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Bogra Branch:

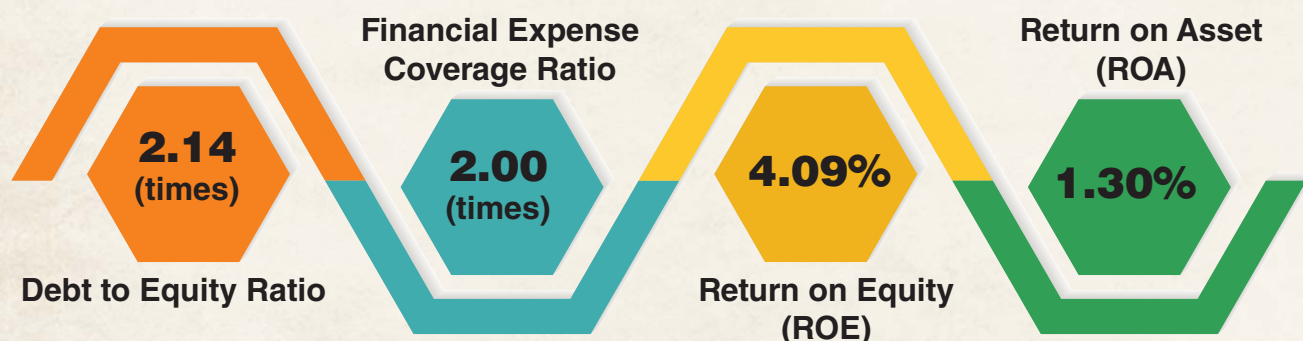
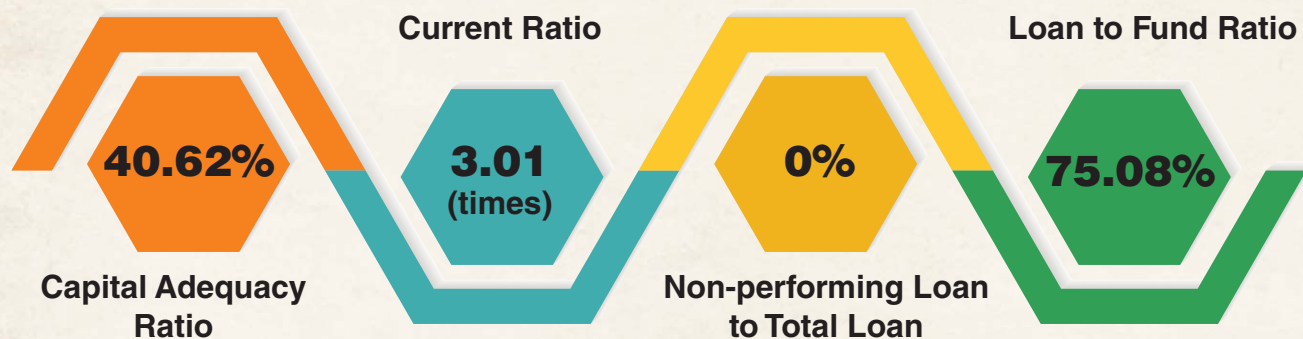
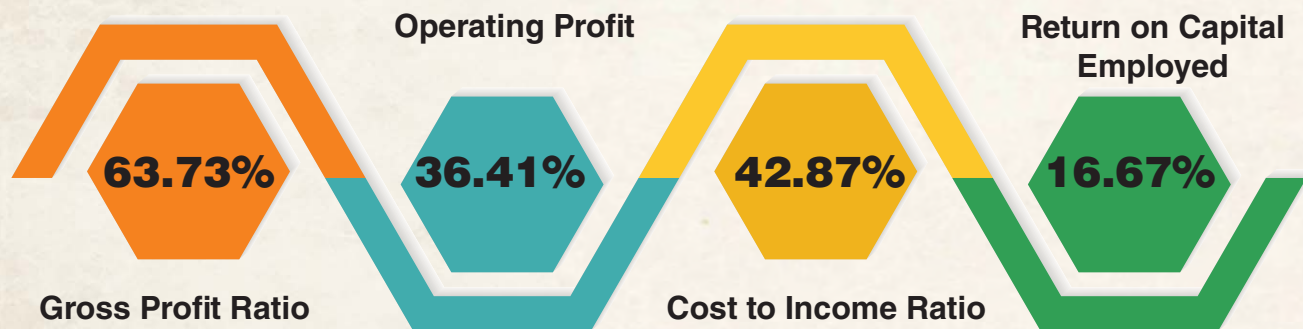
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Proceeding with Intensity

In business we continuously experience rapidly evolving customer's needs, faster levelling of competitive advantage, greater regulation, compliance, ever changing nature of technology and risk. Although we can't control the external environment, we know we can control our internal processes and risk framework to proactively manage asset quality. We have strengthened our position not only in terms of our leadership in key business segments, but also on service excellence, franchise strength and business capabilities. At Meridian Finance, we believe that passion, agility, diversity and inclusion create an environment that enhances creative thinking, innovation and productivity. Our high performance culture, our mission to humanise financial services, and our commitment to customer service excellence form a solid foundation for the next phase of our transformation. It will be an exciting time ahead as we proceed with intensity partnering with our customers to bring positive changes through offering innovative financial solutions and act as a change agent in shaping their stories.

Core Financial Highlights, 2016





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Notice is hereby given that the 3rd Annual General Meeting of Meridian Finance & Investment Limited to be held on Monday, May 22, 2017 at 5.00 pm at Gulshan, Dhaka to transact the following businesses:

AGMA-2017-01	:	To receive, consider and adopt the Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended December 31, 2016;
AGMA-2017-02	:	To elect the directors who are retiring in terms of the relevant provision of the Articles of Association of the Company;
AGMA-2017-03	:	To appoint Auditors and to fix their remuneration.
AGMA-2017-04	:	Other agendas with the permission from the Chair.

Dated, Dhaka
May 08, 2017

By order of the Board of Directors



Irteza Ahmed Khan
Company Secretary

About Meridian Finance

Meridian Finance & Investment Limited, a new generation Financial Institution, licensed by Bangladesh Bank, commenced its operation in December 2015. Within a short span of time Meridian Finance emerged as a multi-product financial service provider having equal focus in Corporate Financing, Retail Financing, SME Financing & Corporate Advisory Services. In quest of sustainable business, Meridian Finance has been positioning itself to provide enduring value to people, customer, stakeholders & communities.

The Paid-up capital of Meridian Finance is Tk. 1.2 billion with shareholding structure consisting of 79% institutional & 21% individual. The sponsors include renowned business conglomerates like Ahsan Group, Habib Group, Elegant Group, Toma Group, Labib Group, Saad Musa Group, Rising Group, RSRM Group, Gold Star Group. Board composed of successful people in their field of work & profession with high level of business acumen and leadership qualities. We have an experienced, dedicated, committed & professional management team driving to enhance stakeholders' value maintaining strong corporate governance, statutory compliance, high ethical standards, progressive working environment & strong commitment to social development.

Meridian Finance look forward to play a pioneering role in introducing various financial services suiting the changing requirements of the customers, particularly which not in place in the financial market, keeping this in mind we envisage to go out of the box. We are expanding our horizon to place our services in the door steps of the customers to empower them to change their lives.



Our Vision

Most innovative & flexible financial service provider
in the country.



Our Mission

Maximizing stakeholder's value through sustainable
business practices.



Corporate Philosophy

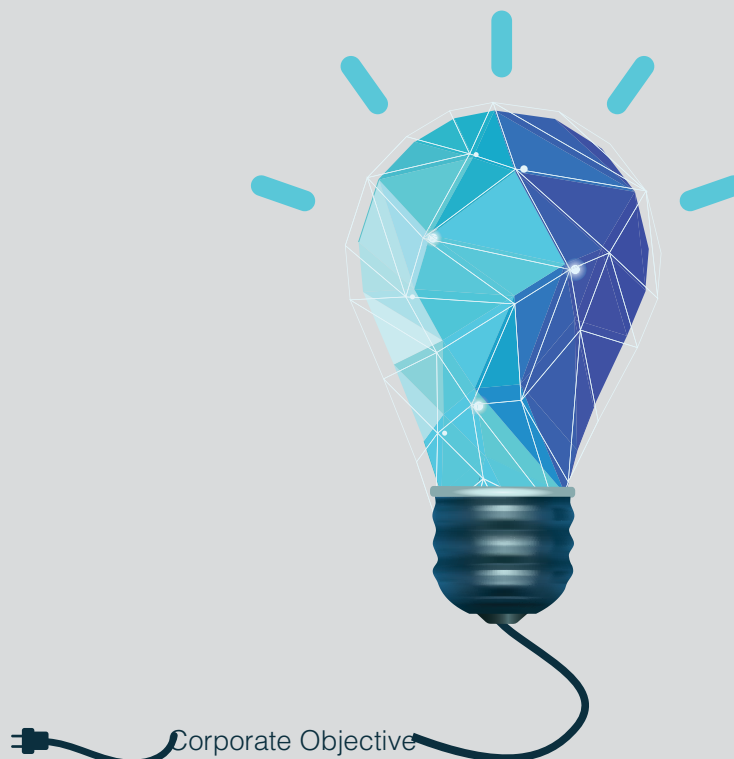
Constantly anticipate market needs and strive to offer innovative & flexible services that create new value for customers.

Corporate Culture

Organizational culture is considered as an essential component of business corporations as it has the ability to bind organizational members together. The culture and values of Meridian Finance have been proved as a source of competitive advantage for us and are acting as a key component to establish the relationship between Meridian Finance and its employees and, in turn, between our employees and our customers. Our culture and values also encourage customers and employees to join us and stay with us. Meridian Finance has also been able to improve organizational performance via improving the performance of individual contributors and also recognizes existing talents to fill up the higher vacancies within the organization or place them in the right position, wherein the best use of their abilities can be ensured. Our culture promotes sharing of common goal which ensures harmonious relationship in the working environment.

Corporate Objectives

- ▲ Focus on building deep and long-standing relationships with our clients and constantly look to improve the quality of our products and services.
- ▲ Building a dynamic & versatile human capital.
- ▲ To be market leader in product innovation.
- ▲ To be one of the top three financial institutions in Bangladesh in terms of efficiency.
- ▲ Ascertain sustainable growth with a disciplined approach to the management of risks and costs.
- ▲ Ascertain apposite capital and liquidity to sustain our business over the long term.
- ▲ Build a strong diversified product portfolio with high focus on Small & Medium Enterprises.
- ▲ Increase contribution to the national exchequer through increasing profitability.
- ▲ Ensure good governance and transparency
- ▲ Focus on greater outreach in the major cities/township of the country
- ▲ Buttress large corporate house for building beneficiary relationship
- ▲ Keep enterprise risk under control
- ▲ Ascertain good asset quality and put much endeavor to sustain it & to keep the slate clean.
- ▲ Control costs and ensure efficient expenses management
- ▲ Infusion of technology in daily activities for becoming efficient and competitive
- ▲ Create a unique brand and promote our services across the country





Our Core Values Charter

Our character and culture as an institution are deeply rooted in our **CREATE** values. They shape our thoughts, actions and habits as individuals and as One Team.



Customer Centric: We are committed to create a positive customer experience.



Respect: We respect the confidentiality and privacy of stakeholders.



Empowerment: We nurture talent pool and empower them to drive the business growth.



Aspiration: We aspire to grow our business as a Good Corporate Citizen with sustainable business practices.



Trust: We foster a culture of mutual support and confidence.



Excellence: We are passionately committed to learning, improving and delivering results.

Ethical Principles

Meridian Finance believes that business ethics practices provides a foundation for the stability and sustainable growth of the company, and supports the company's efforts in achieving its stipulated goals. The company therefore encourages all parties to conduct business and perform their duties in accordance with business ethics practices.

- ▲ Conducting business in accordance with the laws and regulations set by the central bank and other regulatory authorities. The Company will not finance in any project, detrimental to the community or country.
- ▲ Complying with various standards which are generally acceptable for conducting the business and always refrain from doing aggressive business while extending credit facilities.
- ▲ In conducting business, the Company adheres to Bangladesh Bank's instructions while setting interest rates of deposits and loans. It also keeps interest spread (difference between interest rate charged on loans and interest rate paid on deposits) at or below 5% as advised by Bangladesh Bank.
- ▲ The Company offers quality services to its customers with the principles of warm friendship and mutual support. The Company applies only those charges/fees that are disclosed by the schedule of charges of the Company.
- ▲ The Company keeps and safeguards the information of its customers in confidential and not discloses such confidential information to others unless with the consent of the customers or as required by the law.
- ▲ To continue and increase CSR activities.



Code of Conduct

In accordance with the approved and agreed Code of Conduct, Meridian Finance employees shall:

- ▲ Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public
- ▲ Act and encourage others to behave in a professional and ethical manner that will reflect positively on Meridian Finance employees, their profession and on Meridian Finance at large
- ▲ Strive to maintain and improve the competence of all in the business
- ▲ Use reasonable care and exercise independent professional judgment
- ▲ Not restrain others from performing their professional obligations
- ▲ Maintain knowledge of and comply with all applicable laws, rules and regulations
- ▲ Disclose all conflicts of interest
- ▲ Deliver professional services in accordance with Meridian Finance policies and relevant technical and professional standards
- ▲ Respect the confidentiality and privacy of customers and people with whom we do business
- ▲ Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on our honesty, trustworthiness or professional competence
- ▲ Meridian Finance employees have an obligation to know and understand not only the guidance contained in the Code of Conduct but also the spirit on which it is based.

Key Milestones

15

01 | 2014

**Certificate of
Incorporation from
RJSC**

04

06 | 2015

**Licensed as
Financial Institution**

19

10 | 2015

**Bangladesh Bank
Governor Dr. Atiur
Rahman formally
inaugurated the
operation**

02

12 | 2015

**Signing of First
Agreement**

21

04 | 2016

**Achieved a milestone
by crossing a
business portfolio of
BDT 1 Billion (Taka
100 crore)**

01

06 | 2016

**Three MoU signing
with Bangladesh
Bank for refinancing
micro, cottage,
agro processing,
small and women
entrepreneurs**

18

07 | 2016

MoU signing with Bangladesh Bank for refinancing Brick Kiln Efficiency Improvement project

27

07 | 2016

MoU signing with Election Commission of Bangladesh for verification of information and national identity

25

10 | 2016

Signing of first Term Sheet to raise BDT 100 crore as lead arranger

29

01 | 2017

Signed Syndication Finance Agreement with Eminence Communication

13

03 | 2017

Signed Syndication Finance Agreement with Feiya Auto Bricks Limited

14

03 | 2017

1st branch opening at Gazipur

Our Extensive Range of Products and Services



Corporate Finance

- ▲ Lease Finance
- ▲ Sale & Lease Back
- ▲ Preferred Equity Finance
- ▲ Syndicated Finance
- ▲ Club Finance
- ▲ Bridge Finance
- ▲ Loan for Commercial Space
- ▲ Real Estate Finance
- ▲ Working Capital Finance



SME Finance

- ▲ Suchana (Women Entrepreneur Loan)
- ▲ Agrodt (Unsecured Loan)
- ▲ Arjon (Secured Loan)
- ▲ Durjoy (Secured Loan)
- ▲ Boshoti (Dormitory for RMG workers)
- ▲ Duranta (Commercial Vehicle Loan)
- ▲ Agrojatra (Agro Finance)



Channel Finance

- ▲ Factoring
- ▲ Distributor Financing
- ▲ Work Order Financing



Investment

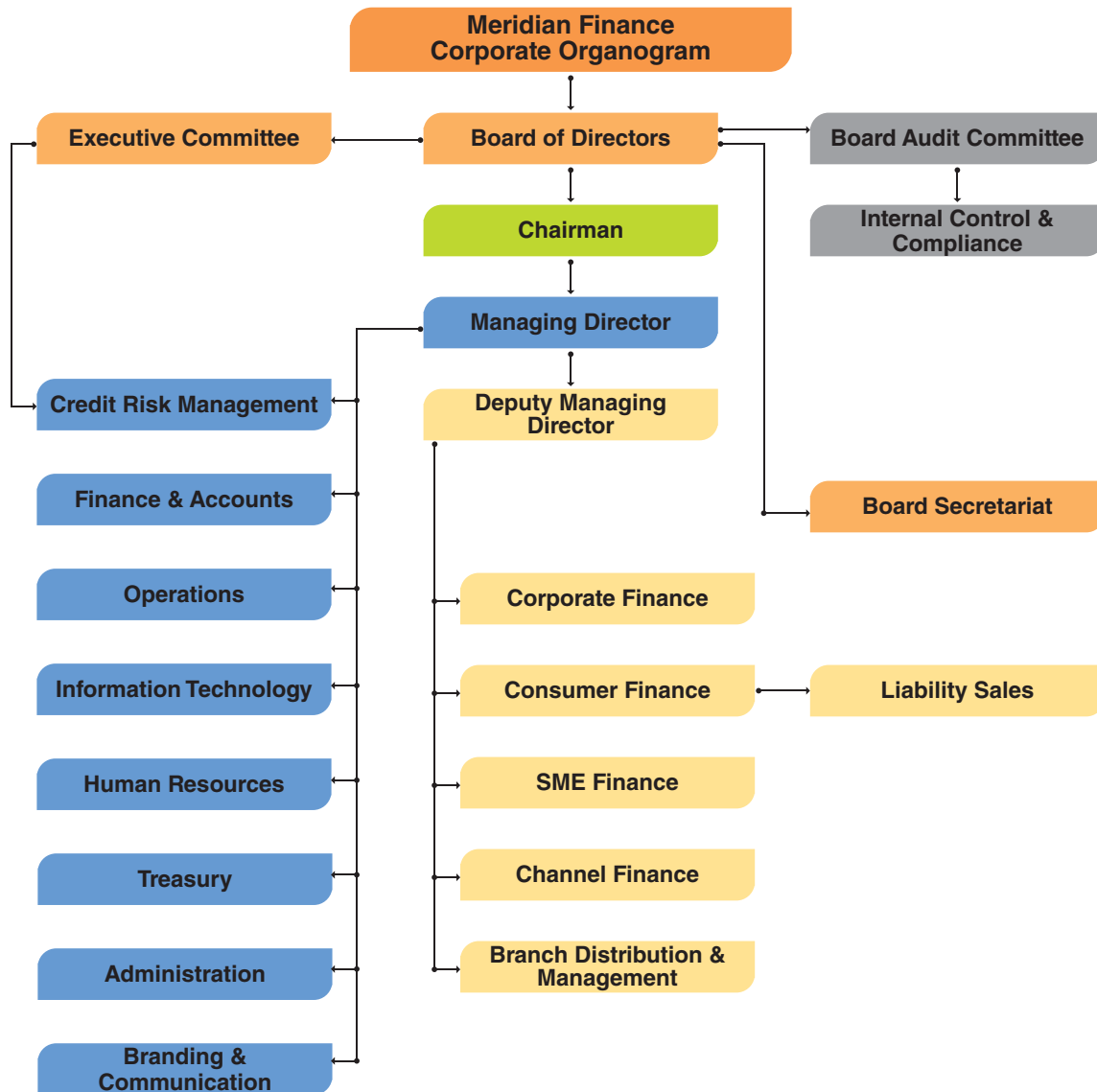
- ▲ Term Deposits
- ▲ Millionaire Schemes
- ▲ Regular Earner Schemes



Consumer Finance

- ▲ Home Loan
- ▲ Car Loan
- ▲ Loan against Deposit

Corporate Organogram



Our Shareholding Composition:



Sponsor Shareholders:

A. Individual Sponsors

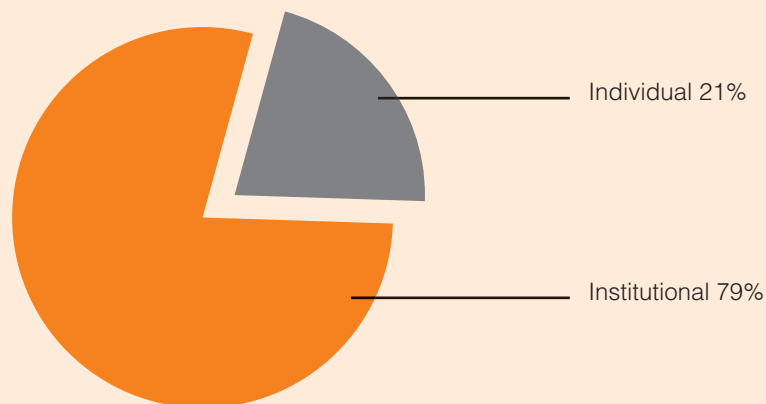
Mr. K.M. Aminul Islam
Ms. Ruba Ahmed
Mr. Mizanur Rahman

B. Institutional Sponsors

AG Agro Industries Ltd.
M Rahman Steel Mills Ltd.
Siam's Superior Ltd.
Arunima Apparels Ltd.
Matrix Sweaters Ltd.
Diganta Sweaters Ltd.
Disari Industries (Pvt.) Ltd.
Toma Construction & Co. Ltd.
Saima Samira Textile Mills Ltd.
Omega Sweaters Ltd.

Percentage (%)	No. of Shares
8.333	10,000,000
8.333	10,000,000
4.167	5,000,000
20.83	25,000,000
8.333	10,000,000
4.167	5,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
8.333	10,000,000
79.17	95,000,000
100.00	120,000,000

Total Shareholdings



■ Individual
■ Institutional

SWOT Analysis

Strength



- Good Customer Service
- Innovative Products
- Efficient Administration
- Capital Adequacy
- Transparent & Ethical
- Less Rigidity in Loan Processing
- Skilled & Dynamic Human Resources
- Best Corporate Culture for Bringing Creativity
- Invest Money in Human Capital
- Seasoned Management
- Highest Level of Integrity
- Efficient Asset/Liability Management

Weakness



- Dependency on interest income as a major revenue source - a limitation of being an NBF
- Dependency on term lending in the absence of transactional accounts - a limitation being an NBF

Opportunities



- Greater Scope of Financial Inclusion
- Growing local entrepreneurs
- Developing Rural Market
- Use of Modern Technologies
- Consistent GDP Growth

Threats



- Intense competition in corporate lending driving commercial banks to focus more on SME and consumer financing
- New industry entrants providing stiff competition

Projects Financed by Meridian Finance



Garments



Cement



Footware



Furniture

Projects Financed by Meridian Finance



Garments Accessories



Transport



Printing & Packaging



Abashon

Some Events at a Glance



To enhance the knowledge on Anti Money Laundering and Terrorist Financing, an in house training program was facilitated by Mr. Shaikh Md. Salim, Deputy General Manager & Faculty Member of Bangladesh Bank Training Academy on February 13, 2016.



As a part of Green Banking Policy of Meridian Finance to mark the occasion of World Environmental Day which was held on June 05, 2016, plants were distributed among the stakeholders to encourage tree plantation.



Training on Concept and Application of Islamic Finance & Banking.



Meridian Finance inaugurated its 1st branch in Gazipur. Honorable Chairman Mr. Kazi. M. Aminul Islam, Board of Directors, Business leaders of Gazipur formally inaugurated the branch. Mr. Mafizuddin Sarker, CEO & Managing Director, Mr. Irteza A. Khan, Deputy Managing Director of Meridian Finance and local businessmen and high officials of Meridian Finance were present in the inauguration ceremony.



Meridian Finance & Investment Limited donated computers to Kazimuddin School & College, Gazipur as CSR program. Honorable Chairman Mr. Kazi. M. Aminul Islam, Board of Directors, Mr. Mafizuddin Sarker CEO & Managing Director, Business leaders and management members were present in the ceremony.



Meridian Finance & Investment Limited donated computers to Chandana High School, Gazipur as CSR program. Honorable Chairman Mr. Kazi. M. Aminul Islam, Board of Directors, Mr. Mafizuddin Sarker CEO & Managing Director, Business leaders and management members were present in the ceremony.



As a gesture of friendly corporate environment, the gift hamper was provided from HR department to the proud fathers of new born babies.



All members of Meridian Finance at Annual Ifter Party.



Bangladesh Bank signed three MOU under its refinancing scheme for micro, cottage, agro processing, small and women entrepreneurs.



Election Commission of Bangladesh signed agreement for verification of information and national identity.



Signed Syndication Finance Agreement with Feiya Auto Bricks Limited.



Signed Syndication Finance Agreement with Eminence Communication.

Business Strategy for 2017

We, at Meridian Finance, want to march ahead of time. What would be that next prominent strategy for the penetration in the financial landscape of Bangladesh, is well deemed and happening NOW in our territory.

