

**Consolidating strength,
Exploring possibilities**



Consolidating strength, Exploring possibilities

At Meridian Finance & Investment Limited, the forward-thinking guides us to consolidate our inner strength and to explore the newer possibilities ahead that lead us towards greater success in the financial industry. Our commitment to assisting our valued customers in realizing the full potential of their venture and steering them in the right direction through our versatile product range to achieve greater progress. It is our continuing commitment that has earned and strengthened the trust of our stakeholders, year after year.



Shaping Stories



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LETTER OF TRANSMITTAL

All Shareholders
Bangladesh Bank

Subject: Annual Report for the year ended on December 31, 2018

Dear Sir(s),

We are delighted to enclose a copy of the Annual Report 2018 together with the Audited Financial Statements including Balance Sheet as at December 31, 2018 and income Statement, Cash Flow Statement for the year ended on December 31, 2018 along with notes thereon of Meridian Finance & Investment Limited for your kind information and record.

Yours Sincerely



Md. Abdul Ahad, FCA

DGM & Company Secretary

Meridian Finance & Investment Limited

NOTICE OF AGM

5th Annual General Meeting

Notice is hereby given that the 5th Annual General Meeting of Meridian Finance & Investment Limited to be held on Monday, April 29, 2019 at 6.30 pm at Gulshan, Dhaka to transact the following businesses:

- AGMA-05-01 : To confirm the minutes of 4th Annual General Meeting held on May 05, 2018.
- AGMA-05-02 : To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2018.
- AGMA-05-03 : To approve dividends out of the profits for the year ended December 31, 2018.
- AGMA-05-04 : To elect the directors who are retiring in terms of the relevant provision of the Articles of Association of the Company.
- AGMA-05-05 : To appoint Auditors and to fix their remuneration for the year ended December 31, 2019.
- AGMA-05-06 : To transact any other business with the permission of the Chairman.

Dated, Dhaka
April 13, 2019

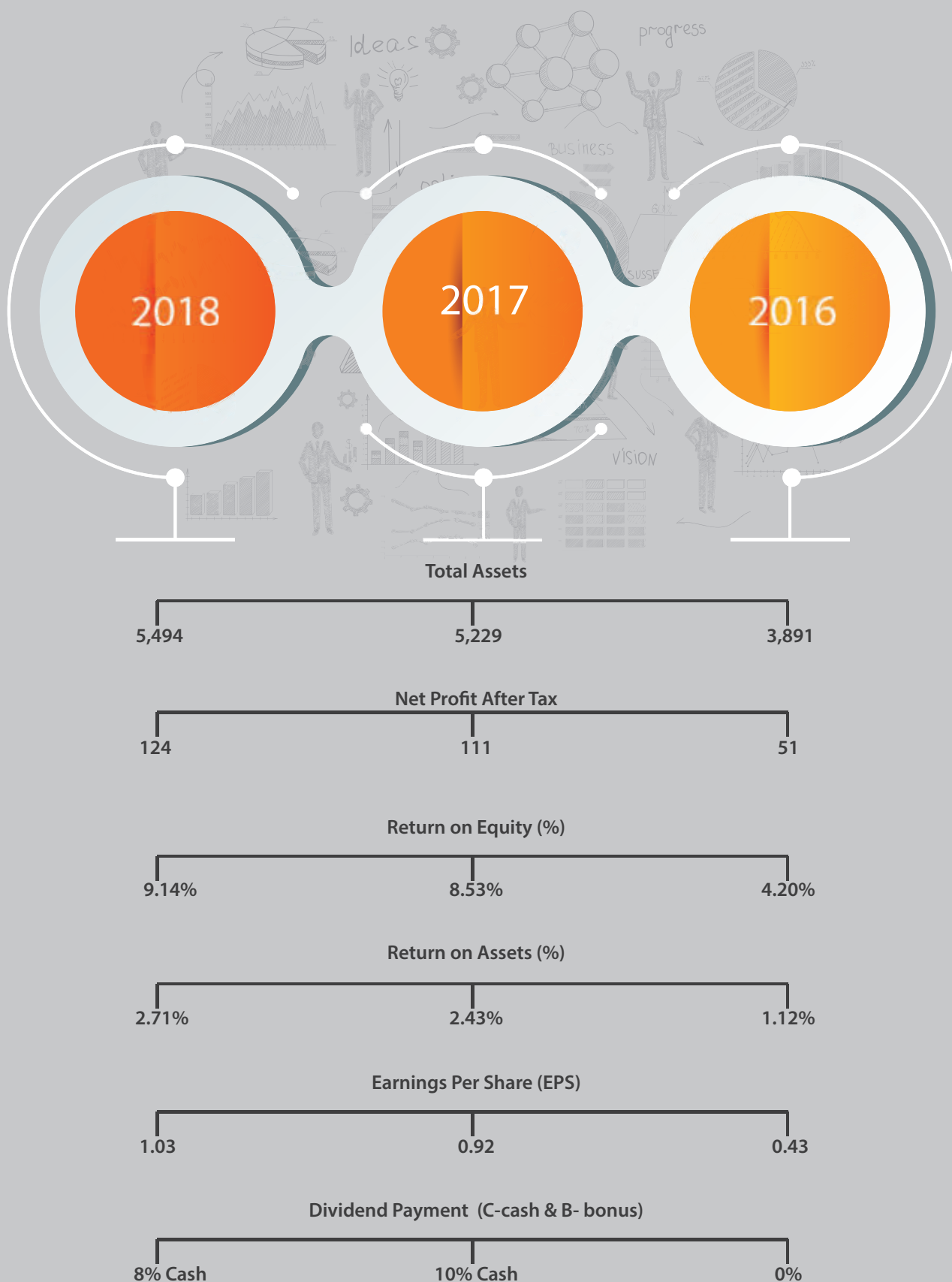


Md. Abdul Ahad, FCA
Company Secretary

CORE FINANCIAL HIGHLIGHTS, 2018



THREE YEARS FINANCIAL PERFORMANCE HIGHLIGHT



MERIDIAN FINANCE

at a Glance

Meridian Finance & Investment Limited

Type of Company	Public Limited Company
Type of Business	Financial Institution
Key Business Segments	Small Medium Enterprise (SME) Financing Corporate Financing Consumer Financing including Home Loans, and Car Loans/Lease Deposit Schemes
Company Incorporation Number	C-113483/14
Date of Incorporation	January 14, 2014
Bangladesh Bank License Number	DFIM (L)/35
Bangladesh Gazette Number	DFIM(L)/1053/BIBIDH/2015-1135
Number of Branch	04
Address of Corporate Head Office	Silver Tower, Level: 6, 52 Gulshan Avenue Gulshan: 1, Dhaka-1212
Telephone	+88 09613 445566
Fax	+88 02 883 7822
Hotline	16659
Email Address	info@meridianfinancebd.com
Web Address	www.meridianfinancebd.com [1]
Auditor	Ernst & Young (EY) Member Firm A. Qasem & Co. Chartered Accountants
Key Banking Partners	Standard Chartered Bank Woori Bank Mercantile Bank Limited
Credit Rating Company	Alpha Credit Rating Limited
Legal Advisers	Adil & Associates Barrister Chowdhury Mokimuddin K J Ali Barrister Shakhawat Hossain Barrister Tarikul Islam

NOTE FROM BOARD CHAIR

Dear Shareholders,

Welcome to the 5th Annual General Meeting of Meridian Finance & Investment Limited. It is my great pleasure to present before you the Annual Report and Audited Financial Statements of 2018 of Meridian Finance & Investment Limited.

Macroeconomic Environment

The Bangladesh economy has been able to maintain sustainable economic growth. Bangladesh GDP grew at 7.86% in 2018, the highest ever for the country, which is mainly driven by strong domestic demand and continued investment in large-scale public projects and a recovery pick up in private investment and contained inflation. Despite buoyant export growth, Balance of Payment remained under pressure due to surge in import in the second half of the year. However, foreign exchange reserve remained healthy at USD 33 billion mainly due to steady flow of inward remittances. Amid robust GDP growth in 2018, broad money (M2) increased at slower rate of 9.41%. Export earnings stood at USD 37 billion which was 5.82% higher than last year.

Financial Industry Review

Financial industry faced a challenging and stressful year in 2018 due to few macro factors which affected the performance of the financial institutions. Extreme liquidity crisis prevailed during the year. Central Bank revised the AD ratio to 83.50 percent from 85 percent in the mid of 2018 which intensified the liquidity crisis. The low deposit rate resulted in yearlong liquidity shortage that was intensified due to the regulatory compliance of maintaining the permissible level. This has resulted in high deposit rate and reduced interest rate



spread. Moreover non-performing loans in the financial sector was increasing at a rapid pace, which adversely impacted the overall profitability of the industry.

Business Performance Review

The year 2018 being an election year started with a sudden severe liquidity crunch environment together with bearish capital market and this situation prolonged throughout the year. Meridian Finance has struggled to grow its loan book due to liquidity scenario but prudently managed in shifting its focus on recovery & collection, mobilization of deposits and balance sheet management. In spite of such critical market scenario, Meridian Finance demonstrated high resilience in achieving its key performance indicators and succeeded to deliver consistent growth and sustained value for our shareholders. The company has successfully diversified its product ranges and revenue growth, expanded its outreach through touchpoints, and initiated digital infrastructure capabilities.

Total Asset size of the company stood at BDT 5,494 million, which contributed to a 3 years Cumulative Average Growth Rate (CAGR) of 19%. On the other side Total Liability stood at BDT 4,139 million compare to BDT 3,877 million in 2017 contributing 3 years CAGR of 25%. The company achieved BDT 700 million operating profit in 2018 which was 20% higher than last year and registered to a 3 years CAGR of 56%. We made Net Profit after Tax (NPAT) of BDT 124 million compare to BDT 111 million in 2017. 3 years CAGR of Net Profit after Tax of the company stood at 56% which signifies that the return from the investment is growing stronger year on year with prudent management. EBIT reached to BDT 523 million in 2018 which is 19% higher than last year. ROE and ROA stood at 9.14% and 2.71% in 2018 compare to 8.53% and 2.43% respectively of the corresponding year. EPS of the company increased to BDT 1.03 in 2018 from BDT 0.92. Credit rating of

the company was **A+** in Long term and “ST-2” in short term in 2018.

Board, Corporate Governance and Ethics

Meridian Finance has always believed that effective Corporate Governance forms the bedrock of Business Excellence in an organization. The importance of this goes beyond mere adherence to rules & regulations. Good governance and sound ethical practices are deeply embedded in our culture. The Company pursue and adhere to best compliance culture and practices. We have significantly strengthened our risk management framework, control procedures and audit processes and set a very high compliance standard for sustainable growth. We operate our business activities at leaner way, in environment friendly and socially sustainable manner in line with the company's vision and mission statement. The Board of Directors remains committed to ensure highest standard of corporate governance & transparency throughout the organization with the objective of safeguarding the interest of all stakeholders and enhancing the shareholders' value. During the year under review, the Board of Directors had the opportunity to engage with senior management during various Board/ Committee meetings. These provided the Board with an opportunity to understand the strength of the Company's leadership and guide them to ensure long-term sustenance of business strategy while keeping in mind customer requirements. We have established ourselves as one of the most compliant NBFI in the industry and will continue to strengthen our position to remain as a highly-compliant and well-governed financial institution in Bangladesh.

Our Commitment

We are committed to build relationships with the community within which we

operate. Meridian Finance is widening its networks in its bid to reaching out to the different segments of customers. In this way, we get closer to our customers and are able to identify their needs and serve them better with tailor-made products and services to cater to their requirements. For us, our people are our standard-bearers who interact with our customers closely, convey our image and convince them that we are always ready to cater their needs. This is how we have built mutually rewarding sustainable relationships with all our stakeholders and created value for the society and environment.

The Way Forward

Our success truly portrays that we keep a watchful eye on our business to identify and grab the opportunities as and when they arise, embracing technological change and innovation, and continuing to develop attractive value propositions for our clients. The board also focuses on sustaining resilience by enhancing our brand image and viable performance.

Proposed Dividend

The Board has decided to propose 8% cash dividend to our shareholders for the year 2018. We always give utmost importance to fulfil the needs of the shareholders taking into account the issues like organizational capacity, earnings outlook, regulatory requirements, and prospects to grow the business.

Acknowledgements

I take this opportunity to express my profound gratitude and extend appreciation to our valued shareholders, clients, bankers, depositors, lenders, business partners, regulators, auditor, service providers and other stakeholders for their continued patronage and support and cooperation. My 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 like to express gratitude to my colleagues on the board for their constant guidance, supervision and timely decision to address challenges we have faced over the years. I am grateful to our Managing Director & CEO for his dynamic leadership and agility to steer the Company into right direction. I would also like to thank to the employees of Meridian Finance for their dedication and commitment to make the year 2018 a successful one and look forward to make the year 2019 even better in every terms. It has been my privilege to serve as the Chairman of a Meridian Finance and I am confident that the Board along with the dedicated employees of the company will continuously work together for a better future. We will also keep our eyes open to find new business solutions to play a catalyst in further growth opportunities in the long run.

Thanks & Best Regards to All,



Naima Chowdhury
Chairman

NOTE FROM MD & CEO

Dear Shareholders & Stakeholders,

Your company has made substantial progress towards achieving its organizational capabilities and reaching out to the customers with strong commitment of service delivery. 2018 was a significant year in Meridian Finance's lifecycle and the company performed well despite many challenges with a firmly embedded "Service First" ethos to make a unique and pleasant experience of its customers.

Economy & Industry Review

The Bangladesh economy has been able to maintain sustained economic growth. The economy grew at a rate of 7.86 percent in FY2017-18, satisfactorily up from 7.28 percent growth in FY2016-17. The per capita national income reached US\$1,751 in FY2017-18, up by US\$141 a year earlier. Country's export earnings stood at US\$ 36,668 million in FY2017-18, which is 5.81 percent higher than the export earnings (US\$ 34,656 million) in FY2016-17. On the other hand, import payments (C&F) stood at US\$58,865 million in FY2017-18, which is 25.23 percent higher than the import payments of US\$47,005 million in the preceding year. Trade Deficit has increased significantly at US\$18,258 million in the FY2017-18 compared to US\$9,472 million in FY2016-17 because of high import payments. However, remittances inflows registered a growth. The GDP under the Medium Term Macroeconomic Framework (MTMF) has been projected to grow at the rate of 7.8 percent in FY2018-19 which is expected to be achieved through the implementation of prudent fiscal management, effective application of cautious monetary policy, appropriate management of expenditure, sound implementation of the reform activities.



Business Performance Review

Meridian Finance has positioned as one of the leading NBFIs and maintained strong growth across its business verticals adhering to highest ethical standards, customer centric approach, service delivery, regulatory compliance, and corporate governance. The company was meticulously focused in all key areas like managing risks, revenue, capital adequacy, quality portfolio growth, and liquidity. 2018 being a critical year for the financial sector due to the acute liquidity crisis has forced us to consolidate our performance. Growing deposit book was a real challenge in 2018 as there were immense encashment pressure throughout the year. Liquidity crisis, foreclosure and takeover of loans literally impacted our loan book to grow positively. However our home loan portfolio grew almost 29% in 2018 compared to last year. Our key focuses during the year were to maintain our inflow from recovery and collection, retention of existing loan portfolio, retention and mobilization of deposits, and cost management.

Total Asset size of the company stood at BDT 5,494 million, which contributed to a 3 years Cumulative Average Growth Rate (CAGR) of 19%. On the other side Total Liability stood at BDT 4,139 million compare to BDT 3,877 million in 2017 contributing 3 years CAGR of 25%. The company achieved BDT 700 million operating profit in 2018 which was 20% higher than last year and registered to a 3 years CAGR of 56%. We made Net Profit after Tax (NPAT) of BDT 124 million compare to BDT 111 million in 2017. 3 years CAGR of Net Profit after Tax of the company stood at 56% which signifies that the return from the investment is growing stronger year on year with prudent management. EBIT reached to BDT 523 million in 2018 which is 19% higher than last year. ROE and ROA stood at 9.14%

and 2.71% in 2018 compare to 8.53% and 2.43% respectively of the corresponding year. EPS of the company increased to BDT 1.03 in 2018 from BDT 0.92. The Board has decided to propose 8% cash dividend to our shareholders for the year 2018. We always give utmost importance to fulfil the needs of the shareholders taking into account the issues like organizational capacity, earnings outlook, regulatory requirements, and prospects to grow the business.

Strategic Business Model

Meridian Finance recognizes that the Consumer Finance and SME Finance are the important sectors in its business strategy and intend to increase its focus to maintain a quality portfolio that facilitates & supports good service to customers as well as provide adequate return to stakeholders. In the backdrop of current macroeconomic and financial industry's outlook, Meridian Finance has shifted the business focus from Corporate book to Consumer & SME Book.

Spreading Touchpoints

We are increasing our branch touchpoint networks in the potential areas of the country to cater the service to our customers. Meridian has opened up branch offices in Dhaka, Gazipur, Bogura and Chattogram. We plan to expand our reaches to customers through more touch points in the coming years.

Management of NPL

Our intense focus on quality loans has driven the Company to achieve an NPL ratio of 0.32% at the end of 2018. 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. We prioritize cash flow and goodwill of the borrowing companies when

approving loans. Our thrust for diversifying our portfolio as well as strengthening our monitoring has remained very much on. And, in the coming days, “No compromise in quality” would be the guiding principle to manage credit portfolio of the Company.

Our People, Our Most Important Asset

Many factors contribute to being successful in business. Having a sound strategy, having a marketable product or service, and having efficient processes are all important. But it falls to the people within the organization to actually execute on the strategies, plans, and processes to make a business successful. Meridian Finance recognizes and appreciate that “Our employees are our most important asset”. It is our continuous endeavor to create an organization of mutual trust, establish an open and enabling environment where our people could work professionally with self-respect, dignity and freedom of speech. We believe that our investments in People Development are keys to sustainable growth. We invest on our people for their continuous training & development and retention critical resources. Our policy towards the people is “Reward the best and be fair with the rest” is clearly out spelled & well communicated across the company.

Service First Policy

We value our customers, both internal & external, and are committed to offer best-in-class service experience for them. This is our philosophy to win the heart of our customers. Our focus has always been to understand customers’ perspectives and develop service and products accordingly.

Technology Platform

Technological leadership is an absolute

necessity for the delivery of value to all our stakeholders amidst rapidly changing life styles and paradigms. We are committed to place superior technology platform at the forefront of our delivery channels and operations. For core financial solutions, Meridian Finance has implemented “BANKULATOR”, a proven technology platform to better serve our processes and purposes. Our endeavor to continuously upgrade our technology platform to bring efficiency to its operations and ensure continuous customer satisfaction.

Sustainable Business

Business organizations are now regarded as “Corporate Citizen” with obligation and responsibility to the society. We are committed to protect our environment. We are emphasizing on social, ethical and environmentally responsible approaches to business activity. Meridian Finance examines the environmental social & environmental effects of projects before approval. It is well aligned with Bangladesh Bank’s Guidelines on this aspect. We remained responsive to the call of the society like before.

Recognitions

We have been independently rated by Alpha Credit Rating Ltd. (Alpha Rating) for the performance year 2018. Our assigned ratings are in Long Term: **A+** and for Short Term: **ST-2**. This represents Meridian Finance’s adequate capacity to meet financial commitment with satisfactory level of liquidity, internal fund generation and access to alternative sources of funds. Moreover, Financial Institution Department under Ministry of Finance of Bangladesh Government has enlisted & approved Meridian Finance for taking deposits from Government, Semi-Government and Autonomous & Semi-Autonomous Organizations considering our performance ratings.

