

Leaving behind the challenges

Achieving the goal is the main objective of a company may not always be an easy task against the adverse environment of the business where leaving behind the challenges are the main strategies to run the business smoothly rather put down in the water. Diversification of the business and enriched investment can the company pulls up from the waves and do reach its destination. Leaving behind the challenges is the concept for Fareast Finance & Investment Limited in the year 2016 represents the continuous movement of the company in a profitable manner in a crucial environment.



**FAREAST FINANCE
& INVESTMENT LIMITED**

service with smile

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Leaving behind the challenges is the concept for Fareast Finance & Investment Limited in the year 2016 represents the continuous movement of the company in a profitable manner in a crucial environment against bad trend of share investment and blocking of 30% portfolio in the associate company.

In the year 2016, the company makes profit of Tk.102.98 million and declared 5.00% cash dividend for the shareholders that indicates the company's continuous movement in a positive manner even in against all the all odds. Besides, as on December 31, 2016 company's non performing loan is 9.03.

Reducing of NPL percentage, improvement of portfolio growth and diversifications of the business will be the main challenges of the company for the year 2017. More investment has to increase through the branches of the company. Especial focus has to given to the recovery.



Walking collectively

Fareast Finance's vision is to become the market leaders in the financial sector. Following that the company started its journey and always tried to develop its products with unique features and placed before the door of the clients. The company also provides prompt and exceptional services to the customers as and when required. By dint of this, company creates its brand image and reliability to the customers as well as the other stakeholders.

In spite of looking to the short term success; Fareast Finance management crossed its fingers for attaining the long term growth. That helped the company to continue the achievement in short term as well as long term. The strength of company's financials together with the opportunities for future growth, led the company to a range of successful initiatives. The diversity of products and services of the company worked as a key to its strength.

Over the years Fareast Finance established itself in such a way that accomplished its position by being clear and easily understandable to the customers. Fareast Finance always helped the stakeholders by making good credit facility to the clients, by delivering customized solutions whenever needed to its customer, by standing beside them in their sluggish period and finally, providing good return to the shareholders.

Fareast Finance believes that company's positive growth achieved in 2016 will be continued in coming years. Following the country's GDP growth, Fareast Finance intends to go forward with all its stakeholders and the community as a whole by walking collectively.



Focus and strength

Flexibility and diversity in business is Fareast Finance's focus; Creative ideas and innovative financial solutions is Fareast Finance's strength. Service with smile is Fareast Finance's Belief; Fareast's motto is dedication; and Fareast's mission is to serve with values and ethics.

Focus of Fareast Finance is a strategy by which the company concentrates its resources on expanding the business. Management usually employs its focus strategy in the known segments and has products to competitively satisfy the customers' needs. Besides, Fareast Finance's strength is its capacity to resist outdoor force or pressure through its capital, knowledge, skill and other advantages that is acquired over the years.

Fareast Finance believes that each of its activities must provide satisfaction to its customers and progress to their wealth. Fareast Finance management feels for what its clients feel to make their life style more comfortable, convenient and peaceful. Fareast Finance does not believe to restrict the customers' ideas and new thinking. Fareast Finance believes that in this competitive market, what worked yesterday may not fit for today. Keeping this in view Fareast always welcome shaping of new ideas and new thinking.



Letter of transmittal

All Shareholders
Bangladesh Bank
Bangladesh Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Dear Sir(s),

Annual report for the year ended 31 December 2016

We are pleased to enclose a copy of the Annual Report of Fareast Finance & Investment Limited together with the Audited Financial Statements including Balance Sheet as at 31 December 2016, Profit and Loss Account, Cash Flow Statement and Statement of Changes in equity for the year ended 31 December 2016 along with Notes thereon for your kind information and record.

Thank you.

Sincerely yours,



Sheikh Khaled Zahir
MBA, FCS
Company Secretary

25 May 2017

Message from Managing Director



All esteemed Shareholders

Dear Sir(s),

I take this opportunity to inform you that being with the Fareast Finance & Investment Limited as a Managing Director I have completed the year 2016 successfully overcoming many financial obstacles. Besides, I convey warm wishes to all the shareholders presences in the sixteenth Annual General Meeting from the part of the employees of the company and inform you that the board recommends 5 percent cash dividend for the year 2016 for your continuous trust, encouragement and support. We hope that in coming year we can put more profits in the accounts of the company.