- ▲ In 2017, we would put high emphasize on the Retail and SME Financial Services to achieve a fragmented portfolio to diversify risk and high yield. Through establishing credit delivery channels, staffing required skill sets, making improved process flow, centralized credit decisions, we will expand our business at high pace.
- ▲ With the objective of optimizing the Company's funding mix, we would look forward to more diversified sources of fund. ALCO will be more vibrant in 2017 to tap market level opportunities.
- ▲ We would be upgrading our interface and functionality by using latest technology, systems and tools. This will increase operational efficiency, reduce lead time, faster customer service, enable quick information dissemination to loan & liability clients and save cost.
- ▲ We believe product diversification is the key to achieve customer satisfaction by meeting the tailor made needs of customers. Innovation would be continuing in the foreseeable future. In 2017, we would try some new products to be launched.
- ▲ In 2017, more branches will be opened and operated. The Branch will be central hub for adjacent districts. Branch will be the main focal point and one stop service delivery center for business acquisitions, retention and development and for providing customer care and maintaining relationship with all parties.
- ▲ Cost control will be one of the top strategy for 2017. We would take initiatives to reduce costs to income as minimum as possible.
- ▲ Continuous monitoring will be done to keep the high rate of recovery. Initiatives will be taken to increase the efficiency level of Recovery & Monitoring team to keep NPL at zero level.
- ▲ While we engage in doing things we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.
- ▲ We aim to Attract and Retain best human resources in all areas by providing industry best compensation package along with other benefits and by creating and nurturing a healthy environment with good corporate culture.



Why Shaping Stories?

Story of Asha Enterprise

Story of Sahanaj Begum

Story of RM Poly & Packaging

Story of Farmland Green Auto Bricks

Shaping Stories

“ Creating a story is of course a great thing; but shaping a story is not less great for sure. ”

Why Shaping Stories?

Everyone has story he or she envisioned, nurtured inside. In the social-economic reality that exist in our country, a very few people dare to take the step towards attaining them, others are afraid to take risks. The company's challenge and promise is to help you shape the stories you cherish, help you get rid of the life you are forced to live in.

The company is here to know your dreams, help you find your destination, help you find the courage to chase those dreams, support your journey and help you achieve success. Very simply, every man is precious, so are her/his dreams. Meridian Finance wants you to chase your dream, because, if you do, you will have a story worth telling. Thus, the company is here to shape your stories towards the right course, to shape the stories into reality.

With you, we wish to climb the top, and that journey is the story worth telling. We don't tell your story, we offer you the help so that you can take the decision of your life. We are here to support them find their stories achievable, flourish their potential and finally, change the investment and business scenario for better.

The strategic objective of Meridian Finance is to become one of the best performing financial institutions in the country. Believing in ourselves and our mission to promote, support and serve, we seek for your company, as we shall accompany you towards our mutual quest for shaping stories, stories of success. We hope one day we can say, "here we started, thus far we have come, this much we have accomplished, these many stories of success we shaped and still we have long way to go".

Therefore, the philosophical and pragmatic reason and objective of Meridian Finance is no other than: **Shaping Stories.**





Story of Asha Enterprise

Meridian Finance firmly believes in helping people fulfill their dreams. It always tries to set example by extending its service to the people who never stops. This time the story is about Asha Akter Bilkis. This is the story of hard work and determination. A story of guts and grit. A story of starting an entrepreneurial venture and creating a business from the scratch.

But the beginning of the story was not smooth. Asha Akter Bilkis started her career as a medical representative officer in Health care of India, located in Dhaka. She worked very hard but not satisfied. Because she had the dream of having her own business. She learnt ins and outs about medical equipment and the market of those products.

Then finally Ms. Bilkis took a courageous stride in 2008. She started her business concern “Asha Enterprise” which supplies medical equipment to different hospitals and medical shops. But for every case we all know that it is easier to start than to maintain it properly. There was no exception in this case. Ms. Bilkis faced so many difficulties in running her business. But she never gave up.

In 2016, as a result she was able to start her own showroom to expand her business. At that time financial support was a must for her business. She came to Meridian Finance for term loan and Meridian Finance never says no to any self-motivated and self-made person like Asha Akter Bilkis. Meridian Finance gave term loan for her business. With that support Ms. Bilkis expand her showroom and able to build more connections for her business. The increment was significant. In 2015 the turnover was BDT 5 crore. With the support from that loan the turnover increased to BDT 12 crore (240% growth) at the end of 2016.

In the beginning Asha Enterprise had only two workers. Now the concern has seventeen sales representatives who cover the market of Dhaka, Gazipur, Narayanganj, Mymensingh and Comilla. This is not the end. Bilkis does not want to stop here. She wants to grow more by expanding her dream business. Again she is getting Meridian Finance with her with another term loan facility for her business.



Story of Sahanaj Begum

“Shaping Stories” this is the motto that drives Meridian Finance to render services to its valued clientele. Stories can stem from all sort of places but what could be a better place to begin shaping ones story than the “Home”. Ms. Sahanaj Begum, proprietor of Four S international is a young energetic entrepreneur. She conducts the business aptly. Meridian came to her graceful contact and find out her dream of having a home which she can call as her own. The goal has been set and Meridian Finance get on to it to aid Ms. Sahanaj to own a home. The rest can be compared to a Southern Breeze as those flows to her newly owned apartment.

So this is the story of Shanaj Begum who was grown up in a family with limited resources. She had to be content with whatever they had, which was never too much. Living in a small rented flat with a big family ignited her dream of having her own house one day.

Having a family of her own, the same worries of accommodation and securing her children's future kept her awake at night. She visited Meridian Finance for a home loan. Having heard her aspiration, our relationship manager advised her to avail a construction loan. Also Meridian Finance made the whole applications and loan processing easy. She says that Meridian Finance was refreshingly different in reviewing her need and concern. With the belief that the loan could really alter the course of life for Sahanaj and her family, Meridian Finance was focused on disbursing the loan after carrying out the necessary checks.

Today, Sahanaj lives with her family in her own home, standing proud of her achievement. As someone in her neighborhood said, ‘What a beautiful house it is!’



Story of RM Poly & Packaging

This is the story of Md. Abdul Kadir who hails From Dhaka. Growing up in a family with limited resources, he had to be content with whatever they had, which was never too much.

Living in a poor and big family ignited his dream of having his own business one day. He was not necessarily flourishing financially. Having a family of his own, the same worries of securing his children's future he could not sleep at night. Mr. Abdul Kadir, The proprietor of R.M Ploy and Packaging, started his own business which produces different plastic container of Ice Cream. He has the talent to run this business.

As a deeply-entrenched social philosophy, Meridian Finance has always encouraged skills development towards ensuring employability and employment security. Thus, the Company works towards empowering the grassroots through identifying and honing talent and ensuring that the marginalized get a platform to build their future. He is running his business for almost 10 (Ten) years. R.M. Poly and Packaging is running its operation in a rented building. The owner wanted to shift the factory to his own place. For this the owner is seeking for SME Loan from Meridian Finance.

That is when he visited Meridian Finance. Having heard him through, not only did our relationship manager advise him to avail a SME loan, but also made the whole applications and loan processing easy. He says that most financial organizations looked for loopholes to reject applications when approached by the marginalized. Meridian Finance was refreshingly different. With the belief that the loan could really alter the course of life for Abdul Kadir, Meridian Finance was focused on disbursing the loan after carrying out the necessary checks.

Today, Mr. Kadir is running his business successfully. Meridian Finance helped him focus on his business growth by ensuring smooth financing support and constant advisory.



Story of Farmland Green Auto Bricks

Meridian Finance is always one step ahead in helping entrepreneur who not only pioneer themselves but also other people by adding to contribute for the betterment of our society. It is our overreaching goal to not only provide loan facilities to ones most in need but also go the extra mile to ensure that their wishes are fulfilled. This time the story is about financing a green project aims to establish an example. The story is about participating in a syndication finance in an Auto Brick Project, "Farmland Green Auto Bricks Limited".

Meridian Finance has participated in financing this project where the lead arranger was LankaBangla Finance Limited. The brick industry in Bangladesh has historically been unstructured and hardly regulated. However, due to its poisonous debris and onslaught of the environment, the industry has caught attention of environmentalist home and abroad. On the other hand it is high time to pay attention to our environment. The two enthusiastic entrepreneur Md. Shahin Hossain and A.S.M. Ashraful Alam who have a strong background in this arena dreamt to bring a change. They not only thought on their return but also considered our endangered environment. Meridian Finance also thinks it is their duty to extend its helping hand to them who are working on improving environment.

They are visionary, energetic and hardworking people who want to take the sector in a new horizon. They came to the financial institution with their project. Meridian Finance never fails to recognize these people who create new path and make example for others. This institution helps these two enthusiastic persons by participating in syndication deal of BDT 10 crore. The project is now under construction as per the schedule. There will be around 40 people working in the factory and daily production capacity will be 120,000 unit of bricks. Meridian Finance is proud to be a part of this green financing initiatives.



Profiles of the Directors of the Company

Management Committee

Message from the Chairman

Directors' Report to the Shareholders of Meridian
Finance

Statement of Directors' Responsibility for Corpo-
rate Governance

Corporate Governance: The Nucleus of the Company

“ We want to be ethical Financial Service Provider by adhering all applicable laws, rules, regulations & best practices. ”

Brief Profile of the Directors



Mr. Kazi M. Aminul Islam

Chairman

Mr. Islam did his Master of Arts in Economics from University of Dhaka and Master's in Economics from Boston University, USA. He also accomplished Graduation Certificate in Environment from University of Adelaide, Australia. Mr. Islam was a secretary to the Chief Advisor's office during the 2007-08 caretaker government of Bangladesh. Later on 2009, he was appointed as Alternative Executive Director of the World Bank for the constituency comprising of Bangladesh, Bhutan, India, and Sri Lanka. He worked for three and a half years on the Board of the Executive Directors of The World Bank Group.



Ms. Ruba Ahmed

Shareholder Director

Ms. Ruba Ahmed is an Individual Director in the Board of Meridian Finance and Investment Limited. She did her Bachelor (Honors) and Master's in Management from University of Dhaka. Ms. Ruba is a successful woman entrepreneur. She is the Chairman of Elegant Group which consists of diverse concerns such as Cassiopea Apparels Ltd, Cassiopea Fashion Ltd, Cassiopea Clothing Ltd, Cassiopea Garments Ltd, Elegant Washing Plant Ltd, Elegant Accessories Ltd, Lavender convenience store Ltd, and Athena Gallery of Fine Arts.



Mr. Shah Md. Shafiqul Ahsan

Nominated Director

Mr. Shah Md. Shafiqul Ahsan is the nominated Director of AG Agro Industries Ltd. Mr. Ahsan completed his MBA with Major in HRM. AG Agro Industries Ltd. established in 2010, a sister concern of Ahsan Group, is one of the leading conglomerates in Bangladesh. Since 1986 the group is operating its business in diversified sectors including Readymade Garments (RMG), Trading, Manufacturing, Export & Import, Engineering & Construction, Agro Business, Project Management, Investment, Housing and Real-Estate sector.



Md. Mizanur Rahman

Nominated Director

Mr. Md. Mizanur Rahman is the nominated Director of M. Rahman Steel Mills Ltd. in the Board of Meridian Finance and Investment Limited. He is also the Director of Ratanpur Steel Re-Rolling Mills Limited. Mr. Md. Mizanur Rahman, a graduate having business experience and knowledge on cutting edge technology in the steel industry, is looking after the present business operation of Ratanpur Group.



Mr. Md. Abdul Quader

Nominated Director

Mr. Md. Abdul Quader is the nominated Director of Siams Superior Limited in the Board of Meridian Finance & Investment Limited. Siams Superior is the sister concern of Habib Group, one of the top conglomerate, with strong foothold in diversified businesses in cement, steel, textiles, fertilizers, paper, yarn, apparel, aviation, power generation and Financial Services.



Mr. Mahmud Hasan Khan

Nominated Director

Mr. Mahmud Hasan Khan is the Managing Director of Rising Group and nominated Director of Arunima Apparels Ltd. in the Board of Meridian Finance and Investment Ltd. Mr. Khan has 20 years of vast experience in RMG & Textile industry. He did his M.S.S. and B.S.S. from University of Dhaka. He is the Vice president of BGMEA, also was the Director of BGMEA (Year 2013 – 2015) and former Vice President of BGMEA (Year 2007 – 2009). He received National Export Trophy Bronze for Rising Apparels Ltd. on 2003-2004.



Mr. Animesh Chandra Mazumder

Nominated Director

Mr. Animesh Chandra Mazumder is the nominated Director of Matrix Sweaters Limited in the Board of Meridian Finance & Investment Limited. Mr. Mazumder, an M.Com. in Accounting, is a Global Organic Textile Standard (GOTS) Certified from Germany and also Certified from WOOLMARK. Matrix Sweaters Limited (MSL) is one of the biggest 100% export oriented sweater manufacturing company, operating under the flagship of Labib Group.



Ms. Shahnaj Parven

Nominated Director

Ms. Shahnaz Parven is the nominated Director of Diganta Sweaters Ltd. in the Board of Meridian Finance and Investment Ltd. She is the Director of Cosmos Sweaters Ltd., Sweaters Zone Ltd., and Diganta Packaging & Accessories Ltd. She is a graduate with vast experience in RMG sector.



Md. Rezaul Hossain

Nominated Director

Mr. Md. Rezaul Hossain is the nominated Director of Disari Industries (Pvt.) Ltd in the Board of Meridian Finance & Investment Limited. Disari Industries (Pvt.) Ltd., established on 1998, is a concern of Gold Star Group. This renowned Group is certified by ISO and OEKO-TEX (garments) for 100% export Oriented Manufacturer of Quality Garments in Bangladesh. The Gold Star group is the major sponsor of Meghna Bank Ltd., Aysha Memorial Specialized Hospital, Universal Medical College & Hospital and Universal Nursing Institute. After completing his graduation, Mr. Md. Rezaul Hossain started his career as the Managing Director of Goldstar Fashions Ltd. in 1992.



Mrs. Rashnat Tarin Rahman

Nominated Director

Mrs. Rashnat Tarin Rahman is the nominated Director of Toma Construction & Co Ltd. in the Board of Meridian Finance and Investment Ltd. Toma Construction & Co Ltd is the flag ship company of Toma Group, a leading & successful conglomerate comprises of Toma Properties Ltd, Toma Concrete Ltd, Toma Taxi Cab Services, Toma Auto Workshop, Toma LPG Services, Vatican Properties Ltd, Rakib International Ltd, Toma Ready-mix Concrete Ltd, and Dhaka Bricks Ltd. She obtained her Master's in Medical Science (MBBS) from Noakhali Medical College.



Ms. Shamima Nargis

Nominated Director

Ms. Shamima Nargis is the nominated Director of Saima Samira Textile Mills Ltd. in the Board of Meridian Finance & Investment Ltd. Saima Samira Textile Mills Ltd. is one of the concern of Saad Musa Group. This renowned group is one of the leading manufacturers of Fabrics, Home Textile, Woven and Knit products in Bangladesh. It is a vertically integrated group starting from Spinning, Weaving, Dyeing, Printing to Finishing. Established in 1982, Saad Musa Group is now a composite solution for raw cotton processing to final end products.



Mr. Golam Mostofa

Nominated Director

Mr. Golam Mostafa is the Managing Director of Omega Sweaters Ltd and nominated Director of Omega Sweaters Ltd in the Board of Meridian Finance & Investment Limited. Omega Sweaters Ltd. a member of BGMEA, was established in 2000 as a 100% export oriented sweater manufacturer. Mr. Mostafa started Garments Trading Business since 1991. Later on he started Garments Manufacturing Business from 2002. He completed his Master's of Social Science (Sociology) from University of Dhaka.

Management Committee





Mafizuddin Sarker

CEO & Managing Director

Mafizuddin Sarker, CEO & Managing Director, has over 40 years of experience in Financial Market. He is an MBA from the Institute of Business Administration (IBA), University of Dhaka.

He started his career in 1976 with Bangladesh Shilpa Rin Shangstha and thereafter he joined IDLC Finance Limited and served there for 13 years in various key positions including General Manager till he joined International Leasing and Financial Services Limited as Managing Director in 1998. He also served Lanka Bangla Finance Limited (5 years) and BD Finance Limited (5 Years) as Managing Director.

He joined Meridian Finance & Investment Limited as CEO & Managing Director in October, 2016. Mr. Sarker is the Chairman of Bangladesh Leasing & Finance Companies Association (BLFCA). Also he is the former Vice President of Asian Financial Services Association (AFSA).



Irteza Ahmed Khan

Deputy Managing Director & Company Secretary

Irteza Ahmed Khan, Deputy Managing Director joined the company on September, 2015.

He is an MBA from North South University, Dhaka and Chartered Accountancy Intermediate from Institute of Chartered Accountants of Bangladesh (ICAB).

Before joining Meridian Finance, he worked as General Manager in IDLC Finance Ltd. He has more than 17 years of experience to work in various key positions and functional areas in institutions like IDLC, DBH and ACNABIN & Co. Chartered Accountants.



Md. Abdul Ahad, ACA

Assistant General Manager, Finance & Accounts

Md. Abdul Ahad joined Meridian Finance and Investment Limited as Assistant General Manager on November 2015.

Mr. Ahad completed MBA and BBA from Department of Accounting & Information Systems of University of Dhaka. He is an Associate Member of the Institute of Chartered Accountants of Bangladesh (ICAB).

Before joining Meridian Finance, he worked for Berger Paints Bangladesh Limited in its Financial Planning and Monitoring Department. He also worked for Lanka Bangla Finance Limited in its Finance & Accounts Division in the capacity of Head of Accounts. He has more than 8 years of professional experience in the field of Financial Reporting, Budgeting, Management Reporting, SOP Development, SOX Compliance, and Internal Control & Internal Audit.



Nafisa Jareen

Head of Human Resources

Nafisa Jareen joined Meridian Finance and Investment Limited as Senior Manager & Head of Human Resources on September 2015. She has more than seven years experience in this field.

She is an MBA major in HR from IBA, University of Dhaka. Before joining Meridian Finance, she was the Head of Human Resources at International Leasing and Financial Services Limited (ILFSL) and Saudi-Bangla Industrial and Agricultural Investment Limited (SABINCO), where she started the HR departments from scratch.



ABM Haideruzzaman

Head of Operation & Administration

ABM Haideruzzaman joined Meridian Finance & Investment Limited September 2015. Haider has more than 12 years experience in Financial Institution in the areas of operations, business and Branch management.

Mr. Haider did his Master's in Management under Rajshahi Univeristy and obtained MBA in Finance from North-South University.

He was in IDLC Finance Ltd. and Prime Finance & Investment Ltd. in various capabilities before joining Meridian Finance.



Tansir Rahman Chowdhury

Senior Manager, SME & Corporate

Tansir Rahman Chowdhury joined Meridian Finance & Investment Limited on October 2015. He has more than 13 years of experience in his credit in NBFI Sector. He has obtained his BBA and MBA major in Finance, from University of Dhaka.

Prior to joining Meridian Finance, he has worked with International Leasing and Financial Services Limited and Bangladesh Industrial Finance Co. Ltd. at different capacities.



Aslam Uddin Bhuiyan

Senior Manager & Head of Channel Finance

Aslam Uddin Bhuiyan joined Meridian as Head of Channel Finance and responsible for emerging and executing business of Domestic Factoring, Reverse Factoring, Distributor Financing, Work Order and SME Financing etc. Aslam has over 14 years of business development experience in the financial sector.

Mr. Aslam accomplished his Masters of Business Administration (MBA) from Eastern University major in Finance.

Prior to joining Meridian he worked for DS-Concept Factoring GmbH as a Director Marketing & Business Development. In DS-Concept he achieved a considerable international experience of closing deals in cross border financing. He also worked in IDLC Finance Limited and gained excellent knowledge of both traditional factoring and asset-based lending, with specific experiences in the diversifying sectors.



Afajul Ameen

Senior Manager, Consumer Division

Afajul Ameen joined Meridian Finance as Senior Manager on December, 2016. He has more than 13 year's extensive exposure in Retail Sales, Product Marketing & Branch Operations in financial services. Afaj completed Masters of Business Administration (MBA) major in Marketing from North South University, Dhaka and also completed B.Com (Honors) and M.Com in Management under National University.

Prior joining Meridian Finance, he worked as Branch Manager at IPDC Finance Ltd and IDLC Finance Limited.



Mohammad Asad Ullah

Manager, ICT Department

Mohammad Asad Ullah joined Meridian Finance as Manager, ICT Department on October 2015. He has more than 11 years of work experience in Information & Communication Technologies (ICT) field. Asad did his Masters of Business Administration (MBA) major in Finance from University of Liberal Arts Bangladesh.

Prior joining Meridian Finance, he worked as Assistant Manager at IDLC Finance Limited. During his career, he attended various training and workshops on IT Audit Management, Software Quality Assurance and Testing & Information Security Management System etc.



Abdullah Yousuf

Manager – Internal Control & Compliance

Abdullah Yousuf joined Meridian Finance and Investment Limited as Manager & Head of Internal Control & Compliance Department on March 2017. He has more than eight years experience in this field.

Mr. Yousuf has completed MBA major in Finance from East West University. Before joining Meridian Finance, he was the Head of Internal Control & Compliance at CAPM Venture Capital & Finance Limited (CVCFL). He worked at Bangladesh Finance & Investment Company Limited (BD Finance) and DBH Finance Corp. Ltd.

Message From the Chairman



Dear Stakeholders,

In the name of Allah, the most beneficent and the most merciful.

It is indeed a great pleasure for me to be here with you in the Third Annual General Meeting of Meridian Finance & Investment Limited. On behalf of the Board of Directors and myself, I would like to express my heartfelt thanks and profound gratitude to all of you for your continuous support and guidance since inception of the company. I am pleased to report that although the year 2016 practically was the first business year, Meridian Finance has displayed sustained performance.

Although the global economy saw modest growth in 2016 & Bangladesh economy faced a number of challenges during the year, in spite of that prudent & timely policy intervention from the Government & Bangladesh Bank have kept the economy & financial sector vibrant & stable. Cautious but growth supportive monetary policy stance has been able to contain inflation with in mid-single digit level of around 5% in 2016, which is moderate & reasonable for a growing developing economy like Bangladesh. Consequent to robust foreign exchange reserves, contained fiscal deficit, momentum in reforms, decreasing trend of interest rate, the economy is in better placed for business growth. Consequently, Bangladesh achieved 7.05% GDP growth in 2016, placing it among the top-12 developing countries in the world.

As a new entrant in the non-bank financial industry we had to face cut throat competition not only from our fellow 33 Financial Institution but also from the banking sector which had been enjoying excess liquidity. Our main strategy for the year was to strengthen our business model to be able to meet long term stakeholder deliverables. In doing so, we focused on a series of core enablers like (1) Standardization of internal procedure & process; (2) Induction & placement of high quality human resources; (3) Compliance of regulatory & statutory framework; (3) Introduction of customer focused culture; (4) Top graded customer service culture; (5) Modernization of product profile tailored to the needs of the customers; (6) Creation of a brand; (7) Not only to grow the Balance Sheet but also with quality; (7) Bring diversity in its sources of funding maintaining the cost at a reasonable level.

Our strong team efforts and capacity enhancement enabled us to support borrowers with a more accommodating pricing in building quality portfolio. You will be happy to know that during the year 2016 the Company generated net profit after tax of BDT 50.69 million, while operating revenue was BDT 184.19 million against operating expenses of BDT 78.96 million. As on December 31, 2016 total deposits of your Company stood at BDT 2,371.09 million against the investment portfolio of BDT 2,784.88 million. The Average cost of fund of your company in the year 2016 was 8.26% which was below the average cost of fund of the industry, certainly it is remarkable as a new market player of the sector.

Your Company's strength lies in the trust of the people & the image that could be established during this short span of time. Due to this, the customer acquisition growth is also encouraging with diversity in caste & statue. Risk is inevitable in the lending business and hence, a sound risk management platform is in place in your institution.

With our fundamentals in place, I believe we can move forward with confidence. With the country on first track towards becoming a middle-income economy, the increase in the economic activity & higher foreign capital inflow would likely to be key pivots that will drive the NBFi Sector in the coming years. As a disciplined & Management driven Financial Institution, I believe we are well positioned to benefit from these opportunities. However, achieving the ambitious growth targets we have sets for the next few years, will be dependent on how well we can adapt to the changes & create a scalable platform for medium term growth.

I wish to express my appreciation to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Registrar of Joint Stock Companies and Firms, National Board of Revenue and all other regulatory authorities for their valuable guidance, support and co-operation. I would like to thank my colleagues on the Board for their guidance & wise counsel extended to me at all times. A special word of thanks to the Management & all employees of the Company for their dedication & commitment in driving the company forward. Finally I wish to thank to the shareholders & all other stakeholders for their trust & confidence placed in the company. On behalf of the Board of Directors, I pledge that we will continue to add value for the shareholders through execution of prudent business strategies whilst ensuring that we contribute towards the achievement of national priorities. I solicit your continued co-operation and patronage in future also.