Outlook of 2019

Bangladesh economy is continuing in its trajectory of stable growth (around 7%), controlled inflation (under 6%), moderate public debt (debt-to GDP stable at around 30%), and resilience in economic performance. Bangladesh has made steady progress in reducing poverty and is improving key social indicators. Both private and public investment projects are poised to post strong numbers. The inflow of remittances and government revenue receipts are both expected to stabilize and grow in the upcoming year. In the financial sector, Bangladesh Bank is expected to continue facilitating the financial sector by encouraging higher private investment whilst keeping inflation in check. Regulations and resolution frameworks for troubled banks are on the cards in the coming year, especially in light of the high non-performing loans of many institutions in the financial sector. The central bank is also likely to continue to monitor lending activities to check the growth of non-performing loans. The key challenges in 2019 will be to maintain profitability in light of shrinking spreads and acute competition among financial institutions. Therefore, working towards a sustainable balance sheet growth and building a healthy investment portfolio will continue to be the primary focus of the Company in the coming year.

Looking Forward

The year 2019 is expected to be challenging taking into consideration growing demand of prudent liquidity management, rising forex, and revised regulatory framework. Various development and policy initiatives taken by the Government are expected to drive the economy to a higher growth trajectory in the years ahead. In order

to be successful in the backdrop of this rapid changing competitive sector, we have prepared ourselves accordingly. Our strategy is to continue the business that we do well. Better management of our exposure through rigorous monitoring & follow ups and diversification of portfolio are our main focus.

Besides many, the key priorities for 2019 are enumerated below:

- ▶ Increase liquidity, capital strength and profitability
- ▶ Integrated market communications and sales efforts
- ▶ Explore opportunities to onboard Foreign Equity and Debt Financiers
- ▶ Improve the Net Interest Margin (NIM) and improve Cost to Income Ratio
- ▶ Managing and controlling NPL & PAR to ensure Asset Quality
- ▶ Taking benefit of the technology platform and to manage business efficiently
- ▶ Shifting focus from Corporate to Consumer & SME Finance
- ▶ Open up more touchpoints to reach out to customers
- ▶ Hire, develop & retain the critical people

Our aim is to offer and treat every customer's experience as unique in all possible ways. We hope to carry forward the values-based product and services to our customers and play pivotal role to shaping their stories in the days to come.

A Note of Thanks

I express my appreciation and thanks to the Government of the People's Republic of Bangladesh, Governor and other officials of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), National Board of Revenue, and Registrar of Joint Stock Companies and Firms for their continuous support and assistance, guidelines and cooperation provided to us from time to time. Thanks to fellow banks & NBFIS for their support and co-operation. We are thankful to our customers for the continued trust they have placed in our products and services. We would also like to express our appreciation to the management and employees for their loyalty, commitment and hard work, enabling us to reach where we are today. Finally, I would extend my gratitude to the Chairman & the Board of Directors for their invaluable guidance & support which greatly assisted us to overcome many challenges.

We are committed to realizing the Meridian Finance's full potential. And I am optimistic about the future and look forward to grow sustainably.



Irteza A. Khan

Managing Director & CEO



ABOUT MERIDIAN FINANCE

Meridian Finance has emerged as a fast growing multi-product financial institution licensed by Bangladesh Bank and holding a strong and diversified portfolios in Corporate, Consumer, Small & Medium Enterprises (SME) Finance, and Corporate Advisory Services.

The company has been maintaining a solid year on year growth adhering to highest ethical standards, corporate governance, sound risk management, liquidity, and regulatory compliance. In quest of sustainable business, the company has been positioning itself to provide enduring value to people, customer, stakeholders and communities.

At Meridian Finance, we always strive to assist our customers to shape and achieve their stories of dream. Be the stories of dream of owning a business or increasing its capacity, giving happiness a new address by owning the home, exploring new landscape with family in your own car, or securing the future of your loved ones through planned investment, we are always with you in your endeavor to bring positive changes in lives.

We constantly think ahead and device our next move in tandem with the changing environment. Meridian Finance learn from the past, operate in the present and continue to plan for the future with the experience and knowledge gained providing precious insight that fuel our sustainable growth. We are expanding our horizon to place our services in the doorsteps of the customers to empower them to shaping stories.



Mission

Maximizing stakeholder's value through sustainable business practices.



Vision

Most flexible & innovative financial service provider in the country.



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 has 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.

CORE VALUES CHARTER

Our character and culture as an institution are deeply rooted to **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 Citizen with sustainable business practices.



Trust

We foster a culture of mutual support and confidence.

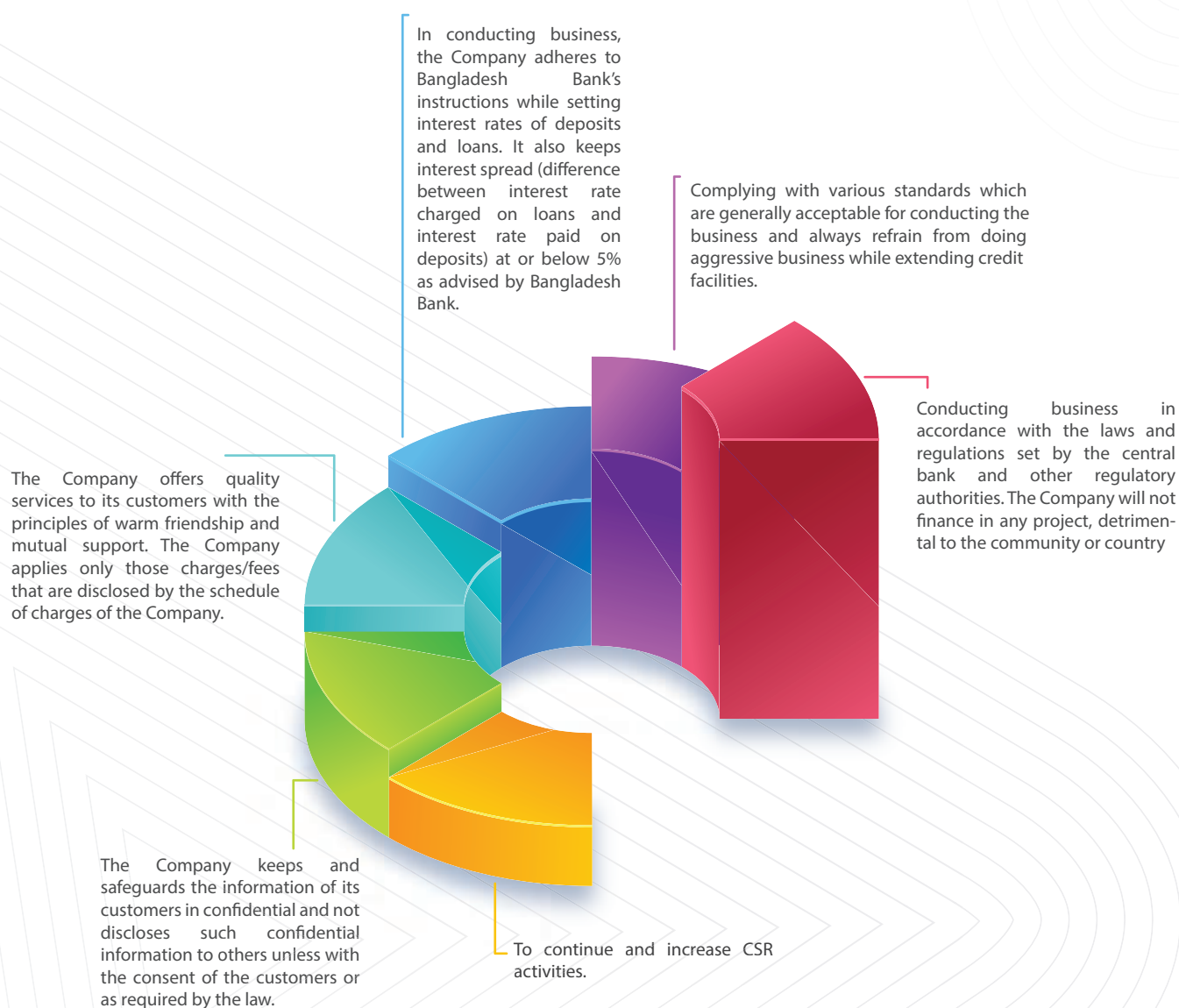


Excellence

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.



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 with terms of efficiency.

Establish 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.

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

January 15, 2014

Certificate of Incorporation from RJSC

December 02, 2015

Signing of First Agreement

October 19, 2015

Bangladesh Bank Governor Dr. Atiur Rahman formally inaugurated the operation

June 04, 2015

Licensed as Financial Institution

June 01, 2016

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

April 21, 2016

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

July 18, 2016

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

July 27, 2016

MoU signing with Election Commission of Bangladesh for verification of Information and national Identity

October 25, 2016

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

March 13, 2017

Signed Syndication Finance Agreement with Feiya Auto Bricks Limited

March 14, 2017

1st branch opening at Gazipur

January 29, 2017

Signed Syndication Finance Agreement with Eminence Communication

Oct 21, 2018

Commercial Bank & Insurance Institution License by Ministry of Labor and Employment

July 9, 2018

Signing with SSD-TECH for financial inclusion

May 13, 2018

3rd branch opening at Chattogram

July 15, 2017

2nd branch opening at Bogura

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)
- ▶ Agroduct (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

Consumer Finance

- ▶ Home Loan
- ▶ Car Loan
- ▶ Loan against Deposit

Investment

- ▶ **Term Deposits**
- ▶ **Millionaire Schemes**
- ▶ **Regular Earner Schemes**

Fixed Deposit Scheme

Fixed Term Deposit:
Plain Vanilla Term Deposit
Mohorana
Periodic Income Deposit:
Periodic Return Term Deposit
(Monthly/ Quarterly/ Half Yearly/ Annually)
Cumulative Benefit Plan:
Cumulative Savings Deposit
Flexible Fixed Deposit Scheme:
Flexible Fixed Deposit
Profit First Deposit
Easy Home Deposit

Deposit Pension Scheme

Monthly Savings Plan:
Monthly Savings Scheme
Women's Savings Scheme
Purpose Based Savings
Scheme:
Savings for Pension
Youth Deposit Scheme
Marriage Savings Scheme
Home Owning Deposit Scheme
Retirement Scheme
Children's Deposit Scheme

Deposit Products For Trust Funds

Plain Vanilla Term Deposit
Double Money Deposit
Multiple Transactions Flexible
Deposit

Institutional Deposit Products

Corporate Fixed Deposit Scheme
Double Money Deposit
Corporate Fixed DPS
Multiple Transactions Flexible Deposit
Employee Provident Fund /Gratuity Fund/
Benevolent Fund Deposit Scheme
Group Deposit Scheme

Wealth Builder Deposit Scheme

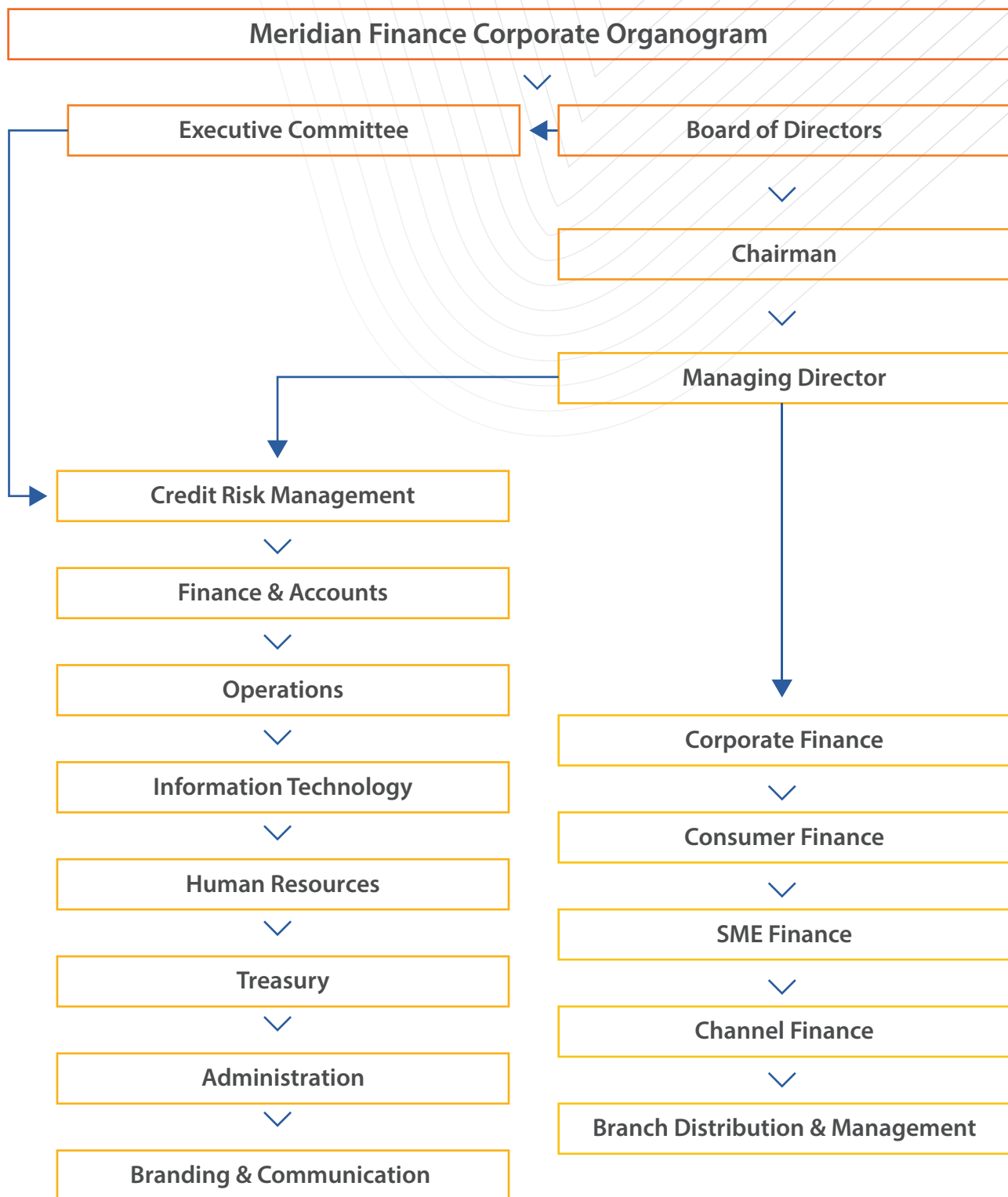
Millionaire Deposit Scheme
Double Money Deposit
Triple Money Deposit

Multiple Transactions Deposit Scheme

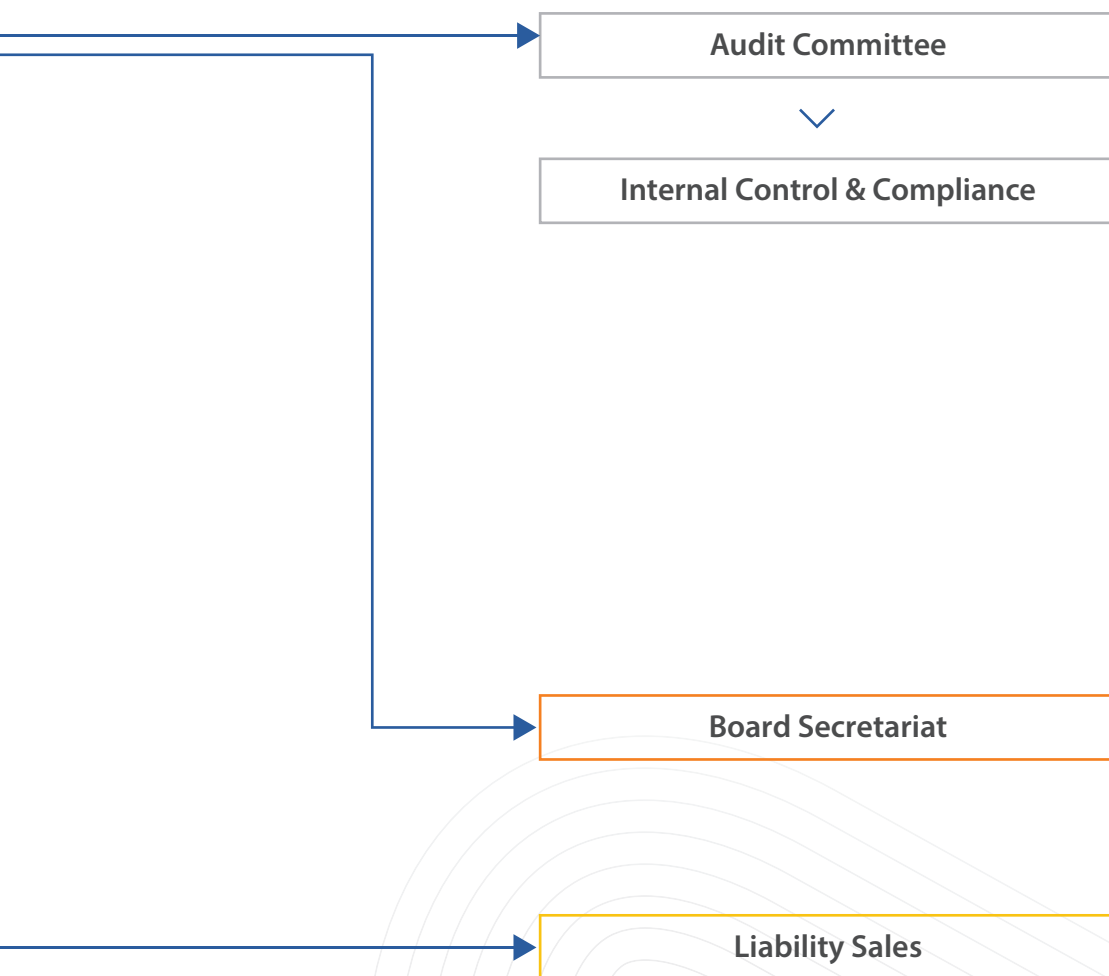
Multiple Transactions Flexible
Deposit

OUR SHAREHOLDING COMPOSITION

	Percentage (%)	No. of Shares
A. Individual Sponsors		
Ms. Naima Chowdhury	4.167	5,000,000
Mr. K.M. Aminul Islam	4.167	5,000,000
Ms. Ruba Ahmed	8.333	10,000,000
Mr. Mizanur Rahman	4.167	5,000,000
	20.83	25,000,000
B. Institutional Sponsors		
AG Agro Industries Ltd.	8.333	10,000,000
M Rahman Steel Mills Ltd.	4.167	5,000,000
Siam's Superior Ltd.	8.333	10,000,000
Arunima Apparels Ltd.	8.333	10,000,000
Matrix Sweaters Ltd.	8.333	10,000,000
Diganta Sweaters Ltd.	8.333	10,000,000
Disari Industries (Pvt.) Ltd.	8.333	10,000,000
Toma Construction & Co. Ltd.	8.333	10,000,000
Saima Samira Textile Mills Ltd.	8.333	10,000,000
Omega Sweaters Ltd.	8.333	10,000,000
	79.17	95,000,000
Total Shareholdings	100.00	120,000,000



CORPORATE ORGANOGRAM



EVENTS GALLERY



Celebrating **Pohela Boishakh 1425** in all the branches.



Optimix 2018", a National Investment and Portfolio Management Competition, to create an opportunity for the undergraduate students of Bangladesh to sharpen their investment and portfolio management skills by providing real life investment scenarios and 3 combative rounds organized by North South University. Meridian Finance was the Strategic partner of the competition. Total 52 Universities from all over Bangladesh have participated in the competition.



Meridian Finance & Investment Limited has committed to sponsoring shoes and bags of the students of Abinta Kabir Foundation School for the academic year of 2019. Abinta Kabir Foundation also arranged an art competition that was powered by Meridian Finance & Investment Limited as part of the gift giving ceremony held on Oct 15 at Abinta Kabir Foundation School - AKFS.



Organized a **Town Hall Conference** along with the participation of all the employees of Meridian Finance in the BCDM, Savar.



Meridian Finance have contributed with EDUCATIONAL INSTRUMENT (Pen, Pencil, Scale & Notebook) to under privileged girls of WEST MADARBARI GOVT. GIRLS PRIMARY SCHOOL, CHATTOGRAM. The amount of contribution that we made is not comparable with the priceless happiness and joy that brought among these enthusiastic young learners.



