2,131,785,584	1,994,854,749
Total		23,666,715,179	22,981,861,788
7.12 Particulars of loans advances and leases			
i) Loans/investments considered good in respect of which the bank is fully secured;		8,689,217,904	7,942,177,563
ii) Loans/investments considered good for which the bank holds no security other than the debtors personal security;		14,977,497,275	15,039,684,225
iii) Loans/investments considered good and secured by the personal security of one or more parties in addition to the personnel security of the debtors;		-	-
iv) Loans/investments adversely classified, provision not maintained there against		-	-
		23,666,715,179	22,981,861,788
v) Loan/investments due by directors of the FI or any of them either severally or jointly with any other persons;		-	-
vi) Loans and investments due by Companies or firms in which the directors of the FI are interest as directors, partners or managing agents or in case of private Companies as member;		2,150,661	2,428,873
vii) Maximum total amount of advances/investments including temporary advances made at any time during the year to directors or managers or officers of the FI or any of their either separately or jointly with any other person;		-	-
viii) Maximum total amount of advances/investments including temporary advances/investment granted during the year to the Companies or firms in which the directors of the FI are interested as directors, partners or managing agents or in case of private directors, partners or managing agents or in case of private Companies as member;		2,160,000	8,100,000
ix) Due from other banking companies		-	-
x) Total amount of Classified loans and advances/ investments on which interest is not credited to income.		1,707,027,693	1,729,505,895
a) Movement of classified loans and advances			
Opening balance on January 01,2015		1,729,505,895	1,061,305,789
Increase/(decrease) during the year		(22,478,202)	668,200,106
b) Amount of provision kept against loan classified as Bad/loss on the reporting date of Balance Sheet;		-	-
c) Interest creditable to the interest suspense account		-	-
xi) Written off loans		-	-
During the year		-	-
Cumulative to-date (as per Bangladesh Bank guidelines)		-	-
Cumulative to-date (in amicable settlement)		-	-
The amount of written off loans for which lawsuits have been filed for its recovery		-	-
The amount of written off loans for which lawsuits have been filed for its recovery		-	-

8. Fixed assets including premises, furniture and fixtures

PARTICULARS	COST			Rate (%)	DEPRECIATION				Written down value at 31 Dec. 2016
	Balance as at 01 Jan. 2016	Addition during the year	Disposals/ adjustment during the year		Balance as at 31 Dec. 2016	Charged during the year	Adjustment during the year	Balance as at 31 Dec. 2016	
Land and Building	74,409,295	301,075	-	0%	-	-	-	-	74,710,370
Building and Premises	121,338,500	-	-	10%	78,942,238	12,133,850	-	91,076,088	30,262,412
Furniture and fixtures	5,111,129	269,500	-	15%	4,377,608	338,391	-	4,715,999	664,630
Office equipment	11,281,748	2,819,287	-	15%	7,512,675	1,379,070	-	8,891,745	5,209,290
Computer	8,098,902	264,000	-	15%	6,348,608	657,364	-	7,005,972	1,356,930
Office decoration	19,541,615	1,377,035	-	20%	14,872,902	1,828,184	-	16,701,086	4,217,564
Motor vehicles	19,509,515	-	310,000	20%	12,988,421	2,231,083	10,701	15,208,803	3,990,712
At 31 December 2016	259,290,704	5,030,897	310,000		125,042,452	18,567,942	10,701	143,599,693	120,411,908
At 31 December 2015	255,574,041	3,716,663	-		106,856,024	18,186,428	-	125,042,452	134,248,252

Amounts in Taka

Amounts in Taka

		Amount in Taka 2016	Amount in Taka 2015
9. Other Assets	Notes		
Interest receivable	9.1	184,737,251	328,362,800
IDCP receivable	9.2	395,541,085	121,149,467
Advance, Deposits and Prepayments	9.3	1,084,737,093	1,909,248,351
Zero Coupon Bond issue expenses	9.4	-	-
		1,665,015,429	2,358,760,618
9.1 Interest receivable			
Interest receivable on term finances	9.1.1	126,465,480	152,239,451
Interest receivable on lease income earned	9.1.2	40,435,452	159,772,030
Interest receivable on FDR	9.1.3	17,667,986	16,351,319
Interest receivable on call money	9.1.4	168,333	-
Interest receivable on treasury bills	9.1.5	-	-
		184,737,251	328,362,800
9.1.1 Interest receivable on term finances			
Opening balance		152,239,451	2,461,000
Add: Addition during the year		126,465,480	152,239,451
		278,704,931	154,700,451
Less: Received / adjustment		152,239,451	2,461,000
Closing balance		126,465,480	152,239,451
9.1.2 Interest receivable on lease income earned			
Opening balance		159,772,030	584,871
Add: Addition during the year		40,435,452	159,772,030
		200,207,482	160,356,901
Less: Received / adjustment		159,772,030	584,871
Closing balance		40,435,452	159,772,030
9.1.3 Interest receivable on FDR			
Opening balance		16,351,319	31,938,480
Add: Addition during the year		17,667,986	16,351,319
		34,019,305	48,289,799
Less: Received / adjustment		16,351,319	31,938,480
Closing balance		17,667,986	16,351,319
9.1.4 Interest receivable on call money			
Opening balance		-	49,444
Add: Addition during the year		168,333	-
		168,333	49,444
Less: Received / adjustment		-	49,444
Closing balance		168,333	-
9.1.5 Interest receivable on Treasury bills			
Opening balance		-	11,276,780
Add: Addition during the year		-	-
		-	11,276,780
Less: Received / adjustment		-	11,276,780
Closing balance		-	-
9.2 IDCP receivable			
Opening balance		121,149,467	159,212,357
Add: Addition during the year		395,541,085	121,149,467
		516,690,552	280,361,824
Less: Received / adjustment		121,149,467	159,212,357
Closing balance		395,541,085	121,149,467