With regards,



Kazi M. Aminul Islam
Chairman

22 May 2017

Directors' Report

to the Shareholders of Meridian Finance

Dear Shareholders,

The Board of Directors of Meridian Finance & Investment Limited cordially welcome you in the 3rd Annual General Meeting of the Company.

On behalf of the Board of Meridian Finance, I have the pleasure in presenting the Director's Report on the operational and financial activities of your Company, audited financial statements for the year ended 31st December 2016; the auditor's report together with company's performance which includes reports on business strategy review, risk management, corporate governance, financial and operational highlights for your consideration, approval and adoption. This report has been prepared in accordance with Section 184 of the Companies Act 1994, Financial Institutions Act 1993 and the guidelines / circulars issued by Bangladesh bank and other relevant regulatory authorities.

The year 2016 was an excellent year for Meridian Finance to create its strong foothold in the NBFi fraternity with remarkable growth on its core business operations while setting its backbone and team structure to cater the service needs of its different client base. In the backdrop of low credit appetite, mounting pressure on declining deposit & lending rate, Meridian Finance demonstrated high resilience in achieving its key performance indicators. The loan portfolio stood as high as BDT 2.78 billion with Zero percentage classified loan ratio. On the other hand, Meridian Finance managed to build a strong deposit portfolio consists of both institutional and individual clients of BDT 2.30 billion. Your Company earned after tax net profit of BDT 50.69 million in 2016, meeting or exceeding all financial and operational objectives. The performance outlines our strength and capabilities to deliver a sustainable growth ensuring growing returns to our shareholders and stakeholders.

Review of Bangladesh Economic Outlook 2016

The year 2016 saw Bangladesh move beyond political instability that had plagued the country in 2014 and 2015. Although there was a major terrorist attack did take place, there was no significant disruption in business activities, As a result, 2016 was good stable year in terms of economic activities. The Bangladesh economy has been one of the top performers in Asia over the past decade, averaging annual growth of more than 6%. Bangladesh has entered 7%+ GDP trajectory in 2016 despite the face of external global developments and internal many challenges, Bangladesh achieved 7.05% GDP growth in 2016, exceeding the expectations of the World Bank and IMF, aided by revived exports and sustainable domestic consumption, placing it among the top 12 developing countries in the world. According to the ADB, Bangladesh's economy is the third fastest growing economy in 2016. The per capita GDP has increased to USD 1,466 from USD 1,316 in the last fiscal year.

The economic stability is highlighted by the fact that the overall inflation declined by about 1% from the previous year standing at 5.03% in December 2016. The average inflation rate remained below 6% much through 2015-16. Government's forward looking strategies on infrastructure development and welcoming foreign direct investments has facilitated the economic acceleration to a faster momentum. The foreign investment inflows stood at a record high of USD 2.23 billion in 2015, witnessing a significant 44% increase over 2014, standing only second to India in this matrix according to the World Investment Report 2016.

Most of the growth that Bangladesh has experienced come from garment exports, which CIA World Fact book says accounts for more than 80% of its exports. The Gulf countries, the largest labor market for Bangladeshi expatriates and also the main source of remittance, are going through an economic crisis due to the oil price slump. As a result, remittance inflow from those countries declined which hit hard the overall remittance inflow in Bangladesh. The country's remittance inflow witnessed a sharp fall by 11.13% in the just concluded year 2016. The foreign currency reserve reached to the record high level of USD 32 billion equivalent to more than nine month's imports of goods and services in 2016. The capital market performed well in 2016. The benchmark DSEX index posted 8.78% during the year, while the average daily turnover increased by 17.1% YoY. The financial system of Bangladesh demonstrated strong performance attributable to prudent policies of the financial sector regulators as well as timely and efficient monetary and fiscal stances. The money market remained largely consistent with the previous year's trends. Overall interest rates continues to fall with huge excess liquidity in the financial system.

Meridian Finance's Performance Snapshot

Business & Operational Activities

Meridian Finance has emerged as a multi-product financial service provider having major focus in SME Financing, Corporate Financing, Consumer Financing, Factoring & Work Order Financing, Corporate Advisory Services and Deposit products. It provides a high standard of professional and personalized services to its diverse set of client maintaining strict compliance and highest ethical standards. The Company's strategy is to build up a well-diversified credit portfolio across different sectors to manage risk prudently. As of 2016, the credit portfolio represents of 57% Term Loan, 2.5% Lease Finance, 32% SME Finance, 0.50% Factoring & Work Order Finance and 9% Consumer Finance respectively. New disbursement for the year was about BDT 3.26 billion.

Performance Highlights

Meridian Finance focused on quality growth which has a profound impact on the lives of its clients. Thereby we consider us more than a financial institution that is keeping its strong blueprints in building the nation and taking part in the financial activities for the development. Our objective is to help our clients to shape their success stories as a trusted partner. As our clients focus on realizing their aspirations, we become an integral part in Shaping Stories of their achievement and success. During the year 2016, the Company focused on to create meaningful new relationships with its different segment of clients and successfully pulled clients to its portfolio and positioned itself in the NBFI fraternity.

Stiff competition among Banks and FIs were seen during the year especially due to high liquidity and offshore bank borrowings of large corporate bodies. Meridian Finance made best effort to capture reasonable pie of business especially from the emerging corporate clients. The result of our strategy was that despite of challenges our corporate loan book increased the most among all other divisions at about 58% to BDT 1.65 billion. NBFI Sector has very limited scope of fee based business. We have established our Structure Finance Division with reasonable expertise to go for arranging syndicated funding for corporate houses & was able to receive positive response from clients. Our structured finance wing, which is a part of the corporate division, successfully struck a syndication finance deal to raise BDT 1 billion as the lead arranger to establish a state of the art aluminum and cable manufacturing factory in Gazipur. In another syndication deal, our structure finance team on boarded the mandate to raise BDT 400 million to establish a Green Tunnel Kiln Auto Brick manufacturing factory in Mirrorsorai Chittagong. We also intensified our arms to go for IPA business with Commercial Paper Issuers & Managers.

Meridian Finance created a growth conducive operating environment to increase business volume by deepening focus on SME market which is considered as the key segment. The main thrust was placed to expand the market bandwidth and to broaden the sector mix. To expand the market bandwidth with in SME segment, the company looked at new products that are geared to support new startups. A range of value enhancement were introduced to broaden the sector mix with in SME segment aimed at mid-level SMEs who wish to take their business in next level. A series of market penetration strategies were initiated to put the services near to the customers. These efforts were successful & paved the way to increase our exposure to various sub-segments. Outstanding SME loan portfolio reached to BDT 860 million at the end of the year 2016, which is 32% of the loan portfolio covering different cluster of industries.

Consumer Loan business like home loans & car loans is fiercely competitive. To ride in the race we focused to provide value to clients through better service, standard documentation and quick approval & disbursement followed by advisory assistance. Consumer Loan appears to be very competitive as far as the rate is concern. Despite many challenges, we have recorded our consumer loan portfolio especially with Home & Car loan at BDT 2,540 million. Factoring Business has a good prospect considering the risk & margin, we however could not penetrate much in 2016 but developed a systematic customer oriented process flow & like to put our card on this business in the coming days.

Funding

Credit Lines from Commercial Bank are conventional source of funding for the newly established NBFI but we have initiated a number of steps during the year to create visibility & promote Meridian Finance as a licensed deposit taking NBFI. Our treasury team demonstrated outstanding performance in managing liquidity and keeping the cost of fund low. Continued emphasis was placed to onboard available all the refinancing schemes offered by Bangladesh Bank, call money borrowing & lending and to get cheaper sources of deposits from Individual and Institutions. The company was successful in attaining the desired

objective, denoted by 85% of the portfolio (BDT 2,785 million) was booked through deposit (BDT 2,371 million). Meanwhile, the company also used Call Money Market, Overdraft Facilities, and Short Term Facilities from Bank & NBFIs & limited term loan from commercial bank for further support of its funding requirement. Consequently, the Company could maintain its average cost of fund to the level of 8.25% during the year.

Asset Quality

Although the lending portfolio grew at a faster rate during the year, asset quality was successfully maintained, as the overdue virtually remained very marginal during the year. Vigorous follow up and monitoring of client's loan account performance paid off in managing Zero NPL during the year 2016.

Key Financial Performance

Meridian Finance's Net Interest Income and Operating Income witnessed a significant growth during the year and reached to BDT 169.33 million and BDT 184 million respectively. Investment income during the year was BDT 2.57 million whereas Fee Income was BDT 12.29 million.

To accommodate our growing human capital, we took a new Corporate Head Office Extension Office with nearest proximity from our Head Office in Gulshan in 2016. This office has been utilized not only to accommodate the back office functions but also to work as Principal Branch office of Meridian Finance. To increase our reach out to clients, we initiated the process of opening of two branch offices. The first one is at Gazipur and another one is the Bogra which we hope to be operational by the first half of next year. Cost to income ratio of the Company during the year was 42%, the majority of the cost after salary & allowance was incurred for setting up of Corporate & Extension offices and related infrastructure of the Company. In the coming years, the cost to income ratio will be declined gradually in line with the increase quantum of business. Profit before provision of the Company was BDT 105.23 million. There were no specific provision during the year other than the general provision of BDT 19.5 million. Meridian Finance witnessed profit before tax and reserve of BDT 85.72 million and Net Profit after Tax of BDT 50.69 million respectively for the year ended 2016. The EPS stood at BDT 0.42. Overall performance of the Company during the year 2016 was satisfactory and showed good prospects ahead to achieve better results.

Human Resources Management

We have been quite successful in attracting talents during the year and made a blended mix of quality human capital with dynamism, agility and experience. Our talents has built up the foundations and confidence for organic growth as we continue to proceed ahead to embark upon new challenges. MFIL strongly believes that its human resources are its most precious assets and recognizes them as building blocks for the Company to perform sustainably. MFIL continues to develop and implement proper human resource policies to motivate its employees and ensures their optimum contribution towards the achievement of common goals. As our resources represent a significant competitive edge, the Company continues its policy of recruiting the best professionals and implementing diverse training and motivational programs to develop and retain high-quality, performance-oriented personnel. Our strategy is to reward the best and be fair to the rest.

Meridian Finance's Contribution to the Society

The Company is strictly committed to contribute for the economic and social development of the country. Besides our core activities, we give utmost priority to increase the standard of living condition of our clients and our employees and directly contribute to the exchequer in the form of various tax, excise duty and VAT during the year. Details are given later in this report in Statement of Contribution to Government Exchequer section.

Risk Management & Control Environment

High quality management of risk is one of Meridian Finance's hallmarks and thus a priority in its activity. It has combined prudence in risk management with use of advanced risk management techniques, which have proven to be decisive in generating recurrent and balanced earnings and creating shareholder value. The activity of risks is governed by the following principles, which are aligned with Meridian Finance's strategy and business model and take into account the recommendations of the supervisory bodies, regulators and the market's best practices. These are:

- ▲ A culture of risks integrated throughout the organization. It embraces a series of attitudes, values, skills and ways of acting toward risks that are integrated into all processes, including taking decisions on change management and strategic and business planning.
- ▲ Independence of the risk function, covering all risks and providing an adequate separation between the risk generating units and those responsible for its control and supervision, and having the sufficient authority and direct access to the management and governance bodies which are responsible for setting and supervising the risk strategy and policies.
- ▲ Comprehensive approach to all risks as the objective for adequate management and control of them, including risks directly as well as indirectly originated but which can affect it. It is vital to have the capacity to draw up an all comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, without detriment to the differences of nature, degree of evolution and real possibilities of management and control of each type of risk, adapting the organization, processes, reports and tools to the features of each one.

Meridian Finance has different risk management team to manage and control all types of risks (i.e. Credit risk, concentration risk, market risk, operation risk, liquidity risk, market risk, compliance risk, reputation risk, environment and social risk, related party exposure risk, competition risk, Legal risk, ICT risk, Strategic risk etc.) prudently. The committees are as follows :

- ▲ Credit Evaluation Committee (CEC);
- ▲ Credit Risk Management Committee (CRM),
- ▲ Asset & Liability Management Committee (ALCO);
- ▲ Central Compliance Unit (CCU)
- ▲ Risk Management Forum;
- ▲ Internal Control Compliance Committee;
- ▲ HR & Compensation Committee;
- ▲ Corporate Governance Committee;
- ▲ Integrity Committee;
- ▲ Risk Analysis Unit;
- ▲ Meridian Finance's Ladies Forum
- ▲ Anti-Money Laundering & ICT Steering Committee

We are committed to manage the risks and ensure delivery of service to our stakeholders maintaining effective Risk Management System which pays off between risk and return.

Statutory Payments

The Board of Directors are satisfied that to the best of their knowledge and belief all statutory payments to all authorities have been paid on a regular basis.

Capital Expenditure

Meridian Finance incurred BDT 13.37million as capital expenditure mainly for interior decoration and renovation of its office premises, purchase of vehicles, furniture & fixtures, office equipment and IT equipment. The details of capital expenditure are shown under the head Property, Plant and Equipment Schedule in the Notes to the Financial Statements.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission Meridian Finance has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Details about going concern assessment of Meridian Finance is presented in Assessment report on the Going Concern Status of Meridian Finance later in this report.

Corporate and Financial Reporting Framework

Financial Statements have been prepared in conformity with the requirements of the Bangladesh Financial Reporting Standards, Companies Act 1994, Financial Institutions Act 1993 and amendments thereto, Bangladesh Bank's Guidelines the Corporate Governance Code.

Directors Meeting and Remuneration

During the year 8 Board Meetings were held. All meeting fulfilled the quorum of 5 directors. On an average, in each meeting 9 directors were present. The Board has two sub-committee: Executive Committee (14 meetings held in 2016) and Audit Committee (4 meetings held in 2016).

For each meeting a fee of Tk. 6,250 (excluding VAT & Tax) is paid to directors as remuneration which is in line with Bangladesh Bank guideline made in this regard as well as Income Tax Ordinance 1984 & VAT Act 1991.

Appointment / Re-appointment of Directors

As per Article no. 79 of Schedule 1 of Companies Act 1994 and also as per Article No. 92 of Articles of Associations of Meridian Finance, at the first Ordinary Meeting of the Company, the whole of the Directors shall retire from office and at the ordinary Meeting in every subsequent year, one third of the Directors representing sponsor shareholders inclusive of co-opted directors for the time being and, one third of the Directors from public subscribers, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office.

Furthermore, Article 93 of Articles of Meridian Finance also states that the Directors to retire in every year shall be those who have longest in office since their election, but as between persons who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by a lottery. A retiring director shall be eligible for re-election.

Md. Abdul Qader (Representative of Siam Superior Limited), Animesh Chandra Mazumder (Representative of Matrix Sweaters Limited), Shamima Nargis (Representative of Saima Samira Textile Mills Limited) and Shanaj Parven (Representative of Diganta Sweaters Limited) will be retired in 3rd Annual General Meeting and they seek reappointment.

Status of Compliance & Corporate Governance

Details are given in the next section of the report in Statement of Directors' Responsibility for Corporate Governance.

Statutory Auditors

Our existing Auditor K. M. HASAN & Co, Chartered Accountants had audited Financial Statements of Meridian Finance & Investment Limited for the year ended December 31, 2014, December 31, 2015 and December 31, 2016.

As they have already completed three years of Audit, we have to change Auditor for the year 2017 as per Bangladesh Bank guideline.

The Board in its 15th meeting held on March 13, 2017 recommended the shareholders to appoint EY Bangladesh (A. Qasem & Co., Chartered Accountants) as the Auditor of Meridian Finance for the year 2017 with a fee of BDT 100,000. Plus VAT. Meridian Finance has also taken prior approval from Bangladesh Bank to appoint A. Qasem & Co., Chartered Accountants, until completion of conclusion of the 4th AGM.

As far as the Directors are aware, the Auditors do not have any relationship with or interest with the Company that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report.

The Auditors, A. Qasem & Co., Chartered Accountants have expressed their willingness to conduct audit of the Company. They come up for appointment at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the appointment of A. Qasem & Co., Chartered Accountants, as Auditors is being proposed at the Annual General Meeting.

Internal Control System

The Directors of the Company have taken reasonable steps open to them to safeguard the assets of the Company and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

Future Economic Outlook of Bangladesh

Bangladesh has continued to show signs of resilience and has entered into the 7%+ GDP growth trajectory. It is the second country in South Asia to share such performance after India. The future prospects for Bangladesh are bright, as the nation enters 2017 as one of the most optimistic countries in the world in terms of economic prosperity. Government of Bangladesh has also taken up the implementation of the 17 Sustainable Development Goals (SDGs), as listed by the United Nations, with the express intent of ending poverty, combating injustice and inequality and tackling climate change.

Going forward, we project higher economic growth on the back of increase in infrastructure spending and improved political stability. FY 17 budget targets stepping up spending on infrastructure to stimulate higher economic growth. Spending development needs, such as transport and power, is targeted to increase by 31% in the latest national budget. To provide impetus to the business activities, the government has fast tracked several large infrastructure projects. Public sector investment as percentage of GDP has increased to 7.6% in FY 16 which was 5.3% in FY 11. In line with government's vision to become middle income country by 2021, Bangladesh's highly successful EPZs in Dhaka and Chittagong are now complemented by new EPZ developments and other valuable real estate developments around the country with attractive incentives for Foreign Direct Investors. Moreover, government has given special attention on establishing economic zones in all potential areas including backward and underdeveloped regions with a view to encouraging rapid economic development through increase and diversification of industry, employment, production and export. Private sector confidence is slowly but surely on arise. With a stable political regime we are bullish on the macro story of Bangladesh for the next few years.

Increasing private sector credit growth will continue to support higher output. Private investment is expected to continue its increasing trend on the back of "crowd in effect" of public sector investment attracting private investment through implementation of higher public works. They moreover to attract private sector to increase its investment in the country, Government has planned to award more than 100 Economic Zone in different parts of the country with attractive incentives.

The government has allocated BDT 446.30 billion, which is 40.3% of ADP outlay for 61 large and fast track projects in FY 17. Estimated allocation for mega projects in the next three fiscal years will run into BDT 2,000 billion. As of November 2016 Padma Bridge project marked 40% progress. It will create direct linkage to southern part as well as Payra/Monga Ports with Chittagong. The Matarbari Coal Project with a price tag of BDT USD 4.4 billion is one of the costliest power projects of its size in the world will come with its own deep sea port to facilitate import of coal. Partially completed Payra Deep Sea Port will facilitate development of coal port and LNG Terminal for importing energy and setting up of imported energy based power plants. Accelerate Bangladesh, a US based company will build the floating LNG Terminal within next two years investing USD 500 million. The 2,400 MW Rooppur Nuclear Power project with a cost of USD 12.65 billion will start construction work in 2017 and to be completed by 2022. We assume high infrastructure investment in both private and public sector will boost up GDP growth in the days to come.

Future Outlook & Prospects of Meridian Finance

Under the backdrop of micro economic stability & policy reforms undertaken by the Government, it can be projected that 2017 would be better business year over 2016. Investment in infrastructure projects, Power Sector, Steel & Engineering, Textile & Readymade Garment, Construction, Leather & Leather goods sectors will create avenue for investment of NBFIs. In forthcoming year the company will focus on SME & Retail business to sustain growth momentum across all business KPI's. In terms of lending, priority would be to tap into new markets together with specialized products geared for niche market segments. Technology driven business model will be put in place to strengthen product portfolio & to improve versatility of distribution channels. Above all, more focus be given to increase fund/ fee based business & attract low cost retail deposit, and building a corporate brand to march forward. The branch network of Meridian Finance will be the main distribution channel as we will be more focused on SME & Retail products. The year 2017 should be the year to emphasis to establish branches in various uncrowded locations of the country. To enhance the productivity imparting training has to be intensified to sharpen staff competencies and to maintain service leadership.

With a view to support the long term sustainable growth of the Company, we intend to give utmost priority to build up our strength and capacity focusing into the 4Ps, which are essentially People, Process, Platform (Infrastructure & Technology) and Places (Touchpoints). On the back of 4Ps, we are confident to increase our market share competing with others and increase stakeholders return on investment in many folds.

Acknowledgements

The Board of Directors would take this opportunity to express their profound gratitude and extend appreciation to our values shareholders, clients, bankers, depositors, lenders, business partners, regulators, service providers and other stakeholders for their continued patronage and support and cooperation. The offers it's sincere thanks to the Bangladesh Bank, Bangladesh Security Exchange Commission, Registrar of Joint Stock Companies and Firms, National Board of Revenue, Ministry of Finance and other Government authorities for their support and cooperation. I would also like to thank to the employees of Meridian Finance for their dedication and commitment to make the year 2016 a successful one and look forward to make the year 2017 even better in every terms.

For and on behalf of the Board of Directors.



Kazi M Aminul Islam

Chairman

Meridian Finance & Investments Limited

Statement of Directors' Responsibility for Corporate Governance

The Corporate Governance set with the line of Bangladesh Securities Exchange Commission Corporate Governance Guidelines as well as Bangladesh Bank Circular No: DFIM Circular No 07 dated September 25, 2007. It indicates the policies and procedures applied by us to attain certain sets of our objectives, corporate missions and visions with regard to shareholders, employees, customers, suppliers and different regulatory agencies and the community at large.

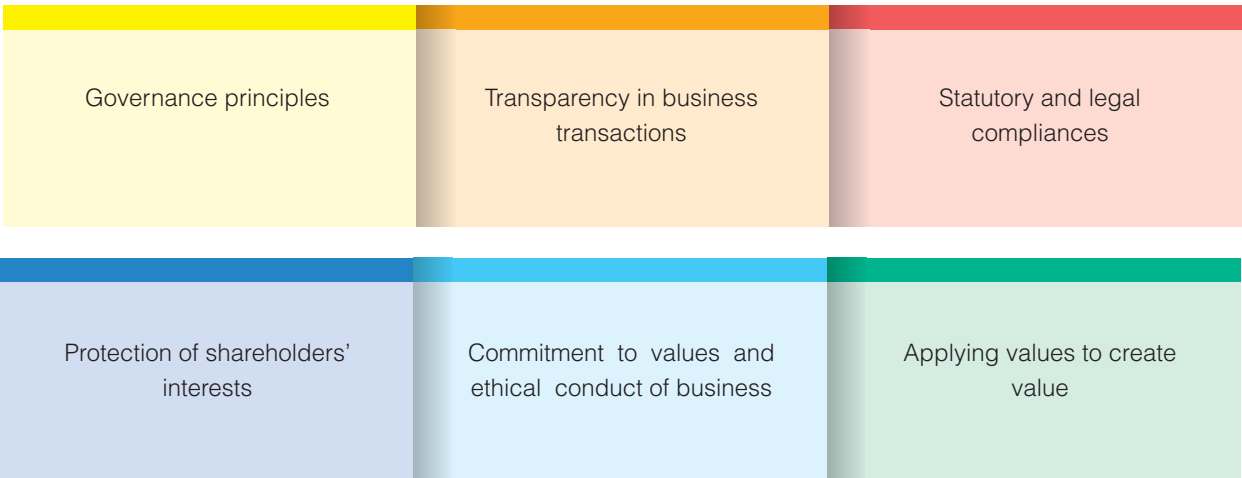
Role of Corporate Governance:

The role of governance is to maximize shareholders wealth. Corporate Governance depends on managerial performance as well as a consideration of social responsibility, the socio-cultural environmental dimension of business procedure, legal and ethical practices with a focus on customers and other stakeholders of our organization. We are committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our Company, and to protect and enhance the interests of our shareholders and other stakeholders.

Our governance framework plays an integral role in supporting our business and helping us to deliver on our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are managed. It includes a clear framework for decision making and accountability across our business and provides guidance on the standards of behavior we expect from our people.

We regularly review our governance arrangements as well as developments in market practice, expectations and regulation to establish good corporate governance in our organization. We have modernized our governance system and implemented the rules as several prudential regulations specifying qualification of a Director and a Chief Executive Officer and most importantly Bangladesh Bank has issued a circular DFIM Circular No. 07 on September 25, 2007 in connection with responsibilities and formation of the Boards of Directors to comply with the existing rules and regulations in line with the Financial Institute Act 1993.

We consider good corporate governance to be a pre-requisite for value creation and reliability:



Board Composition

The Board of The Company comprises of 12 (Twelve) members of which ten are Non-Executive Nominated Directors and two Shareholders Directors in compliance with relevant regulation of Bangladesh Bank. The goal has been to form a Board, which is cohesive and has the expertise for quick and informed decision making. Mr. Kazi M. Aminul Islam is the Chairman of the Board. The Board is committed to ensure diversity and inclusiveness in its deliberations.

Board Appointment Process and Remuneration

Meridian Finance always complies with the direction of the regulatory authorities regarding the appointment of Directors. The members of the Board are appointed in compliance with Bangladesh Bank's Guidelines and other applicable laws and rules of the country. One third of the members of the Board are retired each year and seek for re-election in the Annual General Meeting (AGM) by the Shareholders.