Blanket distribution among student in an Orphanage located in Bogra.



Blanket distribution among homeless people in Bogra.



Annual Cricket Match of Meridian Finance held in WAPDA Field Banani.



Meridian Finance conducted daylong training program on "Anti-Money laundering and Terrorist Financing" on 1st December 2018.

STATEMENT OF CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2018

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 & Investment Limited contributes to the Government Exchequer when the necessary amounts fall due. For the year 2018, Meridian Finance made a handsome contribution to Government Exchequer of an amount equal to BDT 99.96 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 77.65 million in 2017, reflecting its fair and consistent commitment towards national contribution.

Forms of Contribution	2018	2017
Income Tax	90,874,345	69,677,640
Salary	4,249,698	3,369,370
Interest on Savings Deposit	32,338,975	19,267,012
Payment of Supplier	569,463	1,140,043
Dividend Payment	21,500,000	-
House Rent	859,185	681,245
Payment of Commission	43,934	100,971
Advance Corporate Tax	31,088,970	45,064,898
Payment for Professional & Technical Services	224,120	54,101
VAT	6,010,396	6,147,821
House Rent	2,577,555	2,040,995
Processing, Documentation Fee etc.	1,249,253	1,766,534
Procurement of Goods and Services	1,776,139	2,047,599
Legal, Professional & Technical Fees	325,158	97,421
Director Fees	82,292	183,219
Others	-	12,052
Excise Duty	3,071,656	1,826,647
Collection of Excise Duty from Clients	2,892,656	1,580,997
Excise Duty Deducted by Bank	179,000	245,650
Total Paid to Government Exchequer	99,956,397	77,652,108

01

Ensuring highest
customer services

Customer Centric

02

Optimizing the
Company's
funding mix

Well Diversified

03

Upgrading
our interface
and functionality
by using latest
technology

Technology Driven

04

To keep
NPL below 1%.

Operational Efficiency

BUSINESS STRATEGY FOR 2019

We, at Meridian, 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 2019, Fund mobilization from individuals and institutions will be our top most priority through establishing staffing required skill sets, training people, ensuring highest customer services and creating bonding with customers.

In 2019, we would put high emphasize likewise in previous years 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 2019 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 and liability clients, save cost.

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 2019. We would take initiatives to reduce costs to income as minimum as possible. We would achieve this by increasing productivity of employees and reducing discretionary costs.

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 below 1%.

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.

Increasing paid-up capital by issuing shares to foreign equity partners.

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;

RESPONSIBILITY STATEMENT OF CEO and CFO

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have a strategic viewpoint of the company, and both work towards achieving the Company's mission (the fundamental objective). CEO and CFO broadly represent the Management of the Company and have common perspectives on the overall objective, functions, and reporting.

Responsibilities of the CEO

CEO is the leader of an organization who by his knowledge and wisdom, innovative ideas and charismatic leadership can able to take a Company from the scratch to the market leader. CEO is a visionary leader who can see what is going to happen in near future and can formulate and implement strategies accordingly to reap out the maximum from opportunities. CEO plays the stewardship responsibility by managing the shareholders' funds and is accountable to the board of directors and to the shareholders for effective and efficient uses of their funds.

More specifically, the responsibilities of the CEO are as follows:

1. To lead, in conjunction with the Board, the development, implementation, and monitoring of the Company's vision, plans and strategies.
2. Be responsible for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting, and compliance with regulations and policies are ensured.
3. Periodically review the Internal Control system to ensure minimum risk exposures and maximum resource security (both tangible and intangible).
4. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs
5. Ensure implementation of proper Corporate Governance practices to balance the interests of the stakeholders.
6. Justify on the Company's participation in Corporate Social Responsibilities (CSR).

Responsibilities of the CFO

With the ever changing accounting policies and standards to cope up with the versatile business environment, a CFO plays a key role in facilitating the delivery of sustainable value creation and preservation. At Meridian Finance, the CFO is an effective organizational leader and a key member of Senior Management who provides shared leadership and vision to the organization, its employees, and other key stakeholders. A primary responsibility of the CFO is to work as a strategist rather than a tactician to ensure sustainable financial conditions for the company. This is enhanced by facilitation of financial reports.

More specifically, the responsibilities of the CFO are as follows:

1. Preparation of financial statements taking into considerations compliance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of

Bangladesh (ICAB), requirements of Companies Act 1994, and compliance with the rules and regulations of Securities and Exchange Commission (SEC), Bangladesh Bank, and other regulatory authorities.

2. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
3. Execute discussions with the External Auditors with matters related to audit and other financial reporting issues.
4. Assess the effectiveness of Internal Control over financial reporting and systems at business process level to ensure effective and efficient utilization of appropriated resources.

The CEO and CFO of the Company have discharged their responsibilities with due care by taking into account the EEE (Economy, Effectiveness and Efficiency).





CORPORATE GOVERNANCE

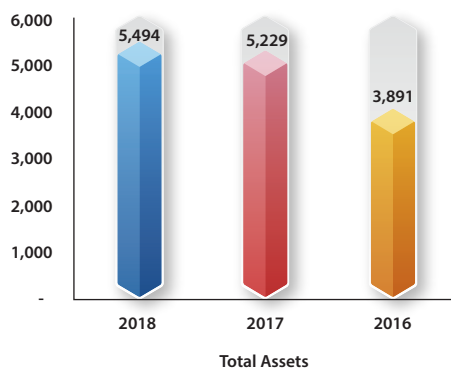
FINANCIAL HIGHLIGHTS

Meridian Finance & Investment Limited

All figures in BDT million except (%)

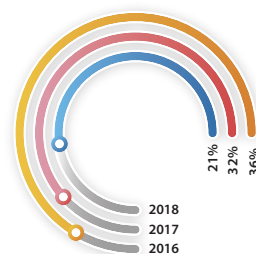
Financial Position	2018	2017	2016	Growth of 2018 over 2017	3 Year CAGR (%) / Average*
Total Assets	5,494	5,229	3,891	5.07%	18.83%
Total Liabilities	4,139	3,877	2,650	6.75%	24.97%
Business Disbursement	1,207	3,020	3,030	-60.03%	-36.89%
Property Plant and Equipment	39	40	27	-2.64%	19.42%
Term Deposits	3,256	3,149	2,371	3.40%	17.19%
Loan & Lease Portfolio	4,143	4,588	2,785	-9.70%	21.97%
Total Earning Assets	5,293	5,062	3,770	4.56%	18.49%
Operational Performance					
Operating Revenue	700	582	289	20.27%	55.63%
Operating Expenses	154	123	79	25.53%	39.65%
Financial Expenses	396	271	105	46.04%	94.14%
Net Profit Before Tax	127	170	86	-25.42%	21.42%
Net Profit After Tax	124	111	51	11.88%	55.76%
EBIT	523	441	191	18.49%	65.40%
Financial Ratios					
Gross Profit Ratio	56.54%	46.56%	36.33%	9.97%	24.74%
Operating Profit Ratio	21.45%	32.35%	36.33%	-10.89%	-23.16%
Return on Capital Employed	10.24%	10.05%	7.65%	0.20%	15.69%
Capital Adequacy Ratio	31.86%	31.18%	40.63%	0.68%	-11.45%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	0.32%	0.0%	0.0%	0.00%	
Cost to Income Ratio	50.64%	39.46%	42.93%	11.17%	
Debt Equity Ratio	3.05	2.70	2.04	0.35	
Financial Expense Coverage Ratio	1.38	1.69	2.00	(0.32)	
Return on Equity (%)	9.14%	8.53%	4.20%	0.01	
Return on Assets (%)	2.71%	2.43%	1.12%	0.00	
Equity Parameters					
Authorized Capital	2,000	2,000	2,000	0.00%	
Paid-up Capital	1,200	1,200	1,200	0.00%	
Shareholders' Equity	1,355	1,351	1,241	0.28%	
No. of Share Outstanding	120	120	120	0.00%	
Net Asset Value (NAV) Per Share	11.29	11.26	10.34	0.28%	
Earnings Per Share (EPS)	1.03	0.92	0.43	11.88%	
Dividend Payment (C-cash & B- bonus)	8% Cash	10% Cash	0%		
Dividend Payout Ratio (%)	65%	108.51%	0.00%		
Dividend Coverage (Times)	1.03	0.92	-		
Dividend Yield (%)	8.00%	10.00%			
Profit Per Employee (mn)	1.55	1.38	1.02	11.88%	
Credit Ratings					
Long Term	A+	A	A		
Short Term	ST-2	ST-2	ST-2		

Total Assets



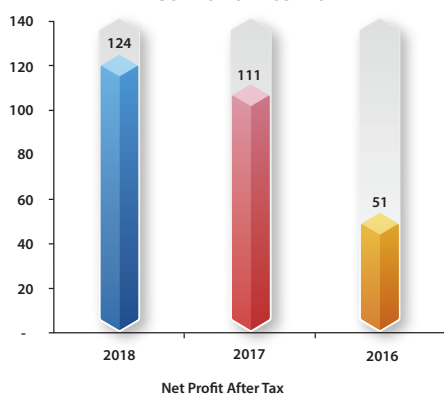
Total assets have grown by 5% in a year due to Company's relentless effort to source deposits and maintain enough liquidity.

Operating Profit Ratio



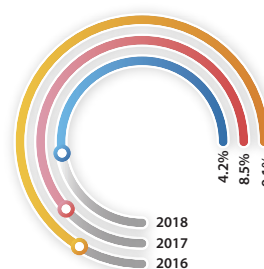
Operating margin was reduced in 2018 in comparison to 2017 as operating expenses were significantly increased in the year due to Company's commitment to increment in fixed expense.

Net Profit After Tax



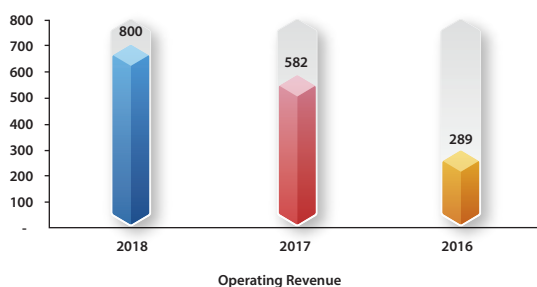
Net Profit was increased in 2018 in comparison to 2017 as Company was able to adjustment of previous tax expenses.

Return on Equity (%)



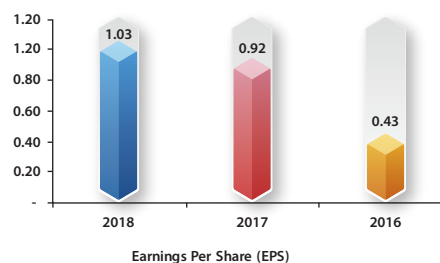
Return on equity was increased in 2018 due to Company's relentless effort on the efficient uses of Shareholders' fund by maintaining quality loan growth, administrating expenses and strengthening recovery and collections.

Operating Revenue



Operating revenue is being continually growing due to Company's rapid expansion in the money market by covering more geographical areas.

Earnings Per Share (EPS)



EPS increases in 2018 due to Company's relentless effort to maintain quality loan growth, administrating expenses, adjustment of taxes and strengthening recovery and collections.

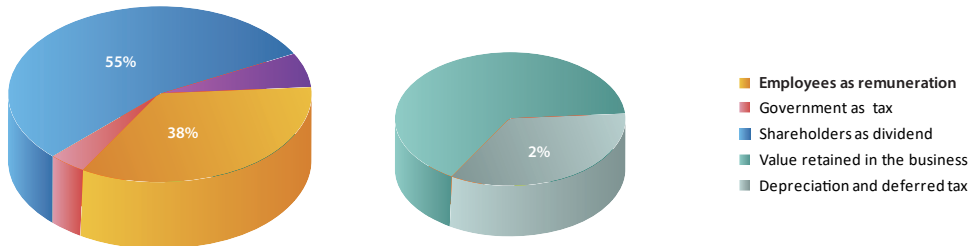
VALUE ADDED STATEMENT

For the year ended 31 December 2018

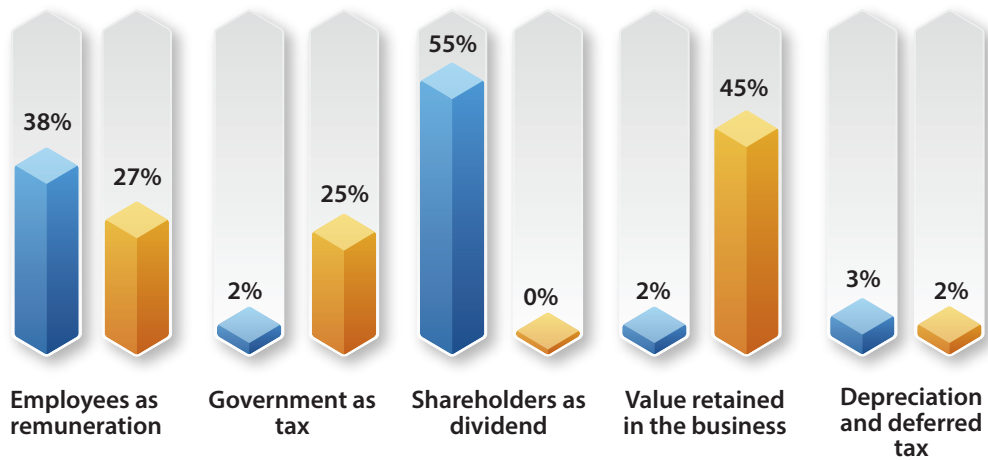
The value added statement represents the value created by Meridian Finance through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet certain obligations. A portion of added value has also been retained in the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

	2018 BDT Mn	%	2017 BDT Mn	%
Value added				
Operating revenue	700		582	
Cost of borrowing	(396)		(271)	
Provisions	(23)		(18)	
Operating expenses excluding staff cost and depreciation	(61)		(48)	
Available for distribution	220		245	
Distribution of value addition				
Employees as remuneration	83	38%	67	27%
Government	5	2%	61	25%
Shareholders as dividend	120	55%	-	0%
	208	95%	128	52%
Retained for expansion and future growth				
Value retained in the business	4	2%	111	45%
Deferred tax	(2)	-1%	(1)	-1%
Depreciation	9	4%	7	3%
Amount distributed	220	100%	245	100%
Number of employees at the end of the year	80		80	
Value created per employee (Mn BDT)	2.75		3.06	
Number of shares (Mn)	120		120	
Value created per share (BDT)	0.02		0.03	

Distribution of Value Addition : 2017



■ Distribution of Value Addition 2018 ■ Distribution of Value Addition 2017



ECONOMIC VALUE ADDED (EVA) STATEMENT

For the year ended 31 December 2018

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 the 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.

	2018 Mn BDT	2017 Mn BDT
Operating income	304	310
Operating expenses	(154)	(123)
Operating profit	150	188
Income tax	(3)	(59)
NOPAT	147	129

Equity

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

	2018	2017
Shareholders' equity at year end	1,355	1,351
Accumulated provision for doubtful losses	76	44
Equity	1,431	1,395

Average equity

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

	2018	2017
Shareholders' equity	1,431	1,395
Average equity	1,413	1,395

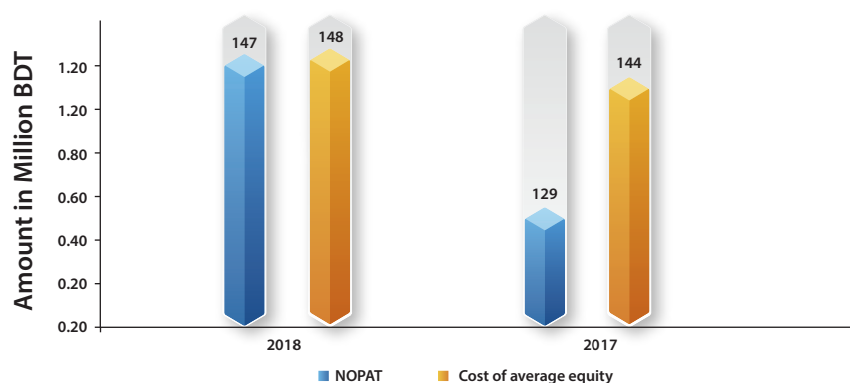
Cost of equity

Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 20 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

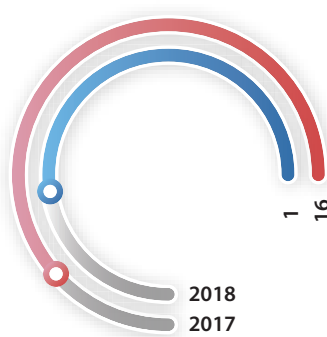
	2018	2017
Interest rate on 20 Years Government Treasury Bond as on 31 December	8.44%	8.34%
Standard Risk premium	2%	2%
Cost of equity	10.44%	10.34%

ECONOMIC VALUE ADDED

	2018	2017
NOPAT	147	129
Cost of average equity	148	144
Average Shareholders' equity	1,413	1,395
Cost of capital	10.44%	10.34%
EVA	(0.50)	(15.51)
Number of shares (Mn)	120	120
Economic Value Added Per Share	(0.0042)	(0.1293)



Economic Value Added



DIRECTORS PROFILE



Naima Chowdhury
Chairman

Naima Chowdhury is an Individual Director in the Board of Meridian Finance and Investment Limited. She is a computer software professional, successful woman entrepreneur, independent event manager, and philanthropist. She worked for Tokyo Tech IT, Canberra as Director. She was actively involved with New Enterprise Intensive Scheme, ACT Canberra and worked as Trainer. Ms. Naima did her Bachelor (Honors) and Masters from University of Dhaka. Also did her graduate diploma in IT from University of Technology, Sydney and Masters in Information Technology from University of Canberra.



Ruba Ahmed
Shareholder Director

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.



Shah Md. Shafiqul Ahsan
Nominated Director

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

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.



Md. Abdul Quader

Nominated Director

Md. Abdul Quader is the nominated Director of Siam's Superior Limited in the Board of Meridian Finance & Investment Limited. Siam's 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.



Mahmud Hasan Khan

Nominated Director

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 was 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.



Animesh Chandra Mazumder
Nominated Director

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.



Shahnaj Kamal
Nominated Director

Shahnaj Kamal 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

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.



Rashnat Tarin Rahman

Nominated Director

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 flagship 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 MBBS from Noakhali Medical College.



Shamima Nargis
Nominated Director

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.



Golam Mostofa
Nominated Director

Golam Mostofa 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. Mostofa 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS OF MERIDIAN FINANCE

Dear Shareholders,

The Board of Directors of Meridian Finance & Investment Limited cordially welcome you in the 5th 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 2018; 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 issued by Bangladesh bank and other relevant regulatory authorities. The Financial Statements were reviewed and approved by the Board of Directors on 24 March 2019.

Economic Outlook

2018 was a good year for Bangladesh Economy. GDP made its record growth of 7.86% in the year 2018. The per capita national income reached US\$1,751 in FY2017-18, up by US\$141 a year earlier. Continuing the declining trend since FY2013-14 year-on-year inflation in FY2017-18 slid down to 5.78percent. Exports registered an increase of 5.81percent and import increased by 25.23percent in FY2017-18. Remittances inflow rebounded by 17.33 percent. Due to deficits in the current account, the surplus in capital and financial account left the overall balance of the Balance of Payment(BoP)account in deficits. Despite deficit in BoP foreign exchange reserve still remained steady. At the end of 30 June2018foreign exchange reserve stood at US\$32,916millionwhich is sufficient for maintaining 6month import payment.

During the period, exchange rate broadly remained stable. Private sector credit grew at 16.95 percent. The GDP under the Medium-Term Macroeconomic

Framework (MTMF) has been projected to grow at the rate of 7.8 percent in FY 2018-19 which is expected to be achieved through the implementation of prudent fiscal management, effective application of cautious monetary policy, appropriate management of expenditure, and sound implementation of the reform activities.