The year 2016 consisted adverse environment for the company to generate handsome profit for the company. Concentration was given to increase the portfolio of the company that will maintain the NPL percentage at a reasonable rate against the business. Besides, hard work was given to recovery the loan that resulted 5 percent cash dividend at the end of the result. This diversified business strategy and enrichment of investment helps the company not to pull down in the water, rather it leaves the challenges behind the waves and go forward to the mission. On the other hand, initiatives were taken for seeking permission from Bangladesh Bank to open more branches in the different areas of the country.

Market competitiveness regularly decreasing the margin of the business and regulatory rules and regulations demand our continued attention for improvement in portfolio through quantity and quality as well as improving efficiency in doing the business. In the face of significant reduction of lending rates and increasing expenses, we focused carefully on our priorities and modified our activities, attitudes, and culture to continue reducing expenses.

In the transmission stage of the country, various new risks components are rising day by day that demanded quality investment to remain the company's growth positively. Improvement of quantity investment also needs more qualitative judgment and analysis. This combination will be the main challenge in the upcoming days for the company. But we believe that, despite of all odds and challenges the company is in the way of continuous development and will be able to earn more profit in ensuing year 2017.

The Bangladesh economy continued to show signs of resilience throughout the 2016 having many face of formidable challenges. GDP growth rate hits the 7.10% showing a faster growth of the country. One of the welcome trends was that, the growth in annual average inflation was 6.41 per cent in the year 2016 shows a sustainable status of the inflation rate. Besides, in the year 2015-2016 the gross foreign exchange reserves reached at USD 30.2 billion recording an increase of 6.8 percent. The reserve position was sufficient to meet more than nine month's import bills on FOB basis.

The inflows of remittances declined by 2.52 percent in the year 2016 amounting to US dollar 14,931.14 million, compared to the growth of 7.65 percent a year earlier. The slowdown in investment and construction works in the Middle East countries due to low oil prices is mainly responsible for the deceleration in remittance inflows. But the export recorded

a growth of 9.77 percent significantly up from 3.39 percent in the previous year. Export earnings during the period exceeded the annual target of US dollar 33,500 million by 2.21 percent to US dollar 34,257 million. Beside import growth accelerated at 5.45 percent in year 2016 from 0.07 percent growth compared to the preceding year. The total value import stood provisionally at US dollar 42,290.80 million from US dollar 40,703.70 million.

Under the balance of payment status, the trade deficit narrowed from US dollar 6,965 million to US dollar 6,274 million in the year 2016. But, Foreign exchange reserves exceeded the US dollar 30 billion mark in June 2016. On 30 June 2015, foreign exchange reserves stood at US dollar 25,020 million. Foreign exchange reserve continued to grow due to continued increase in the surplus of overall balance of BOP. On 30 June 2016 reserves reached US dollar 30,176 million providing for 8 months of import coverage.

Under this economic atmosphere, this year the company succeeded to post profit of Tk.102.98 million with EPS of Tk.0.63 indicating positive stand of the company. This testifies the success of viability of our core business model based on prudent and diversified growth across the business segments, proactive risk management, focused cost reduction and continuous push on developing infrastructure for the company.

Company's Non Performing Loan ratio is 9.03 percent of total portfolio as on 31 December 2016. Fareast Finance made adequate provisions against classified loans as per Bangladesh Bank guidelines. Strong recovery drives continued all over the year and monitoring is undertaken regularly to reduce the quantum of classified loan.

The company has been able to collect deposit of Tk.6,313.01 million by posting 0.32 percentage growth over the previous year. In 2016 total asset of the company stood at Tk.14,017.90 million representing 3.86 percentage of growth. Besides, the company disbursed Tk.4,308.44 million during the year representing 7.61 percentage growth. Net profit after income tax stood at Tk.102,979,814. Considering the company's earnings the Board of Directors of Fareast Finance & Investment Limited has recommended 5 percentage cash dividend subject to the approval of shareholders. For the year 2017, increase of quality investment portfolio, product diversification, cost reduction and reduction of overdue as well as NPL will continue to be a priority for the company.

I express my profound gratitude to the Board of Directors for their active support and proper guidance. I also thankfully acknowledge the support and co operation that the company received from Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Registrar of Joint Stock Companies and Firms and also Central Depository Bangladesh Limited. Sincere thanks are also expressed to all of our customers and lenders who remained loyal to the company through thick and thin and kept faith on the management.