	Notes	Amount in Taka 2016	Amount in Taka 2015
9.3 Advance, Deposits and Prepayments			
Advance			
Advance Income Tax	9.3.1	710,621,879	939,109,450
Rent		11,882,448	19,864,080
		722,504,327	958,973,530
Deposits			
security deposit		26,500	26,500
Prepayments			
Opening balance		950,248,321	175,159,521
Add: Addition during the year		450,000,000	775,088,800
Less: Received / adjustment		(1,038,042,055)	-
Closing balance		362,206,266	950,248,321
		1,084,737,093	1,909,248,351
9.3.1 Advance Income Tax			
Advance corporate tax	9.3.1.1	638,667,466	900,626,049
Advance income tax at source		71,954,413	38,483,401
		710,621,879	939,109,450
9.3.1.1 Advance corporate tax			
Opening balance		900,626,049	942,698,236
Add: Paid during the year		170,371,992	438,483,341
		1,070,998,041	1,381,181,577
Less: Adjustment		432,330,575	480,555,528
Closing balance		638,667,466	900,626,049
9.4 Zero Coupon Bond issue expenses			
Opening balance		-	-
Add: Addition during the year		125,000	125,000
		125,000	125,000
Less: Received/adjustment		125,000	125,000
Closing balance		-	-

Management has taken decision that the zero coupon bond are written off and charged to profit and loss account for the financial year of 2016 because there is no any physical existence of the said carrying amount.

10. Borrowings from Other Banks, Financial Institutions and Agents			
In Bangladesh	10.1	4,134,618,496	4,924,979,225
Outside Bangladesh		-	-
		4,134,618,496	4,924,979,225
Opening balance		4,924,979,225	7,195,685,840
Add: Addition during the year		3,530,315,000	2,520,750,000
		8,455,294,225	9,716,435,840
Less: Repayments made during the year		4,320,675,729	4,791,456,615
Closing balance		4,134,618,496	4,924,979,225
10.1 In Bangladesh			
Secured long term loans			
Mercantile Bank Limited		-	82,246,707
BRAC Bank Limited		20,833,333	654,166,667
United Commercial Bank Limited		149,129,936	210,956,993
Prime Bank Limited		-	229,724,664
Social Islami Bank Limited		-	181,008,903

	Notes	Amount in Taka 2016	Amount in Taka 2015
Shahjalal Bank Limited		-	187,197,390
Bank Alfalah Limited		45,833,333	-
Southeast Bank Limited		354,457,347	213,596,896
Mutual Trust Bank Ltd.		222,594,664	298,461,853
Commercial Bank of Ceylon		-	33,333,344
Dhaka Bank Limited		-	48,998,452
Bangladesh Commerce Bank Limited		-	109,163,831
Eastern Bank Limited		845,833,334	229,166,667
Dutch Bangla Bank Limited		488,185,505	332,625,743
The Trust Bank Ltd.		290,247,179	-
Sabinco		178,707,558	-
Premier Bank Ltd.		-	394,575,513
Bank Asia Ltd.		273,786,330	378,405,435
Modhumoti Bank Ltd.		153,931,321	366,410,375
Standard Chartered Bank Ltd.		250,408,333	200,000,000
NCC Bank Ltd.		251,044,901	141,773,673
		3,524,993,074	4,291,813,106
Unsecured long term loans			
IPFF from Bangladesh Bank		314,818,439	339,926,125
Refinance from Bangladesh Bank		294,806,983	292,558,275
International Leasing and financial services Ltd.		-	681,719
National Finance Ltd.		-	-
		609,625,422	633,166,119
		4,134,618,496	4,924,979,225
10.2 Analysis by security			
Secured loan		3,524,993,074	4,291,813,106
Unsecured loan		609,625,422	633,166,119
		4,134,618,496	4,924,979,225
10.3 Nature of repayment			
Repayable on demand		3,524,993,074	4,291,813,106
Repayable on maturity		609,625,422	633,166,119
		4,134,618,496	4,924,979,225
11. Deposits and other accounts			
Current deposits		-	-
Bills payable		-	-
Savings bank deposit		-	-
Term deposits	11.1	15,368,538,027	14,209,771,217
Bearer certificates of deposits		-	-
other deposits		-	-
		15,368,538,027	14,209,771,217
11.1 Term deposits			
Household		2,468,048,192	2,494,524,593
Corporate		12,194,571,135	11,134,392,562
Insurance		705,918,700	580,854,062
		15,368,538,027	14,209,771,217