The money market was so illiquid throughout the year due to motivation of people to invest in Government Share Certificate at a higher rate than banking sector and due to some governance issue over banking sector due to high level of NPL and for some financial scams. Capital market index fell by 17.6% in a year and market capitalization was reduced by 9.5%.

Interest rate on deposits in Banks has been increased by 35 basis point from 4.91% to 5.26% and interest rate on lending has been increased by 14 basis points from 9.35% to 9.49% (spread stands at 4.44% decreased from 4.23% by 1 year). ROE of Banks has been significantly decreased in 2018 to 3.9% from 9.6% in 2017. However, NBFIs sector was much affected than banking sector for the liquidity issue and hence costs of funds increased much than interest income and as a result profitability is lower.

Liquidity mismatch in private banks and NBFIs were continued in the month of December 2018 which may be continued or tighten further in the year 2019. 2019 will be a challenging year for the Economy had this liquidity situation continues.

Meridian Finance's Performance Snapshot

The year 2018 was a challenging year for Meridian Finance due to liquidity pressure throughout the year. In the backdrop of low savings appetite, mounting pressure on constant increase in deposit and cost of fund & increased recovery risk, Meridian Finance demonstrated high resilience in maintaining sufficient liquidity to pay depositors on demand and to disburse to clients on priority basis.

However, due to severe liquidity pressure in 2018, portfolio of lease, loans and advances did not grow. The loan portfolio at the end of 2018 stood at BDT 4.14 billion against 4.59 billion of 2017. NPL increases from 0% level in 2017 to 0.32% in 2018. On the other hand, Meridian Finance managed to maintain deposit portfolio consists of both institutional and individual clients of BDT 3.26 billion (3.15 billion in 2017). Despite of tough time of increasing cost of fund instantly and significantly, Meridian Finance was able to maintain average spread of 3.36% (3.88% in 2017) by transferring the increased rate to the customers prudently by judging every single customer's ability to absorb the increased rate.

Your Company earned after tax net profit of BDT 123.73 million in 2018 which is 11.88% higher than the previous year. Return on Equity stands at 9.14% at the end of December 31, 2018 increased from 8.53% in 2017. The performance outlines our strength and capabilities to deliver a sustainable growth ensuring growing returns to our shareholders and stakeholders.

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 2018, the credit portfolio represents of 49% Term Loan, 3% Lease Finance, 27% SME Finance and 16% Consumer Finance respectively. New disbursement for the year 2018 was about BDT 1.20 billion (BDT 3.02 billion in 2017).

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 2018, 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 low liquidity. Meridian Finance made best effort to capture reasonable pie of deposit especially from the individual clients. As a result deposit increases despite of adverse liquidity scenario in 2018.

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 663 million from 630 million in 2017 (5% growth despite of 10% de-growth in overall portfolio).

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 as low as possible although cost of fund significantly shoot up in 2018 in comparison to previous 2 years. 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 borrowing mix was booked through deposit (BDT 3.26 billion). Meanwhile, the company also used Call Money Market, Overdraft Facilities, and 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 10.05% during the year (7.87% in 2017).

Asset Quality

The lending portfolio did not grow during the year. However, asset quality was successfully maintained although NPL increase from 0% to 0.32%. Still this is good position as the age of portfolio exceeds 2 years. Vigorous follow up and monitoring of client's loan account performance paid off in managing such a low NPL during the year 2018.

Key Financial Performance

Meridian Finance's Net Interest Income witnessed a significant growth (30%) during the year and reached to BDT 674 million from BDT 249 million in 2017. However, Operating income has negative growth of 2% due to high growth in interest expense (46%) and significant negative growth in investment income (62%).

Cost to income ratio of the Company during the year was 50.64% increased from 39.5% in 2017 due to negative growth in operating income. 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 150 million declined by 20%. There were 4.87 million of specific provision during the year and 6.92 million of general provision. Meridian Finance witnessed profit before tax and reserve of BDT 127 million and Net Profit of BDT 123.73 million respectively for the year ended 2018 resulting a tremendous growth of 12% in bottom-line against all odds. The EPS stood at BDT 1.03 from 0.92 in 2017. Overall performance of the Company during the year 2018 in terms of bottom line 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 Committee;
- ▶ HR & Compensation Committee;
- ▶ Corporate Governance Committee;
- ▶ Integrity Committee;
- ▶ Risk Analysis Unit;
- ▶ Meridian Finance's Ladies Forum
- ▶ Anti-Money Laundering & ICT 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 8.42 million as capital expenditure mainly for interior decoration and renovation of its branches, furniture & fixtures, office equipment, IT equipment and software. 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 Meridain 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 International 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 10 Board Meetings were held. All meeting fulfilled the quorum of 5 directors. On an average, in each meeting 8 directors were present. The Board has two sub-committee: Executive Committee (2 meetings held in 2018) and Audit Committee (4 meetings held in 2018).

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.

Appointment / Re-appointment of Directors

As per Article no. 79 of Schedule I of Companies Act 1994 and also as per Article No. 92 of Articles of Associations of Meridian Finance & Investment Limited, 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 MFIL 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.

Mrs. Ruba Ahmed, Mr. Shah Md. Shafiquel Ahsan, Md. Abdul Quader and Mr. Animesh Chandra Mazumder will be retired in 5th 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

The Board in its 32nd meeting held on March 24, 2019 recommended the shareholders to appoint A. Qasem & Co., Chartered Accountants as the Auditors of Meridian Finance for the year ended December 31, 2019 with a fee of BDT 200,000. 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 5th 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.

Dividend

Considering the overall environment of financial market, current financial strength of the Company and meeting shareholders' expectations, the Directors recommended that dividend of BDT 0.80 per share to be paid for the year ended 31 December 2018. This will be paid by BDT 0.80 per share in cash form.

The dividend is subject to approval of the shareholders at the Annual General Meeting. The Board was satisfied that MFIL would meet the solvency test immediately after the proposed dividend, which will be paid in 2019.

Acknowledgements

The Board of Directors would take this opportunity to express their profound gratitude and extend appreciation to our valued shareholders, clients, bankers, depositors, lenders, business partners, regulators, service providers and other stakeholders for their continued patronage and support and cooperation. The Board offers its 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 2018 a successful one and look forward to make the year 2019 even better in every terms.

For and on behalf of the Board of Directors.



Naima Chowdhury

Chairman

Meridian Finance & Investments Limited

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING AND INTERNAL CONTROL

Responsibility for Financial Reporting

Board of Directors is always committed towards self-controlled environment which is reflected by ensuring proper entries in books of accounts for each financial year that gives a true and fair view of the state of affairs of the company and by accepting responsibility for the integrity and objectivity of the financial statements. In preparing financial statement, the Board of Directors ensures the followings:

The considerations set out above are also required to be addressed by the Directors in preparing the financial statements. The Board of Directors confirms that the International Financial Reporting Standard (IFRS) which are adopted by the Institute of Chartered Accountants of Bangladesh has been followed meticulously subject to any material departure due to compliance with Bangladesh Bank being disclosed and explained in the notes to the financial statements. It ensures that the financial statements comply with the sufficient requirement of Companies Act 1994, Securities Exchange Rules 1987, Financial Institution Act 1993 and Listing Regulations of Dhaka Stock Exchange Limited and Chattogram Stock Exchange Limited.

Responsibility for Corporate Governance and Internal Control

The Board ensures key decision making and execution within a clear governance framework. A primary task is the governance and oversight of business models which sets out consistent delivery of stakeholder value in an uncertain and challenging environment. The Board of Directors is also responsible for proper establishment and maintenance of an effective internal control system that safeguards shareholders' investments and assets of the company through prevention and detection of fraud and irregularities. The Board ensures that statutory and regulatory requirements are met, and responds to changes in the Company's internal and external environment and conditions. The Board is responsible for ensuring that an adequate and effective internal control system exists in the organization and that all members of the top management of the Company are maintaining and monitoring the performance of that system. Moreover, Audit Committee of Board quarterly reviews the internal control systems and the significant findings. They must ensure that the system operates as intended and is modified appropriately when situations dictate. The Board and management must make sure that the Company's information systems produce



Select relevant accounting policies and apply them consistently



Comply with applicable Financial Reporting Standards



Make judgments and estimates that are reasonable and prudent



Prepare the financial statements on going concern basis

pertinent and timely information in a form that enables employees, auditors, regulators, shareholders etc. to get the required data and information.

The Board of Directors, who oversees the control system in general, approves and reviews the business strategies and policies that govern the system. They are also responsible for understanding risk limits and setting acceptable ones for the Company's major business activities, establishing organizational control structure, and making sure senior management identifies, measures, monitors, and controls risks and monitors internal control activeness. The Board: (1) discusses periodically the internal control system's effectiveness

on management and operations (2) reviews internal control evaluations conducted by management, internal and external auditors, and inspectors in timely manner (3) monitors actions of management on auditors' and inspectors' recommendations on internal control and their concerns (4) periodically reviews the Company's strategy and risk limits. Board and management consider whether a control system's methods, records, and procedures are proper in relation to the Company's:

- ▶ Asset size
- ▶ Organization and ownership characteristics
- ▶ Business activities
- ▶ Operational complexity
- ▶ Risk profile
- ▶ Methods of processing data
- ▶ Legal and regulatory requirements

The Board of Directors ensures that management properly considers the risks and control issues of emerging technologies, enhanced information systems, and accounting. These issues include: more users with access to information systems; less segregated duties; a shift from paper to electronic audit trails; a lack of standards and controls for end-user systems; and, more complex contingency planning and recovery planning for information systems. From the above it can be said that: the Board undertakes the overall responsibility of setting acceptable level of risk, ensuring that the senior management committee takes necessary steps to identify, measure, monitor and control these risks, establishing broad business strategy, significant policies

and understanding significant risks of the Company. Through establishment of an 'Audit Committee' of the Board and Internal Control Department, the Board of Directors monitors the effectiveness of internal control system. The internal as well as external audit reports are sent to the Board Audit Committee without any intervention of the management and the Board ensures that the management takes immediate and necessary actions as per the recommendations. The Board holds periodic review meetings with the senior management to discuss the effectiveness of the internal control system of the Company and ensures that the management has taken appropriate actions as per the recommendations of the auditors and/ or inspectors.

Responsibility Statement of CEO and CFO

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have a strategic viewpoint of the company, and both work towards achieving the Company's mission (the fundamental objective). CEO and CFO broadly represent the Management of the Company and have common perspectives on the overall objective, functions, and reporting.

Responsibilities of the CEO

CEO is the leader of an organization who by his knowledge and wisdom, innovative ideas and charismatic leadership can able to take a Company from the scratch to the market leader. CEO is a visionary leader who can see what is going to happen in near future and can formulate and implement strategies accordingly to reap out the maximum from opportunities. CEO plays the stewardship responsibility by managing the shareholders' funds and is accountable to the board of directors and to the shareholders for effective and efficient uses of their funds. More specifically, the responsibilities of the CEO are as follows:

1. To lead, in conjunction with the Board, the development, implementation, and monitoring of the Company's vision, plans and strategies.
2. Be responsible for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting, and compliance with regulations and policies are ensured.
3. Periodically review the Internal Control system to ensure minimum risk exposures and maximum resource security (both tangible and intangible).

4. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
5. Ensure implementation of proper Corporate Governance practices to balance the interests of the stakeholders.
6. Justify on the Company's participation in Corporate Social Responsibilities (CSR).

Responsibilities of the CFO

With the ever changing accounting policies and standards to cope up with the versatile business environment, a CFO plays a key role in facilitating the delivery of sustainable value creation and preservation. At Meridian Finance, the CFO is an effective organizational leader and a key member of Senior Management who provides shared leadership and vision to the organization, its employees, and other key stakeholders. A primary responsibility of the CFO is to work as a strategist rather than a tactician to ensure sustainable financial conditions for the company. This is enhanced by facilitation of financial reports. More specifically, the responsibilities of the CFO are as follows:

1. Preparation of financial statements taking into considerations compliance with International Financial Reporting Standards (IFRS), requirements of Companies Act 1994, and compliance with the rules and regulations of Securities and Exchange Commission (SEC), Bangladesh Bank, and other regulatory authorities.
2. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
3. Execute discussions with the External Auditors with matters related to audit and other financial reporting issues.
4. Assess the effectiveness of Internal Control over financial reporting and systems at business process level to ensure effective and efficient utilization of appropriated resources. The CEO and CFO of the Company have discharged their responsibilities with due care by taking into account the EEE (Economy, Effectiveness and Efficiency).

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR CORPORATE GOVERNANCE

The Corporate Governance set with the line of 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

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

Governance principles

Transparency in business transactions

Statutory and legal compliances

Protection of shareholders' interests

Commitment to values and ethical conduct of business

Applying values to create value

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.

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. Ms. Naima Chowdhury 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 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 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 regular 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 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 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 & Investment Limited. 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, 2018, 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, 2018; 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 2018, 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, Managing Director and the Company Secretary of the Company on 24 March, 2019 as required by the Section 189(1) of the Companies Act, 1994 and other regulatory requirements.

(m) The Company's External Auditors, A Qasem & Co., Chartered Accountants 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. The Board has recommended to re-appoint A Qasem & Co. (E&Y Bangladesh) to conduct audit for the year ended on December 2019 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

Ms. Naima Chowdhury 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 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. She continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders. She also ensures orderly conduct and proceedings of the Board, where constructive debate on issues being deliberated is encouraged.

Managing Director & CEO

Mr. Irteza Ahmed Khan is the Managing Director & CEO 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. 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 Managing Director & CEO of The Company. Management Committee (MANCOM) is the main body of management and decision making. Besides, there are Asset Liability Committee (ALCO), Basel III 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 of the Bank 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 Managing Director & CEO of Meridian Finance.

Responsibilities of MANCOM

MANCOM of Meridian Finance is primarily responsible to

- ▶ Review vision, mission and strategies of the Company as a whole;
- ▶ Set strategic and tactical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance etc.;
- ▶ Monthly business and financial performance analysis;

- ▶ Formulate procedures to identify, measure, monitor and control all risks;
- ▶ Monitor adequacy and effectiveness of the internal control system;
- ▶ Assign clear responsibility, authority and reporting relationship;
- ▶ Recommend/rectify alternatives in case of any deviation from desired goal.

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:

- ▶ Accountable to manage the market risks;
- ▶ Measuring liquidity requirement of the Bank in various time buckets and taking strategic and proactive actions;
- ▶ Review of the assets' and liabilities' pricings;
- ▶ Review of interest rate structure in different economic scenarios;
- ▶ Review of actions taken in previous ALCO;
- ▶ Economic and market scenario;
- ▶ Liquidity risk related to the Balance Sheet.

RISK MANAGEMENT COMMITTEE OF MANAGEMENT

Meridian Finance & Investment 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. Managing Director & CEO 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; and
- ▶ 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 support 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:

- ▶ Formulate the strategies to raise the capital to cope with Basel III, if required;
- ▶ Reviews the current total Capital Fund (Core and Supplementary) of Meridian Finance;
- ▶ Reviews the Total Risk Weighted Assets (RWA) of Meridian Finance;
- ▶ Arranges training programs for the Reporting Officers of the Branches so that they can prepare Basel III report efficiently and precisely;
- ▶ Assesses the Capital requirement of Meridian Finance;
- ▶ Takes initiatives for corporate clients rating of Meridian Finance;
- ▶ Ensures timely submission of Basel III Report to Bangladesh Bank;
- ▶ Reviews the Capital Adequacy Ratio and compare with the Standard set by Bangladesh Bank;





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:

- ▶ Ensuring a balanced diversity
- ▶ Protecting human rights Promoting human capital development
- ▶ Ensuring work place health and safety providing competitive compensation and benefits
- ▶ Promoting a performance centric culture
- ▶ Protecting human rights
- ▶ Ensuring workplace health and safety
- ▶ Ensuring equal opportunity

All the people related issues in Meridian Finance 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.

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. Competitor stake 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.

- ▶ Growth in the role dimension and complexity
- ▶ Vintage
- ▶ Individual performance track record
- ▶ Employees are considered for promotion based on these criteria's
- ▶ Attitude and behavior
- ▶ Market liquidity

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

program 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:

- ▶ Car allowance for all executive level employees
- ▶ Leave fair assistance allowance
- ▶ Medical treatment allowance
- ▶ Maternity benefits
- ▶ Mobile phone allowance
- ▶ Travel allowance
- ▶ Festival bonus
- ▶ Annual leave
- ▶ Maternity leave

Meridian Finance also provides long-term as well as retirement benefits to employees:

- ▶ Leave encashment
- ▶ Provident fund
- ▶ Gratuity benefit

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 employee (except employees under probation or training) of the financial institution 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 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 financial institution; 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.

“Reward the Best and Be Fair with the Rest”

GREEN BANKING

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 NBFIs 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 of 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.







CORPORATE SOCIAL RESPONSIBILITY

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: initiatives to enhance the capability of extra-curriculum involvement of school-college-university students. Scholarship for poor and brilliant students.

1. Financial support for education for underprivileged children.
2. Extensive literacy programs.
3. Educate the next generation of consumers in our markets on how to save, spend, borrow and manage money wisely.
4. Donation to Educational Institutions for educational development purpose.
5. 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.



RISK MANAGEMENT & CONTROL ENVIRONMENT

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:

People Risk – The risk of loss intentionally or unintentionally caused by an employee, for example

an error or a misdeed, or involving employees such as disputes.

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

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

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

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.

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, 2018. 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 2018 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment. At the close of financial year 2018, total borrowing from other banks and financial institutions was Taka 316 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 2017, total short-term borrowings were Taka 275 million, representing 47% of total borrowings. 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 2018.

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 2018.

Strengthening of Human Capital

During the year 2018, 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 No-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 2018 is 31.86% 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 management committee 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.

MERIDIAN FINANCE & INVESTMENT LIMITED

DISCLOSURE UNDER PILLAR III ON CAPITAL ADEQUACY AND MARKET DISCIPLINE

As on December 31, 2018

Significance of Capital Adequacy

Capital is the foundation of any business. In a Financial Institution, capital is a prime factor to consider when assessing the safety and soundness. It acts as a cushion in case the value of the bank's assets decline and liability rises. Maintaining a minimum capital level is of paramount importance for a Financial Institution so that adequate protection against risk can be ensured. A strong Capital Management Policy protects an organization by identifying and mitigating risks, as well as establishes a base of confidence by depositors, creditors, and other stakeholders.

Capital Adequacy gives a view on a Financial Institution's financial strength and stability. Adequate capital provides assurance to the stakeholders on the company's ability to provide consistent services.

Capital Adequacy is a basis for measurement of the amount of capital that the FI needs to hold to ensure that no excess leverage is taken that would lead to insolvency. Capital Adequacy is best expressed as the Capital Adequacy Ratio (CAR), also known as Capital to Risk Weighted Assets Ratio. CAR is a measure of a FI's core capital expressed as a percentage of its risk weighted asset. The objective of CAR is built around the Market Discipline, whereby depositors' get a standardized measurement on the extent to which their wealth is exposed to risk, and thereby establish confidence on the Financial Institution's operations. The CAR measurement is also directed towards making a FI's capital more risk sensitive and shock absorbent.

Basel II guidelines are formed on three features as follows:

1. Minimum capital requirements to be maintained by a bank against credit, market, and operational risks.
2. Process for assessing the overall capital adequacy aligned with risk profile of a bank as well as capital growth plan.
3. Framework of public disclosure on the position of a bank's risk profiles, capital adequacy, and risk management system. This forms the basis of Market Discipline.

The three tiers of regulatory capital are as follows: Tier 1 Capital, Supplementary Capital, and Tier 3.

- ▶ Tier 1 Capital, also called the '**Core Capital**', is the core measure of a bank's financial strength from a regulator's point of view. Banks have to maintain at least 50% of required capital as Tier 1 capital.
- ▶ Tier 2 Capital is called the '**Supplementary Capital**' and represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank.
- ▶ Tier 3 Capital is called the '**Additional Supplementary Capital**' and consists of short-term subordinated debt. This capital base is solely for the purpose of meeting a proportion of capital requirements for market risk.