The Board is consisted of noted entrepreneurs and business professionals having experience and acumen in diverse range of businesses and operations. Their rich and diverse backgrounds have given the Board a vantage point in directing and monitoring to achieve Meridian Finance's desired objectives.

Retirement and Election of Directors

As per Article 79 of Schedule 1 of Companies Act 1994 and Articles of Association of Meridian Finance, each year one-third of the Directors retire from the office and depending on eligibility, may offer themselves for re-election by shareholders at the Annual General Meeting.

Board Effectiveness

To achieve long term institutional viability and soundness, there is no alternative to adopt international best practices in corporate governance. The Board has the responsibility to periodically review and approve the overall strategies, business, organization, and significant policies of Meridian Finance. The Board of directors holds meetings on a regular basis to discuss and decide on major corporate, strategic and operational issues, as well as to evaluate major investment opportunities.

The Board's Responsibilities and authorities:

The responsibilities of the Board of Directors are mainly related to evaluation and development of strategy. Details of the responsibilities and authorities of Board of Directors are as follows:

1. Work-planning and strategic management:

- a. The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make amendments, if necessary on the strategy on quarterly basis.
- b. The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the Annual General Meeting (AGM).
- c. The Board shall determine Key Performance Indicators (KPI) for Chief Executive Officer along with other top level executives and re-assess the KPI on half-yearly basis.

2. Formation of sub-committee:

For making timely decision, Executive Committee & Audit Committee can be formed as sub-committee of the Board. No alternative Director shall be included in this Committee.

3. Financial management:

- a. Annual budget and statutory financial statements shall be authorized by the Board of Directors.
- b. Board shall review company's statement of income and expense, statement of Loan/Lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan
- c. The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO & Managing Director and to management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.
- d. Bank account of the Company shall be operated by a group constituted from amongst the Management which must be approved by the Board and having dual signatures.

4. Loan/ Lease/ Investment management:

- a. The policies, strategies, procedures etc. in respect of appraisal of loan/lease/investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. Board shall specifically delegate the power of sanction of loan/ lease/ investment and such delegation should desirably be made among the CEO and other top management of the company.
- b. No director shall interfere directly or indirectly in the process of loan approval.
- c. Approval shall be taken from Board of Directors for large loan, lease or investment (As amended through DFIM circular letter number 06, dated June 17, 2012 of Bangladesh Bank)

5. Risk Management:

Core Risk Management Guidelines have been approved by the board of directors of the company based on which Management implements its plans and actions and report to the Board or Audit Committee any departure of it.

6. Internal Control and Compliance:

Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department.

7. Human Resources Management (HRM):

Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except for the positions MD, DMD and GM or equivalent.

8. Appointment of Managing Director:

Board of Director shall appoint a competent managing director with approval of Bangladesh Bank. Board shall approved any increment of salary and allowance of Managing Director subject to approval from Bangladesh Bank.

9. Benefit of Chairman:

Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the company subject to the approval of the board.

This sets out the responsibility of the Directors, in relation to the Financial Statements of Meridian Finance. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Auditors' Report" section. The Financial Statements comprise of the Statements of Financial Positions as on 31 December, 2016, The Statements of Comprehensive

Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of –

- a. The financial position of the Company as on 31 December, 2016; and
- b. The financial performance of the Company for the year then ended.

Compliance Report

The Board of Directors also wishes to confirm that:

- a. Appropriate accounting policies have been selected and applied in preparing the Financial Statements based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substances of transactions are properly reflected and material departures, if any, have been disclosed and clarified;
- b. The Financial Statements for the year 2016, prepared and presented in this annual report have been prepared based on the Bangladesh Accounting Standards (BASs) are in agreement with the underlying books of account and are in conformity with the requirements of the Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act, 1993, the Companies Act, 1994 and other applicable laws & regulations;
- c. These Financial Statements comply with the prescribed format issued by the Bangladesh Bank vide DFIM Circular No. 11, dated; 23/12/2009 for the preparation of Annual Financial Statements of financial institutions;
- d. Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by the section 181 of the Companies Act, 1994 to determine at any point of time the Company's financial position, in accordance to the Act to facilitate proper audit of the Financial Statements;
- e. The Directors have taken appropriate steps to ensure that the Company maintains proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the report of the Audit Committee is given as well. The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommended by the Board Audit Committee;
- f. The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;
- g. The Directors also have taken reasonable measures to safeguard the assets of the Company to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of financial institution in an orderly manner and safeguard its assets and ensure as far as practicable, the accuracy and reliability of the records. The Directors' Statement on Internal Control is also given in this Annual Report;
- h. To the best of their knowledge, all taxes, duties and levies payable by the Company and all other known statutory dues as were due and payable by the Company and as at the reporting date have been paid or, where relevant, provided for;
- i. As required by Sections 183(2) of the Companies Act, 1994, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholders of the Company.
- j. That all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- k. That after considering the financial positions, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Corporate Governance" issued separately by Bangladesh Securities and Exchange Commission and Bangladesh Bank for the financial institutions, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future.
- l. The Financial Statements of the Company have been signed by two Directors and the Company Secretary of the Company on 13 March, 2017 as required by the Section 189(1) of the Companies Act, 1994 and other regulatory requirements.
- m. The Company's External Auditors, K. M. Hasan & Co. who were appointed with the line of Section 210 of the Companies Act, 1994 and in accordance with resolution passed at the last Annual General Meeting. Due to rotation clause of Auditors in every three years by Bangladesh Bank, Board has recommended to appoint A Qasem & Co. (E& Y Bangladesh) to conduct audit for the year 2017 subject to approval of shareholders in Annual General Meeting.

They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of the meetings and expressed their opinion which appears as reported by them in the report.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this statement.

Director's Remuneration

As per Bangladesh Bank's Guidelines, the Board of Directors is paid remuneration as they compensate their valuable time and efforts. Amounts of Remuneration is BDT 6,250 (exclusive of Tax & VAT) per meeting of Board, Executive Committee & Audit Committee subject to maximum 2 meetings in case of Board & Executive Committee and maximum one meeting in case of Audit Committee in a month.

Roles & Responsibilities of the Chairman of the Board and the Managing Director & CEO

The roles and responsibilities of the Chairman and the CEO are separated with clear division of responsibilities, defined and documented as approved by the Board to ensure apposite supervision of the Management with the lined up best practices. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision-making.

Chairman

Mr. Kazi M. Aminul Islam is the Chairman of Meridian Finance & acts as the lead representative of the Board for the appropriateness and effectiveness of the succession planning program for the Board and senior management levels. The Chairman continuously works together with the rest of the Board members in setting the policy framework and strategies to align the business activities driven by the senior management with the Bank's objectives and aspirations and monitors its implementation. The chairman is also responsible for the effective performance of the Board. The Chairman promotes a healthy working relationship with the CEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders. He also ensures orderly conduct and proceedings of the Board, where constructive debate on issues being deliberated is encouraged.

CEO & Managing Director

Mr. Mafizuddin Sarker is the CEO & Managing Director of Meridian Finance & is accountable to the Board and its Committees to run and manage it in accordance with the prescribed policies, principles and strategies established by the Board and rules, regulations & guidelines from the Central Bank and other regulatory authorities. As CEO, he ensures that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders and that the business and affairs of Meridian Finance are carried out in an ethical manner and in full compliance with the relevant laws and regulations. He has been delegated certain responsibilities by the Board and is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective operation of Meridian Finance. Furthermore, he is responsible for mapping the medium to longer term plans for Board approval, and is accountable for implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies. The CEO, being the Head of management team of Meridian Finance, is also responsible for developing and maintaining strong communication programs and dialogues with the shareholders, investors, analysts as well as employees, and providing the effective leadership to the organization. His other responsibilities include ensuring that whilst the ultimate objective is maximizing shareholders wealth, social and environmental factors are not neglected also.

Audit Committee

Audit committee is the sub-committee of the board has the primary role is to overseeing the financial reporting process and disclosure of financial information, reviewing the financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of ICCD besides recommending appointment/ removal of statutory auditors and fixing their remuneration.

The Committee was constituted in compliance with the DFIM Circular No. 13 dated October 26, 2011 of Bangladesh Bank as well as the Cond. 3 of the Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Guidelines 2012. All the Members of the Audit Committee have the required qualifications and expertise for appointment on the Committee and possess requisite knowledge of accounting and financial management.

Management Review & Responsibility

Meridian Finance & Investment Limited is governed by applicable rules, regulations, guidelines, directions and policies. The Company has approved Organizational Structure with clear functional separation and segregation of functioning authorities. This ensures Core Risk Management practice and compliance across the organization. Meridian Finance has formed a number of designated committees entrusted with specific objectives under the leadership of CEO & Managing Director of The Company. Management Committee (MANCOM) is the main body of management and decision making. Besides, there are Asset Liability Committee (ALCO), Basel Implementation Unit, Risk Management Committee, ICAAP Preparation Committee, and Management Reporting System (MRS) Committee in discharging its duties efficiently and effectively.

Management Committee (MANCOM)

MANCOM is considered the highest decision and policy making authority which is responsible for overall management of Meridian Finance. For setting a sturdy internal control framework, each NBFIs must have an effective 'Management Committee (MANCOM)' as per directives of Bangladesh Bank. Meetings of MANCOM are presided over by CEO & Managing Director of Meridian Finance.

Responsibilities of MANCOM

MANCOM of Meridian Finance is primarily responsible to



Asset Liability Committee (ALCO)

Asset Liability Committee (ALCO) is engaged with full of activities in setting strategies and revamping previously taken strategies to cope with current market scenario. The results of Balance Sheet analysis along with recommendations are placed before ALCO meeting to aid the decision making process of the Senior Management. Meetings of ALCO are presided over by Managing Director & CEO of The Company. ALCO sits at least once in a month. Special ALCO meeting is arranged as and when any contingent situation arises. In each ALCO meeting following issues are addressed:



Risk Management Committee of Management

Meridian Finance & Investment Limited has formed a separate Risk Management Committee of Management to ensure proper and timely identification, measurement and mitigation of risks exposed by it in a comprehensive way as per Bangladesh Bank's circular. CEO & Managing Director is the Chairman of the committee. The responsibilities of the Risk Management Committee for risk oversight include, amongst others, the following:

- ▲ To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;
- ▲ To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- ▲ To oversee the specific risk management concerns in the business units that leverage on the Embedded Risk Units in the business units;
- ▲ To develop and foster a risk aware culture within Meridian Finance;
- ▲ To ensure infrastructure, resources and systems are in place for risk management, i.e. the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;
- ▲ To review and approve model risk management and validation framework.

ICAAP Preparation Committee

To prepare the Internal Capital Adequacy Assessment Process (ICAAP) for Meridian Finance & Investment Limited has outlined 'ICAAP Preparation Committee'. The Committee is supposed to assess the overall capital adequacy of the Bank in relation to risk profile. The Committee clearly bears primary responsibility for ensuring that The Company has adequate capital to control its risks.

Management Reporting System (MRS)

A committee namely, 'Committee for Management Reporting Systems (MRS)' has been formed by Meridian Finance & Investment limited as per Central Bank's requirement. MRS fulfills the following objectives:

- ▲ Identify the actual weakness/defects for taking appropriate decision by the Management/ Board of Directors;
- ▲ Locate the reason of weak performance of any of the branches through collection of relevant information of other banks of the same locality;
- ▲ Collection of information from the internal as well as external sources against any product of the bank which is apparently found ineffective or unacceptable to the ultimate user;
- ▲ Other internal/external issues may be raised by the committee to the Management/ Board of Directors for proper solution.

BASEL Implementation Unit

To strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector, the Basel Committee on Banking Supervision issued "Basel III: A global regulatory framework for more resilient banks and banking systems" in December 2010. The objective of the reforms was to improve the financial sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. As per Bangladesh Bank instruction, Meridian Finance has formed 'Basel Unit' to:





Risk Management & Control Environment
Green Banking Initiatives
Assessment report on the Going Concern Status of
Meridian Finance
Human Capital
Social Responsibility Initiatives

Risk Management

“ Our continuous endeavor to identify, classify and to mitigate risk by taking 4T (Treat, Transfer, Tolerance & Terminate) approach. ”

Risk Management & Control Environment

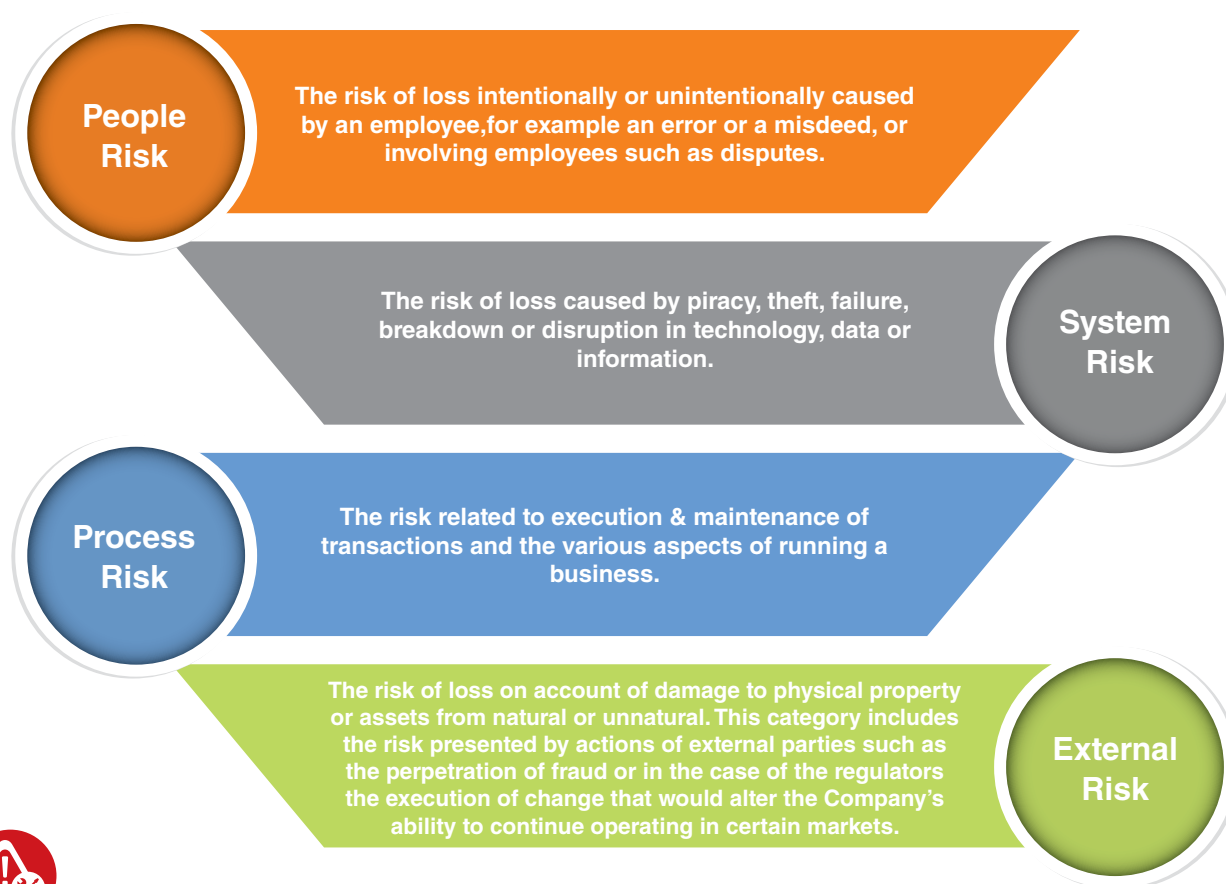
Strong risk management capabilities are vital to the success of a well-managed financial institution. The Risk Management function is the central resource for driving such capabilities in Meridian Finance, and complements the risk and control activities of other functions including Internal Audit & Compliance. The key components of Meridian Finance risk management approach are: strong risk governance; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of capital adequacy relative to risks; and a rigorous system of internal control reviews involving internal and external auditors.



Risk Types

In Meridian Finance, 'risk' is the potential of creating loss for the company as well as for its stakeholders. Such loss is not necessarily quantifiable. A wrong doing does not necessarily make an instant effect on organizational reputation and financial picture. Sometimes an error affects the financials of more than the year of occurrence. Thus, risks are diverse in term of its effect. Risks are also diversified in term of their source. A loss may occur due to poor selection of borrower. A loss might be caused by the absence of strong collection force. Thus, Meridian Finance runs the risk of creating diversified losses for itself or for its stakeholders during its day-to-day operations.

- ▲ **Credit risk:** Credit risk is the potential for loss arising from the failure of a client, its counter-party or related parties to meet their contractual obligations. Such loss can have impact on the financial profitability of the organization as well as the community and stakeholders of Meridian Finance. In Meridian Finance, 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:** Market risk is 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. For ease of management and in keeping with regulatory requirements, market risk of Meridian Finance is further categorized into interest rate risk and equity risk.
- ▲ **Liquidity and funding risk:** Liquidity risk is the risk of being unable to meet our payment obligations on maturity, due to liquidity crisis. Risk of loss caused by the failure to borrow funds from the market at an acceptable price to fund actual or proposed commitments is recognized as funding risk.
- ▲ **Operational risk:** Operational risk comprises of risk of loss inherent in day to day operation of the organization and caused by inadequate or inappropriate internal processes, inadequate or inappropriate systems, absence of right people at right place, mistakes of people whether such mistakes are deliberate, accidental or natural and by any other external reason. The following diagram presents operational risk of Meridian Finance in a simple manner:



Risk Management in Meridian Finance

We believe that sound risk management is essential to ensuring success in our risk-taking activities. Our philosophy is to ensure risks and returns remain consistent with our established risk appetite. To achieve this, we regularly refine our risk management approaches to ensure we thoroughly understand the risks we are taking to identify any emerging portfolio threats at an early stage, and to develop timely and appropriate risk-response strategies. The key elements of enterprise-wide risk management strategy are:

- ▲ **Risk appetite** – The Board of Directors approves the Company's risk appetite, and risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- ▲ **Risk frameworks** – The Company's risk management frameworks for all risk types are documented, comprehensive, and consistent.
- ▲ **Holistic risk management** – Risks are managed holistically, with a view to understand the potential interactions among risk types.
- ▲ **Qualitative and quantitative evaluations** – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective. The Board of Directors and senior management provide the direction to the Company's effective risk management that emphasizes well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, regular review and enhancement of risk management policies and procedures for consistent application, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Internal Audit also provides independent assurance that the Company's risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analyses identify possible events or market conditions that could adversely affect the Company. These results are taken into account in the Company's capital adequacy assessment.



Risk Governance and Organization

The Board of Directors establishes the Company's risk appetite and risk principles. The Board Audit Committee is the principal Board committee that oversees the Company's risk management. It reviews and approves the Company's overall risk management philosophy; risk management frameworks, major risk policies, and risk models. The Board Audit Committee also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Company's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for discussion and appropriate action.

The Board Audit Committee is supported by Risk Management Division, which has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Within the division, risk officers are dedicated to establishing Company-wide policies, risk measurement and methodology, as well as monitoring the Company's risk profiles and portfolio concentrations.

The Company's risk management and reporting systems are designed to ensure that risks are comprehensively captured in order to support well-considered decision making, and that the relevant risk information is effectively conveyed to the appropriate senior management executives for those risks to be addressed and risk response strategies to be formulated. To ensure the objectivity of the risk management functions, compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains competitive with market levels. Credit officers are involved in transaction approvals, and personal approval authority limits are set based on the relevant experience of the officers and portfolio coverage. Representatives from the division also provide expertise during the design and approval process for new products offered by the Group. This ensures that new or emerging risks from new products are adequately identified, measured, and managed within existing risk systems and processes.



Risk Management Forum in Meridian Finance

Risk Management Forum (RMF) and Risk Analysis Unit (RAU) of Meridian Finance & Investment Ltd. has been established in compliance with the Bangladesh Bank's DFIM Circular No. 01 of 07 April, 2013. Risk Management Forum is headed by the Managing Director of the Company and Chief Risk Officer is the Secretary, all the business and operational heads are the members of the RMF. The main responsibility of the Risk Management Forum includes the following:

- ▲ The Risk Management Forum members will parameterize the Internal Environment of the Company including risk appetite, integrity and ethical values and the environment in which it is operated.
- ▲ The MANCOM must form the Objectives so that they can identify potential events affecting the achievement unenthusiastically and consistent with its risk appetite.
- ▲ The management will identify the internal and external events affecting company's achievement and distinguish between risks and opportunities.
- ▲ It is the management responsibility to assess and measure the potential risks.
- ▲ The management selects risk responses-avoiding, accepting, reducing or sharing risk-- developing a set of actions to align risks with the company's risk tolerances and risk appetite.
- ▲ The management will take policies and procedures and implement it to help ensure the risk responses are effectively carried out.
- ▲ The managerial authority will identify generate and communicate the relevant information in a form and time-frame that enable people to carry out their responsibilities.
- ▲ The entirety of enterprise risk management will be monitored and it will be accomplished through ongoing management activities.
- ▲ Ensure roles and responsibilities are agreed and clearly understood by all management levels
- ▲ Ensure all staff, in business and support functions, is aware of their responsibilities for company's overall Risk management.
- ▲ Ensure there are structured processes at each department level to report control failures to designated individuals and escalate material issues to RMF.
- ▲ Establish workable Business Continuity Plans (including Disaster Recovery and Crisis Management procedures) to minimize the impact of unplanned events on business operations and customer service.



Credit risk measurement in general

Ongoing active monitoring and management of credit risk positions: CRM's research team regularly reviews market conditions and our exposure to various industrial sub-sectors. Thus, we aim to proactively identify Counter-parties that highlight the likelihood of problems well in advance in order to effectively manage credit exposure and maximize recovery. Also, collection team and relationship manager provide negative feedback of business condition and payment status of a particular client via early warning report. Ongoing active monitoring and management of credit risk positions is an integral part of our credit risk management activities.



Stress testing

Meridian Finance embraces stress- testing guidelines issued by the Bangladesh Bank. These guidelines were revised for NBFIs in June 2012, with subsequent amendment thereon, after a thorough analysis of situational requirements and future perspectives. Stress-testing quantifies exposures to plausible, yet extreme and unusual market movements and enables us to identify, understand and manage our potential vulnerabilities and risk concentrations. Meridian Finance 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 and are reported quarterly to the Bangladesh Bank. The suggested recommendations from the test are in implementation and are modified and monitored regularly and thoroughly.



Risk mitigation methodology

Meridian Finance employs 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 Meridian Finance credit risk management approach is to avoid undue concentrations in the credit portfolio whether in terms of counter-party, groups, sectors or products. The Company's portfolio management supports a comprehensive assessment of concentrations within its 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 usage and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used include:

Sl	Type	Purpose	Procedure
1	Direct Assessment through Risk Audit	To facilitate risk assessment and Risk Reporting Escalation	<p>a. Risk Reporting & Monitoring team under Risk Management Department will do overall risk assessment on a regular basis throughout the company. (To Business & Functional units).</p> <p>b. Risk Audit Plan to be initiated & conduct accordingly on a periodical basis. Risk Audit reports should be sent separately to Board Audit Committee.</p>
2	Leading Key Risk Indicators (LKIR)/ Key Risk Indicators (KRIs)	Determine key risk indicators areas identified for the business / Risk Management Function unit. KRIs should be reviewed quarterly and trends assessed to identify potential risks for the unit.	<p>a. Risk Management Department and designated Risk Management wings (CRM, MRM, and TRM & ORM) shall jointly develop the KRIs & LKRIs.</p> <p>b. However, all KRIs & LKRIs shall be managed by Risk Management Department.</p>
3	Potential Loss / Risk Reports	Collect/Identify & Analyze potential risk issues and submits periodical reports to Risk Management Forum.	<p>a. CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis.</p> <p>b. Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF</p>
4	Incident Reports	Report to ensure that critical incidents are reported to senior management and ensure appropriate action is taken quickly on issues which can affect company as a whole.	<p>a. CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis.</p> <p>b. Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF.</p>
5	Issue Raised by Mail	General staffs / designated employees who shall hold the Risk Management position should raise significant risk issues of their area. Risk Management Department shall monitor all risk issues and ensure that adequate remedial action is taken where necessary.	<p>a. CRM, MRM, TRM & ORM teams shall provide all potential loss / Risk reports to RMF on a monthly basis.</p> <p>b. Risk Reporting & Monitoring team shall analyze, maintain risk database & provide summary reports to RMF.</p>
6	Internal Audit Reports / Adverse Comments	All Internal & External Audit Reports to be reviewed for identifying repetitive /adverse by the Audit Comments. RMF Should be aware of repeated to the Audit Comments & root causes of poor control measures in different areas of the company.	a. Risk Reporting & Monitoring wing of Risk Management monthly basis & develop risk management papers by coordinating with CRM, MRM, TRM & ORM.
7	External Audit Reports/BB Reports	External Audit Reports /BB Audit Reports shall be summarized & all vital findings to be presented with recommendations to the RMF.	Enterprise Risk Management & Reporting wing of Risk Management Department to perform root cause analysis on a monthly basis & develop risk management papers by coordinating with CRM, MRM,TRM & ORM.
8	Risk Management Papers/ Research Papers	Risk Management Department to publish Research Paper according to the Bangladesh Bank guidelines.	a. Risk Management Department to ensure effective & efficient risk disclosure for the company. Initiate Risk Management Research Paper / Concept Paper in cooperation with the other risk management partners.