These represent deposits taken from individuals and institutions under the Company's term deposit schemes for a period of not less than six months for institutions and one year for individuals and interest rates range from 8.00% to 11.00%. Deposits are of revolving in nature and renewed for further periods.

	Notes	Amount in Taka 2016	Amount in Taka 2015
Balance on 01 January		14,209,771,217	10,368,944,199
Receipt during the year		2,731,495,995	4,856,780,970
Adjustment during the year		(1,572,729,185)	(1,015,953,952)
Balance at 31 December		15,368,538,027	14,209,771,217
Maturity analysis			
Upto one month		1,436,535,518	793,437,606
Over one month but not more than 3 months		1,790,754,424	1,197,169,962
Over 3 months but not more than 1 year		7,479,235,325	2,457,473,996
Over one year but not more than 5 years		4,657,462,760	9,707,971,093
Over 5 years		4,550,000	53,718,560
		15,368,538,027	14,209,771,217
12. Other liabilities			
Accumulated provision for loans, advances and leases	12.1	890,715,219	1,100,067,957
Interest suspense account	12.2	550,749,273	557,214,804
Provisions	12.3	2,038,799,561	1,735,094,917
Call money		-	450,000,000
Unclaimed dividend		93,955,480	73,011,506
Advance rental and discount payables		40,499,995	40,318,657
Zero Coupon Bond		120,000,000	1,110,000,000
Accrued Liabilities	12.4	1,280,333,404	1,096,752,929
		5,015,052,932	6,162,460,770

12.1 Accumulated provision for loans, advances and leases

Status	Outstanding	Base for provision	Rate	Provision	Provision
General provision					
Standard - excluding SME	18,313,169,449	18,313,169,449	1%	183,131,694	188,468,446
Standard - SME	370,137,192	370,137,192	0.25%	925,343	641,457
Special mention account	3,276,380,835	2,984,917,231	5%	149,245,862	97,657,898
	21,959,687,476			333,302,899	286,767,801
Specific provision					
Sub-standard	535,508,302	388,814,780	20%	77,762,956	51,656,800
Doubtful	515,358,101	256,498,360	50%	128,249,180	89,108,495
Bad/loss	656,161,290	351,400,184	100%	351,400,184	672,534,861
	1,707,027,693			557,412,320	813,300,156
Total	23,666,715,169			890,715,219	1,100,067,957
Total provision required				890,715,219	1,100,067,957
Total provision maintained				890,715,219	1,100,067,957
Total provision surplus				-	-

12.1.1 Movement on unclassified loans, advances and lease

Opening balance	286,767,801	329,836,361
Provision for the year	46,535,098	(43,068,560)
Closing balance	333,302,899	286,767,801

12.1.2 Movement on classified loans, advances and lease

Opening balance	813,300,156	328,951,767
Less: Fully provided debts written off during the year	-	-
Add: Recovery of amounts previously written off	-	-
Add: Specific provision made for the year	-	-
Less: Recoveries and provision no longer required	-	-
Add: Net charge to Profit and Loss Account	(255,887,836)	484,348,389
Provision at the end of the year	557,412,320	813,300,156