The computation of the three capital grades are subject to the following conditions:

1. Tier 2 Capital amount will be limited to 100% of the amount of Tier 1 Capital.
2. 50% of revaluation reserves for fixed assets and securities, and 10% of revaluation reserves for equity instruments are eligible for Tier 2 Capital.

3. Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital.
4. A minimum of around 28.5% of market risk needs to be supported by the Tier 1 capital. Market risk must be supported by Tier 3 capital up to a maximum of 250% of Tier 1 capital, available after meeting the necessary credit risk capital requirement.

Common capital ratios as per the regulatory requirements are as follows:

Capital Ratios		Statutory Limits
Core Capital ratio	$= \frac{\text{Core Capital}}{\text{Risk-adjusted assets}}$	$\geq 5\%$
Total capital (Core and Supplementary Capital) ratio	$= \frac{\text{Total Capital (Core + Supplementary)}}{\text{Risk-adjusted assets}}$	$\geq 10\%$

Effective risk management is considered as a central part of the financial and operational management of any company, whereby company sustainability and consistent profit generation are ensured. Only by adopting and strengthening risk management measures can the company deal with the complex and dynamic business environment.

Group Risks are managed on an integrated basis. Risk management is incorporated in the Group decision making with regards to strategic planning. The diagram below illustrates this concept.



The risks which form the basis for effective risk management are: credit, market, operational, and liquidity risks.

- ▶ Credit Risk is a risk that the FI will not be able to recover the money it has owed. It occurs due to failure of the counterparty to meet its obligations to pay the company in accordance with the agreed terms. The risk depends on the financial strength of the party owing to the bank as well as market factors that affect the value of assets used as lien against the loan.

Credit risk calculation recognizes and adjusts for two factors:

- On Balance Sheet credit exposures refer to the credit risks that the various assets in the balance sheet are exposed to. These assets are weighted according to the degree of the risks exposed.
- Off Balance Sheet credit exposures refer to the credit risks on the credit equivalent amounts of the various off balance sheet items.
- ▶ Market Risk is the potential for loss in earnings or in economic value of the FI's asset portfolio due to adverse changes in financial market rates or prices. The preferred approach to calculating this risk is VaR (Value at Risk).
- ▶ Operational Risk is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. The risk can be deliberate, accidental or natural. The FI's objective is to minimize the operational risk exposure within a framework of policies and procedures.
- ▶ Liquidity Risk is the potential risk of failure to meet all the financial obligations of the FI as they fall due, resulting from insufficient liquid financial resources.

Risk Weighted Assets (RWA) is a Financial Institution's assets or off-balance-sheet exposures, weighted according to risk. By adjusting the amount of each asset for an estimate of how risky it is, a rough measurement of the company's financial stability can be determined.

Capital Adequacy Details of Meridian Finance & Investment Limited (Meridian Finance).

Capital Adequacy

At Meridian Finance, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. The policy delineates the minimum criteria for ensuring that adequate capital is met and effective management is performed. Capital Adequacy is explicitly followed in adherence to the statutory compliance and regulatory requirements of Basel II guidelines, affected by Bangladesh Bank from 1st January 2010. The guidelines are prudently followed to safeguard the Meridian Finance ability to continue as a going concern, by establishing a strong capital base, and to maintain high credit rating as well as the confidence of the investors and creditors.

At Meridian Finance, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders.

Capital targets accommodate forward looking viewpoints on economic outlook, company's current financial condition, and future uncertainties inherent in capital planning.

In line with this objective, capital base is set at a level (0.5% to 1%) higher than the regulatory requirement, while capital target will be 1% to 2% higher than the minimum CAR. This ensures full compliance as well as a buffer against capital loss during stressful situations.

The company emphasizes on strong capital management through the followings:

- ▶ Oblige to regulatory requirements of capital base maintenance.
- ▶ Supply and demand forecast of capital to support business strategy and continuity.
- ▶ Incorporate rolling capital plan covering a time horizon of two to three years.
- ▶ Internal Controls and Governance to manage company's risk, performance and capital.

Capital strategies are periodically reviewed to ensure that strong governance and process framework are in place for effective risk management. Material capital risk is assessed periodically which supports the company's internal capital adequacy requirements.

The scope of application of such guidelines applies to 'Solo' basis.

- ▶ 'Solo Basis' refers to all position of the FI and its local and overseas branches/offices.

The guidelines apply only 'Solo' basis.

Breakdown of each category of eligible capital is given below:

- ▶ **Core Capital** of Meridian Finance is as follows:

Particulars	Figures in BDT Million	
	Solo	
	2018	2017
Fully paid-up capital/capital lien with BB	1,200.00	1,200.00
Statutory reserve	54.99	30.25
Non-repayable share premium account	-	-
General reserve	-	-
Retained Earnings	99.97	120.99
Minority interest in subsidiaries	-	-
Non-cumulative irredeemable preference shares	-	-
Dividend equalization account	-	-
Other (if any item approved by Bangladesh Bank)	-	-
Less : Shortfall in provisions required against investment in shares	-	-
Total	1,354.97	1,351.24

► **Supplementary Capital** of Meridian Finance is as follows:

Figures in BDT Million

Particulars	Solo	
	2018	2017
General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	44.51	38.44
50% of Asset Revaluation Reserve	-	-
50% of Securities Revaluation Reserve	-	-
All other Preference Shares	-	-
Other (if any item approved by Bangladesh Bank)	-	-
Total	44.51	38.44

Meridian Finance does not have any **Additional Supplementary Capital**.

Risk Management

At Meridian Finance, disciplined risk management is considered as the key to organizational success. With that objective in mind, strong management structure and risk management system, along with robust policies, are developed to allow the company to manage the internal and external, and regulatory environments. A robust risk management framework is built to effectively cover the necessary requirements of managing risk. Establishment and oversight of the Company's risk management framework lies with the Company's Board of Directors. The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk control standards, and to monitor the risks and adhere to defined policies. Protocols and responsibilities are clearly delineated such that decision making with regards to risk management are taken positively. Meridian Finance contemplates on having the industry practices of identifying, measuring and controlling risks. The Risk management policies and systems are reviewed regularly to reflect changes in market conditions and operations. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

By implementing rigorous risk management policy, risk adjusted returns are maximized, while ensuring that the company remains within its desired risk appetite. Emphasis is given on establishing a risk management culture which takes into account the underlying assertions:

- Risk considered must be in line with the company's goals, and also must support the company's risk appetite.
- Responsibility of identifying and taking risks within the organization lies with every employee. The company carries the overall responsibility of ensuring that the risk-taking within the organization is disciplined and focused.
- Accountability is ensured by taking risk agreed by the respective company authorities and also assuring that the risks taken are transparent, controlled, reported and falls within the appropriate infrastructure and resource.
- Future risk emergence is identified and necessary steps taken to anticipate its impacts.
- Effective Risk Management Policy and Controls are founded to use the risk as a competitive advantage.
- Continuous improvement of the risk management approaches and methodologies to enhance current risk policies.

- ▶ Analyze and establish any new or improved policy to strengthen the company's risk management position.
- ▶ Ensuring consistent statutory compliance with regards to capital adequacy and risk management.

In accordance with the Basel II guidelines, Meridian Finance takes precautionary methods against credit, market, operational, and liquidity risks.

- ▶ Credit Risk is effectively measured and managed through a framework of policies and procedures. All credit exposures undergo proper approving authority as a mean of effective management of counterparty credit risk. A defined structure is established for delegation of credit approval authority and for monitoring compliance with appetite.

Proper due diligence is applied to review the credit applications. Defined processes and procedures are used to support credit underwriting activities at levels of the business. As a part of proper underwriting standards, appropriate valuations of collaterals are done for secured credits.

A counterparty is also required to have an approved limit in place, prior to drawdown of funds. Every credit party is subject to credit rating, and the rating is actively monitored as a part of effective credit risk management. Account level activity along with limit utilization monitoring is set as a part of risk trigger mechanisms. This helps to identify early alert situations based on which the company can take proper actions. Potential problem accounts are identified, investigated, controlled and monitored.

Past dues and impaired exposures are defined in accordance with the relevant Bangladesh Bank regulations. Specific and general provisions are computed periodically in accordance with the Bangladesh Bank regulations. The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Company Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The table below gives details of Credit Risk for 2018 and 2017:

Distribution of risk exposure by claims	Figures in BDT Million	
	Solo	
	2018	2017
Cash and Cash Equivalents	0.13	0.12
Claims on Bangladesh Govt. and Bangladesh Bank	30.25	28.83
Claims on NBFIs and Banks	929.46	179.20
Claims on Corporate	2,478.61	2,412.25
Claims categorized as retail portfolio & Small Enterprise	1,030.57	1,413.40
Consumer finance	166.09	196.06
Claims fully secured by residential property	493.18	380.08
Claims fully secured by commercial real estate	60.61	74.86
Past Due Claims	8.55	-
All other assets	306.53	137.70
Total	5,503.98	4,822.50

Figures in BDT Million

Particulars	Solo	
	2018	2017
Gross Non Performing Loans (NPLs)	13.42	-
Non Performing Loans (NPLs) to outstanding loan and advance	0.32%	-
Movement of Non Performing Loans (NPLs)		
Opening balance	-	-
Add/Less : Net movement during the year	13.42	-
Closing Balance of Non Performing Loans (NPLs)	13.42	-
Movement of specific provision for (NPLs)		
Opening balance of Specific Provision	-	-
Less : Written off during the year	-	-
Recoveries during the period	-	-
Add : Provision made during the period	4.87	-
Closing Balance of specific provision for (NPAs)	4.87	-

- ▶ Market Risk management is set as per the parameters defined in the policy. The objective of the Company's market risk management is to manage and control market risk exposures set within the acceptable parameters, thereby ensuring solvency while optimizing the Company's risk return strategy.

Sufficient oversight and reporting are conducted for management of market risk profile. Overall authority for market risk rests with the ALCO. Setting market liquidity as the primary factor for determining the level of limits for portfolio trading, ALCO provides limits for each type of risk in aggregate and for individual portfolios.

The table below gives details of Market Risk for 2018 and 2017:

Figures in BDT Million

Capital Requirements	Solo	
	2018	2017
Interest rate risk	-	-
Equity position risk	14.80	59.94
Foreign exchange risk	-	-
Commodity risk	-	-
Total	14.80	59.94

- ▶ Operational Risk framework is designed to ensure operational risk identification, assessment, control and monitoring at business and group level. Management of operational risks is an integral part of the roles played by business and the functional teams.

The Risk Management Division oversees whether the operational risk exposures fall within the policy. Defined standards of measurement are also outlined which plays one of the critical roles of ensuring that the risks are managed within the acceptable tolerance limits. The policies and standards are also reviewed periodically to keep the framework updated.

The types of events that could result in material operational risk loss or business disruptions are as follows:

- Internal and external fraud
 - Damage to physical assets
 - Business process disruptions and system failures
 - Failure in service executions and deliveries, as well as process management
- ▶ Liquid Risk is managed by the ALCO team within the pre-defined liquidity limits set by and in compliance with the policies and regulatory requirements. The Treasury division oversees the implementation of policies and other controls relating to liquidity risks while managing the liquidity position of the company on a day to day basis.

RWA figure is calculated on the basis of credit, market, and operational risks. Total RWA is determined by first multiplying the amount of capital charge for market risk and operational risk with the reciprocal of the minimum CAR. The resulting figure is added to the sum of the Risk Weighted Assets for credit risk.

Figures in BDT Million		
Particulars	Solo	
	2018	2017
Credit Risk		
1. On Balance Sheet	3,801.09	3,618.87
2. Off Balance Sheet	59.71	-
Market Risk	148.00	599.40
Operational Risk	384.03	238.73
Total RWA	4,392.84	4,457.00

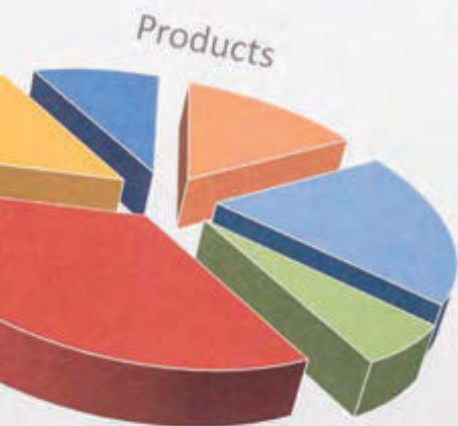
Based on the data derived, the Capital Adequacy Ratio (CAR) is calculated. Meridian Finance follows the standard CAR measurement method.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Core Capital} + \text{Supplementary Capital}}{\text{Risk Weighted Assets}}$$

Figures (except percentage) in BDT Million		
Particulars	Solo	
	2018	2017
Core Capital	1,354.97	1,351.24
Supplementary Capital	44.51	38.44
Total Eligible Capital	1,399.48	1,389.68
Risk Weighted Asset (RWA)	4,392.84	4,457.00
Capital Adequacy Ratio (CAR)	31.86%	31.18%
Core Capital to RWA	30.84%	30.32%
Supplementary Capital to RWA	1.01%	0.86%
Minimum Capital Requirement (Higher of 10% of RWA or 100 crore)	1,000	1,000
Excess Capital over Regulatory Requirement	399.48	389.68

The CAR figure of Meridian Finance & Investment Limited can be seen to be comfortably above the Bangladesh Bank's CAR requirement of 10%. This is in line with the institution's approach to being compliant, establish investors' confidence, and demonstrate company stability.

Accumulated depreciation			Book-value	
0-11	1,000	200	24,700	25,228
0-12	0	0	0	0,000
0-13	0	0	0	1,711
0-14	0	0	0	0
0-15	0	0	0	0
0-16	0	0	0	0
0-17	0	0	0	0
0-18	0	0	0	0
0-19	0	0	0	0
0-20	0	0	0	0
0-21	0	0	0	0
0-22	0	0	0	0
0-23	0	0	0	0
0-24	0	0	0	0
0-25	0	0	0	0
0-26	0	0	0	0
0-27	0	0	0	0
0-28	0	0	0	0
0-29	0	0	0	0
0-30	0	0	0	0
0-31	0	0	0	0
0-32	0	0	0	0
0-33	0	0	0	0
0-34	0	0	0	0
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0-36	0	0	0	0
0-37	0	0	0	0
0-38	0	0	0	0
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0-40	0	0	0	0
0-41	0	0	0	0
0-42	0	0	0	0
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0-93	0	0	0	0
0-94	0	0	0	0
0-95	0	0	0	0
0-96	0	0	0	0
0-97	0	0	0	0
0-98	0	0	0	0
0-99	0	0	0	0



Statement of Cash Flows for the Group

before taxes	19,257
tion / amortization & impairment	17,460
uses from disposals of fixed assets	374
tem associated companies	-110
cash income/expense	0
from result	36,982
increase in inventories and short-term accounts	2,092
rease in provisions	9,781
rease in trade accounts payable and other	2,804
d changes in non fund assets	-1,383
ment items from debt consolidation	242
ents and changes in deferred taxes	-4,662
perating activities	45,854
els of tangible and intangible fixed assets	104
om additions to tangible and intangible	-13,544
long-term receivables	-944
ling activities	-14,385
reholders	-1,165
ority shareholder	-233
of own shares	-1,059
crease in financial liabilities	-15,202
ain-flow from financing activities	-17,659
Total cash-flow	13,811
Cash and cash equivalents at the beginning of the year	15,132
ffects of exchange rate changes on cash and cash	228
quivalents	
is and cash equivalents at the end of the year	
ange in funds	

	31.12.2009	31.12.2010
Version difference		
Additions due to first consolidation		
Additions		
Write-ups		
Disposals	1,402	
Reclassifications		1,248
Balance as of 31.12.2010		1,253
Book value as of 31.12.2009		
Book value as of 31.12.2010		



AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meridian Finance and Investment Limited

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Meridian Finance and Investment Limited** ("the Company") which comprise the balance sheet as at 31 December 2018 and the profit & loss account, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note # 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Financial Institutions act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

- (iv) the expenditures incurred and payments made were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. "Window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiv) the Company has complied with relevant laws pertaining to capital, reserve, and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 442 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the "First Schedule" of the Financial Institutions Act, 1993 in preparing these financial statements; and
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dated, Dhaka
24 March 2019



A. Qasem & Co.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

BALANCE SHEET As at 31 December 2018

	Notes	Amount in BDT	
		2018	2017
PROPERTY AND ASSETS			
Cash	3	30,375,372	28,951,966
In hand (including foreign currencies)	3.01	130,000	120,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.02	30,245,372	28,831,966
Balance with other Banks and Financial Institutions	4	314,462,002	149,197,343
Inside Bangladesh		314,462,002	149,197,343
Outside Bangladesh		-	-
Money at call and short notice	5	615,000,000	30,000,000
Investments	6	220,564,049	295,116,561
Government securities		-	-
Others investment		220,564,049	295,116,561
Leases, loans and advances	7	4,142,965,669	4,588,069,092
Loans, cash credit, overdraft and leases etc		4,142,965,669	4,588,069,092
Bills purchased and discounted		-	-
Fixed Assets including Land, Building, Furniture & Fixtures	8	38,504,580	39,548,881
Other assets	9	132,022,581	97,693,608
Non-business assets		-	-
TOTAL PROPERTY AND ASSETS		5,493,894,252	5,228,577,451
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	590,713,761	502,703,616
Deposits & other accounts	11	3,255,993,507	3,148,817,888
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.01	3,174,502,518	3,046,249,613
Bearer certificate of deposits		-	-
Other deposits	11.02	81,490,990	102,568,275
Other liabilities		292,221,290	225,818,107
Total liabilities	12	4,138,928,558	3,877,339,611
Capital/Shareholders' Equity		1,354,965,694	1,351,237,841
Paid up Capital	13	1,200,000,000	1,200,000,000
Statutory reserve	14	54,993,139	30,247,568
Retained earnings	15	99,972,555	120,990,272
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,493,894,252	5,228,577,451

MERIDIAN FINANCE AND INVESTMENT LIMITED

BALANCE SHEET

As at 31 December 2018

	Notes	Amount in BDT	
		2018	2017
OFF-BALANCE SHEET ITEMS			
Contingent liabilities		-	-
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
Other commitments		161,925,878	-
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		-	-
Undisbursed contracted loans and leases		161,925,878	-
Total Off-Balance Sheet Items including Contingent Liabilities		161,925,878	-
Net Asset Value (NAV) per share		11.29	11.26

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



Chairman



Director



Managing Director & CEO



Company Secretary

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

Dated, Dhaka
24 March 2019



A. Qasem & Co.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2018

	Notes	Amount in BDT	
		2018	2017
Interest income	16	674,232,945	520,191,669
Interest on deposits and borrowings etc.	17	395,758,443	271,183,307
Net interest income		278,474,501	249,008,361
Income from investment	18	18,501,312	49,267,973
Commission, Exchange and Brokerage	19	-	-
Other operating income	20	6,820,402	12,151,356
Total Operating Income		303,796,215	310,427,690
Salary and allowances	21	75,221,571	60,623,379
Rent, taxes, insurance, electricity etc.	22	23,632,943	20,010,805
Legal and professional fees	23	2,229,083	945,203
Postage, stamp, telecommunication etc.	24	1,530,973	1,499,563
Stationery, printing, advertisement etc.	25	2,360,919	3,867,926
Managing director's salary and allowance	26	8,245,000	6,729,032
Directors' fees	27	646,875	702,778
Auditors' fees	28	191,667	127,778
Charges on loan losses		7,922,334	-
Depreciation and repair of Company's assets	29	9,886,248	8,556,750
Other expenses	30	22,192,763	19,666,879
Total Operating Expenses		154,060,376	122,730,093
Profit before provision		149,735,839	187,697,597
Provisions for lease, loans & investments	31	22,942,426	17,948,785
Provision for lease, loan and advances		11,790,804	17,948,785
Provision for diminution in value of investments		11,151,622	-
Other provisions		-	-
Profit before tax and reserve		126,793,413	169,748,813
Provision for taxation	32	3,065,560	59,157,064
Current tax expense/ (income)		5,429,468	60,608,382
Deferred tax expense/ (income)		(2,363,909)	(1,451,318)
Net Profit/(Loss) after taxation		123,727,853	110,591,748
Appropriations:			
Statutory reserve		24,745,571	22,118,350
Retained earnings		98,982,283	88,473,399
Dividend		-	-
		123,727,853	110,591,748
Earning Per Share (EPS)		1.03	0.92