Green Banking Initiatives

Green Banking is to provide innovative green products to support the activities that are not harmful to environment and help to conserve the environment. It aims to use the resources of a non-bank financial institution (NBFI) with responsibility avoiding spoilage and giving priority to environment and society. Green banking saves costs, minimizes the risk, enhance banks reputations and contribute to the common good of environmental sustainability. It serves both the commercial objective of a NBFI as well as its corporate social responsibility. Meridian Finance has initiated a Green Banking unit and aiming to turn it as 'Green Meridian Finance'. A lot of measures have been adopted including green financing, creating awareness among the employees for efficient use of water, electricity and paper, giving preference to eco-friendly while financing and reuse of equipment. Meridian Finance concentrates on environment by Projects in the field of renewable energy (wind energy, solar energy & hydro-electric projects), technology that reduces carbon emission like auto brick field, organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects.

From this point of view, Meridian finance has made a Green Strategic Planning with a set of achievable targets to do the following activities related to Green Banking:

- ▲ As per Bangladesh Bank's directives on Green Banking, Meridian Finance has taken necessary initiatives to implement the Green Banking Policy.
- ▲ Meridian Finance has already circulated a detailed **"Green Office Guide"** to strengthen the green practices through the firm. It will continuously monitor the meticulous compliance of green practices in internal operations & environment of the firm and thus it can protect the environment.
- ▲ Encouraging **"Going Green"** through financing in eco-friendly projects, such as: adoption of renewable energy and/or energy efficient technology, supply of clean water, establishment of effluent and/or waste water treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant, improved brick kiln projects etc. at lower interest and utmost care.
- ▲ Designing and introducing more innovative Green Products in the near future highlighting eco-benefit from green products and adding value to the existing products by inserting environmental features.
- ▲ Checking necessary environmental due diligence factors before lending a loan/investment and reducing or extending loans to certain environmentally harmful projects.
- ▲ Introducing new technology in operations that would not only benefit the customers but also increase the productivity of the employees.
- ▲ Introducing Video/Audio Conference in lieu of physical travel/visit.
- ▲ Meridian Finance will provide more monetary support, relief and loans at lower interest rate etc. in the natural disaster areas by which the victims will survive in the newer environment.
- ▲ Organizing rigorous Training/Workshop on Green Banking issues to educate the employees and that will continue for the coming days.
- ▲ Arranging more seminars and symposiums to make our clients conscious regarding environmental issues as well as to introduce our Green Products.

Assessment Report on the Going Concern Status of Meridian Finance

Going concern is a fundamental accounting concept that underlies the preparation of financial statements of companies. Under the going Concern concept, it is assumed that a Company will continue in operation and that there is neither the intent nor the need to either liquidate it or to cease trading. The purpose of this going concern statement is to bring together the requirements of Company law, accounting standards. The management of Meridian Finance has made this assessment based on the accounting period ended on or after December 31, 2016. The management's assessment of whether the Company is a going concern involves making appropriate inquiries including review of budgets and future outcome of inherent risks involved in the business. Considering the following major indicators, Meridian Finance management has reached the conclusion that the financial statement for the year 2016 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment. At the close of financial year 2016, total borrowing from other banks and financial institutions was Taka 165.37 million. Based on our past experience, it can be said that there is every possibility that a major part of the debt would be renewed further or can be repaid from our existing cash flow. Less reliance on short-term borrowing. At the end of 2016, total short-term borrowings were Taka 70.11 million, representing 42.4% of total borrowings. Continuous financial support by lenders/ depositors The Company enjoys a good track record and reputation in the settlement of its obligation with its lenders/ depositors. The Company was able to increase the level of confidence of depositors, which resulted in a significant increase in total deposits in 2016.

Positive key financial ratios

The Company's financial ratios indicate sound financial strength and prospects and are evident from financial highlights given in this Annual Report.

Credibility in payment of obligations

Meridian Finance has strong credibility in terms of payment of its obligations to lenders. The Company is particular in fulfilling the terms of loan agreements and has never defaulted, even in terms of convenience.

Increasing trend of investment portfolio and performance growth

Meridian Finance has reported excellent growth in its operating performance. The Company's investment in long term finance, short-term finance, real estate finance and car loans stood out excellent performance as a new company in 2016.

Strengthening of Human Capital

During the year 2016, the Company has recruited many new employees which resulted in a massive increase in human.

Corporate environment and employee satisfaction

There exists a healthy corporate environment in the Company. This is reflected in our Statement of Corporate Governance.



Maintenance of Capital Adequacy Ratio (CAR)

As per the DFIM Circular Number 14, dated December 28, 2011 of the Bangladesh Bank prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions has come into force from January 01, 2012. As per the guidelines, Financial Institutions (FIs) are required to maintain a minimum CAR @ 10%. CAR of Meridian Finance at the end of 2016 is 40.62% which is significantly higher than the requirement.

Strong CAMEL rating

CAMEL rating is used by the Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by the Bangladesh Bank signifies satisfactory performance of Meridian Finance. The report contained no adverse material observations of the Bangladesh Bank on the activities of the Company.

Changes in government policy

The management anticipates no significant changes in legislation or government policy, which may materially affect the business of the Company.

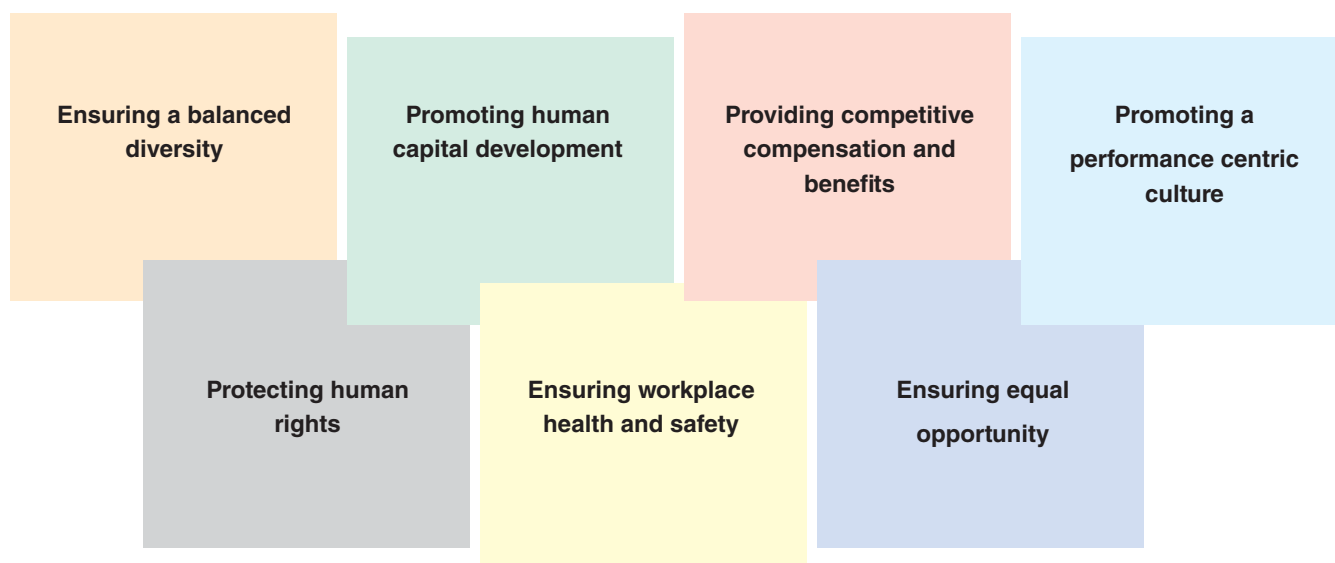
Monitoring compliance

Compliance with our Code of Conduct and Ethics is embedded in our employment contracts, recruitment and performance management activities. We have set explicit targets for compliance, commencing at executive management level. All employees are required to comply with our Code of Conduct and Ethics and report conduct that may be in breach of the law, the Code or policy. Advice on Meridian Finance policies, practices and management systems is available via our Human Resources department. Any employee, contractor or consultant can confidentially report concerns about conduct, practices or issues to our HR department. To help our employees in applying the principles of our Code of Conduct and Ethics and the Conduct and Ethics Policy Framework, we have developed a training course regularly for the newly appointed employees. Case studies are provided to assist staff in translating the Code and related policies into real-life situations. All employees are required to complete this training course each year. Declarations within the course require each employee to confirm whether they understand the Code's principles, have complied with them over the previous 12 months and agree to comply with them in the future. Compliance is a Key Result Area examined as part of our Performance Management Process and failure to complete required compliance training can be a factor in determining the employee's entitlement to performance based remuneration and could lead to termination of employment in serious cases. Additionally, employees are required to undertake issue specific training for topics such as anti-money laundering and combating terrorist financing, fraud, corruption and privacy. Our 'HR Manual' and 'Employee Handbook' covers our Code of Conduct and Ethics, standards and behaviors, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy.

Human Capital

Motivated and engaged employees

Meridian Finance & Investment Ltd. has a diverse group of motivated and engaged employees. From experience it knows that if employees are properly empowered, they become more engaged and go the extra miles to fulfil the organization's ambition. Engaged employees are likely to take more responsibility and embrace accountability which helps to achieve the sustainability strategies. Meridian Finance has positioned itself with a performance driven rewarding work culture; where employees are treated with respect and receive plenty of development opportunities. Meridian Finance has a special focus on:



All the people related issues in Prime Bank are governed by the well-defined policies and procedures which are duly reviewed by the Management time to time.

The right people in the right place at the right time

While the goal is to provide the best candidate for the Company's needs, it is also important that we place people in the right positions at the right time. This requires us to emphasize on the efficiency of our hiring and staffing processes even as we continue to look for ways to create efficiencies in our hiring methodologies. We also recognize the need to use further analytics in our recruitment efforts to enable us to understand our workforce needs, levels and the effectiveness of our recruitment strategies. The purpose of Meridian Finance merit-based recruitment and selection process is to ensure that vacancies are filled by the most competent incumbents. It provides equal employment opportunities to all applicants without any bias to race, religion, gender, age, disability or any other criteria permissible by the statutory laws of the country. Recruitment and selection is based solely on job-related criteria. The recruitment and selection process is consistently applied and promotes fairness, diversity and transparency. The process complies with all state laws, regulations and policies.

Our Human Resource Department (HRD) mission

Meridian Finance HRD is committed to work strategically with diverse business segments in identifying and responding to the evolving business needs. As a strategic business partner, it's HRD creates a work environment that thrives on diversity, high individual and organizational productivity and performance, continuous improvement and exceptional customer service.

*Reward the best,
be fair to the rest.*

Diversity in Workplace

Meridian Finance believes that diverse, heterogeneous teams generate greater creativity, innovation and business development. An inclusive culture maintains and drives workforce diversity by fostering the exchange of ideas and collaboration among individuals and across groups. To speak simply, our constant success depends in part on maintaining a plurality of perspectives. We practice equal employment opportunity; for competent candidates regardless of their gender, age, locality or ethnicity. While recruiting fresh graduates, it sources the pool from different recognized public and private universities; with a view to creating a diverse work force. Besides, our ratio of male and female employees has been increasing over the time. In Meridian Finance, the employee development plan is based on proper training need assessment. The Financial Institution sector is complex and diverse with evolving nature of threats and the risks. So, the training module is updated time to time for employees of Meridian Finance in the changing context of financial market.

Promotion

Promotion opportunities are the life-blood of staffing and retention. Without the proper use of incentives and coaching, employees are likely to refrain from maintaining relationships with a business for an extended period of time. Competitors take the best talent from other companies by offering individuals enhanced pay and benefits. Promotions and bonuses to the personnel help in ensuring that they do not feel the need to leave their employers. In Meridian finance, promotions signify our management's commitment to recognize and reward outstanding performers. It motivates employees to aspire for advancement opportunities within the Company. It also contributes to employee satisfaction and retention. Employee promotion is made by examining all factors necessary to determine the best qualifications and capabilities to fill the position.



Grievance management and counseling

Meridian Finance focuses on providing a prompt and impartial resolution to grievances brought forward by employees based on any kind of discrimination and deprivation. Meridian Finance seeks to establish an environment of equal employment where advancement and appreciation are solely on the basis of merit, talent and competency. If an employee experiences a situation which is not in alignment with the core values of the Company, he/ she is at liberty to bring this to the notice of the management through the mandate of this policy. Employees are assured that their complaints will be addressed without delay and judiciously by the management. On the other hand, employees are motivated through proper counselling and encouraged to have a healthy conversation should any grievances arise.

Learning & Development

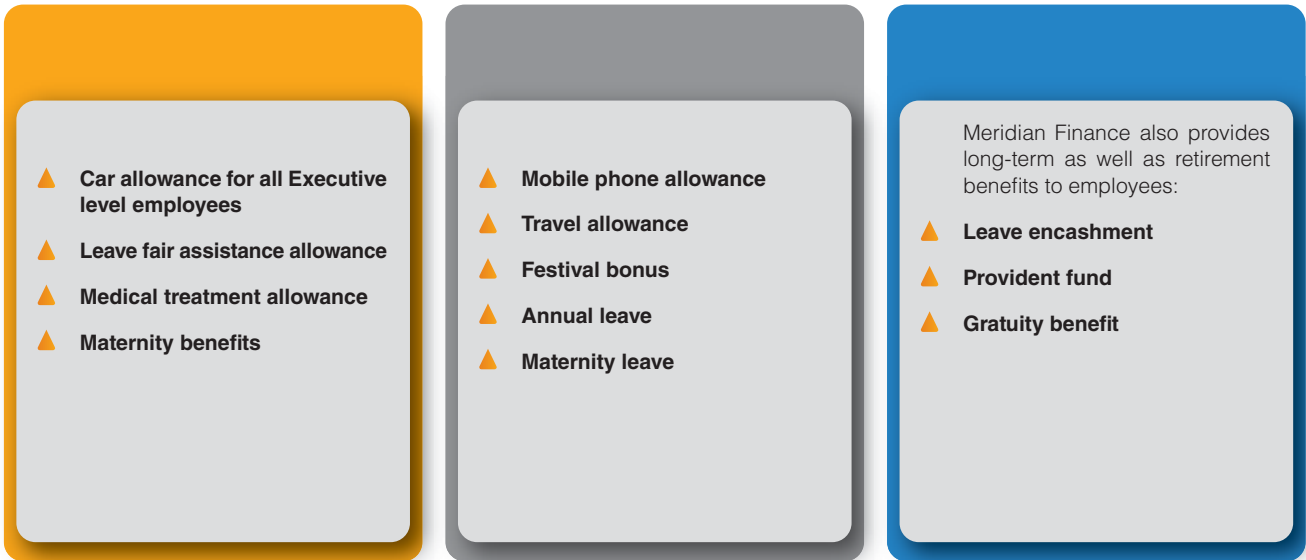
In Meridian Finance, Human Resources Department (HRD) regularly undertakes effectively designed training programs targeting the right group of employees through proper training need assessment. Meridian Finance believes that continuous efforts should be given so that employees acquire and develop the right set of skills required to face the challenge of ever changing market. In Meridian Finance, the employee development plan is based on proper training need assessment. The Financial Institution sector is complex and diverse with evolving nature of threats and the risks. So, the training module is updated time to time for employees of Meridian Finance in the changing context of financial market.

Succession planning

Meridian Finance's management possesses succession plans to provide leadership continuity and avoid extended and costly vacancies in key positions, recognizing that changes in management are inevitable. Our succession plan is designed to identify and prepare candidates for high-level management positions that become vacant due to retirement, resignation, death or new business opportunities. It is Meridian Finance's policy to assess the leadership needs of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

Compensation & Benefits

To maintain the market competitiveness, the compensation and benefits of Meridian finance are regularly reviewed through market and peer group study. The well-crafted total rewards help Meridian finance to attract, motivate and retain talent. In Meridian finance, the Board of Directors is not eligible for any compensation. They are paid honorarium for attending meetings only. On the other hand, all employees are paid competitive remuneration package. The remuneration policy of Meridian Finance does not allow any discrimination between male and female employees. In addition, employees are paid bonus based on yearly business performance. In addition to monthly competitive base pay and a good number of allowances (e.g., House Rent allowance, Medical allowance, Conveyance allowance etc.). It has variety of market competitive benefits schemes designed to motivate the employees. The various cash and non-cash benefits include:



Performance Management Program

Meridian Finance has a comprehensive performance management program that evaluates employees' yearly performance against business targets at the year-end. In addition, their functional and leadership competencies are also rated by the line management. This appraisal process also identifies the competency gap and training needs of employees. All employees (except employees under probation or training) of the Bank undergo annual performance appraisal process. The process ensures that clear feedback on improvement points (performance and professional capabilities) is provided to employees by their Managers to promote employees' long-term career development and improved contribution to organizational performance. All regular employees undergo the annual performance and career development review.

Work-life Balance

Meridian Finance wants its employees to balance the work and personal life and has organization-wide practices and policies that actively support employees to achieve success at both work and home. Management is also open and shows flexibility in regard to a balanced work-life. In Meridian Finance, employees are entitled to sufficient annual leave and sick leave with pay. To enjoy vacation with family, it provides Leave Fare Assistance Allowance to employees. All female employees are eligible for Maternity Leave (Parental Leave) with pay for a period of six months.

Culture

Culture plays a vital role to create a high performance environment that supports sustainability strategy implementation. Meridian Finance carefully develops, shapes and impacts organizational culture by: practicing values appropriate for the bank; defining working relationship and communication pattern between superior and subordinates; governing rules and regulations which control employees' behavior; promoting a strong employer brand through which employees identify with the organization; maintaining effective reward system that affects employees' loyalty and empowering employees to demonstrate their innovativeness not only to be competitive in the market but also to achieve a sustainable growth.

Healthy and Safe Work Environment

In Meridian Finance, the physical, mental and social well-being of the employees always get priority. Healthy, productive and motivated employees are the foundation of a successful organization. It helps employees to assume responsibility for their own personal behavior in health-related matters, and support health-promoting general conditions within the Company. We continuously focus on improving health and safety of employees that includes proper work place design and decoration of head office and branches, maintaining the cleanliness at work space, holding awareness session related to physical and psychosocial well-being, email communication on various health and safety related topics, sending alerts to employees on emergency situations, arranging fire drill sessions, financial support for medical care etc. Because of the nature of operations, Meridian Finance employees are not usually exposed to work-related injury, occupational diseases or fatality. Yet, it remains cautious so as not to create any hazardous work condition.

Decent Workplace

Meridian finance has a decent work environment where employees can work with dignity, have the freedom to express opinions, can participate in the decision making process that affect their lives, and receive equal treatment and opportunity. It is committed to ensure the best practices in compliance with the labor code of the country. Meridian finance Management believes that the business can grow favorably if the organization enables employees through creating and maintaining a decent workplace. In Meridian finance, employees have the right to exercise freedom of association or collective bargaining following the legal procedure of country laws. However, employees have never formed or wanted to form any collective bargaining agency. It follows non-discriminatory approach in all HR policies and practices. The salary of an employee is determined based on his/her competency, experience and performance. Employees have the right to resign from their employment serving proper notice period and following the internal procedures. Ensuring a decent workplace also encompasses Meridian Finance investment decisions as well as agreements with the suppliers and contractors.



Social Responsibility Initiatives

As a responsible corporate body, we have adopted CSR practices in a formal, structured manner in line with our organizational vision to help the disadvantaged population of our country by taking socially responsible initiatives.

The “social contract” between the corporation and the community is critically important for Meridian Finance. CSR is ingrained in our corporate culture and it is a part and parcel of what we do. Meridian finance has incorporated CSR activities into its core strategic business planning and translated it into action across different areas and community of the country. It has organized its CSR activities around three main areas:

Education

Expanding literacy and development of education is the fundamental urgency to go for a prosperous Bangladesh. We always consider education to be the strongest apparatus for the sustainable development of our country. We also believe that education is to be always aligned with creative and resourceful activities like debates, art competitions, science fairs etc. Accordingly we always put emphasis on extra-curriculum activities apart from conventional education. Our activities in educational sector include:

1

Initiatives to enhance the capability of extra-curriculum involvement of school-college-university students.

2

Scholarship for poor and brilliant students.

3

Financial support for education for underprivileged children.

4

Extensive literacy programs.

5

Educate the next generation of consumers in our markets on how to save, spend, borrow and manage money wisely.

6

Donation to Educational Institutions for educational development purpose.

7

Initiatives on debate programs, knowledge-enhancement seminars, career fairs, art competitions, essay writing competitions, educational fairs, science fairs, donation to student re-unions etc.

Environment

Global warming and environmental degradation is now a burning issue all across the world. Though not responsible that much, yet Bangladesh is a major victim of this environmental degradation. To fight against this menace, we have to look forward towards a green atmosphere along with creating mass attention. Meridian Finance has always been a strong stakeholder to participate in activities to protect our environment. A pollution-free and sustainable environment is absolutely necessary for the continuation of human race on earth. But our negligence towards environment is clearly apparent in the continuous degrading of environment. Thus awareness raising campaign is very significant in relation to environment. At the same time strengthening community mechanism is also needed to enhance the local capacity to fight against environmental degradation. It believes that it's high time to take effective measures for sound environment through proper mitigation and adaptation process. Initiatives / Donation to activities to protect climate/environment. Our activities in this sector include:



Create awareness regarding climate change and environmental degradation (tree plantation, seminars on ecological balance, disaster management initiative/ support etc).



Efforts to go towards a greener atmosphere.



Drawing attention to general & specific problems of our environment and also to educate common people on such issues.



Initiatives towards Less Fuel consumption and energy saving.

Health

Health hazards are very common in a country like ours; sometimes in contagious, sometimes in non-contagious and sometimes in epidemic form. We are in high need to develop more hospitals and medical colleges where destitute will get easy access. Moreover, it's also important to patronize non – profit NGOs to work in this sector. Whatever the form is, Meridian Finance is determined to help build up a healthy Bangladesh. Over the years Meridian Finance contributed to different projects for improvement of health sector in Bangladesh. Some of these are improvement in medical education, survival and healthy development of children, health and wellbeing of women, disability reduction and the adoption and maintenance of healthy lifestyles etc. Our activities in Health Sector include:

Financial Assistance to poor and destitute for their health issues.

Donation to Non-Profit organizations for working on child health, disability, underprivileged children etc.

Donation to Non-Profit organizations who give free treatment to the destitute.

Social awareness during outbreak of Epidemic, plague or other severe contagious diseases.

Awareness on survival and healthy development of children.

Initiatives to create awareness about health and wellbeing of women.

Public awareness on maintenance of healthy lifestyles etc.

Donating to different health-care institutions.



CEO & Managing Director's Review
Core Financial Highlights of 2016
Sector Wise Exposure
Business segment review
Value Added Statement
Economic Value Added Statement
Statement of Contribution to Government Exchequer

Business Analysis & Performance Review

“ We always strive to maximize our operational efficiency in order to increase contribution to Shareholders, Employees, Government, Suppliers & whole community. ”

CEO & Managing Director's Review



Dear Stakeholders,

It is indeed a great pleasure for me to be here with you in the Third Annual General Meeting of Meridian Finance & Investment Limited. First of all I personally thank you all to give me the opportunity to lead the Team Meridian, a new player of NBFI Sector & I would like to express profound gratitude to all of you for your continuous support and guidance for which within a short span of time Meridian Finance emerged as a trusted & respected NBFI of the country.

Bangladesh's GDP grew by 7.05% in 2016 & emerged as one of the fastest growing countries of the world. Political stability fueled by consumers spending fostered an environment that has encouraged investment during the year. This credit momentum was further bolstered by the consistently low interest rates, which was at its lowest levels in last 20 years. 2016 was quite an active year for the NBFI Sector, although only a few NBFI could take the opportunity. Thanks to Team Meridian that we are one of the performers of the year & able to place our footprint to serve the nation with our growth mission.