	Notes	Amount in Taka 2016	Amount in Taka 2015
12.2 Interest suspense account			
Lease finance	12.2.1	395,882,737	315,839,915
Term finance - institutions		149,214,570	241,374,889
Term finance - Individual		-	-
Housing finance		5,651,966	-
		550,749,273	557,214,804
12.2.1 Lease Finance			
Opening balance		315,839,915	392,299,292
Add: Amount transferred/accrued to "interest suspense" account during the year		-	-
Less: Amount recovered in "interest suspense" account during the year		80,042,822	(76,459,377)
Less: Amount written off during the year		-	-
Balance at the end of the year		395,882,737	315,839,915
12.3 Provisions			
Provision for margin loan	12.3.1	979,779,904	824,850,715
Provision for loss in value of shares	12.3.2	290,782,818	309,676,788
Provision for income tax	12.3.3	768,236,839	600,567,414
		2,038,799,561	1,735,094,917
12.3.1 Provision for margin loan			
Opening balance		824,850,715	763,600,863
Addition during the year		154,929,189	61,249,852
Less: Adjustment/ Write off		-	-
Closing balance		979,779,904	824,850,715
12.3.2 Provision for loss in value of shares			
Opening balance		309,676,788	211,111,711
Adjustments during the year		(18,893,970)	98,565,077
Closing balance		290,782,818	309,676,788
12.3.3 Provision for income tax			
Opening balance		600,567,414	740,000,000
Add: Provision for current tax during the year		600,000,000	350,000,000
Add: Provision for deferred tax during the year		-	-
Less: Adjustment during the year		432,330,575	489,432,586
Closing balance		768,236,839	600,567,414
12.4 Accrued Liabilities			
Financial expenses	12.4.1	1,259,077,394	1,069,226,842
Accrued expenses	12.4.2	3,345,000	1,195,000
Other payables	12.4.3	17,911,010	26,331,087
		1,280,333,404	1,096,752,929
12.4.1 Financial expenses			
Provision for term deposit		1,238,639,621	934,964,063
Provision for Zero Coupon Bond		20,437,773	134,262,779
		1,259,077,394	1,069,226,842
12.4.2 Provision for expenses			
Auditor's fees	12.4.2.1	345,000	345,000
Office maintenance		1,000,000	500,000
Motor vehicle expenses		500,000	200,000
Printing and stationery		1,500,000	150,000
		3,345,000	1,195,000

	Notes	Amount in Taka 2016	Amount in Taka 2015
12.4.2.1 Auditor's fees			
Statutory		172,500	172,500
IPFF		115,000	115,000
Corporate Governance		57,500	57,500
		345,000	345,000
12.4.3 Other payables			
Suspense receipt-others		-	12,342,197
Withholding tax		17,911,010	13,988,890
		17,911,010	26,331,087
13 Share capital			
Authorized capital			
500,000,000 ordinary shares of Taka 10 each		5,000,000,000	5,000,000,000
Issued, subscribed and fully paid up capital:			
125,220,480 ordinary shares of Taka 10 each		1,252,204,800	1,252,204,800
		1,252,204,800	1,252,204,800

	% of Holding	Number of shares	Taka	Taka
Sponsor shareholders				
Local	6.01	7,521,345	75,213,450	75,213,450
Foreign	3.91	4,891,425	48,914,250	97,828,500
Company	38.42	48,113,516	481,135,160	418,453,930
	48.34	60,526,286	605,262,860	591,495,880
General:				
Institutions	30.55	38,250,206	382,502,060	416,227,910
General public	17.20	21,551,633	215,516,330	244,463,900
Foreign investors	3.91	4,892,355	48,923,550	17,110
	51.66	64,694,194	646,941,940	660,708,920
Total holdings	100.00	125,220,480	1,252,204,800	1,252,204,800

Shareholding range on the basis of shareholdings at 31 December 2016:

	Number of shareholders	Number of shares	In percentage
01 - 500	5,945	968,384	0.77%
501 - 5,000	3643	6,083,258	4.86%
5,001 - 10,000	408	2,847,606	2.27%
10,001 - 20,000	225	3,112,086	2.49%
20,001 - 30,000	57	1,388,141	1.11%
30,001 - 40,000	34	1,199,813	0.96%
40,001 - 50,000	30	1,373,058	1.10%
50,001 - 100,000	44	3,073,153	2.45%
100,001 - 1,000,000	92	105,174,981	83.99%
1,000,000 and above	0	-	0.00%
	10,478	125,220,480	100%

13.1 Name of the Directors, sponsors shareholders and their shareholding as on 31 December 2016:

			2016		2015	
Sl. No.	Name	Position	Total No. of Shares	Total Value in Tk.	Total No. of Shares	Total Value in Tk.
1	Mr. Rasidul Hasan	Chairman	233,873	2,338,730	433,873	4,338,730
2	Mr. Matiur Rahman	Vice Chairman	809,031	8,090,310	609,031	6,090,310