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


Chairman


Director


Managing Director & CEO


Company Secretary

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

Dated, Dhaka
24 March 2019


A. Qasem & Co.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Amount in BDT

Particulars	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as on 01 January 2018	1,200,000,000	30,247,568	120,990,272	1,351,237,841
Net Profit /(Loss) for the year	-	-	123,727,853	123,727,853
Issue of share capital during the year	-	-	-	-
Appropriation to statutory reserve	-	24,745,571	(24,745,571)	-
Cash Dividend	-	-	(120,000,000)	(120,000,000)
Balance as on 31 December 2018	1,200,000,000	54,993,139	99,972,555	1,354,965,694

For the year ended 31 December 2017

Amount in BDT

Particulars	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as on 01 January 2017	1,200,000,000	8,129,218	32,516,874	1,240,646,092
Net Profit /(Loss) for the year	-	-	110,591,749	110,591,749
Issue of share capital during the year	-	-	-	-
Appropriation to statutory reserve	-	22,118,350	(22,118,350)	-
Balance as on 31 December 2017	1,200,000,000	30,247,568	120,990,272	1,351,237,841



Chairman



Director



Managing Director & CEO



Company Secretary

Dated, Dhaka
24 March 2019



A. Qasem & Co.
Chartered Accountants

MERIDIAN FINANCE AND INVESTMENT LIMITED

STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	Amount in BDT	
	2018	2017
A) Cash flows from operating activities		
Interest received	666,859,889	521,334,169
Interest paid	(373,925,577)	(244,527,317)
Dividend received	19,224,393	11,541,022
Fees and commission received	6,820,402	12,151,356
Income from investment	150,870	32,856,366
Cash paid to employees (including directors)	(82,417,459)	(67,052,419)
Cash paid to suppliers & Others	(24,185,759)	(25,467,264)
Income taxes paid	(31,088,970)	(45,064,898)
Received from other operating activities	-	-
Paid for other operating activities	(22,192,763)	(19,666,879)
Cash generated from operating activities before changes in operating assets and liabilities	159,245,027	176,104,136
Increase/ (decrease) in operating assets & liabilities		
Loans and advances to customers	446,556,863	(1,799,596,643)
Other assets	4,557,123	22,275,454
Deposits from customers	107,175,620	777,727,122
Other liabilities	-	-
	558,289,606	(999,594,067)
Net Cash from Operating Activities	717,534,633	(823,489,931)
B) Cash flows from investing activities		
Changes in investment in securities	74,552,513	(262,956,845)
Money at call and short notice	(585,000,000)	770,000,000
Purchase of property, plant and equipment	(8,409,227)	(19,725,965)
Sales proceeds of fixed assets	-	-
Net Cash used in Investing Activities	(518,856,714)	487,317,190
C) Cash flows from financing activities		
Drawdown of Term Loan, OD and REPO	88,010,146	337,330,856
Dividend paid	(120,000,000)	-
Net Cash used in Financing Activities	(31,989,854)	337,330,856
D) Net Increase/ (Decrease) in Cash & Cash Equivalents	166,688,064	1,158,114
E) Opening cash and cash-equivalents	178,149,310	176,991,195
F) Closing cash and cash-equivalents (D+E)*	344,837,374	178,149,310
* Closing cash and cash-equivalents		
Cash in hand	130,000	120,000
Balance with Bangladesh Bank and its agent bank(s)	30,245,372	28,831,966
Balance with other Banks and Financial Institutions	314,462,002	149,197,343
	344,837,374	178,149,310



Chairman




Director



Managing Director & CEO



Company Secretary



A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
24 March 2019

MERIDIAN FINANCE & INVESTMENT LIMITED

LIQUIDITY STATEMENT

For the year ended 31 December 2018

Amount in BDT

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)	130,000	-	-	-	-	130,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	-	-	-	-	30,245,372	30,245,372
Balance with banks and financial institutions	125,534	146,836,468	167,500,000	-	-	314,462,002
Money at call and short notice	275,000,000	340,000,000	-	-	-	615,000,000
Investments	1,523,512	25,481,250	38,787,878	154,771,409	-	220,564,049
Lease, Loans and advances	155,925,058	607,056,165	940,175,122	2,014,226,505	425,582,820	4,142,965,669
Fixed assets including land, building, furniture and fixtures	830,615	1,661,230	7,475,535	28,537,200	-	38,504,580
Other assets	5,120,854	4,508,700	74,900,499	47,492,528	-	132,022,581
Non-banking assets	-	-	-	-	-	-
Total Assets	438,655,572	1,125,543,813	1,228,839,034	2,245,027,641	455,828,192	5,493,894,252
Liabilities						
Borrowing from other banks, financial institutions and agents	186,653,807	670,833	57,603,305	345,785,816	-	590,713,761
Deposits	287,118,646	1,183,686,352	1,016,546,701	730,108,188	38,533,620	3,255,993,507
Other accounts	-	-	96,000,000	-	1,258,965,694	1,354,965,694
Provision and other liabilities	26,188,324	30,042,976	116,507,728	114,396,431	5,085,830	292,221,290
Total Liabilities	499,960,777	1,214,400,162	1,286,657,734	1,190,290,435	1,302,585,144	5,493,894,252
Net Liquidity Surplus/(Gap)	(61,305,204)	(88,856,349)	(57,818,700)	1,054,737,206	(846,756,952)	-



Chairman

Dated, Dhaka
24 March 2019



Director



Managing Director & CEO



Company Secretary

MERIDIAN FINANCE AND INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 (RJSCF) 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 2015 after obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. The registered address of the company is situated at Silver Tower (Level-6), 52 Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh.

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

Sl. No.	Name of License	Registration No.	Date of License	Renewed up to
1	Certificate of Incorporation	C-113483/14	15 January 2014	N/A
2	Certificate for Commencement of Business	20470-76	15 January 2014	N/A
3	Tax Identification Number (TIN)	716572753037	21 January 2014	N/A
4	Bangladesh Bank License	DFIM(L)/35	04 June 2015	N/A
5	Trade License	03-049244	02 September 2015	2018-19
6	VAT Identification Number	18141129850	30 November 2015	N/A
7	Commercial Bank & Insurance Institution License	112/Dhaka	21 October 2018	30 June 2019

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, Home Loan, Hire Purchase, SME, Car Lease, 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 International Financial Reporting Standards (IFRSs), 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 IFRSs with a view to comply with the regulatory requirements .

The Company has consistently applied the accounting policies to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. As per the Company's assessment, only material impact of new standards adopted in 2018 is relating to calculation of impairment provision as per IFRS 9. However, in absence of any revised guideline from Bangladesh Bank, the Company continued previously used impairment, classification and measurement policies for its loans and advances. Accordingly, these amendments have no material impact on the financial statements of the Company.

In December 2017, ICAB vide letter I/I/ICAB-2017 decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Company has not early applied the following new standards in preparing these financial statements.

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

However, these departures with IFRSs have been made by following all of the relevant provisions of IAS 1 and detail disclosures are given in note - 2.4 by following the provision of Para 20 of IAS 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 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 Disclosure of departure from few requirements of IFRS due to mandatory compliance of Bangladesh Bank's requirements

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.	As per FID circular No. 08, dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/ standard loans and Special Mentioned Accounts	In Financial Statements, as at 31 December 2018, accumulated provision for leases, loans and advances stand at BDT 51.17 million.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
			<p>If any such evidence exists, expected credit losses are required to be measured through a loss allowance at an amount equal to:</p> <p>a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or</p> <p>b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).</p>	<p>(SMA)) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.</p>	

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	Investment in shares falls either under at "fair value through profit/loss (FVTPL)" or "fair value through other comprehensive income (FVTOCI)" where any change in the fair value in case of FVTPL at the year-end is taken to profit of loss, and any change in fair value in case of FVTOCI is taken to other comprehensive income.	As per FID circular No. 08, dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year total market value of all shares are less than the cost price of all shares. In Financial Statement, as at 31 December 2018, Provision for diminution in value of investments stands BDT 11.15 million.
3	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	As at 31 December 2018, in Financial Statements interest suspense account was BDT 13.66 million whereas last year was BDT 4.31. This amount has been shown in other liabilities in note 12.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
4	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	<p>Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period.</p> <p>In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.</p>	<p>Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs.</p> <p>The templates of financial statements provided detail presentation for statement of cash flows.</p>	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
5	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against leases, loans and advances.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 “Presentation of Financial Statements” IFRS 9 “Financial Instruments” & IFRS 7 “Financial Instruments: Disclosure”	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement. IAS 1 requires separate line item for intangible assets on the face of statement of financial position. IFRS 9 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IFRS 9 have not been made in the accounts.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
7	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
8	Current/ Non-current distinction	IAS-1 "Presentation of Financial Statement"	As per Para 60 of IAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
9	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
10	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
11	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" para 54: the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
12	Other comprehensive income	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.	Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per the guideline and templates issued by Bangladesh Bank. There is no financial impact for this departure in the financial statements.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
13	Disclosure of presentation of profit	N/A	There is no requirement to show appropriation of profit in the face of statement of comprehensive income.	<p>As such the financial institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.</p> <p>As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account</p>	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

2.4 Components of the financial statements

The financial statements comprise of (As per DFIM Circular-11, Dated 23 December 2009):

- a) Balance sheet as at 31 December 2018;
- b) Profit and loss account for the year ended 31 December 2018;
- c) Statement of Changes in Equity for the year ended 31 December 2018;
- d) Statement of Cash Flows for the year ended 31 December 2018;
- e) Liquidity Statement for the year ended 31 December 2018;
- f) Notes to the Financial Statements for the year ended 31 December 2018.

2.5 Disclosure of departure from few requirements of IFRS 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 IFRS. As such the company has departed from those contradictory requirements of IFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable:

- 2.5.1** 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 IAS 39. At the year end the company has recognized an accumulated general provision of BDT 46.30 million in balance sheet under liabilities.
- 2.5.2** 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.
- 2.5.3** As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IAS 39. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.
- 2.5.4** As per IAS 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 IAS.

2.6 Presentation and functional currency and level of precision

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

2.7 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) 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 International Accounting Standard (IAS)-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.

2.8 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.

2.9 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.

2.10 Directors' responsibility statement

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

2.11 Cash flows Statement

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

2.12 Books of account

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

2.13 Branch accounting

The Company has three branches, with no overseas branches as on 31 December 2018. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

2.14 Revenue recognition

Revenue is only recognised when it meets the following five steps model framework.

- a) identify the contract (s) with a customers;
- b) identify the performance obligations in the contract;
- c) determine the transaction price;
- d) allocate the transaction price to the performance obligations in the contract;
- e) recognise revenue when (or as) the entity satisfies a performance obligation.

Interest income from loans and other sources is recognised on an accrual basis of accounting.

2.14.1 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.

2.14.2 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.

2.14.3 Income from investment

Capital gain or loss on investment in shares

Capital gain or loss arising from the sale of investment in shares is accounted on monthly basis.

Dividend income

Dividend is recognized as income when the right to receive income is established.

2.15 Operating expenses

Major component of operating expenses other than salary and allowances are office rent, printing and stationery, postage and stamp, telecommunication, legal and professional fees and other miscellaneous expenses. All expenses are recognized on accrual basis of accounting.

2.15.1 Salary and allowances

Salary and allowances comprise basic salary, house rent, conveyance allowance, festival bonus, leave fare assistance etc. All expenses related to salary and allowances are recognized on accrual basis of accounting.

2.16 Employees' benefit obligation

2.16.1 Provident fund

The Company maintains a contributory employees Provident Fund recognized by National Board of Revenue within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees. The Fund is administered by a Board of Trustees and is funded equally by the employer and the employees @ 10% of their basic salary as contribution of the fund. Provident Funds are invested in Fixed Deposit Receipt and to the Government Shanchaypatra and IPO Share. Interest earned from the investments is credited to the members' account on yearly basis. section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees.

2.17 Recognition of fixed assets

2.17.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the IAS-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.

2.17.2 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 & Fixture	6	16.67%
Office Decoration	6	16.67%
Office Equipment	5	20.00%
IT Equipment	5	20.00%
Motor Vehicle	5	20.00%

2.17.3 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.

2.17.4 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%

2.18 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.

2.19 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.

2.20 Consistency

In accordance with the IFRSs framework for the presentation of financial statements together with IAS 1 and IAS 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 IAS-8. We, however, have applied the same accounting and valuation principles in 2018 as in financial statements for 2017.

2.21 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:

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

2.22 Borrowing costs

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

2.23 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.

2.24 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. The provisions rates are given below

Particulars	Rates
General Provision on:	
Unclassified of leases, loans and advances except SME	1%
Unclassified of Small and Medium Enterprise(SME)	0.25%
Special Mention Account of leases, loans and advances	5%

2.25 Corporate Tax

a. Current tax

Provision for current income tax is normally made as prescribed in Finance Act 2018 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 IAS-12 "Income Taxes".

2.26 Term deposits and other deposits accounts

2.26.1 Term Deposits

Term Deposits by customers and banks/NBFI 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.

2.26.2 Other deposits

Other deposits include advance rentals/instalments received from assets clients against leases, loans and advances which will be adjusted at the end of termination/settlement of leases, loans and advances in accordance with terms and conditions mentioned in the sanction letter.

2.27 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 IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

2.28 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.

2.29 Financial risk management

Meridian Finance always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk management system is in place within the Company to address risks relating to credit, market, liquidity, operations and anti money laundering. In addition to the industry best practices for assessing, identifying and measuring risks, Meridian Finance also considers guidelines for managing core risks of financial instructions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated January 24, 2016.

Credit Risk

To encounter and mitigate credit risk the company employed multilayer approval process, policy for maximum exposure limit of sector or groups, policy for customers' assets maximum exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, adequate insurance coverage for funded assets, vigorous monitoring and follow up by Special Assets Management Team, strong follow up of compliance of credit policies by Internal Control and Compliance Department (ICCD), taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, etc.

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects from risk point of view. An independent Credit Risk Management Department is in place, at Meridian Finance, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

Liquidity Risk

Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and credit spreads will affect the income or the value of financial instruments.

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. Meridian Finance has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Meridian Finance objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation.

The Board of Directors has delegated responsibility for operational risk to Management Committee which is responsible for the development and implementation of controls to address operational risk.

Meridian Finance has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk.

Money Laundering and Terrorist Financing Risk

To mitigate the risks, Meridian Finance, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), put in place a strict compliance program consisting of the following components:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing;
- b) Independent audit function including internal and external audit function to test the programs;
- c) Ongoing employee training programs.

2.30 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December 2018 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 2017 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

2.31 General Notes

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

3.00 Cash in hand

In hand (including foreign currencies) (Note-3.01)

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

Amount in BDT	
2018	2017
130,000	120,000
30,245,372	28,831,966
30,375,372	28,951,966
130,000	120,000
-	-
130,000	120,000
30,245,372	28,831,966
-	-
30,245,372	28,831,966

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 06 November 2003, FID Circular No. 02, dated 10 November 2004 and FID Circular No. 01, dated 12 January 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 BDT), 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)

Amount in BDT	
2018	2017
30,470,724	27,748,092
31,232,361	28,584,598
761,638	836,506
73,556,097	63,708,831
209,132,958	164,669,258
135,576,860	100,960,427

b) Statutory Liquidity Reserve (SLR)

Required reserve (including CRR)

Actual reserve maintained (including CRR)

Surplus / (deficit)

4.00 Balance with other Banks and Financial Institutions

Inside of Bangladesh

Local Currency

Non interest bearing current account (Note - 4.01)

Interest bearing short term deposit account (Note - 4.02)

Fixed deposit account (Note - 4.03)

4.01 Non interest bearing current account

BASIC Bank Limited (A/C # 2210-01-0005718)

Mercantile Bank Limited (A/C # 112911115835276)

Midland Bank Limited (A/C # 0011-1050001475)

Mutual Trust Bank Limited (A/C # 0057-0210004013)

4.02 Interest bearing short term deposit account

Mercantile Bank Limited (A/C # 112913115835333)

NRB Bank Limited (A/C # 1021030038238)

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

Standard Chartered Bank (A/C # 02-1308121-01)

4.03 Fixed deposit account

NRB Global Bank Limited

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

5.00 Money at call and short notice

Short term placement

Amount in BDT	
2018	2017
125,534	558,446
146,836,468	13,638,898
167,500,000	135,000,000
314,462,002	149,197,343
41,039	1,252
28,000	47,000
-	179
56,495	510,015
125,534	558,446
1,648,810	4,499,607
142,760,937	6,239,388
908,670	2,899,903
1,518,051	-
146,836,468	13,638,898
167,500,000	135,000,000
167,500,000	135,000,000
125,534	558,446
146,836,468	13,638,898
-	-
167,500,000	135,000,000
-	-
-	-
314,462,002	149,197,343
615,000,000	30,000,000
615,000,000	30,000,000

6.00 Investment

Government Securities

Other Investments

Investment in marketable securities (Note-6.01)

Investment in Mutual Fund

Investment in preference shares

Amount in BDT	
2018	2017
-	-
64,753,976	110,659,110
20,052,500	9,912,000
135,757,573	174,545,451
220,564,049	295,116,561
220,564,049	295,116,561

6.01 Investment in marketable securities

Details of marketable securities are given below:

Business Segments	No. of Shares	Cost Price	Market Price
Financial Institutions	183,025	15,922,307	13,269,505
Automobile	14,412	1,080,900	1,080,900
Bank	145,010	8,003,076	6,070,227
Cement	30,000	5,643,742	5,382,000
Engineering	14,241	149,215	141,060
Fuel & Power	128,516	10,681,334	6,052,679
IT Sector	29,434	673,700	673,700
Miscellaneous	5,546	50,420	256,780
Pharmaceuticals & Chemicals	77,487	12,084,921	10,839,453
Telecommunication	19,000	8,098,907	6,978,700
Textile	69,085	2,365,453	2,857,350
		64,753,976	53,602,354

7.00 Leases, loans and advances

Corporate Finance

Lease Finance

Loan Finance

Syndicated Loan Finance

107,299,407	126,050,730
2,037,060,616	2,284,982,272
224,073,480	107,424,339
2,368,433,503	2,518,457,341

Consumer Finance

House Finance

Car Lease

Loan Against Deposit

Personal Loan - Employee

493,422,929	380,319,791
166,659,948	196,421,993
2,508,039	53,485,952
252,248	454,129
662,843,164	630,681,866

SME Finance

Lease Finance, SMALL

Loan Finance, SMALL

Lease Finance, MID

Loan Finance, MID

140,312,737	158,136,147
315,286,004	541,922,674
80,051,647	92,130,168
576,038,614	590,314,909
1,111,689,002	1,382,503,898

Channel Finance

Factoring

Work Order Financing

Distributor Financing

Amount in BDT	
2018	2017
-	51,935,738
-	1,747,620
-	2,742,629
-	56,425,987
4,142,965,669	4,588,069,092

7.01 Maturity Wise Grouping

On Demand

Not more than 3 months

More than 03 Month to 01 Year

More than 01 Year to 05 Years

More than 05 Years

-	-
152,981,222	52,760,033
170,175,122	464,566,812
2,994,226,505	3,466,059,846
825,582,820	604,682,401
4,142,965,669	4,588,069,092

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

Standard

Special Mention Accounts (SMA)