Activities

Meridian Finance created a growth conducive operating environment to increase business volume by deepening focus on SME market which is considered as the key segment. The main thrust was placed to expand the market bandwidth & to broaden the sector mix. To expand the market bandwidth with in SME segment, the company looked at new products that are geared to support new startups. A range of value enhancement were introduced to broaden the sector mix with in SME segment aimed at mid-level SMEs who wish to take their business in next level. A series of market penetration strategies were initiated to put the services near to the customers. These efforts were successful & paved the way to increase our exposure to various sub-segments.

Retail Loan business like home loans & car loans is fiercely competitive. To ride in the race we focused to provide value to clients through better service, standard documentation and quick approval & disbursement followed by advisory assistance. Consumer Loan appears to be un-economical for Meridian Finance under the prevailing interest rate framework, we were less aggressive on this product for 2016. Factoring Business has a good prospect considering the risk & margin, we however could developed a systematic customer oriented process flow and like to put our card on this business ahead.

NBFI Sector has very limited scope of fee based business. We have established our Structure Finance Division with reasonable expertise to go for arranging syndicated funding for corporate houses & was able to receive positive response from clients. We also intensified our arms to go for IPA business with Commercial Paper Issuers & Managers.

Funding

Credit Lines from Commercial Bank are conventional source of funding for the newly established NBFI but we have initiated a number of steps during the year to create visibility & promote Meridian Finance as a licensed deposit taking NBFI. The company was successful in attaining the desired objective, denoted by 85% of the portfolio (BDT 2785 million) was booked through deposit (BDT 2371 million). Meanwhile the company also used Call Money Market, Overdraft Facilities, Short Term Facilities from Bank & NBFI & limited term loan from commercial bank for further support of its funding requirement. Consequently, the Company could maintain its average cost of fund to the level of 8.26% during the year. Higher volume of long & mid-term deposit mobilization is crucial to secure the fund base of the company, to ride in the lending rate war & to minimize the fund mismatch. A dedicated liability team (contractual & commission basis) is being considered. However, the deposit market of the country is competitive. Meridian Finance should be differentiated by the depositors not with the offered rate but with our transparency, ethical dealings & factual assurance regarding long term security of the depositors.

Asset Quality

Although the lending portfolio grew at a faster rate during the year, asset quality was successfully maintained, as the overdue virtually remained marginal during the year.

Branch Network

The branch network of Meridian Finance will have to be the main distribution channel as we will be more focused on SME & Retail products & 2017 should be the year to emphasis to establish branches in various uncrowded locations of the country. To enhance the productivity imparting training has to be intensified to sharpen staff competencies & to maintain service leadership.

Future Outlook

Under the backdrop of micro economic stability & policy reforms undertaken by the Government, it can be projected that 2017 would be better business year over 2016. Investment in infrastructure projects, Power Sector, Steel & Engineering, Textile & Ready made Garment, Construction, Leather & Leather goods sectors will create avenue for investment of NBFIs. In forthcoming year the company will focus on SME & Retail business to sustain growth momentum across all business KPI's. In terms of lending, priority would be to tap into new markets together with specialized products geared for niche market segments. Technology driven business model need to put in place to strengthen product portfolio & to improve versatility of distribution channels. Above all, be it a fund/fee based business & attraction of deposit, building a corporate brand is prerequisite to win the race, we should bear this in mind.

Acknowledgement

I wish to extend my gratitude to the Chairman & the Board of Directors for their guidance & support which greatly assisted us to overcome the initial teething problems the company faced during the year. Appreciation to the Management & employees of Meridian Finance for their commitment & dedication to the company. My grateful thanks go to Shareholders, Customers, Depositors, Bangladesh Bank, Bankers, Fellow NBFIs & all business associates for the trust & confidence placed to the company.

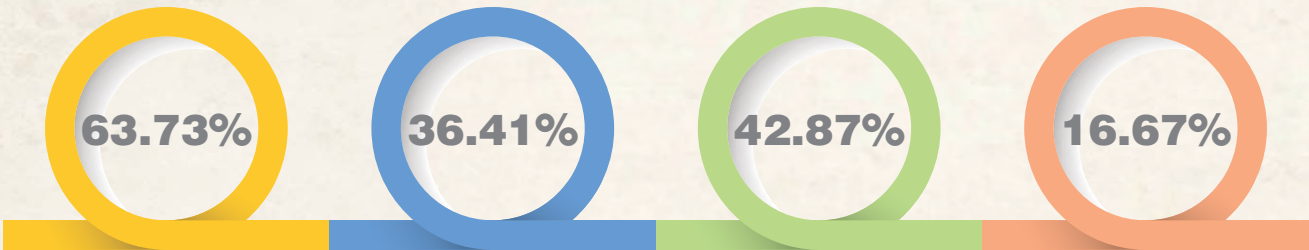
We look forward to fulfilling expectations of all stakeholders in coming years.

Wishing you all the best,

A handwritten signature in black ink, appearing to read 'Mafizuddin Sarker', with a long, sweeping horizontal stroke extending to the right.

Mafizuddin Sarker
CEO & Managing Director

Core Financial Highlights, 2016

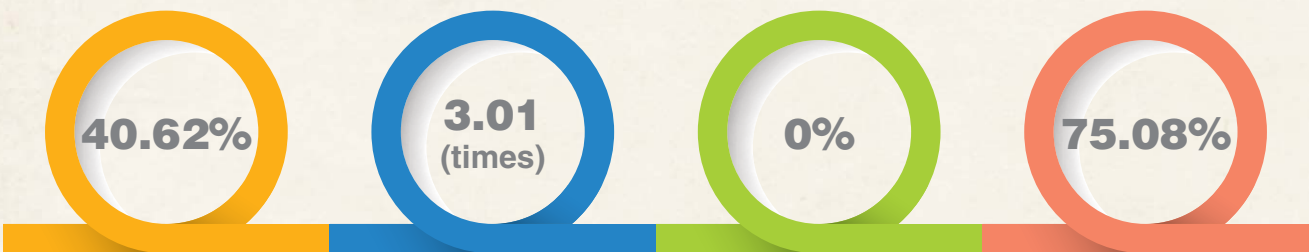


▼
Gross Profit Ratio

▼
Operating Profit

▼
Cost to Income Ratio

▼
Return on Capital Employed

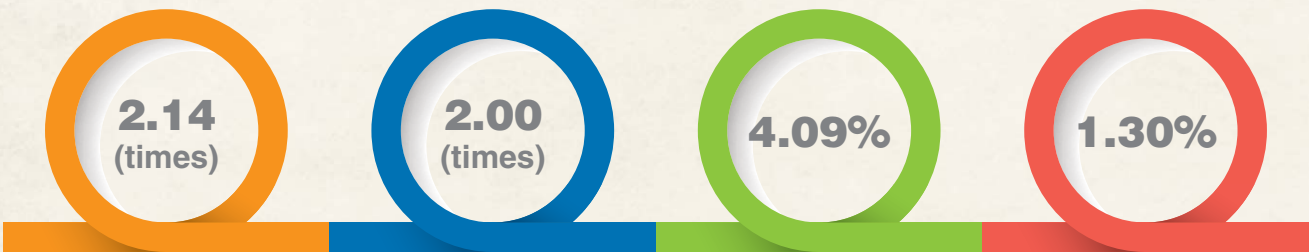


▼
Capital Adequacy Ratio

▼
Current Ratio

▼
Non-performing Loan to Total Loan

▼
Loan to Fund Ratio



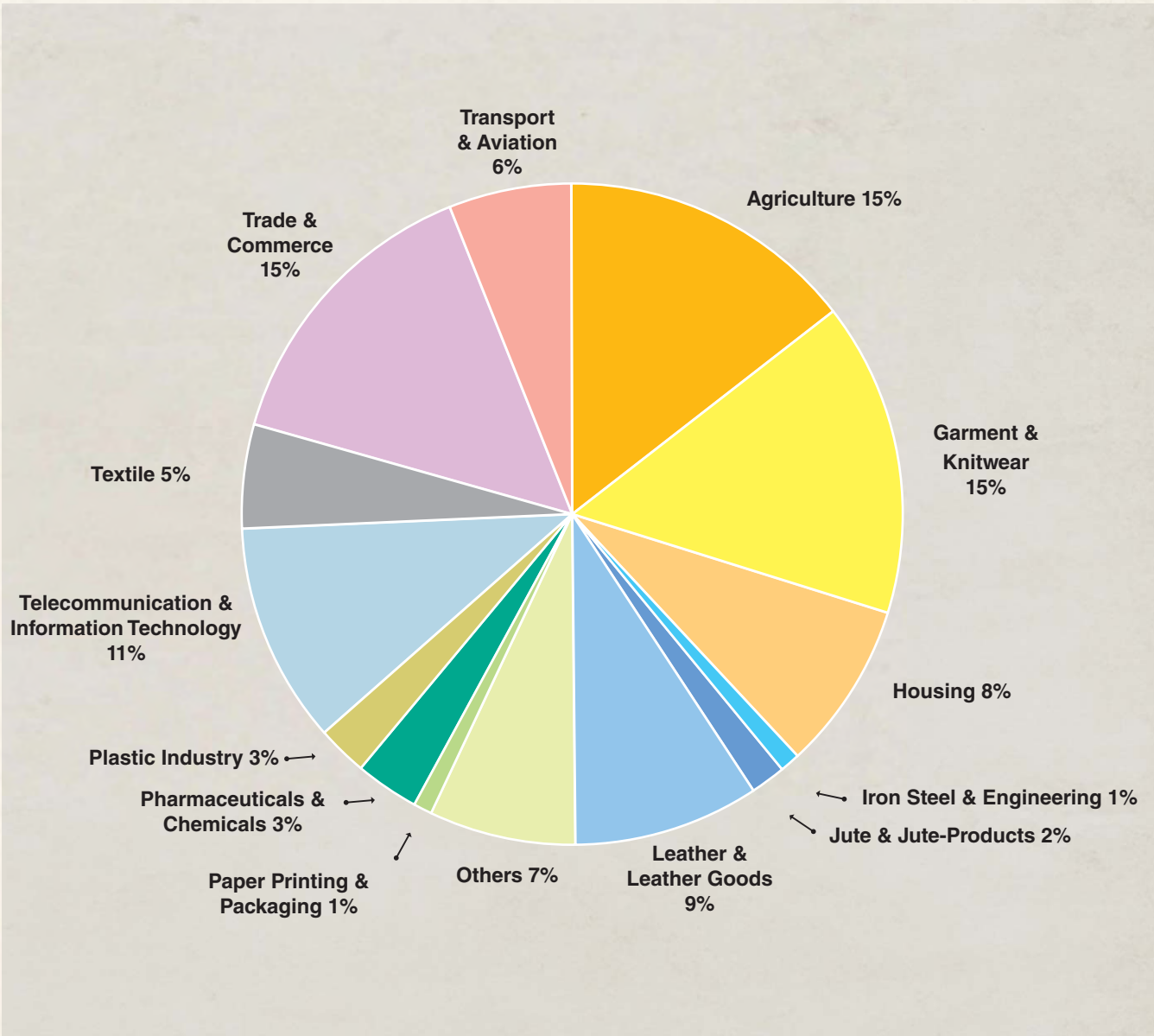
▼
Debt to Equity Ratio

▼
Financial Expense Coverage Ratio

▼
Return on Equity (ROE)

▼
Return on Asset (ROA)

Sector Wise Exposure



Business Segment Review



SME (Small and Medium Enterprises) Finance Department

SME Finance Department of Meridian Finance is a priority business segment for the Company. Sound business strategies, focused customer acquisition efforts, high-quality service and a superior risk adjusted appetite enabled SME portfolio to grow at a faster rate. As a result, SME portfolio stands 31% of total portfolio. We aim to take it to 40% at the end of 2017. Significant investments in human resources and infrastructure – the two most critical building blocks – have resulted in the creation of a robust structure that will facilitate sustainable growth and going forward.

Core developments

The year 2016 witnessed a host of new products and services added to the SME basket. Thereafter, a comprehensive solution for women entrepreneurs under Meridian Finance “Suchona” was launched in 2016. Along with subsidized financial products, women entrepreneurs are also offered various non-financial value-added services including business facilitation services that help them obtain/renew all kinds of regulatory documents.

Business trends that are driving our business

- ▲ Flexibility and quick turnaround time: Thanks to the rich experience accumulated over years, we are familiar with almost all kinds of SME businesses that operate in the economy. Our products are tailor-made to cater to all kinds of business models and requirement and are able to disburse an unsecured loan within five working days.
- ▲ Customer centricity: SME entrepreneurs are at the Centre of every decision made and our strategies are aligned such that our customers receive the best possible experience. Towards this end, we have introduced business facilitation services in our aim of becoming partners in growth and not just financiers. We strongly believe that going beyond just providing funds can indeed help us reach world class levels. Currently, we assist our clients in obtaining/renewing all kinds of regulatory documents, along with providing training on a wide range of subjects such as digital marketing and book keeping, among others.
- ▲ Strategic positioning of business Centre: Being a new company, we are expanding our business throughout the whole country. Within the year 2022, we aim to cover the whole country.
- ▲ Careful appraisal and proactive monitoring: Seasoned credit analysts with an eye for detail have helped us reach a sustainable, quality portfolio. Concurrently, dedicated teams actively communicate with clients on an ongoing basis to ensure the detection of early warning signals.

Risks impacting our business and their mitigation strategies

- ▲ With the average lending rate declining gradually and moving towards single digits on account of sluggish private sector credit growth and excess liquidity, we will focus on strengthening our relationships and exploring newer avenues for financing.
- ▲ Our HR policies and corporate culture is highly appreciated by our employees and we always endeavor to keep them motivated and happy. We regularly tweak our organizational structure to accommodate new leaders within the division and reward the best performers.
- ▲ We depend significantly on the various refinancing schemes offered by the central bank and other international organizations. It is hence imperative for us to ensure that we operate smoothly even in the absence of such schemes.
- ▲ A larger number of banks and NBFIs are turning their attention towards the SME segment, realizing its importance and growth potential. To remain competitive, we are continuously embracing innovation in terms of products, processes and distribution networks.
- ▲ As the SME loan portfolio grows bigger, exposure to operational risks increase. In consultation with our operations and compliance teams, our processes are continuously reviewed and altered to ensure zero leakages.



Consumer Finance Department

Consumer Finance department of Meridian Finance is one of the key drivers of sustainability. The division's two-pronged functions include funds mobilization for the company as per requirements and grow the asset business sustainably.

Core developments

The Consumer division offers term deposit products to cater to the needs of various individuals as well as institutions. It also offers consumer loans to its targeted customer segments. The division has been able to consistently grow its home and car loan portfolios due to its sound business strategy, faster loan processing time and other unique selling propositions.

Macro developments that are driving our business

- ▲ Quick turn around time (TAT) with seamless processes: We have oriented our business towards ensuring rapid turn around time by embracing seamless processes starting from loan initiation to sanction to disbursement, which enables us to take decisions and provide service delivery faster in our overall intent of building a strong pool of satisfied customers.
- ▲ Transparency: We value long-term relationships with our customers and always keep our product pricing, terms & conditions and documentation transparent. These values are helping us strengthen customer confidence and acquire the prospect of earning repeat business.
- ▲ Strong resource base: Our focused, passionate and customer-centric teams with in-depth industry knowledge has enabled us to grow and manage our business successfully even in tough market cycles.
- ▲ Wide product range: We possess a dynamic product suite that enables us to cater to various retail customers both in terms of deposits as well as loan products. This expansive bouquet allows us to cater to a wide cross-section of customers and meet their aspirations.

Risks impacting our business and their mitigation strategies

- ▲ Though the country's real estate sector is one of the anchors of economic development and citizen wellbeing, the industry has been suffering due to a sharp drop in sales over the last few years. However, Meridian Finance remains a front-line player in the market and is well positioned to capitalize on any upsurge in the market, signs of which has been seen recently.
- ▲ In recent years, competitive pressures have increased manifold, especially in the retail lending business and several banks and financial institutions have entered the market. We remain committed to overcome these challenges through concentrating on our key strengths of fast Turn Around Time (TAT) and superior service level.

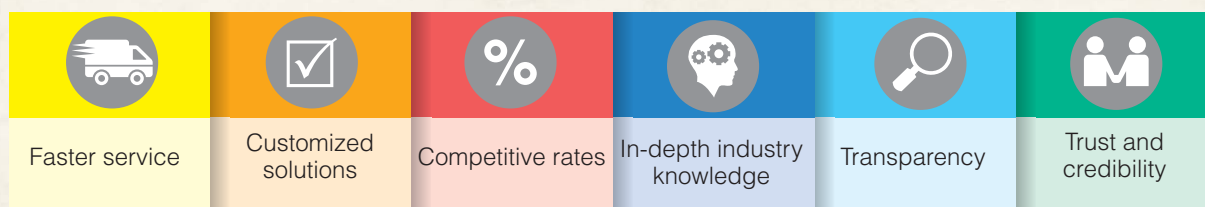


Corporate Finance Department

Corporate Finance Department of Meridian Finance has made significant inroads into the confederation of local corporate conglomerates, large corporate houses and multinationals. This was made possible by our integrated relationship management approach, strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also widened its geographical coverage, deepening its niche market comprising established corporate houses and upcoming enterprises. In parallel, the division also diversified its product basket to cater to specific customer funding requirements comprising, but not limited to:

- Establishment of greenfield projects
- Capacity augmentation programs
- Commercial space acquisition
- Meeting seasonal demand through working capital

Our wide array of products includes simple lease finance, term loans, working capital finance (with suitable tenor), asset finance, project finance, green finance under Bangladesh Bank schemes and participation in syndication arrangements, among others. The robust infrastructure and resources that we have created helped our operations remain relatively insulated from economic headwinds and even domestic unrest. Resultantly, our division posted positive growth during the year under review. In the backdrop of our focus on sustainable growth is embedded our integrated relationship approach, deep understanding of business dynamics and customer risk profile and the growth aspirations of our clients. Our expertise and innovative solutions to partner our customers in their journey is supported by several USPs including:



Key business risks

- ▲ **Political risk:** Amidst the political turmoil and changes in Government policies, regular business and new projects face several challenges. As part of its mitigation measure, the corporate division continuously monitors the external environment to take proactive measures to protect its operations.
- ▲ **Business risks:** In the realm of excessively liquid money markets and downward pressure on interest rates, the sustenance of a competitive rate remains a challenge for NBFIs. However, the corporate division manages an efficient and well-balanced portfolio by providing both short and long-term credit.
- ▲ **Credit risks:** The division's integrated relationship management team coupled with a strong credit risk management department and effective credit analysis helps in the prudent selection of clients which ensure continued growth and profitability and preservation of the credit portfolio quality.
- ▲ **Operational risks:** The division's robust reporting hierarchy helps in proper supervision and enables the staff to understand and perform their tasks timely and accurately. Moreover, we also leverage software inputs for strengthening execution efficiency.



Structured Finance Department

The Structured Finance Department (SFD) is a specialized business unit of Meridian finance and it was established with a purpose to facilitate syndication arrangements, arranging onshore as well as offshore financing, agency and trusteeship services and corporate advisory services. The department commenced operations through loan syndication in the year 2016 to meet the increasing demands for large industrial and environment friendly project financing. The department also provides corporate advisory services depending on the needs of the customers.

Key Business Trends – A Story of Opportunity in Bangladesh

- ▲ Bangladesh has proven to be resilient with a growth of around 6% per annum over the last 5 years even though it has been facing unbalanced political situation. However, being an emerging economy, Bangladesh is continuing on its growth path and hence, industrial and large project financing has become one of the key drivers of this transition.
- ▲ Bottlenecks created due to the several challenges have resulted in a negative impact on various projects undertaken by the public sector, thereby indirectly affecting the private sector as well. It is imperative that economic conditions contribute positively to the overall infrastructure development of the country.
- ▲ With the development of the country in recent decades, the demand for large infrastructure projects (transportation, communication, water & energy, etc.) is increasing rapidly. The structured finance team realizes that large-scale financing is required for such projects, thereby providing opportunities for business. The Public-Private Partnership (PPP) projects also play a vital role in the demand for syndicated financing of large infrastructure projects.
- ▲ High liquidity supports project financing and results in increasing investments in large projects. Liquidity is an important factor for the department for booking deals that result in successful fund arrangements.
- ▲ With a growing economy, institutions require corporate advisory services and providing the required services has been the added source of business development for the department. The department's various services include preparation of feasibility studies, business plans, mergers & acquisitions, valuations, among others. These services not only expands growth opportunities but also opens up a fee income/earning possibility.

Key Risks and Mitigation Measures Impacting the Business

- ▲ **Changes in Government Policies:** Major changes in government policies create an adverse effect on businesses. Due to changes in the political situation, different projects face difficulties during implementation and operation. In addition, changes in tax and duty structures impact businesses that indirectly affect the business of the department. As a part of the mitigation measure, the SFD team continuously monitors the trends in government policies and works together with large corporate houses to better assess the situation and find appropriate mitigation measures.
- ▲ **Lack of Availability of Required Infrastructure:** Unavailability of proper infrastructure hampers business growth. As a mitigation measure, the department actively engages in due diligence to ensure the availability of the required infrastructure well before undertaking the fund arrangement process for such projects.
- ▲ **Selection of Equipment Suppliers:** Most projects face implementation challenges on account of inappropriate selection of equipment suppliers. To mitigate this risk, the department engages an independent engineer/ consultant for projects. Hence, the department ensures constant project monitoring and provides a third eye perspective to lenders through the independent engineer/ consultant.

Value Added Statement

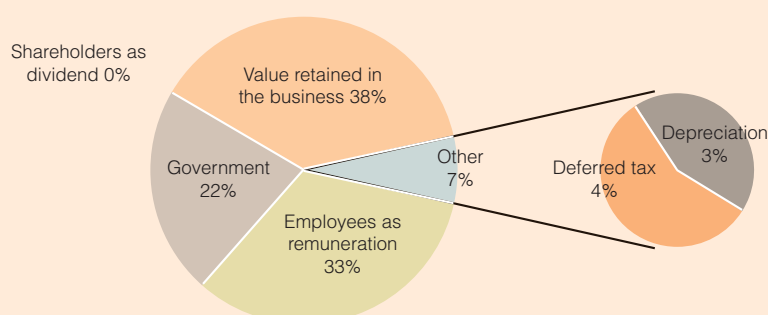
For the year ended 31 December 2016

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

Particulars	2016	
	Amount (in million BDT)	%
Value Added		
Operating revenue	289	
Cost of borrowing	(105)	
Provisions	(19)	
Operating expenses excluding staff cost and depreciation	(30)	
Available for distribution	135	
Distribution of Value Added		
Employees as remuneration	45	33%
Government	29	21%
Shareholders as dividend	-	0%
	74	55%
Retained for expansion and future growth		
Value retained in the business	51	38%
Deferred tax	6	4%
Depreciation	4	3%
Amount distributed	135	100%

Number of employees at the end of the year	50
Value created per employee (Mn BDT)	2.70
Number of shares (Mn)	120
Value created per share (BDT)	1.13

Distribution of Value Addition



Economic Value Added (EVA) Statement

For the year ended 31 December 2016

Economic value added is a value-based financial performance measure which reflects the absolute amount of shareholders' value created or destroyed during each year. It provides a measurement of a company's economic success or failure over a period of time. Such a yardstick is useful to investors who wish to place confidence with the Company to retain their fund for better earnings as compared to other similar companies or similar industry. Economic value added is calculated by taking a company's net operating profit after tax, subtracting from it, the cost of average equity. EVA is calculated by applying following formula:

$$\text{EVA} = (\text{NOPAT} - \text{Cost of average equity})$$

NOPAT

NOPAT is the net operating profit after tax which is calculated by deducting the income tax expense from operating profit.

	2016
	Amount (in million BDT)
Operating income	184
Operating expenses	(79)
Operating profit	105
Income tax	(35)
NOPAT	70

Equity

Shareholders' equity is the total amount of equity at the year end plus accumulated provision for doubtful losses.

	2016
Shareholders' equity at year end	1,241
Accumulated provision for doubtful losses	21
Equity	1,262

Average equity

Average equity is calculated by averaging opening and closing equity of a year.

	2016
Shareholders' equity	1,241
Average equity	1,215

Cost of equity

Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 5 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

	2016
Interest rate on 5 Years Government Treasury Bond as on 31 December	6.00%
Standard Risk premium	2.00%
Cost of equity	8.00%

Economic Value Added

	2016
NOPAT	70
Cost of average equity	97
Average Shareholders' equity	1,215
Cost of capital	8.00%
EVA	(27)

Number of shares (Mn)	120
Economic Value Added Per Share	(0.23)

Statement of Contribution to Government Exchequer

For the year ended 31 December 2016

Government is considered as one of the most important stakeholders which play a critical role in the economic development of the country. Being a legitimate and ethical company, Meridian Finance contributes to the Government Exchequer when the necessary amounts fall due. For the year 2016, Meridian Finance made a handsome contribution to Government Exchequer of an amount equal to BDT 36.37 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty.