Sl. No.	Name	Position	2016		2015	
			Total No. of Shares	Total Value in Tk.	Total No. of Shares	Total Value in Tk.
3	Mr. Jakir Hossain	Company Secretary	-	-	-	-
4	Mr. Mujibur Rahman	Nominee Director	2,603	26,030	2,603	26,030
5	Mr. Nayeemur Rahman	Nominee Director	375,659	3,756,590	-	-
6	Mr. Kazi Imdad Hossain	Nominee Director	5,082	50,820	5,082	50,820
7	Mr. A J Masudul Haque Ahmed	Executive Director	23,278	232,780	18,278	182,780
8	Mr. N.G. Chin Keong	Sponsor	4,891,425	48,914,250	4,891,425	48,914,250
9	Ms. N.G. Chin Keong	Sponsor	4,891,425	48,914,250	4,891,425	48,914,250
10	Uttara Automobiles Ltd.	Sponsor	9,786,799	97,867,990	9,786,799	97,867,990
11	Uttara Automobiles Manufactures Ltd.	Sponsor	14,709,135	147,091,350	14,709,135	147,091,350
12	Uttara Apparels Ltd.	Sponsor	10,956,792	109,567,920	10,956,792	109,567,920
13	Uttara Motors Ltd.	Sponsor	6,392,667	63,926,670	6,392,667	63,926,670
14	Uttara Motors Corporation Ltd.	Sponsor	6,268,123	62,681,230	-	-
15	Mr. Mehdadur Rahman	Sponsor	2,507,115	25,071,150	2,507,116	25,071,160
16	Ms. Zakia Rahman	Sponsor	2,507,115	25,071,150	2,507,116	25,071,160
17	Ms. Tahmina Rahman (Tina)	Sponsor	2,507,115	25,071,150	2,507,116	25,071,160
18	Mr. A.T.K.M. Ismail	Independent Director	1,595	15,950	1,595	15,950
Total				668,688,320	60,220,053	602,200,530

Notes	Amount in Taka	Amount in Taka
	2016	2015

13.2 Capital Adequacy Ratio (CAR):

"As per section 4(gha) of the Financial Institution Rules 1994, the minimum paid up capital of the Financial institution (FI) shall be Tk. 100 crore; provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the company.

The surplus eligible capital of the company close of business on 31 December 2016 were Tk. 2,917,403,893 and 31 December 2015 Tk. 2,015,180,188 .

Details are shown below:

Core Capital (Tier-1)/Shareholders Equity		
Paid up capital	1,252,204,800	1,252,204,800
Share premium	528,000,000	528,000,000
Statutory reserves	1,372,943,630	1,207,070,066
General Reserves	1,650,000,000	1,500,000,000
Dividend equalizations reserves	700,000,000	600,000,000
Retained earnings	193,108,288	155,275,470
Non-controlling interest	-	-
(A) Sub- Total	5,696,256,718	5,242,550,336
Supplementary capital (Tier - II)		
General provision (Unclassified loan up to specified limit+SMA+Off Balance sheet exposure)*	308,645,998	398,449,262
Assets Revaluation Reserves up to 50%	-	-
Revaluation Reserve for Securities up to 45%	-	-
All others preference shares	-	-
Others (if any other item approved by Bangladesh Bank)	-	-
(B) Sub-Total	308,645,998	398,449,262
(C) Total eligible capital	6,004,902,716	5,640,999,598
Total assets including off-balance sheet exposures	-	-
(D) Total risk weighted assets	29,827,170,211	36,258,194,106
(E) Required capital based on risk weighted assets (10% on D)	2,982,717,021	3,625,819,411
(F) Surplus (C-E)	3,022,185,695	2,015,180,187

	Notes	Amount in Taka 2016	Amount in Taka 2015
Capital Adequacy Ratio (%)		20.13%	15.56%
*Limited to 1.25% of RWA as per CDMD guideline.			

14 Statutory reserve

As per section 9 of the Financial Institution Act, 1993 and the regulation 6 of the Financial Institutions Regulations 1994, 20% of post tax profit for the year 2016 has been transferred to Statutory Reserve Fund amounting to Tk 165,873,564.

Balance on 1 January		1,207,070,066	1,096,732,265
Transfer during the period		165,873,564	110,337,801
Balance at 31 December		1,372,943,630	1,207,070,066

This represents 20% of net profit kept aside after tax in compliance with clause 6 of the Financial Institution Regulations 1994.

15 General reserve

Balance on 1 January		1,500,000,000	1,300,000,000
Transfer during the period		150,000,000	200,000,000
Balance at 31 December		1,650,000,000	1,500,000,000

16 Share Premium

		528,000,000	528,000,000
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This represents Tk. 528,000,000 receipt from the shareholders @ Tk. 20 per share on 2,640,0000 shares at the time of Right issue.

17 Retained earnings

Opening balance		155,275,470	55,434,667
Add: Net profit after taxation		829,367,822	551,689,004
Less: Transfer to statutory reserve		165,873,564	110,337,801
Less: Transfer to general reserves		150,000,000	-
Less: Transfer to Dividend equalization fund		100,000,000	-
Less: Issue of bonus share		-	113,836,800
Less: Cash dividend		375,661,440	227,673,600
		193,108,288	155,275,470