3,848,589,154	4,517,159,593
280,959,382	70,909,499
4,129,548,535	4,588,069,092

Classified

Sub-standard

Doubtful

Bad/loss

3,202,126	-
10,215,007	-
-	-
13,417,134	-
4,142,965,669	4,588,069,092

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:

i) House finance

ii) Car Loan

iii) Personal loan

iv) Loan against deposits (LAD)

v) Small and medium enterprises

vi) Special program loan (BB refinancing scheme)

vii) Staff loan

viii) Industrial Loans, advances and leases ((Note-7.03 (d))

ix) Other loans and advances

-	-
-	-
493,422,929	380,319,791
166,659,948	196,421,993
-	-
2,508,039	53,485,952
1,063,577,684	1,375,389,225
48,111,318	7,114,673
252,248	454,129
2,144,360,023	2,411,033,002
224,073,480	163,850,326
4,142,965,669	4,588,069,092

	Amount in BDT	
	2018	2017
d) Details of Industrial loans, advances and leases		
1) Trade and Commerce	224,326,213	279,898,006
2) Industries		
i) Garments and Knitwear	435,764,283	494,229,735
ii) Textile	76,820,043	85,907,029
iii) Jute and Jute -products	-	-
iv) Food Production and Processing industry	115,416,944	142,163,333
v) Plastic Industry	-	-
vi) Leather and Leather Goods	239,291,106	100,159,722
vii) Iron, Steel and Engineering	-	-
viii) Pharmaceuticals and Chemicals	70,176,755	90,098,124
ix) Cement and Allied Industry	53,860,132	46,250,724
x) Telecommunication and IT	127,985,462	205,356,850
xi) Paper, printing and Packaging	-	-
xii) Glass, Glassware and Ceramic Industry	-	-
xiii) Ship Manufacturing Industry	-	-
xiv) Electronics and Electrical Products	227,040,163	270,377,457
xv) Power, Gas, water and Sanitary Service	-	-
xvi) Transport and Aviation	121,889,474	141,105,945
3) Agriculture	234,067,497	286,453,589
4) House Finance	60,605,498	74,858,693
5) Others	-	-
Loan to Subsidiaries Companies	-	-
Others	157,116,453	194,173,794
	2,144,360,023	2,411,033,002

7.04 Loans, advances and leases-geographical location wise

Dhaka	3,245,332,192	3,692,214,725
Chattogram	218,506,029	179,378,394
Khulna	215,393,700	226,955,097
Rangpur	293,969,937	358,228,766
Rajshahi	168,757,342	110,048,153
Sherpur	-	15,122,986
Sylhet	1,006,470	6,120,970
	4,142,965,669	4,588,069,092

7.05 Particulars of loans, advances and leases

i) Loans, advances and leases considered good in respect of which the Bank/ FI is fully secured.	1,848,459,114	1,948,350,270
ii) Loans, advances and leases considered good for which the Bank/FI holds no other security than the debtor's personal security.	662,650,264	690,995,556

		Amount in BDT	
		2018	2017
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.	1,631,604,043	1,945,656,296
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.	252,248	3,066,970
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	-	-
		4,142,965,669	4,588,069,092
x)	Information in respect of classified loans, advances and leases:		
a)	Classified loans, advances and leases for which interest/ profit not credited to income	13,417,134	-
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	13,660,285	4,314,931
xi)	Cumulative amount of written off loans, advances and leases:		
	Opening Balance	-	-
	Amount written off during the year	7,922,334	-
	Amount received off during the year	-	-
	Balance of written off loans and advances yet to be recovered	-	-
		7,922,334	-
The amount of written off loans, advances and leases for which law suits have been filed		7,922,334	-
8.00 Fixed Assets including Land, Building, Furniture and Fixtures			
	Freehold assets (Note- 8.01)	33,184,720	35,725,865
	Intangible assets (Note- 8.02)	5,319,860	3,823,016
		38,504,580	39,548,881

Details are given in **Annexure-A**

		Amount in BDT	
		2018	2017
8.01 Freehold assets			
A.	Cost		
	Opening Balance	47,036,568	30,908,027
	Add : Addition/(Disposal) during the period	6,746,661	16,194,682
		53,783,228	47,102,709
	Less: Sales/ adjustment during the period	-	66,142
		53,783,228	47,036,568
B.	Accumulated depreciation		
	Opening Balance	11,310,702	4,078,101
	Add : Charged during the period	9,287,806	7,239,338
		20,598,509	11,317,439
	Less: Adjustment during the period	-	6,737
		20,598,509	11,310,702
C.	Written down value (A-B)	33,184,720	35,725,865
8.02 Intangible assets			
	IT Software (Note- 8.02.01)	603,159	477,081
	WIP-Software	4,716,701	3,345,935
		5,319,860	3,823,016
8.02.01 IT Software			
A.	Cost		
	Opening Balance	641,823	456,475
	Add: Acquisition during the period	291,800	185,348
		933,623	641,823
	Less: Adjustment during the period	-	-
		933,623	641,823
B.	Accumulated depreciation		
	Opening Balance	164,742	44,493
	Less: Amortized during the period	165,722	120,249
		330,464	164,742
	Less: Adjustment during the period	-	-
		330,464	164,742
C.	Written down value (A-B)	603,159	477,081
9.00 Other assets			
<u>Non income generating assets</u>			
	Advances, deposits and prepayments (Note-9.01)	113,570,096	91,088,076
	Deferred Tax Asset (Note-9.02)	2,639,360	1,341,338
<u>Income generating assets</u>			
	Interest and other receivables (Note-9.03)	9,693,056	2,320,000
	Receivable with Securities (Note-9.04)	6,120,069	2,944,194
		132,022,581	97,693,608

9.01 Advances, deposits and prepayments

	Amount in BDT	
	2018	2017
Advance office rent	4,317,394	7,192,174
Advance to suppliers & others	29,900	2,997,200
Advance Income Tax	100,105,840	69,016,870
Security deposit	4,240,650	4,240,650
Prepayment for Stamp Expense	23,850	200,000
Dividend Receivable	3,996,633	4,870,585
Sundry receivable	279,570	783,831
Receivable from Client	576,259	1,786,766
	113,570,096	91,088,076

**Advance income tax represents the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances & TDR of Meridian Finance & Investment Limited, dividend income and paid to tax office in four equal instalment.

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 International Accounting Standard (IAS)-12: Income Taxes.

Particulars	Accounting Base Carrying Amount	Tax Base Carrying Amount	(Taxable)/Deductible temporary difference
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Deferred tax asset is arrived at as follows:

Fixed assets net of depreciation as on 31 December 2018

Furniture and Fixture	5,257,097	5,989,490	732,393
Office Decoration	15,495,588	17,551,705	2,056,117
Office Equipment	4,808,599	5,568,911	760,312
IT Equipments	4,981,117	3,479,366	(1,501,751)
Motor Vehicle	2,642,318	2,860,134	217,816
Systems & Software	603,159	368,694	(234,465)
WIP-Software	4,716,701	3,238,011	(1,478,690)
Taxable Temporary Difference (A)	38,504,580	39,056,311	551,732
Gratuity Provision			5,178,735
Unearned Revenue			867,935
Deductible Temporary Difference (B)			6,046,670
Total (A+B)			6,598,401

Amount in BDT	
2018	2017
Deferred Tax Asset at 31 December 2018 @ 40%	2,639,360
Deferred Tax Asset at 31 December 2017 @ 42.5%	1,341,338
Deferred tax liability:	
Deferred tax liability at 31 December 2018 @ 40%	-
Deferred tax liability at 31 December 2017 @ 42.5%	(1,065,887)
9.03 Interest and other receivables	
Interest receivables-Fixed Deposit	3,461,667
Interest receivables-Short Term Placement	40,000
	2,320,000
9.04 Receivable with Securities	
Receivable with IDLC Securities Limited	2,363,205
Receivable with Shanta Securities Limited	-
Receivable with LankaBangla Securities Limited	83,122
Receivable with NRBC Bank Securities Ltd.	292,120
	2,944,194
10.00 Borrowings from other banks, financial institutions and agents	
Inside Bangladesh (Note-10.01)	502,703,616
Outside Bangladesh	-
	502,703,616
10.01 Inside Bangladesh	
<u>Secured by FDR</u>	
Bank Overdraft - Woori Bank	116,143,915
<u>Unsecured</u>	
Bank Overdraft (Note-10.01.01)	80,568
Long term loan (Note-10.01.02)	246,479,132
Call Loan (Note-10.01.03)	140,000,000
	502,703,616
10.01.01 Bank Overdraft	
BASIC Bank Limited	-
Midland Bank Limited	80,568
	80,568
10.01.02 Long term loan	
<u>From Bangladesh Bank and its agents Bank</u>	
Bangladesh Bank (under Re-Finance)- New Entrepreneur	2,645,833
Bangladesh Bank (under Re-Finance)- Woman	5,287,500
Bangladesh Bank (under Re-Finance)- Agriculture	-
Bangladesh Bank (under Re-Finance)- Auto Bricks	-
Bangladesh Bank (under Re-Finance)- SMEDP2	-
	7,933,333

From other than Bangladesh Bank and its agents Bank

Midland Bank Limited

BASIC Bank Limited

10.01.03 Call Loan

Sonali Bank Limited

Agrani Bank Limited

Janata Bank Limited

10.02 Maturity grouping of borrowings from other banks, financial institutions & agents

Payable on demand

Up to 1 month

Over 1 months but within 3 months

Over 3 months but within 1 year

Over 1 year but within 5 years

Over 5 years

11.00 Deposits and other accounts

Term deposits (Note-11.01)

Other deposits (Note-11.02)

11.01 Term deposits

Short Term Deposit (Note-11.01.01)

Long Term Deposit (Note-11.01.02)

Double Money Deposit (Note-11.01.03)

Triple Money Deposit - Individual

Monthly Earner Deposit-Individual

Quarterly Earner Deposit-Individual

Millionaire Scheme (Note-11.01.04)

Deposit Pension Scheme-Individual

11.01.01 Short Term Deposit

Short Term Deposit - Bank & NBFIs

Short Term Deposit - Corporate

Short Term Deposit - Individual

11.01.02 Long Term Deposit

Long Term Deposit - Corporate

Long Term Deposit - Individual

Amount in BDT	
2018	2017
67,736,068	85,458,299
124,363,924	153,087,500
192,099,993	238,545,799
315,755,305	246,479,132
100,000,000	90,000,000
-	50,000,000
30,000,000	-
130,000,000	140,000,000
130,000,000	140,000,000
156,653,807	126,604,675
670,833	670,833
57,603,305	34,619,029
245,785,816	200,809,079
-	-
590,713,761	502,703,616
3,174,502,518	3,046,249,613
81,490,990	102,568,275
3,255,993,507	3,148,817,888
2,966,979,523	2,895,343,818
69,055,705	63,622,025
51,285,000	36,200,000
20,800,000	20,000,000
37,680,000	21,580,000
19,100,000	8,600,000
6,038,290	422,770
3,564,000	481,000
3,174,502,518	3,046,249,613
2,074,700,000	2,129,700,000
646,228,762	649,209,869
246,050,761	116,433,949
2,966,979,523	2,895,343,818
67,905,705	8,500,000
1,150,000	55,122,025
69,055,705	63,622,025

		Amount in BDT	
		2018	2017
11.01.03 Double Money Deposit			
Double Money Deposit - Individual		25,785,000	20,000,000
Double Money Deposit - Corporate		25,500,000	16,200,000
		51,285,000	36,200,000
11.01.04 Millionaire Scheme			
Millionaire Scheme - Corporate		115,200	-
Millionaire Scheme - Individual		5,923,090	422,770
		6,038,290	422,770
11.02 Other deposits			
Interest Bearing Security Deposit (Note-11.02.01)		49,970,924	61,250,000
Non-Interest Bearing Security Deposit (Note-11.02.02)		31,520,066	41,318,275
		81,490,990	102,568,275
11.02.01 Interest Bearing Security Deposit			
Lease Deposit, SMALL		650,000	650,000
Loan Deposit, SMALL		28,220,924	39,600,000
Loan Deposit, MID		19,600,000	19,500,000
Loan Deposit, Corporate		1,500,000	1,500,000
		49,970,924	61,250,000
11.02.02 Non-Interest Bearing Security Deposit			
Lease Deposit, SMALL		2,761,582	2,734,848
Loan Deposit, SMALL		2,731,066	4,555,578
Lease Deposit, MID		2,281,691	2,066,512
Loan Deposit, MID		9,879,571	11,479,571
Lease Deposit, Corporate		2,331,524	3,353,158
Loan Deposit, Corporate		10,886,847	16,726,400
House Finance Deposit		244,000	244,000
Car Lease Deposit		403,785	158,208
		31,520,066	41,318,275
11.03 Group-wise break -up of term deposits			
Government		10,000,000	-
Bank		2,074,700,000	2,129,700,000
Insurance		47,114,441	33,050,625
Other Institutions		682,635,227	644,659,243
Individuals		360,052,851	238,839,745
		3,174,502,518	3,046,249,613

11.04 Maturity analysis of Term deposits

	Amount in BDT	
	2018	2017
Payable on demand	-	-
Up to 1 month	647,108,471	597,450,241
Over 1 month but within 6 months	2,221,218,408	1,996,892,983
Over 6 months but within 1 year	210,513,158	382,722,619
Over 1 year but within 5 years	57,204,150	12,966,720
Over 5 years but within 10 years	38,458,331	56,217,050
Over 10 years	-	-
	3,174,502,518	3,046,249,613

12.00 Other liabilities

Withholding Tax payable	2,736,956	3,053,735
Withholding VAT payable	406,069	884,396
Excise Duty	248,622	332,230
Interest payable- (Note - 12.01)	101,716,603	79,883,736
Audit fee payable	172,500	115,000
Salary Payable	-	326,657
Payable for Assignment Cheque	430,868	92,478
Payable to Zenith Investment Ltd.	-	350,385
Payable to suppliers	1,127,235	2,638,136
Payable for Insurance-SME	7,451	7,445
Gratuity Fund Payable	5,178,735	3,156,090
Welfare Fund Payable	30,420	-
Unearned Revenue	867,935	-
Sundry creditors	7,927,113	258,397
Provision for current tax	95,390,771	89,961,302
Deferred Tax (Note-9.02)	-	1,065,887
Interest Suspense Account (Note-12.02)	13,660,285	4,314,931
Provision for doubtful accounts and future losses (Note-12.03)	62,319,728	39,377,302
	292,221,290	225,818,107

12.01 Interest payable

Short Term Deposit (Note-12.01.01)	76,823,252	67,149,439
Long Term Deposit (Note-12.01.02)	3,113,304	2,510,452
Double Money Deposit (Note-12.01.03)	8,851,849	5,087,759
Monthly Earner Deposit - Individual	222,305	96,002
Quarterly Earner Deposit - Individual	234,146	62,155
Triple Money Deposit - Individual	3,682,700	1,241,652
Millionaire Scheme (Note-12.01.04)	267,219	5,555
Deposit Pension Scheme-Individual	172,146	18,667
Interest bearing security deposit (Note-12.01.05)	5,474,684	3,610,887
Unsecured Borrowing (Note-12.01.06)	2,755,939	101,168
Secured Borrowing	119,060	-
	101,716,603	79,883,736

		Amount in BDT	
		2018	2017
12.01.01 Short Term Deposit			
Short Term Deposit - Bank & NBFI		47,858,624	40,348,935
Short Term Deposit - Corporate		19,651,573	20,160,747
Short Term Deposit - Individual		9,313,055	6,639,757
		76,823,252	67,149,439
12.01.02 Long Term Deposit			
Long Term Deposit - Corporate		3,094,254	56,194
Long Term Deposit - Individual		19,050	2,454,258
		3,113,304	2,510,452
12.01.03 Double Money Deposit			
Double Money Deposit - Corporate		6,180,392	3,432,031
Double Money Deposit - Individual		2,671,457	1,655,727
		8,851,849	5,087,759
12.01.04 Millionaire Scheme			
Millionaire Scheme - Corporate		4,454	-
Millionaire Scheme - Individual		262,765	5,555
		267,219	5,555
12.01.05 Interest bearing security deposit			
Lease Deposit, SMALL		92,625	60,125
Loan Deposit, SMALL		2,607,082	2,032,034
Loan Deposit, MID		2,651,853	1,470,603
Loan Deposit, Corporate		123,125	48,125
		5,474,684	3,610,887
12.01.06 Unsecured Borrowing			
Call Borrowing		90,278	70,000
Bangladesh Bank Refinancing		2,665,661	31,168
		2,755,939	101,168
12.02 Interest Suspense Account			
Corporate Finance		8,346,423	2,981,367
Consumer Finance		1,364,580	1,305
SME Finance		3,949,282	1,326,566
Channel Finance		-	5,693
		13,660,285	4,314,931
12.03 Provision for doubtful accounts and future losses			
General provision (Note-12.03(ii))		46,298,168	39,377,302
Specific provision		4,869,939	-
Provision for diminutions in value of investments		11,151,622	-
Other Provisions		-	-
		62,319,728	39,377,302

12.03(i) Product wise break up of provision

Corporate Finance (12.03.01)
 Consumer Finance (12.03.02)
 SME Finance (12.03.03)
 Channel Finance (12.03.04)

Amount in BDT	
2018	2017
35,090,860	25,683,567
7,159,378	6,550,297
4,047,929	6,737,466
-	405,971
46,298,168	39,377,302

12.03.01 Corporate Finance

Lease Finance
 Loan Finance
 Syndicated Loan Finance

1,140,383	1,260,507
31,566,498	23,348,817
2,383,980	1,074,243
35,090,860	25,683,567

12.03.02 Consumer Finance

House Finance
 Car lease
 Loan Against Deposit
 Personal Loan-Employee

5,310,895	3,835,714
1,820,880	2,139,473
25,080	558,069
2,522	17,041
7,159,378	6,550,297

12.03.03 SME Finance

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

554,179	670,473
1,336,469	1,952,795
200,129	242,825
1,957,152	3,871,373
4,047,929	6,737,466

12.03.04 Channel Finance

Factoring
 Distributor Financing
 Work Order Financing

-	129,839
-	138,921
-	137,211
-	405,971

13.00 Share capital**Authorized**

200,000,000 ordinary shares of BDT 10/- each

2,000,000,000	2,000,000,000
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Issued, subscribed and paid up

120,000,000 ordinary shares of BDT 10/- each

1,200,000,000	1,200,000,000
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			Amount in BDT	
			2018	2017
Details of shares holding position are as under:				
Sponsor Shareholders:				
	Percentage (%)	No. of Shares		
A. Individual Sponsors				
Ms. Naima Chowdhury	4.167	5,000,000	50,000,000	50,000,000
Mr. K.M. Aminul Islam	4.167	5,000,000	50,000,000	50,000,000
Ms. Ruba Ahmed	8.333	10,000,000	100,000,000	100,000,000
Mr. Mizanur Rahman	4.167	5,000,000	50,000,000	50,000,000
	20.83	25,000,000	250,000,000	250,000,000
B. Institutional Sponsors				
AG Agro Industries Ltd.	8.333	10,000,000	100,000,000	100,000,000
M Rahman Steel Mills Ltd.	4.167	5,000,000	50,000,000	50,000,000
Siam's Superior Ltd.	8.333	10,000,000	100,000,000	100,000,000
Arunima Apparels Ltd.	8.333	10,000,000	100,000,000	100,000,000
Matrix Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
Diganta Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
Disari Industries (Pvt.) Ltd.	8.333	10,000,000	100,000,000	100,000,000
Toma Construction & Co. Ltd.	8.333	10,000,000	100,000,000	100,000,000
Saima Samira Textile Mills Ltd.	8.333	10,000,000	100,000,000	100,000,000
Omega Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
	79.17	95,000,000	950,000,000	950,000,000
Total Shareholdings	100.000	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 BDT 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 2018 were BDT 40 crore.