Forms of Contribution	2016	2015
Income Tax	31,783,605	1,150,558
Salary	2,588,905	345,246
Interest on savings deposit	4,108,772	
Payment of Supplier	849,122	60,907
House Rent	560,084	469,155
Advance Corporate Tax	23,676,722	275,250
Others		
VAT	4,423,378	1,141,699
House Rent	1,454,261	657,153
Processing, Documentation Fee etc.	1,687,005	
Procurement of goods and services	1,282,113	484,546
Excise Duty	159,333	-
Collection of excise duty from clients	159,333	-
Excise duty deducted by bank		
Total Paid to Government Exchequer	36,366,317	2,292,258



Independent Auditor's Report
Balance Sheet
Profit & Loss Account
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Notes to the Financial Statements
Schedule of Fixed Assets
Financial Highlights as required by Bangladesh Bank

Audited Financial Statements

“ We are committed to ensure Relevance and Reliability of Financial Information by complying all relevant standards, rules, regulations & best practices ”

AUDITOR'S REPORT TO THE SHAREHOLDERS OF MERIDIAN FINANCE AND INVESTMENT LIMITED

We have audited the accompanying financial statements of **Meridian Finance and Investment Limited** which comprise the balance sheet as at 31 December 2016, profit and loss account, statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the **Meridian Finance and Investment Limited** is responsible for the preparation and fair presentation of the financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institution Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 referred to above have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and give a true and fair view of the state of the affairs of the company as at 31 December 2016 and of the results of its operations for the year then ended and comply with the applicable sections of the Financial Institutions Act 1993, the Companies Act, 1994, 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 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 audits have been maintained;
- iii. the company's balance sheet and profit and loss account of the company together with annexed notes from 1 to 35 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 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;
- xv. The instructions of 'First Schedule' of Bank Company Act, 1991 (revised up to 2013) are properly complied while preparing financial statement of the Meridian Finance and Investment Limited;
- 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 1,250 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 : 13 March 2017


K. M. HASAN & CO.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

Balance Sheet

as at 31 December 2016

	Notes	Amount in Taka	
		2016	2015
PROPERTY AND ASSETS			
Cash	3	23,388,880	1,100,000
In hand (including foreign currencies)		150,000	100,000
Balance with Bangladesh Bank and its agent (including foreign currencies)		23,238,880	1,000,000
Balance with other Banks and Financial Institutions	4	153,602,315	981,290,108
In Bangladesh		153,602,315	981,290,108
Outside Bangladesh		-	-
Money at call and short notice	5	800,000,000	-
Investments	6	32,159,716	-
Government		-	-
Others		32,159,716	-
Loans and advances	7	2,784,875,208	191,771,661
Loans, cash credit, overdraft and leases etc.		2,784,875,208	191,771,661
Bills purchased and discounted		-	-
Fixed Assets including Land, Building, Furniture and Fixtures	8	27,241,908	17,518,637
Other Assets	9	69,684,372	31,922,827
Non-business assets		-	-
Total Assets		3,890,952,399	1,223,603,233
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	165,372,760	-
Deposits and other accounts	11	2,371,090,766	25,512,475
Term deposits		2,303,045,086	20,314,500
Other deposits		68,045,680	5,197,975
Other Liabilities	12	113,842,781	8,134,272
Total liabilities		2,650,306,307	33,646,747
Capital / Shareholders' equity		1,240,646,092	1,189,956,486
Paid-up capital	13	1,200,000,000	1,200,000,000
Statutory reserve	14	8,129,218	-
Retained earnings	15	32,516,874	(10,043,514)
Total liabilities and Shareholders' equity		3,890,952,399	1,223,603,233
Net Assets Value (NAV) per share		10.34	9.92

MERIDIAN FINANCE AND INVESTMENT LIMITED

Off-Balance Sheet

as at 31 December 2016

	Notes	Amount in Taka	
		2016	2015
OFF-BALANCE SHEET ITEMS			
Contingent liabilities		-	-
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letters of credit		-	-
Bill 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		-	-

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


Chairman


Director


CEO & Managing Director


Company Secretary

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

Place : Dhaka
Dated : 13 March 2017


K. M. HASAN & CO.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

Profit and Loss Account

for the year ended 31 December 2016

	Notes	Amount in Taka	
		2016	2015
Interest income	16	274,144,048	17,365,881
Interest expenses on deposits and borrowings	17	104,816,205	66,952
Net interest income		169,327,843	17,298,929
Income from investment	18	2,574,329	-
Commission, Exchange and Brokerage	19	-	-
Other operating income	20	12,286,376	460,274
Total operating income		184,188,548	17,759,203
Salary and allowances	21	43,808,758	7,479,708
Rent, taxes, insurances, electricity, etc.	22	15,028,689	10,576,295
Legal and professional fees	23	144,899	204,125
Postage, stamps, telecommunication, etc.	24	981,670	108,003
Stationery, printings, advertisement, etc.	25	1,890,675	357,446
Managing director's salary and allowances	26	1,202,419	-
Director fees and expenses	27	806,597	-
Auditor's fees	28	51,750	34,500
Depreciation and repair of company's assets	29	3,951,530	728,579
Other expenses	30	11,094,263	6,063,769
Total operating expenses		78,961,250	25,552,425
Profit before provision		105,227,298	(7,793,222)
Provision for loans/investments	31	19,510,675	1,917,842
General provision		19,510,675	1,917,842
Specific provision		-	-
Provisions for diminution in value of investments		-	-
Other provisions		-	-
Profit before tax and reserve		85,716,623	(9,711,064)
Provision for taxation	32	35,027,017	(4,498,230)
Current tax		29,299,443	53,478
Deferred tax		5,727,574	(4,551,708)
Net Profit/(Loss) after taxation		50,689,606	(5,212,834)
Appropriations:			
Statutory reserve		8,129,218	-
Retained earnings		42,560,388	(5,212,834)
Dividend		-	-
		50,689,606	(5,212,834)
Earnings Per Share (EPS)		0.42	(0.04)

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


Chairman


Director


CEO & Managing Director


Company Secretary

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

Place : Dhaka
Dated : 13 March 2017


K. M. HASAN & CO.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED
Statement of Changes in Equity
for the year ended 31 December 2016

Amount in Taka

Particulars	Paid-up capital	Statutory reserve	Retained earnings	Total
Balance as on 01 January 2016	1,200,000,000	-	(10,043,514)	1,189,956,486
Net Profit /(Loss) for the year	-	-	50,689,606	50,689,606
Issue of Share Capital during the year	-	-	-	-
Appropriation to statutory reserve	-	8,129,218	(8,129,218)	-
Balance as on 31 December 2016	1,200,000,000	8,129,218	32,516,874	1,240,646,092

for the year ended 31 December 2015

Amount in Taka

Particulars	Paid-up capital	Statutory reserve	Retained earnings	Total
Balance as on 01 January 2015	-	-	(4,830,680)	(4,830,680)
Net Profit /(Loss) for the year	-	-	(5,212,834)	(5,212,834)
Issue of Share Capital during the year	1,200,000,000	-	-	1,200,000,000
Balance as on 31 December 2015	1,200,000,000	-	(10,043,514)	1,189,956,486


Chairman


Director


CEO & Managing Director


Company Secretary

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

Place : Dhaka
Dated : 13 March 2017


K. M. HASAN & CO.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

Cash Flows Statement

for the year ended 31 December 2016

Amount in Taka	
2016	2015
A) Cash flows from operating activities	
Interest received	285,782,385
Interest paid	(51,655,412)
Dividend received	163,060
Fees and commission received	12,286,376
Income from investment	2,411,269
Cash paid to employees (including directors)	(43,370,071)
Cash paid to suppliers & Others	(17,238,190)
Income taxes paid	(23,676,722)
Received from other operating activities	-
Paid for other operating activities	(11,094,263)
Cash generated from operating activities before changes in operating assets and liabilities	153,608,432
Increase/ (decrease) in operating assets & liabilities	(29,280,786)
Loans and advances to customers	(2,593,103,547)
Other assets	(31,320,049)
Deposits from customers	2,345,578,291
Other liabilities	-
	(278,845,305)
Net Cash from Operating Activities	(125,236,873)
B) Cash flows from investing activities	
Changes in investment in securities	(32,159,716)
Money at call and short notice	(800,000,000)
Net proceeds/(payments) for sale/ purchase of Treasury bills	-
Purchase of fixed assets	(13,375,083)
Sales proceeds of fixed assets	-
Investment in subsidiaries	-
Net Cash used in Investing Activities	(845,534,799)
C) Cash flows from financing activities	
Drawdown of Term Loan, OD and REPO	165,372,760
Issuance of ordinary share	-
Net Cash used in Financing Activities	165,372,760
D) Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(805,398,913)
E) Opening cash and cash-equivalents	982,390,108
F) Closing cash and cash-equivalents (D+E)*	176,991,195
* Closing cash and cash-equivalents	
Cash in hand	150,000
Balance with Bangladesh Bank and its agent bank(s)	23,238,880
Balance with other Banks and Financial Institutions	153,602,315
Total Cash and cash-equivalents	176,991,195


Chairman


Director


CEO & Managing Director


Company Secretary

Place : Dhaka

Dated : 13 March 2017

MERIDIAN FINANCE AND INVESTMENT LIMITED

Liquidity Statement

for the year ended 31 December 2016

Amount in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5 years term	Total
Assets						
Cash in hand (including foreign currencies)	150,000	-	-	-	-	150,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	-	-	-	-	23,238,880	23,238,880
Balance with banks and financial institutions	2,012,009	1,590,306	150,000,000	-	-	153,602,315
Money at call and short notice	450,000,000	350,000,000	-	-	-	800,000,000
Investments	-	-	25,520,266	6,639,450	-	32,159,716
Lease, Loans and advances	19,196,586	375,914,334	481,820,657	1,242,488,572	665,455,059	2,784,875,208
Fixed assets including land, building, furniture and fixtures	-	-	-	17,023,799	10,218,109	27,241,908
Other assets	30,105,432	5,826,759	13,922,138	19,620,043	-	69,474,372
Non-banking assets	-	-	-	-	-	-
Total Assets	501,464,027	733,331,399	671,263,061	1,285,771,864	698,912,048	3,890,742,399
Liabilities						
Borrowing from other banks, financial institutions and agents	88,222,870	8,379,120	24,010,990	44,759,780	-	165,372,760
Deposits	395,159,193	690,176,213	721,519,557	532,285,803	31,950,000	2,371,090,766
Other accounts	-	-	-	-	1,240,786,713	1,240,786,713
Provision and other liabilities	8,451,124	19,346,309	17,174,032	31,320,945	37,199,750	113,492,160
Total Liabilities	491,833,187	717,901,642	762,704,579	608,366,528	1,309,936,463	3,890,742,399
Net Liquidity Surplus/(Gap)	9,630,840	15,429,757	(91,441,518)	677,405,336	(611,024,414)	-



Chairman



Director



CEO & Managing Director



Company Secretary

Place : Dhaka

Dated : 13 March 2017

MERIDIAN FINANCE AND INVESTMENT LIMITED

Notes to the Financial Statements

As at and for the year ended 31 December 2016

1. Legal status and nature of the company

1.1 Domicile, legal form and country of operation

Meridian Finance and Investment Ltd. (hereinafter referred to as “Meridian Finance” or “MFIL” or “the Company”), a new generation non-banking financial institution, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-113483/14, dated 15 January 2014 as a Public Limited Company under the Companies Act, 1994 in the name of “Meridian Finance and Investment Ltd.”. It started commercial operations since December 2015 after obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993.

Consequently the company has acquired the following Licenses and legal approvals:

Sl. No.	Name of License	Registration No.	Date of License
1	Certificate of Incorporation	C-113483/14	15 January 2014
2	Certificate for Commencement of Business	20470-76	15 January 2014
3	Tax Identification Number (TIN)	716572753037	21 January 2014
4	Bangladesh Bank License	DFIM(L)/35	04 June 2015
5	Trade License	03-049244	02 September 2015
6	VAT Identification Number	18141129850	30 November 2015

1.2 Company's activities

The activities of the Company include services broadly classified as fee based and fund based services:

Fund based services include Lease Finance, Term Finance, Channel Finance, Club Finance, Real Estate Finance, Hire Purchase, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Loan against Deposit etc.

2. Basis for preparation and Significant accounting policies

2.1 Statement of compliance

The financial statements of Meridian Finance have been prepared on a going concern basis following accrual basis of accounting except for cash flows statement as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Markets of Bangladesh Bank with reference to the provisions of First Schedule of Bank Company Act 1991 and Bangladesh Bank's other circulars and guidelines or directives and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Financial Institutions Act 1993.

In several cases, the laws, circulars, guidelines or directives of Bangladesh Bank differ from those of financial reporting standards as promulgated by International Accounting Standards Body (IASB) and as adopted by national standard setter, i.e., The Institute of Chartered Accountants of Bangladesh (ICAB), the requirements of Bangladesh Bank prevails and these financial statements have been prepared by departing from those requirements of BFRSs with a view to comply with the regulatory requirements.

The requirements of accounting standards as per BFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in note - 2.4.

However, these departures with BFRSs have been made by following all of the relevant provisions of BAS 1 and detail disclosures are given in note - 2.4 by following the provision of Para 20 of BAS 1.

2.2 Presentation of financial statements

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

2.3 Components of the financial statements

- a) Balance sheet as at 31 December 2016;
- b) Profit and loss account for the year ended 31 December 2016;
- c) Statement of Changes in Equity for the year ended 31 December 2016;
- d) Cash Flows Statement for the year ended 31 December 2016;
- e) Notes to the Financial Statements.

2.4 Disclosure of departure from few requirements of BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provisions of BFRS. As such the company has departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable:

- 2.4.1** As per FID circular No. 08, dated 03 August 2002 and FID circular No. 03, dated 03 May 2006 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision cannot satisfy the conditions of provision as per BAS 39. At the year end the company has recognized an accumulated general provision of Tk. 21.43 million in balance sheet under liabilities.
- 2.4.2** Bangladesh Bank has issued templates for financial statements vide DFIM Circular-11 dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. As such the company does not prepare the statement of other comprehensive income. However, the company does not have any elements of OCI to be presented.
- 2.4.3** As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.
- 2.4.4** As per BAS 7, cash equivalent only include those investments which are for a short tenure like: 3 months. However, as per the aforementioned circular of Bangladesh Bank, Cash equivalent includes all balances kept with other banks and financial institutions irrespective of consideration of tenure. Hence, an investment of FDR for a tenure of 6 months or 1 year is also considered as cash equivalent which is contrary to the requirement of BAS.

2.5 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the also Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with Bangladesh Financial Reporting Standards (BFRSs) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements. Provisions and accrued expenses are recognized in the financial statement in line with the Bangladesh Accounting Standard (BAS)-37: "Provisions, Contingent Liabilities and Contingent Assets" when

- the Company has a legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.7 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statement. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.8 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.9 Directors' responsibility statement

The Board of Directors is responsible for the preparation and presentation of these financial statements.

2.10 Cash flows Statement

The cash flows statement is prepared using the direct method as stipulated in Bangladesh Accounting Standard (BAS) 7 "Cash Flow Statements", and in accordance with the instruction of Bangladesh Bank.

2.11 Books of account

The Company maintains its books of account for main business in Electronic Form through soft automation.

2.12 Revenue recognition

As per BAS 18, "Revenue" is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

2.12.1 Interest income on lease, loans and advances

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage

loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account. Fees based income and delinquent charges from loan operations are accounted when they arise.

2.12.2 Fees and commission based income

Fees and commission based income arising on services provided by the company are recognized on a cash basis. Commission charged to customers on is credited to income at the time of effecting the transactions.

2.12.3 Investment income

Profit or loss arising from the sale of marketable securities.

2.13 Recognition of fixed assets

2.13.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the BAS-16, "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any direct cost attributable to bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

2.13.2 Depreciation on fixed assets

Depreciation on fixed assets is charged using straight-line method at the following rates starting from the date of acquisition of assets:

Name of Assets	Useful Life (Years)	Rate (%)
Furniture and Fixture	6	16.67%
Office Decoration	6	16.67%
Office Equipment	5	20.00%
IT Equipments	5	20.00%
Motor Vehicle	5	20.00%

2.13.3 Intangible Assets

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses.

2.13.4 Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values at the following rates starting from the date of acquisition of assets:

Name of Assets	Useful Life (Years)	Rate (%)
Systems & Software	5	20.00%

2.14 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Company.

2.15 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.16 Consistency

In accordance with the BFRSs framework for the presentation of financial statements together with BAS 1 and BAS 8, the Company applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. We, however, have applied the same accounting and valuation principles in 2016 as in financial statements for 2015.

2.17 Liquidity statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the period as per following bases:

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment or maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment.
- f) Borrowings from other banks and financial institutions as per their maturity or repayment term.
- g) Deposits and other accounts are on the basis of their maturity period and behavioural past trend
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their settlement.

2.18 Borrowing costs

Borrowing costs are recognized as expenses in the period in which they incur in accordance with BAS 23 "Borrowing cost".

2.19 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand and fixed deposits that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value.

2.20 Provision for loans and advances

Generally, provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. However, at the discretion of management, provision against classified loans and advances may be made on monthly basis.

2.21 Corporate Tax

a. Current tax

Provision for current income tax is normally made as prescribed in Finance Act 2016 on the profit made by the Company considering major taxable allowances and disallowances and the same is understated or overstated to that extent. Any shortfall or excess provision will be duly adjusted after final assessment.

b. Deferred tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date. The impact on the accounts of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per BAS-12 "Income Taxes".

2.22 Deposits and other accounts

Deposits by customers and banks are recognized when the Company enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.23 Provision for liabilities

A provision is recognized in profit and loss account when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.24 Events after the reporting period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustments / disclosures have been made in the financial statements.

2.25 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December 2016 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the period 2015 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

2.26 General Notes

- a. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- b. Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

3. Cash

In hand (including foreign currencies) (Note-3.01)
 Balance with Bangladesh Bank and its agent (including foreign currencies) (Note-3.02)

2016 Taka	2015 Taka
150,000	100,000
23,238,880	1,000,000
23,388,880	1,100,000
150,000	100,000
-	-
150,000	100,000
23,238,880	1,000,000
-	-
23,238,880	1,000,000

3.01 In hand (including foreign currencies)

Local Currency
 Foreign Currency

3.02 Balance with Bangladesh Bank and its agent (including foreign currencies)

Local Currency
 Foreign Currency

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

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) have been calculated and maintained in accordance with Financial Institution Act, 1993 & Financial Institution Regulations, 1994 and FID Circular No. 06 dated November 06, 2003, FID Circular No. 02 dated November 10, 2004 and FID Circular No. 01 dated January 12, 2017.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. Total Term Deposit means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposit, received from individuals and institutions (except Bank & financial Institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on total Term Deposit. SLR maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other banks and Financial Institutions, unencumbered treasury bill and treasury bond and any other assets approved by Government Circular issued by Gazate or Bangladesh Bank.

a Cash Reserve Requirement (CRR)

Required reserve
 Actual reserve maintained
Surplus / (deficit)

22,896,668	-
23,432,309	-
535,641	-

b Statutory Liquidity Reserve (SLR)

Required reserve (including CRR)
 Actual reserve maintained (including CRR)
Surplus / (deficit)

50,001,979	-
179,779,067	-
129,777,088	-

4 Balance with other Banks and Financial Institutions**Inside Bangladesh****Local Currency**

Non interest bearing current deposits (Note - 4.01)
 Interest bearing short term deposits (Note - 4.02)
 Fixed deposits (Note - 4.03)

510,224	500,410
3,092,091	31,289,698
150,000,000	949,500,000
153,602,315	981,290,108

4.01 Non interest bearing current deposits

Mercantile Bank Limited (A/C # 112911115835276)
 Midland Bank Limited (A/C # 00111050001475)

508,896	500,410
1,329	-
510,224	500,410

4.02 Interest bearing short term deposits

Mercantile Bank Limited (A/C # 112913115835333)
 NRB Commercial Bank Limited (A/C # 0102 36000000029)
 NRB Bank Limited (A/C # 1021030038238)

2,495,357	25,427,664
461,522	5,862,034
135,212	-
3,092,091	31,289,698

4.03 Fixed deposits

Union Bank Limited
Meghna Bank Limited
NRB Commercial Bank Limited
NRB Global Bank Limited

2016 Taka	2015 Taka
-	450,000,000
-	50,000,000
150,000,000	200,000,000
-	249,500,000
150,000,000	949,500,000

4.04 Maturity grouping of balance with other banks and financial institutions

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

510,224	81,290,108
3,092,091	350,000,000
	350,000,000
150,000,000	200,000,000
-	-
-	-
153,602,315	981,290,108

5. Money at call and short notice

Short term placement

800,000,000	-
800,000,000	-

6. Investments

Investment in marketable securities (note-6.01)

32,159,716	-
32,159,716	-

6.01 Investment in marketable securities

Details of marketable securities are given below:

Business Segments	No. of Shares	Cost Price	Market Price
Mutual Funds	197,610	975,911	1,185,660
Bank	111,600	3,422,120	3,463,560
Financial Institutions	60,000	3,610,002	3,420,000
Cement	6,100	3,325,471	3,369,030
Pharmaceuticals & Chemicals	21,449	6,778,208	6,849,388
Tennary	67,023	7,067,708	7,265,020
Telecommunication	36,400	6,980,296	7,031,240
		32,159,716	32,583,899

7. Loans and advances**Corporate Finance**

Lease Finance
Loan Finance

2016 Taka	2015 Taka
70,250,098	-
1,583,935,064	170,000,000
1,654,185,162	170,000,000

Consumer Finance

House Finance
Car loan

137,839,269	21,771,661
116,359,084	-
254,198,353	21,771,661

SME Finance

Lease Finance, SMALL
Loan Finance, SMALL
Lease Finance, MID
Loan Finance, MID

62,646,645	-
183,676,888	-
903,738	-
613,320,086	-
860,547,356	-

Channel Finance

Factoring
Work Order Financing

11,117,193	-
4,827,143	-
15,944,336	-
2,784,875,208	191,771,661

7.01 Maturity Wise Grouping

On Demand
Not more than 3 months
More than 03 Month to 01 Years
More than 01 Year to 05 Years
More than 05 Years

7.02 Classification wise leases, loans and advances/ investments**Unclassified**

Standard
Special Mention Accounts (SMA)

Classified

Sub-standard
Doubtful
Bad/loss

7.03 Loans, advances and leases on the basis of significant concentration

- a) Loans, advances and leases to the institutions in which Directors have interest
- b) Loans, advances and leases to Chief Executive and other senior executives
- c) Loans, advances and leases to customer groups:
- House finance
 - Car Loan
 - Personal loan
 - Loan against deposits (LAD)
 - Small and medium enterprises
 - Special program loan (BB refinancing scheme)
 - Staff loan
- viii) Industrial Loans, advances and leases
- ix) Other loans and advances

d) Details of Industrial loans, advances and leases

- Trade and Commerce
- Industries
 - Garments and Knitwear
 - Textile
 - Jute and Jute -products
 - Food Production and Processing industry
 - Plastic Industry
 - Leather and Leather Goods
 - Iron, Steel and Engineering
 - Pharmaceuticals and Chemicals
 - Cement and Allied Industry
 - Telecommunication and IT
 - Paper, printing and Packaging
 - Glass, Glassware and Ceramic Industry
 - Ship Manufacturing Industry
 - Electronics and Electrical Products
 - Power, Gas, water and Sanitary Service
 - Transport and Aviation
- Agriculture
- House Finance
- Others
 - Loan to Subsidiaries Companies
 - Others

2016 Taka	2015 Taka
-	-
15,000,000	10,398,107
294,860,928	33,309,121
1,588,005,425	133,799,287
887,008,855	14,265,146
2,784,875,208	191,771,661
2,784,875,208	191,771,661
-	-
2,784,875,208	191,771,661
-	-
-	-
-	-
2,784,875,208	191,771,661
-	-
-	-
-	-
-	-
137,839,269	21,771,661
116,359,084	-
-	-
-	-
860,438,999	-
108,357	-
-	-
1,654,185,162	170,000,000
15,944,336	-
2,784,875,208	191,771,661
405,403,301	100,000,000
-	-
424,061,864	20,000,000
142,636,184	-
48,895,145	-
2,312,209	-
67,264,603	-
252,535,691	-
26,042,081	-
87,870,682	-
-	-
301,072,276	50,000,000
25,095,547	-
-	-
-	-
-	-
-	-
168,104,189	-
403,426,803	-
229,776,338	21,771,661
-	-
-	-
200,378,297	-
2,784,875,208	191,771,661

Dhaka
Chittagong
Khulna
Rangpur

2016 Taka	2015 Taka
1,921,563,893	191,771,661
473,428,785	-
83,546,256	-
306,336,273	-
2,784,875,208	191,771,661

- i) Loans, advances and leases considered good in respect of which the Bank/ FI is fully secured.
- ii) Loans, advances and leases considered good for which the Bank/FI holds no other security than the debtor's personal security.
- iii) Loans, advances and leases considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.
- iv) Loan adversely classified; for which no provision is created.
- v) Loans, advances and leases due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.
- vi) Loans, advances and leases due by companies and firms in which the directors of the Bank/FI have interests as directors, partners or managing agent or in case of private companies as members.
- vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors and managers or officers of the Bank/ FI or any of them either severally or jointly with any other persons.
- viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank/ FI have interests as directors, partners or managing agents or, in case of private companies as members.
- ix) Due from other Bank and Financial Institution companies
- x) Information in respect of classified loans, advances and leases:
 - a) Classified loans, advances and leases for which interest/ profit not credited to income
 - b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date
 - c) Amount of interest credited to the interest suspense account
- xi) Cumulative amount of written off loans, advances and leases:
 - Opening Balance
 - Amount written off during the year
 - Amount received off during the year
 - Balance of written off loans and advances yet to be recovered
 - The amount of written off loans, advances and leases for which law suits have been filed

[illegible]

Freehold assets (Note- 8.01)
Intangible assets (Note- 8.02)

26,829,926	17,518,637
411,982	-
27,241,908	17,518,637

A. Cost

Opening Balance

Add : Addition/(disposal) during the year

17,989,418	-
12,918,608	17,989,418
30,908,027	17,989,418
-	-
30,908,027	17,989,418

Opening Balance
Add : Charged during the year

470,781	-
3,607,320	470,781
4,078,101	470,781
-	-
4.078.101	470.781

C. Written down value (A-B)

26,829,926	17,518,637
------------	------------

8.02 Intangible assets

A. Cost

Opening Balance	-
Add: Acquisition during the year	456,475
	456,475
Less: Adjustment during the year	-
	456,475

B. Accumulated depreciation

Opening Balance	-
Add: Charged during the year	44,493
	44,493
Less: Adjustment during the year	-
	44,493

C. Written down value (A-B)

9. Other assets

Non income generating assets

Advances, deposits and prepayments (Note-9.01)	65,345,076	10,591,638
Deferred tax asset (Note- 9.02)	633,463	6,230,351

Income generating assets

Interest and other receivables (Note-9.03)	3,462,500	15,100,837
Receivable with IDLC Securities Limited	243,333	-
	69,684,372	31,922,827

9.01 Advances, Deposits and Prepayments

Advance office rent	9,003,454	7,902,238
Advance to suppliers and others	29,000	50,000
Advance for IPO investment	30,000,000	-
Advance Income Tax*	23,951,972	275,250
Security deposit	2,360,650	2,364,150
	65,345,076	10,591,638

*Advance income tax represents the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances of Meridian Finance & Investment Limited.