18. Income Statement

Income:			
Interest, discount and similar income	18.1	3,518,909,100	3,191,735,711
Dividend income		21,359,188	15,082,649
Fees, commission and brokerage		14,618,682	17,715,192
Gains less losses arising from dealing in securities		99,838,747	145,941,207
Gains less losses arising from investment securities		-	-
Gains less losses arising from dealing in foreign currencies		-	-
Income from non-financial institutional assets		-	-
Other operating income		297,717,981	620,195,548
Profit less losses on interest rate changes		-	-
		3,952,243,698	3,990,670,307
Expenses:			
Interest paid on deposits, borrowings etc.		2,394,020,124	2,292,320,411
Losses on loans and advances		-	-
Administrative expenses	18.2	159,719,151	157,413,495
Other operating expenses		21,005,282	17,165,316
Depreciation and repairs of company's assets		21,648,838	20,987,023
		2,596,393,395	2,487,886,245
		1,356,050,303	1,502,784,062
18.1 Interest, discount and similar income			
Interest income		3,518,909,100	3,191,735,711
		3,518,909,100	3,191,735,711

	Notes	Amount in Taka 2016	Amount in Taka 2015
18.2 Administrative expenses			
Salary and allowances		82,694,764	90,900,769
Rent, taxes, insurance, electricity etc.	25	32,187,348	30,571,194
Legal expenses	26	3,520,853	2,858,158
Postage, stamp, telecommunication etc.	27	5,858,487	2,949,271
Stationery, printings, advertisements etc.	28	9,152,205	7,145,366
Managing Director's salary and allowances	29	13,450,000	11,650,000
Directors' fees	30	872,660	644,772
Auditors' fees	31	386,500	386,500
Other (M.B.Unit)		11,596,334	10,307,465
		159,719,151	157,413,495
19. Interest Income			
Interest income on lease finance		1,804,914,414	1,712,833,513
Interest income on term finance		1,342,286,642	1,020,774,965
Interest income on merchant banking unit		108,398,914	106,279,454
Interest income on FDR		195,113,647	280,258,387
Interest income on other sources		68,195,483	71,589,392
		3,518,909,100	3,191,735,711
20. Interest Paid on Deposits, Borrowings etc.			
Interest on term deposits		1,773,194,389	1,396,250,541
Interest on loan from financial institutions	20.1	318,082,581	622,275,350
Interest on Short term loan		37,723,643	17,222,235
Interest on coupon bond		146,233,208	148,596,234
Interest on call money		387,389	1,696,597
		2,275,621,210	2,186,040,957
20.1 Interest on loan from financial institutions			
Bangladesh Commerce Bank Limited		3,401,745	16,535,689
Bank Alfalah Limited		1,118,056	1,502,680
Bank Asia Ltd.		34,639,895	39,041,671
BRAC Bank Limited		7,549,815	29,616,003
Commercial Bank of Ceylon		945,834	7,780,992
Dhaka Bank Limited		4,058,862	8,755,701
Dutch Bangla Bank Limited		46,808,709	53,641,372
Eastern Bank Limited		21,163,686	7,950,521
Exim Bank Limited		-	9,008,153
International Leasing Ltd.		41,781	293,621
National Finance Limited		92,212	-
IPFF from Bangladesh Bank		21,646,737	28,154,965
Islami Bank Bangladesh Ltd.		-	-
Mercantile Bank Limited		2,341,747	41,531,379
Modhumoti Bank Limited		25,335,683	40,300,931
Mutual Trust Bank Ltd.		27,531,106	42,895,735
National Bank Limited		-	6,967,482
NCC Bank Ltd.		10,684,787	19,031,982
Premier Bank Ltd.		21,735,186	61,928,585
Prime Bank Limited		1,842,976	10,463,740
Pubali Bank Limited		-	9,879,554
Refinance from Bangladesh Bank		16,273,604	17,216,746
Shahjalal Bank Limited		10,583,463	49,304,672
Social Islami Bank Limited		5,530,932	28,594,591
Southeast Bank Limited		24,388,833	19,944,255
Standard Bank Limited		-	1,326,198
The Trust Bank Limited		3,095,466	-