Core Capital (Tier-1) / Shareholders' Equity

Paid-up capital (Note-13)	1,200,000,000	1,200,000,000
Share premium	-	-
Statutory reserves (Note-14)	54,993,139	30,247,568
General reserves	-	-
Dividend equalization reserves	-	-
Retained earnings (Note-15)	99,972,555	120,990,272
Non-controlling interest	-	-
Sub-Total	1,354,965,694	1,351,237,841

	Amount in BDT	
	2018	2017
Supplementary Capital (Tier -II)		
General Provision (Unclassified loans up to specified limit + SMA + Off Balance Sheet exposure)	44,510,162	38,442,814
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	44,510,162	38,442,814
A) Total capital	1,399,475,855	1,389,680,655
Total assets including off -balance sheet exposures	5,493,894,252	5,228,577,451
B) Total risk weighted assets	4,392,836,674	4,457,004,406
C) Required capital based on risk weighted assets (10% on B)	439,283,667	445,700,441
D) Surplus (A-C)	960,192,188	943,980,214
E) Capital Adequacy Ratio (%)	31.86%	31.18%
F) Core Capital to RWA (%)	30.84%	30.32%
G) Supplementary Capital to RWA (%)	1.01%	0.86%
14.00 Statutory reserve		
Opening balance	30,247,568	8,129,218
Add: Transferred from profit	24,745,571	22,118,350
Closing balance	54,993,139	30,247,568
15.00 Retained earnings		
Opening balance	120,990,272	32,516,874
Add: Profit/(loss) for the period	123,727,853	110,591,749
Less: Appropriation to statutory reserve	(24,745,571)	(22,118,350)
Less: Cash Dividend	(120,000,000)	-
Closing balance	99,972,555	120,990,272

16. Interest income

Corporate Finance

Lease Finance	17,440,324	15,262,853
Loan Finance	301,806,047	228,566,449
Syndicated Loan Finance	12,445,940	7,424,339
	331,692,311	251,253,642

Consumer Finance

House Finance	55,271,520	29,971,293
Car lease	25,851,442	19,742,138
Loan against Deposit	4,294,042	4,528,146
Personal Loan - Employee	39,952	27,373
	85,456,956	54,268,950

SME Finance

Lease Finance, SMALL	20,277,165	11,895,145
Loan Finance, SMALL	58,982,385	46,959,782
Lease Finance, MID	12,003,491	8,354,631
Loan Finance, MID	90,094,904	83,733,994
	181,357,944	150,943,551

Channel Finance

Factoring	1,053,029	3,568,654
Distributor Financing	25,562	337,262
Work Order Financing	62,283	427,308
	1,140,874	4,333,223

Treasury

Fixed deposit accounts	12,131,667	11,498,750
Short notice deposit accounts	1,011,415	505,677
Short term placement	61,441,778	47,387,875
	74,584,860	59,392,302

17. Interest expenses on deposits and borrowings

Interest on term deposit (Note-17.01)	336,689,928	237,167,693
Interest bearing security deposit	3,223,440	2,688,604
Secured Bank Overdraft	2,440,553	4,985,427
Unsecured Borrowing (Note- 17.02)	53,404,522	26,341,584
	395,758,443	271,183,307

		Amount in BDT	
		2018	2017
17.01 Interest on term deposit			
Short Term Deposit (Note-17.01.01)	319,497,742	228,944,370	
Long Term Deposit (Note-17.01.02)	5,896,952	2,393,972	
Monthly Earner Deposit - Individual	2,583,829	831,305	
Quarterly Earner Deposit - Individual	1,508,123	421,679	
Double Money Deposit (Note-17.01.03)	4,317,834	3,782,188	
Triple Money Deposit - Individual	2,441,048	773,480	
Millionaire Scheme (Note-17.01.04)	273,450	5,555	
Deposit Pension Scheme-Individual	170,951	15,144	
	336,689,928	237,167,693	
17.01.01 Short Term Deposit			
Short Term Deposit - Bank & NBFIs	224,667,661	169,562,381	
Short Term Deposit - Corporate	73,688,680	47,913,849	
Short Term Deposit - Individual	21,141,402	11,468,139	
	319,497,742	228,944,370	
17.01.02 Long Term Deposit			
Long Term Deposit - Corporate	3,038,060	56,194	
Long Term Deposit - Individual	2,858,893	2,337,778	
	5,896,952	2,393,972	
17.01.03 Double Money Deposit			
Double Money Deposit - Corporate	2,748,360	2,369,531	
Double Money Deposit - Individual	1,569,473	1,412,656	
	4,317,834	3,782,188	
17.01.04 Millionaire Scheme			
Millionaire Scheme - Corporate	4,454	-	
Millionaire Scheme - Individual	268,996	5,555	
	273,450	5,555	
17.02 Unsecured Borrowing			
Call Borrowing	7,457,570	5,187,778	
Unsecured Short Term Borrowing	18,002,931	7,426,181	
Bangladesh Bank Refinancing	3,504,363	383,064	
Long Term Loan	22,374,342	12,349,095	
Unsecured Bank Overdraft	2,065,318	995,467	
	53,404,522	26,341,584	
18. Income from investment			
Capital gain on sale of marketable securities	150,870	32,856,366	
Dividend Income (Note-18.01)	18,350,442	16,411,607	
	18,501,312	49,267,973	

18.01 Dividend Income

Dividend Income - Marketable securities
Dividend Income - Preference Share

19. Commission, Exchange and Brokerage Income

20. Other operational income

Fees and documentations (Note-20.01)
Miscellaneous Income

20.01 Fees and documentations

Corporate finance

Lease Finance
Loan Finance
Syndicated Loan Finance

Consumer Finance

House Finance
Car lease
Loan against Deposit
Personal Loan

SME Finance

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

Channel Finance

Factoring
Work Order Financing
Distributor Financing

21. Salary and allowances

Salary and allowances
Provident fund contribution
Gratuity fund
Festival bonus

Amount in BDT	
2018	2017
3,159,276	3,671,117
15,191,166	12,740,490
18,350,442	16,411,607
-	-
6,820,402	12,151,356
-	-
6,820,402	12,151,356
53,099	173,370
1,334,929	1,863,066
2,336,250	1,969,019
3,724,278	4,005,456
865,603	2,415,727
230,398	717,370
-	900
5,396	3,483
1,101,398	3,137,479
519,192	690,881
1,164,093	2,793,813
5,577	374,449
108,761	862,978
1,797,623	4,722,121
197,104	182,387
-	50,000
-	53,913
197,104	286,300
6,820,402	12,151,356
65,366,863	51,153,640
2,491,500	2,312,659
2,448,649	2,256,200
4,914,560	4,900,880
75,221,571	60,623,379

22. Rent, taxes, insurance, electricity etc.

Office rent

Insurance

Utilities

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

Postage and courier

Stamp charges

Telephone bill

25. Stationery, printing, advertisement etc.

Printing and stationery

Advertisement

26. Managing director's salary and allowance

Basic Salary

Allowances

Bonus

Provident fund contribution

Gratuity fund

27. Directors' fees**28. Auditors' fees****29. Depreciation and repair of Company's assets**

Repairs and maintenance

Software maintenance

Depreciation & Amortization

30. Other expenses

Training

Renewal & Registration fees

Employee Engagement Program

Conveyance

Travelling

Business Development Expense

Business Documentation Expense

Internet and e-mail

Computer accessories

Amount in BDT	
2018	2017
21,274,655	17,392,800
243,582	147,359
2,114,706	2,470,647
23,632,943	20,010,805
2,229,083	945,203
70,809	97,457
200,410	494,100
1,259,754	908,006
1,530,973	1,499,563
1,997,125	1,942,926
363,794	1,925,000
2,360,919	3,867,926
3,625,000	3,127,742
3,570,000	3,161,290
500,000	340,000
300,000	100,000
250,000	-
8,245,000	6,729,032
646,875	702,778
191,667	127,778
432,721	1,203,899
-	-
9,453,528	7,352,851
9,886,248	8,556,750
163,457	904,088
1,052,572	826,507
843,360	387,682
908,314	934,318
816,972	777,441
852,387	2,250,922
4,852,440	138,213
565,865	508,252
160,747	198,454

	Amount in BDT	
	2018	2017
Fuel expense	746,915	996,342
Vehicle maintenance/Registration	4,002,626	5,349,798
Office maintenance	3,067,487	2,595,133
Entertainment	272,698	300,060
Bank charges	140,251	94,874
CIB Charge	63,180	162,150
CSR expense	194,290	280,920
Excise duty	179,000	245,650
CDBL fee	21,265	89,260
Branding	-	150,000
Security Guard Services	2,617,590	1,888,645
Recruitment Expenses	72,800	48,032
Verification fee (Note-30.01)	2,813	12,033
Marketing Expense	415,479	266,650
Meeting expense	180,256	261,457
	22,192,763	19,666,879
30.01 Verification fee		
Contact point verification fee	-	8,372
NID verification fee	2,813	3,661
	2,813	12,033
31. Provisions for lease, loans & investments		
Provision for lease, loan and advances	11,790,804	17,948,785
General provision	6,920,865	17,948,785
Specific provision	4,869,939	-
Provision for diminution in value of investments	11,151,622	-
Other provisions	-	-
	22,942,426	17,948,785
32. Provision for taxation		
Current tax expense/ (income) (Note - 32.01)	5,429,468	60,608,382
Deferred tax expense/ (income) (Note - 32.02)	(2,363,909)	(1,451,318)
	3,065,560	59,157,064
32.01 Current tax expense/ (income)		
Current tax expense/ (income) for the year 2018	60,832,537	60,608,382
Revised tax expense/ (income) for the year 2017 (Note-32.01.01)	(47,193,673)	-
Revised tax expense/ (income) for the year 2016 (Note-32.01.02)	(8,209,396)	-
	5,429,468	60,608,382
32.01.01 Revised tax expense/ (income) for the year 2017		
Tax Provisions made in Accounts	60,608,382	
Assessed Tax	13,414,709	
Revised tax expense/ (income)	(47,193,673)	

During the year 2018, Tax for the year 2017 has been finally assessed by Tax Authority for BDT 13,414,709.

32.01.02 Revised tax expense/ (income) for the year 2016

Tax Provisions made in Accounts

Assessed Tax

Revised tax expense/ (income)

Amount in BDT	
29,299,443	
21,090,047	
(8,209,396)	

During the year 2018, Tax for the year 2016 has been finally assessed by Tax Authority for BDT 21,090,047.

32.02 Deferred Tax Expense / (Income)

Particulars	31-Dec-18	31-Dec-17	Tax Expense/ (Income)
Deferred Tax Liability	-	(1,065,887)	(1,065,887)
Deferred Tax Assets	2,639,360	1,341,338	(1,298,022)
Deferred Tax Expense/ (Income)			(2,363,909)

33.00 Related party transactions

Details of transactions with related parties and balances with them as at 31 December 2018 were as follows:

Sl No.	Name of the Related Party	Transaction nature	Relationship	Balance as at 01 Jan 2018	Addition	Adjustment	Balance as at 31 Dec 2018
1	AG Agro Industries Ltd.	Term deposit	Shareholder	-	8,000,000	8,000,000	-
2	M Rahman Steel Mills Ltd.	Term deposit	Shareholder	-	4,000,000	4,000,000	-
3	Siams Superior Limited	Term deposit	Shareholder	-	8,000,000	8,000,000	-
4	Arunima Apparels Ltd.	Term deposit	Shareholder	-	8,000,000	8,000,000	-
5	Matrix Sweaters Ltd.	Term deposit	Shareholder	-	8,000,000	8,000,000	-
6	Disari Industries (Pvt) Ltd.	Term deposit	Shareholder	-	8,182,000	-	8,182,000
7	Saima Samira Textile Mills Ltd.	Term deposit	Shareholder	-	8,000,000	8,000,000	-
8	Omega Sweaters Ltd.	Term deposit	Shareholder	-	8,000,000	8,000,000	-
9	Diganta Sweaters Ltd.	Term deposit	Shareholder	100,000,000	108,304,946	100,000,000	108,304,946
10	Toma Construction & Co. Ltd.	Term deposit	Shareholder	-	8,182,000	-	8,182,000

SI No.	Name of the Related Party	Transaction nature	Relationship	Balance as at 01 Jan 2018	Addition	Adjustment	Balance as at 31 Dec 2018
11	Ruba Ahmed	Term deposit	Share-holder	-	9,205,063	-	9,205,063
12	Md. Mizanur Rahman	Term deposit	Share-holder	-	4,500,000	4,500,000	-
13	Kazi M Aminul Islam	Term deposit	Share-holder	-	4,601,281	-	4,601,281
14	Naima Chowdhury	Term deposit	Share-holder	-	4,601,281	-	4,601,281
15	Sirajganj Economic Zone Ltd	Term deposit	Director Concern	-	20,000,000	20,000,000	-
16	Diganta Packaging & Accessories Ltd.	Term deposit	Director Concern	50,000,000	85,715,917	50,000,000	85,715,917
17	Cosmos Sweaters Ltd.	Term deposit	Director Concern	90,000,000	97,965,770	90,000,000	97,965,770
18	Sweaters Zone Ltd.	Term deposit	Director Concern	86,000,000	93,525,273	86,000,000	93,525,273
19	Cassiopea Apparels Ltd	Term deposit	Director Concern	127,415,067	9,107,266	136,522,333	-
20	Cassiopea Fashion Ltd	Term deposit	Director Concern	97,820,056	7,787,495	105,607,551	-
21	Cassiopea Clothing Ltd	Term deposit	Director Concern	20,741,000	1,712,985	22,453,985	-
22	Meridian Finance & Investment Limited Employees' Provident Fund	Term deposit	Provident Fund	4,088,429	8,070,063	4,088,429	8,070,063
Total				576,064,551	523,461,341	671,172,298	428,353,594

34.00 Employees' details

No. of employee received BDT 3,000 per month

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

2018	2017
-	-
81	80
81	80

35.00 Disclosure of Audit Committee

A. Particulars of audit committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the Bangladesh Bank's DFIM circular # 13, dated: 26 October 2011.

The Audit Committee of the Board of Directors consisted of the following members of the Board:

Name	Status at the Company	Status at the Committee
Ms. Shahnaj Kamal	Director (Representative of Diganta Sweaters Ltd.)	Chairman
Mr. Mahmud Hasan Khan	Director (Representative of Arunima Apparels Ltd)	Member
Mr. Golam Mostafa	Director (Representative of Omega Sweaters Ltd.)	Member
Ms. Rashnat Tarin Rahman	Director (Representative of Toma Construction Ltd.)	Member
Ms. Shamima Nargis	Director (Representative of Saima Samira Textile Mills Ltd.)	Member

B. Meeting held by the committee during the year by date

Meeting No.	Held on
9th Meeting	22 March 2018
10th Meeting	13 September 2018
11th Meeting	30 October 2018
12th Meeting	09 December 2018

36.00 Event after the Reporting Period

A) The board of directors in its meeting held on 24 March 2019 has approved the financial statements and authorized the same for issue.

B) The board of directors in its meeting 32nd meeting held on 24 March 2019 has recommended to the shareholders a cash dividend @ 8% i.e., BDT 0.8 per share (amounting to BDT 96,000,000) based on financial performance for the year ended 31 December 2018. This will be considered for approval by the shareholders at the 5th Annual General Meeting (AGM) to be held on April 29, 2019.

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



Chairman



Director



Managing Director & CEO



Company Secretary

Dated, Dhaka
24 March 2019

Meridian Finance And Investment Limited

Schedule Of Fixed Assets Including Land, Building, Furniture And Fixtures

As at 31 December 2018

Amount in BDT

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2018
	Balance as at 01.01.2018	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2018	Rate (%)	Balance as at 01.01.2018	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2018	
Freehold Assets										
Furniture & Fixture	6,875,730	1,003,280	-	7,879,010	16.67	1,366,312	1,255,601	-	2,621,912	5,257,097
Office Decoration	19,392,237	3,574,629	-	22,966,866	16.67	3,866,854	3,604,424	-	7,471,278	15,495,588
Office Equipment	5,404,267	1,658,702	-	7,062,969	20.00	964,541	1,289,829	-	2,254,370	4,808,599
IT Equipments	8,421,334	510,050	-	8,931,384	20.00	2,200,914	1,749,352	-	3,950,267	4,981,117
Motor Vehicle	6,943,000	-	-	6,943,000	20.00	2,912,082	1,388,600	-	4,300,682	2,642,318
	47,036,568	6,746,661	-	53,783,228		11,310,702	9,287,806	-	20,598,509	33,184,720
Intangible Assets										
Systems & Software	641,823	291,800	-	933,623	20.00	164,742	165,722	-	330,464	603,159
WIP-Software	3,345,935	1,370,766	-	4,716,701	-	-	-	-	-	4,716,701
	3,987,758	1,662,566	-	5,650,324		164,742	165,722	-	330,464	5,319,860
Total as at 31 December 2018	51,024,325	8,409,227	-	59,433,552		11,475,444	9,453,528	-	20,928,972	38,504,580
Total as at 31 December 2017	31,364,502	19,725,965	66,142	51,024,325		4,122,594	7,359,587	6,737	11,475,444	39,548,881

Meridian Finance and Investment Limited

Financial Highlights

As at 31 December 2018

		Amount in BDT (mn)	
SI No.	Key Indicators	2018	2017
1	Paid-up capital	1,200.00	1,200.00
2	Total capital	1,354.97	1,351.24
3	Capital surplus	960.19	943.98
4	Total assets	5,493.89	5,228.58
5	Total term deposits	3,174.50	3,046.25
6	Total loans, advances and leases	4,142.97	4,588.07
7	Total contingent liabilities and commitments	161.93	-
8	Credit deposit ratio	1.31	1.51
9	Percentage of classified loans against total loan & advance	0.32%	-
10	Profit after tax and provision	123.73	110.59
11	Amount of classified loans during current year	13.42	-
12	Provisions kept against classified loans	10.03	-
13	Provision surplus against classified loan	2.12	-
14	Cost of fund	10.05%	7.87%
15	Interest earnings assets	5,072.43	4,767.27
16	Non-interest earnings assets	421.47	461.31
17	Return on investment (ROI)	9.13%	8.18%
18	Return on assets (ROA)	2.25%	2.12%
19	Income from investment	18.50	49.27
20	Earnings Per Share (EPS)	1.03	0.92
21	Net income per share	2.32	2.08
22	Market price per share	-	-
23	Price Earnings (P/E) ratio	-	-

Note

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This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. In the top-left corner, there is a small, dark, partially visible label that reads "Note". The rest of the page is empty.

Meridian Finance and Investment Limited

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

Proxy Form

Affix revenue
stamp of
Tk. 20.00

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 5th Annual General Meeting of the company to be held on Monday
29 April 2019 at 5:00 pm and at any adjournment thereof.

Signed this day of 2019

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 5th Annual General Meeting of Meridian Finance & Investment Limited on Monday 29 April 2019 at 5:00 pm at Gulshan, Dhaka, Bangladesh.

Corporate Head Office - Extension

Mehanaz Mansur Tower (Level-I)

House-III/A, Road : I30, Gulshan-I, Dhaka-I2I2

Tel : +8809613445566, +88028837820-21
+8801788888418

Fax : +88028837822

Email : info@meridianfinancebd.com

Gazipur Branch

MAS Square (3rd floor)

Outpara Chandon Chourasta, Gazipur

Tel : +8809613445566, +8801788888418

Fax : +88028837822

Email : info@meridianfinancebd.com

Bogura Branch

Sumon Complex (2nd floor)

House-141, Sherpur Road, Bogura

Tel : +8809613445566, +8801788888418

Fax : +88028837822

Email : info@meridianfinancebd.com

Chattagram Branch

House- 96 (3rd floor)

Agrabad C/A, Agrabad, Chattogram

Tel : +8809613445566, +8801788888418

Fax : +88028837822

Email : info@meridianfinancebd.com

**OUR
BRANCHES**

**Call Us
16659**



**CORPORATE
HEAD OFFICE**

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