9.02 Deferred tax

Deferred tax has been calculated based on deductible/taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS)-12: Income Taxes.

Particulars	Accounting Base Carrying Amount	Tax Base Carrying Amount	(Taxable)/ Deductible temporary difference
Deferred tax liability is arrived at as follows:			
Fixed assets net of depreciation as on 31 December 2016			
Furniture and Fixture	3,476,032	3,336,852	(139,180)
Office Decoration	10,182,607	9,731,578	(451,028)
Office Equipment	3,515,974	3,201,470	(314,504)
IT Equipments	4,235,794	2,975,581	(1,260,213)
Motor Vehicle	5,419,518	3,327,200	(2,092,318)
Taxable Temporary Difference	26,829,926	22,572,682	(4,257,244)
Deferred tax liability at 31 December 2016 @ 42.5%			(1,809,328)
Deferred tax liability at 31 December 2015 @ 42.5%			(1,678,643)
Deferred tax asset is arrived at as follows:			
Gratuity Provision			1,490,500
Deductible Temporary Difference			1,490,500
Deferred Tax Asset at 31 December 2016 @ 42.5%			633,463
Deferred Tax Asset at 31 December 2015 @ 42.5%			6,230,351

Recognition of Deferred Tax Expense / (Income)

Particulars	31-Dec-16	31-Dec-15	Tax Expense/ (Income)
Deferred Tax Liability	(1,809,328)	(1,678,643)	130,685
Deferred Tax Assets	633,463	6,230,351	5,596,889
Deferred Tax Expense/ (Income)			5,727,574

	2016 Taka	2015 Taka
9.03 Interest and other receivables		
Interest receivables-Fixed Deposit	2,187,500	14,460,875
Interest receivables-Short Term Placement	1,275,000	-
Interest receivables-Corporate Finance	-	621,528
Interest receivables-Consumer Finance	-	18,434
	3,462,500	15,100,837
10. Borrowings from other banks, financial institutions & agents		
Inside Bangladesh (Note-10.01)	165,372,760	-
Outside Bangladesh	-	-
	165,372,760	-
10.01 Inside Bangladesh		
Secured		
Bank Overdraft (Note-10.01.01)	61,638,796	-
	61,638,796	-
Unsecured		
Bank overdraft- Midland Bank Limited	4,797	-
Long term loan (Note-10.01.02)	103,729,167	-
	103,733,964	-
	165,372,760	-
10.01.01 Bank Overdraft		
Secured by FDR		
Woori Bank	61,638,796	-
	61,638,796	-
10.01.02 Long term loan		
Bangladesh Bank (under Re-Finance)- New Entrepreneur	3,729,167	-
Midland Bank Limited	100,000,000	-
	103,729,167	-
10.02 Maturity grouping of borrowings from other banks, financial institutions & agents		
Payable on demand	-	-
Up to 1 month	61,643,593	-
Over 1 months but within 3 months	4,185,546	-
Over 3 months but within 1 year	4,283,414	-
Over 1 year but within 5 years	8,870,279	-
Over 5 years	86,389,927	-
	165,372,760	-
11. Deposits and other accounts		
Term deposits (Note-11.01)	2,303,045,086	20,314,500
Other deposits (Note-11.02)	68,045,680	5,197,975
	2,371,090,766	25,512,475
11.01 Term deposits		
Short Term Deposit (Note-11.01.01)	2,264,120,811	20,314,500
Long Term Deposit - Individual	2,936,275	-
Double Money Deposit (Note-11.01.02)	26,950,000	-
Triple Money Deposit - Individual	5,000,000	-
Monthly Earner Deposit-Individual	3,000,000	-
Quarterly Earner Deposit-Individual	1,000,000	-
Deposit Pension Scheme-Individual	38,000	-
	2,303,045,086	20,314,500

	2016 Taka	2015 Taka
11.01.01 Short Term Deposit		
Short Term Deposit - Bank & NBF	1,350,000,000	-
Short Term Deposit - Corporate	778,121,643	20,000,000
Short Term Deposit - Individual	135,999,168	314,500
	2,264,120,811	20,314,500
11.01.02 Double Money Deposit		
Double Money Deposit - Individual	6,950,000	-
Double Money Deposit - Corporate	20,000,000	-
	26,950,000	-
11.02 Other deposits		
Interest Bearing Security Deposit (Note-11.02.01)	35,625,000	-
Non-Interest Bearing Security Deposit (Note-11.02.02)	32,420,680	5,197,975
	68,045,680	5,197,975
11.02.01 Interest Bearing Security Deposit		
Lease Deposit- SMALL	650,000	-
Loan Deposit- SMALL	18,375,000	-
Loan Deposit- MID	16,600,000	-
	35,625,000	-
11.02.02 Non-Interest Bearing Security Deposit		
Lease Deposit- SMALL	936,120	-
Loan Deposit- SMALL	3,637,768	-
Lease Deposit- MID	41,107	-
Loan Deposit- MID	11,029,612	-
Lease Deposit- Corporate	1,655,706	-
Loan Deposit- Corporate	14,967,295	5,197,975
House Finance Deposit	153,072	-
	32,420,680	5,197,975
11.03 Group-wise break -up of term deposits		
Government	-	-
Bank	1,350,000,000	-
Insurance	149,000,000	-
Other Institutions	649,121,643	20,000,000
Individuals	154,923,443	314,500
	2,303,045,086	20,314,500
11.04 Maturity analysis of Term deposits		
Payable on demand	-	-
Up to 1 month	572,825,041	-
Over 1 months but within 6 months	1,284,618,347	20,000,000
Over 6 months but within 1 year	407,077,423	314,500
Over 1 year but within 5 years	6,574,275	-
Over 5 year but within 10 years	26,950,000	-
Over 10 years	5,000,000	-
	2,303,045,086	20,314,500
12. Other liabilities		
Withholding TAX payable	1,681,533	185,920
Withholding VAT payable	557,943	156,448
Excise duty	143,750	-
Office rent payable	-	252,662
Interest payable (Note - 12.01)	53,227,746	66,952
Deferred tax liability	1,809,328	1,678,643
Provision for current tax	29,352,921	53,478
Audit fee payable	51,750	63,250
Consultancy Fee Payable	-	8,625
Salary Payable	-	32,275
Payable for Assignment Cheque	92,478	-
Payable to suppliers	2,166,617	3,718,177

Provident Fund Payable
Gratuity Fund Payable
Other Payable
Sundry creditors
Provision for doubtful accounts and future losses (Note-12.02)

2016 Taka	2015 Taka
1,037,478	-
1,442,500	-
155,415	-
694,806	-
21,428,517	1,917,842
113,842,781	8,134,272
48,081,216	66,952
116,480	-
1,341,283	-
9,288	-
11,308	-
468,172	-
4,130	-
1,366,375	-
1,829,494	-
53,227,746	66,952
14,682,639	-
26,008,188	66,111
7,390,389	841
48,081,216	66,952
1,062,500	-
278,783	-
1,341,283	-
27,625	-
529,253	-
809,497	-
1,366,375	-
23,938	-
1,805,556	-
1,829,494	-
16,541,852	1,700,000
2,541,984	217,842
2,304,821	-
39,861	-
21,428,517	1,917,842
702,501	-
15,839,351	1,700,000
16,541,852	1,700,000
1,378,393	217,842
1,163,591	-
2,541,984	217,842
307,457	-
461,805	-
2,259	-
1,533,300	-
2,304,821	-

12.02.04 Channel Finance

Factoring
Work Order Financing

2016 Taka	2015 Taka
27,793	-
12,068	-
39,861	-
2,000,000,000	2,000,000,000
1,200,000,000	1,200,000,000

13. Share capital**Authorized**

200,000,000 ordinary shares of Tk.10/- each

Issued, subscribed and paid up

120,000,000 ordinary shares of Tk.10/- each

Details of shares holding position are as under:

Sponsor Shareholders:**A. Individual Sponsors**

Mr. K.M. Aminul Islam
Ms. Ruba Ahmed
Mr. Mizanur Rahman

B. Institutional Sponsors

AG Agro Industries Ltd.
M Rahman Steel Mills Ltd.
Siam's Superior Ltd.
Arunima Apparels Ltd.
Matrix Sweaters Ltd.
Diganta Sweaters Ltd.
Disari Industries (Pvt.) Ltd.
Toma Construction & Co. Ltd.
Saima Samira Textile Mills Ltd.
Omega Sweaters Ltd.

Total Shareholdings

Percentage (%)	No. of Shares		
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
4.167	5,000,000	50,000,000	50,000,000
20.83	25,000,000	250,000,000	250,000,000
8.333	10,000,000	100,000,000	100,000,000
4.167	5,000,000	50,000,000	50,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
8.333	10,000,000	100,000,000	100,000,000
79.17	95,000,000	950,000,000	950,000,000
100.00	120,000,000	1,200,000,000	1,200,000,000

13.01 Capital Adequacy Ratio (CAR)

As per section 4(GHA) of the Financial Institution Rule 1994 and subsequently updated vide DFIM Circular No. 5, dated July 24, 2011, the minimum paid up capital of the Financial Institution (FI) shall be Taka 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 at the close of business on 31 December 2016 were Taka 95 crore.

Core Capital (Tier-1) / Shareholders' Equity

Paid-up capital (Note-13)

Share premium

Statutory reserves (Note-14)

General reserves

Dividend equalization reserves

Retained earnings (Note-15)

Non-controlling interest

Sub-Total**Supplementary Capital (Tier -II)**

General Provision (Unclassified loans up to specified limit + SMA + Off Balance Sheet exposure)

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)

Sub-Total**A) Total capital****Total assets including off -balance sheet exposures**

1,200,000,000	1,200,000,000
-	-
8,129,218	-
-	-
-	-
32,516,874	(10,043,514)
-	-
1,240,646,092	1,189,956,486
21,428,517	1,917,717
-	-
-	-
-	-
-	-
21,428,517	1,917,717
1,262,074,609	1,191,874,203
3,890,952,399	1,223,603,233

B) Total risk weighted assets
C) Required capital based on risk weighted assets (10% on B)
D) Surplus (A-C)
E) Capital Adequacy Ratio (%)
F) Core Capital to RWA (%)
G) Supplementary Capital to RWA (%)

14. Statutory reserve

Opening balance
Add: Transferred from profit
Closing balance

15. Retained earnings

Opening balance
Add: Profit/(loss) for the year
Less: Appropriation to statutory reserve
Closing balance

16. Interest income

Corporate Finance

Lease Finance
Loan Finance

Consumer Finance

House Finance
Car loan
Loan against Deposit (LAD)

SME Finance

Lease Finance, SMALL
Loan Finance, SMALL
Lease Finance, MID
Loan Finance, MID

Channel Finance

Factoring
Work Order Financing

Treasury

Fixed deposit accounts
Short notice deposit accounts
Short term placement

17. Interest expenses on deposits and borrowings

Interest on term deposit (Note-17.01)
Interest bearing security deposit
Secured Bank Overdraft
Unsecured Borrowing (Note-17.02)

17.01 Interest on term deposit

Short Term Deposit (Note-17.01.01)
Long Term Deposit - Individual
Monthly Earner Deposit - Individual

2016 Taka	2015 Taka
3,106,999,999	618,873,413
310,700,000	61,887,341
951,374,609	1,129,986,861
40.62%	192.59%
39.93%	192.28%
0.69%	0.31%
-	-
8,129,218	-
8,129,218	-
(10,043,514)	(4,830,680)
50,689,606	(5,212,834)
8,129,218	-
32,516,874	(10,043,514)
4,403,126	-
98,069,012	621,528
102,472,138	621,528
11,102,774	30,973
6,799,544	-
76,250	-
17,978,568	30,973
2,650,724	-
13,986,013	-
135,915	-
41,145,297	-
57,917,949	-
2,715,190	-
1,583,296	-
4,298,485	-
36,603,276	15,658,097
2,064,452	1,055,282
52,809,181	-
91,476,908	16,713,380
274,144,048	17,365,881
100,826,281	66,952
1,415,806	-
328,941	-
2,245,178	-
104,816,205	66,952
98,546,560	66,952
116,480	-
268,958	-

	2016 Taka	2015 Taka
Quarterly Earner Deposit - Individual	80,698	-
Double Money Deposit (Note-17.01.02)	1,341,283	-
Triple Money Deposit - Individual	468,172	-
Deposit Pension Scheme-Individual	4,130	-
	100,826,281	66,952
17.01.01 Short Term Deposit		
Short Term Deposit - Bank and NBF	53,154,861	-
Short Term Deposit - Corporate	36,942,374	66,111
Short Term Deposit - Individual	8,449,325	841
	98,546,560	66,952
17.01.02 Double Money Deposit		
Double Money Deposit - Corporate	1,062,500	-
Double Money Deposit - Individual	278,783	-
	1,341,283	-
17.02 Unsecured Borrowing		
Call Borrowing	163,750	-
Bangladesh Bank Refinancing	73,938	-
Long Term Loan	1,805,556	-
Unsecured Bank Overdraft	201,934	-
	2,245,178	-
18. Income from investment		
Capital gain on sale of marketable securities	2,411,269	-
Dividend Income	163,060	-
	2,574,329	-
19. Commission, Exchange and Brokerage Income	-	-
20. Other operating income		
Fees and documentations (Note-20.01)	12,281,053	460,274
Miscellaneous Income	5,323	-
	12,286,376	460,274
20.01 Fees and documentations		
Corporate finance		
Lease Finance	430,074	-
Loan Finance	2,076,982	368,230
Loan Syndication	2,200,000	-
Pre-payment fee	1,400,001	-
	6,107,056	368,230
Consumer Finance		
House Finance	986,976	92,044
Car loan	731,757	-
Loan against Deposit	900	-
	1,719,633	92,044
SME Finance		
Lease Finance, SMALL	381,397	-
Loan Finance, SMALL	1,743,594	-
Lease Finance, MID	9,672	-
Loan Finance, MID	2,029,265	-
	4,163,927	-
Channel Finance		
Factoring	112,176	-
Work Order Financing	178,261	-
	290,437	-
	12,281,053	460,274

21. Salary and allowances

Salary and allowances
 Provident fund contribution
 Gratuity fund
 Festival bonus

22. Rent, taxes, insurance, electricity, etc.

Office rent
 Insurance
 Utilities

23. Legal and professional fees**24. Postage, stamps, telecommunication, etc.**

Postage and courier
 Telephone bill

25. Stationery, printings, advertisement, etc.

Printing and stationery
 Advertisement

26. Managing director's salary and allowances (Joined on 23 October 2016)**27. Director fees and expenses****28. Auditor's fees****29. Depreciation and repair of company's assets**

Repairs and maintenance
 Software maintenance
 Depreciation & Amortization

30. Other Expenses

Training
 Renewal and Registration fees
 Employee Engagement Program
 Conveyance
 Travelling
 Business Development Expense
 Internet and e-mail
 Computer accessories
 Fuel expense
 Vehicle maintenance/Registration
 Office maintenance
 Entertainment
 Bank charges
 CIB Charge
 Donation and Subscriptions
 Recruitment expense
 Excise duty
 CDBL fee
 Security Guard Services
 Inauguration expenses
 Contact point verification fee
 Marketing Expense
 Meeting expense

2016 Taka	2015 Taka
37,363,948	6,901,708
1,860,310	-
1,490,500	-
3,094,000	578,000
43,808,758	7,479,708
13,654,801	10,201,575
23,590	-
1,350,298	374,720
15,028,689	10,576,295
144,899	204,125
458,244	10,635
523,426	97,368
981,670	108,003
796,322	256,896
1,094,354	100,550
1,890,675	357,446
1,202,419	-
806,597	-
51,750	34,500
299,717	246,398
-	11,400
3,651,813	470,781
3,951,530	728,579
317,739	2,000
1,210,261	60,500
246,336	-
643,917	53,751
627,283	31,780
837,700	-
233,088	44,155
184,694	39,013
689,310	90,982
2,870,890	618,853
1,263,552	341,248
174,410	114,263
66,289	5,713
77,050	10,000
72,381	-
26,648	26,125
382,500	90,000
6,720	-
744,211	-
-	4,342,163
190,805	-
77,875	-
150,604	193,223
11,094,263	6,063,769

31. Provisions for loans/investments

General provision
Specific provision

2016 Taka	2015 Taka
19,510,675	1,917,842
-	-
19,510,675	1,917,842
29,299,443	53,478
5,727,574	(4,551,708)
35,027,017	(4,498,230)

32. Provision for taxation

Current tax expense
Deferred tax expense/ (income)

33. Related party transactions

Details of transactions with related parties and balances with them as at 31 December, 2016 were as follows:

SI No.	Name of the Related Party	Transaction nature	Balance as at 01 Jan 2016	Addition	Adjustment	Balance as at 31 Dec 2016
1	Arunima Apparels Ltd.	Term deposit	5,000,000	20,000,000	10,000,000	15,000,000
2	Cassiopea Apparels Ltd.	Term deposit	-	92,658,432	-	92,658,432
3	Cassiopea Clothing Ltd.	Term deposit	-	10,000,000	-	10,000,000
4	Cassiopea Fashion Ltd.	Term deposit	-	65,529,602	-	65,529,602
5	Gold Star Fashion Ltd.	Term deposit	10,000,000	-	10,000,000	-
6	Sabarang Fashions Ltd.	Term deposit	5,000,000	20,000,000	-	25,000,000
	Total		20,000,000	208,188,034	20,000,000	208,188,034

34. Employees' details

No. of employee received BDT 3,000 per month
No. of employee received more than BDT 3,000 per month

-	-
50	27
50	27

35. Event after the Reporting Period

The board of directors in its meeting held on March 13, 2017 has approved the financial statements and authorized the same for issue.

No other adjusting event had occurred till date of signing the financial statements which recognize adjustment under BAS -10 "Events after Reporting Period".


Chairman


Director


CEO & Managing Director


Company Secretary

Place : Dhaka

Dated : 13 March 2017

MERIDIAN FINANCE AND INVESTMENT LIMITED

Schedule of Fixed Assets including Land, Building, Furniture and Fixtures

As at 31 December 2016

Particulars	COST				DEPRECIATION				Amount in Taka	
	Balance as at 01.01.2016	Addition during the year	Sales/ (Disposal) during the year	Balance as at 31.12.2016	Rate (%)	Balance as at 01.01.2016	Charged during the year	Adjustment/ (Disposal) during the year	Balance as at 31.12.2016	Written down value as at 31.12.2016
Freehold Assets										
Furniture & Fixture	2,252,911	1,679,993	-	3,932,904	16.67	62,265	394,607	-	456,872	3,476,032
Office Decoration	6,209,036	5,224,732	-	11,433,768	16.67	169,329	1,081,833	-	1,251,162	10,182,607
Office Equipments	163,535	3,410,008	-	3,573,543	20.00	3,012	54,557	-	57,568	3,515,974
IT Equipments	2,579,936	2,444,875	-	5,024,811	20.00	77,266	711,751	-	789,017	4,235,794
Motor Vehicle	6,784,000	159,000	-	6,943,000	20.00	158,908	1,364,573	-	1,523,482	5,419,518
	17,989,418	12,918,608	-	30,908,027		470,781	3,607,320	-	4,078,101	26,829,926
Intangible Assets										
Systems and software	-	456,475	-	456,475	20.00	-	44,493	-	44,493	411,982
Total as at 31 December 2016	17,989,418	13,375,083	-	31,364,502		470,781	3,651,813	-	4,122,594	27,241,908
Total as at 31 December 2015	-	17,989,418	-	17,989,418		-	470,781	-	470,781	17,518,637

MERIDIAN FINANCE AND INVESTMENT LIMITED**Financial Highlights**

As at 31 December 2016

Amount in Taka (mn)

SI No.	Key Indicators	2016	2015
1	Paid-up capital	1,200.00	1,200.00
2	Total capital	1,240.65	1,189.96
3	Capital surplus	951.37	1,129.99
4	Total assets	3,890.95	1,223.60
5	Total term deposits	2,303.05	20.31
6	Total loans, advances and leases	2,784.88	191.77
7	Total contingent liabilities and commitments	-	-
8	Credit deposit ratio	1.21	9.44
9	Percentage of classified loans against total loan & advance	-	-
10	Profit after tax and provision	50.69	(5.21)
11	Amount of classified loans during current year	-	-
12	Provisions kept against classified loans	-	-
13	Provision surplus against classified loan	-	-
14	Cost of fund	7.69%	8.50%
15	Interest earnings assets	3,738.48	1,173.06
16	Non-interest earnings assets	152.47	50.54
17	Return on investment (ROI)	4.09%	0.44%
18	Return on assets (ROA)	1.30%	0.43%
19	Income from investment	2.57	-
20	Earnings Per Share (EPS)	0.42	(0.04)
21	Net income per share	1.41	0.14
22	Market price per share	-	-
23	Price Earnings (P/E) ratio	-	-

Meridian Finance and Investment Limited

Silver Tower, Level 6, 52 Gulshan Avenue,
Gulshan 1, Dhaka 1212, Bangladesh

Affix revenue
stamp of
Tk. 20.00

Proxy Form

I
of being a member of
Meridian Finance & Investment Limited here by appoint Mr. / Ms. of
..... failing (him / her)
..... of
..... as my proxy to attend and vote for me and on my behalf at the third Annual
General Meeting of the company to be held on Monday 22 May 2017 at 5:00 pm and at any adjournment thereof.

Signed this day of 2017

Detail of proxy	Detail of member
Signature	Signature
Name:	Name:
Folio Number (If any) :	Folio Number :

Notes:

1. Proxy form duly completed must be deposited at the registered office of the company 48 hours before the time appointed for the meeting.
2. Signature of the member should agree with the specimen signature registered with the company.



Attendance Slip

Detail of proxy	Detail of member
Signature	Signature
Name:	Name:
Folio Number (If any) :	Folio Number :

I/we hereby record my presence at third Annual General Meeting of Meridian Finance & Investment Limited on Monday 22 May 2017 at 5:00 pm at Gulshan, Dhaka, Bangladesh.