		Amount in Taka 2016	Amount in Taka 2015
	Notes		
	United Leasing Ltd.	-	21,950
	SABINCO	8,460,114	-
	United Commercial Bank Limited	18,811,352	42,256,281
	Uttara Bank Limited	-	28,329,901
		318,082,581	622,275,350
21	Investment Income		
	Bills	-	-
	Treasury bills	-	39,794,980
	Notes	-	-
	Bond	-	-
	Share	41,227,402	7,999,623
	Others	-	-
		41,227,402	47,794,603
22.	Commission, Exchange and Brokerage	-	-
23.	Other Operating Income		
	Commission from letter of credit	150,000	19,069
	Interest during construction period	35,870,651	109,495,639
	Lease income earned	46,343,710	23,078,277
	Interest on short term loan	194,444	-
	Delinquent charges	3,403,750	6,357,238
	Interest on call money	1,889,861	10,518,806
	Service charge	2,164,242	1,862,600
	Miscellaneous receipts	15,934,968	306,194,215
		105,951,626	457,525,844
24.	Salary and Allowances	92,694,764	90,900,769
25.	Rent, Taxes, Insurance, Electricity etc.		
	Rent, rates and taxes	7,398,456	6,646,501
	Power and electricity	2,588,336	2,684,181
	Other maintenance	22,200,556	21,240,512
		32,187,348	30,571,194
26.	Legal Expenses		
	Legal expenses	1,616,255	1,681,911
	Other professional charges	1,904,598	1,176,247
		3,520,853	2,858,158
27.	Postage, Stamps, Telecommunication etc.		
	Postage & courier	71,954	236,362
	Telecommunication and internet etc.	5,786,533	2,712,909
		5,858,487	2,949,271
28.	Stationery, Printings, Advertisements etc.		
	Stationery & printing	5,332,614	912,621
	Advertisement and publicity	3,819,591	6,232,745
		9,152,205	7,145,366
29.	Managing Director's Salary and Allowances		
	Basic pay	7,200,000	6,600,000
	Allowance	3,300,000	2,400,000
	Bonus	2,950,000	2,650,000
		13,450,000	11,650,000

In addition to remuneration, he is also provided with company's cars and cell phone.

		Amount in Taka 2016	Amount in Taka 2015
30. Directors' Fees			
Honorarium for attending meeting		608,000	421,500
Incidental expenses for attending meeting		264,660	223,272
		872,660	644,772

Each Director is paid Taka 5,000 per meeting per attendance as per DFIM circular letter no. 03 dated 24 February 2010.

31. Auditor's Fees			
Statutory audit		172,500	172,500
Other audit	31.1	214,000	214,000
		386,500	386,500
31.1 Other audit			
IPFF		115,000	115,000
Corporate Governance		99,000	99,000
		214,000	214,000
32. Depreciation and Repair of Company's Assets			
Depreciation	8	18,567,942	18,186,428
Repairs and maintenance	32.1	3,080,896	2,800,595
		21,648,838	20,987,023
32.1 Repairs and maintenance			
For premises and vehicles		1,791,506	1,989,407
For computer and computers accessories		1,289,390	811,188
Others		-	-
		3,080,896	2,800,595
33. Other Expenses			
Travelling, conveyance and labour	33.1	2,854,540	2,148,914
Subscriptions and donation	33.2	2,509,145	2,734,614
Entertainment	33.3	817,483	834,088
Training and internship	33.4	302,750	94,000
Car expenses	33.5	6,788,745	4,611,923
AGM expenses		2,726,729	1,366,197
Books and periodicals	33.6	60,047	82,952
Utilities	33.7	174,119	351,905
Amortization of Zero Coupon Bond issue expenses		125,000	125,000
Repossessing expenses	33.8	2,264,817	2,276,418
Levies	33.9	2,381,907	2,539,305
		21,005,282	17,165,316
33.1 Travelling, conveyance and labour			
Travelling			
Domestic		189,616	383,388
		189,616	383,388
Foreign		1,962,244	1,163,712
		1,962,244	1,163,712
Total travelling		2,151,860	1,547,100
Conveyance		702,680	601,814
		702,680	601,814
		2,854,540	2,148,914

	Notes	Amount in Taka 2016	Amount in Taka 2015
33.2 Subscription and Donation			
Donation		283,000	226,000
DSE and CSE		1,067,043	821,507
Trade license		101,102	77,305
Asian leasing association fees		-	19,830
BLFCA fees		200,000	200,000
CDBL charges		106,000	184,972
National credit rating		138,000	138,000
RJSC		-	22,000
BAPLC membership fees		30,000	1,030,000
Bankers club		9,000	15,000
ICC Membership fees		575,000	-
		2,509,145	2,734,614
33.3 Entertainment			
Office entertainment		332,244	344,934
Client entertainment		485,239	489,154
		817,483	834,088
33.4 Training expense			
General training		228,000	57,000
Local seminar/Foreign Seminar		74,750	37,000
		302,750	94,000
33.5 Car expenses			
Car fuel		3,660,215	3,689,211
Garage rent		223,500	247,000
Vehicle parking tolls		35,615	29,330
Vehicle insurance		271,974	316,870
Vehicle fitness		15,061	17,190
Vehicle tax token		103,757	91,404
Others		2,478,623	220,918
		6,788,745	4,611,923
33.6 Books and periodicals			
Daily newspaper bill		60,047	63,287
Books		-	19,665
		60,047	82,952
33.7 Utilities			
Gas		-	4,200
Water		174,119	347,705
		174,119	351,905
33.8 Repossessing expenses			
Travelling and conveyance		310,784	244,681
Advertisement		413,706	353,071
Court fee		2,268	2,168
Thana, police station		25,300	-
Vehicle repossession bill		855,526	968,749
Garage Rent		180,000	185,800
Accommodation and fooding		152,288	124,534
Recovery expense others		324,945	397,415
		2,264,817	2,276,418

	Notes	Amount in Taka 2016	Amount in Taka 2015
33.9 Levies			
Bank charges		226,749	249,895
Levies excise duties, commissions etc.		2,018,749	2,121,554
Outside bank charges		136,409	167,856
		2,381,907	2,539,305
34. Provision against leases, loan and advances			
Provision for classified loans, advances and leases		557,412,320	825,727,573
Provision for unclassified loan, advances and leases		333,302,899	274,340,384
		890,715,219	1,100,067,957
Less: Last year provision			
Provision for classified loans, advances and leases		825,727,573	328,951,767
Provision for unclassified loan, advances and leases		274,340,384	329,836,061
		1,100,067,957	658,787,828
Provision made during the year		(209,352,738)	441,280,129
35. Provision for diminution in value of investments			
Investment in securities			
In quoted shares		(18,893,970)	98,565,077
In unquoted shares		-	-
		(18,893,970)	98,565,077
36. Other Provisions			
Transfer Price written off		-	-
Margin loan (negative equity)		154,929,189	61,249,852
Balance on 31 December		154,929,189	61,249,852
37. Earnings per share			
Basic earnings per share have been calculated as follows:			
a) Earnings attributable to ordinary shares (net profit after tax)		829,367,822	551,689,004
b) Weighted average number of ordinary shares outstanding during the year		125,220,480	125,220,480
Earnings per share		6.62	4.41

38. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with or without common Directors and key management positions. The company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per Bangladesh Accounting standard (BAS) 24; "Related Party Disclosures". Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials do not involve more than a normal risk.

Details of transactions with related parties and balances with them as at 31 December 2016 as follows:

Name of the related party	Transaction nature	Relationship	Balance as at 01 January 2016	Addition	Adjustment	Amount in crore
						Balance at year end receivable/ (Payable)
			Taka	Taka	Taka	Taka
Uttara Motors Ltd.	Term deposit	Sponsor	522.23	143.06	0.00	665.29
Uttara Apparels Ltd.	Term deposit	Sponsor	31.63	10.54	0.00	42.17
Uttara Automobile Manuf. Ltd.	Term deposit	Sponsor	21.01	12.74	0.00	33.75
Uttara Motors Corp.Ltd.	Term deposit	Sponsor	52.05	21.67	0.00	73.72
Uttara Automobile Ltd	Term deposit	Sponsor	30.91	4.91	0.00	35.82

39 Number of employees

The Company paid an aggregate amount more than Tk9,26,94,764 Per annum to 179 employees who were in employment for full year or part of the year.

40 Subsequent events**Dividend for the year 2016**

The Board of Directors at the 128th Board meeting held on 16 March 2017 recommended to the shareholders 30% cash dividend amounting to Tk. 375,661,440. This will be considered for approval by the shareholders at the 22nd annual General Meeting (AGM) to be held on 22 May 2017.

41 General

41.1 The Company publishes its quarterly accounts as per the Securities and Exchange Commission (SEC) Notification No. SEC/CMRRCD/2008-183/Admin/03-34, dated September 27, 2009.

41.2 The Company does not have any restriction on distribution and payment of dividends.

41.3 During the year under report, no matters were submitted to a vote of shareholders of the Company.

41.4 Previous year's figures have been rearranged where necessary to conform to current year's presentation.

41.5 Figures have been rounded off to the nearest Taka.

Annexure-A

HIGHLIGHTS OF OVERALL ACTIVITIES

		(Amount in Taka)	
Sl. No.	Particulars	2016	2015
1	Paid-up Capital	1,252,204,800	1,252,204,800
2	Total Assets	30,214,466,173	30,539,761,548
3	Total Deposits	15,368,538,027	14,209,771,217
4	Total Loans and Advances	23,666,715,179	22,981,861,788
5	Total Contingent Liabilities and Commitments	-	-
6	Credit Deposit Ratio	153.99%	161.73%
7	Percentage of Classified Loans Against Total Loans and Advances	7.21%	7.53%
8	Profit After Tax and Provision	829,367,822	551,689,004
9	Amount of Classified Loans During Current Year	1,707,027,693	1,729,505,895
10	Provisions Kept Against Classified Loans	557,412,320	813,300,156
11	Provision Surplus against classified loan	-	-
12	Cost of Fund	7.82%	8.23%
13	Interest Earnings Assets	23,666,715,179	22,981,861,788
14	Non-interest Earnings Assets	6,547,750,994	7,557,899,760
15	Return on Investment (ROI)	3.50%	2.40%
16	Return on Assets (ROA)	2.74%	1.81%
17	Income from Investment	41,227,402	47,794,603
18	Earnings per Share	6.62	4.41
19	Net Income per Share	6.62	4.41
20	Price Earnings Ratio	13.82	13.81