On behalf of the management, I would like to state my gratitude thanks to the Ministry of Finance, Governor and other officials of Bangladesh Bank, National Board of revenue (NBR), Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and Registrar of Joint Stock Companies & Firms and all the shareholders for their valuable guiding principles and co-operation provided to the company from time to time.

Sincere thanks also goes to my fellow colleagues of the management and staff of Fareast Finance & Investment Limited whose loyalty, dedication, professionalism, positive attitude and commitment has been fundamental to our performance in the year 2016 and to paving the way forward for smooth growth in the years to come.

We are grateful to our Board of Directors for their valuable guidance, prudent and timely decisions to drive the company to ultimate destination. We firmly believe that we have a committed, sincere, hardworking team who can make the dream true for the company through satisfying the needs and expectations of our customers and people of the country as a whole.

We always believe that overcoming the challenges are not a hard works for the company rather depends on the move forward collectively. Existence of the correlation of the human capital of the company from top to bottom level is the strength of Fareast Finance & Investment Limited which will produce quality business for the shareholders, increase the assets of the company and will show the positive destination for boating leaving the challenges behind the waves.

Finally, I, on behalf of the management of Fareast Finance & Investment Limited would like to express my heartfelt gratitude to regulators, the sponsors, shareholders, clients, well-wishers and above all the board of directors for the support they have been rendering to us for a long time.

Thank you



Santanu Saha
M. Com., FCA, FCMA, FCS, FMAAT
Managing Director

10 April 2017

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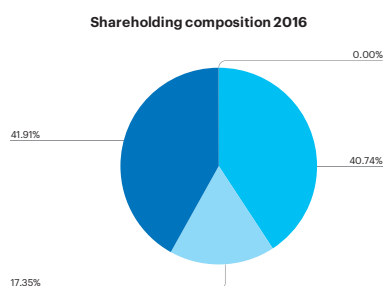
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Commitment

As a progressive financial institution, Fareast Finance always tried to establish its brand image in the field of financial market by competing with its competitors. To retain its service quality remain the high standard Fareast Finance always committed to deliver its services with smile with accuracy to the customers. Accuracy in service delivery is also a commitment of Fareast Finance. Continuing to maintain this image and also to enrich its goodwill, the company always committed to develop its products and services with such unique features that make the clients more comfortable with the company. Besides, the management of the company always focuses on transparency, quality and timely service to its clients, prudent risk management and good governance in the company as well as to its customers. Members of the Fareast Finance are very much committed:

- To be the market leader in the financial sector;
- To develop its products for providing highest level of satisfaction to the clients;
- To provide services through transparency, quality and in timely manner;
- To establish good governance in the company;
- To be well known to its lenders, depositors and customers as a trusted financial institution;
- To its high ethical values guided by integrity and accountability;
- To operate the organization in a professional manner;
- To be always respectful to its customers, environment, rules and regulations of the country;
- To develop its qualitative improvement in activities of the team members towards the quality documentation;
- To develop quality management system and belongingness to the institution through participation in every phase of decision-making and services; and finally,
- To provide services to its customers with Smile.



Particulars	No. of holders	Holding (%)
Sponsors (Institutions)	0	0.00
Sponsors (Individuals)	11	40.74
General Public (Institutions)	180	17.35
General Public (Individuals)	10,904	41.91
Total	11,095	100.00

Strategic focus

In order to lead business to its greatest competitive advantage, every company should have its strategic focus. This will outline the mechanism to focus the organization on what it will do best and keep it away from getting distracted by other opportunities that come along. Strategic focus includes vision, mission, focus and commitment.



Strategic focus

To lead the business of financial sector with competitive advantages in long run, Fareast Finance & Investment Limited outlined its vision, mission, focus and commitment as under:

Vision

Company's vision is to become the market leader in capital investment with motivated work team, innovative ideas, quality and continuous strong revenue based product portfolio along with diversified risk and customers' satisfaction.

Mission

Company's mission is to maximize the utility derived by its customers through their association with the company, in a manner that reflects high ethical standards and accountability, and adds value to the wealth of the nation. Management is aiming to grow with a healthy and diversified portfolio and believes that each of company's activities must provide satisfaction to the customers, as also to the employees and add to shareholders' value.

Focus

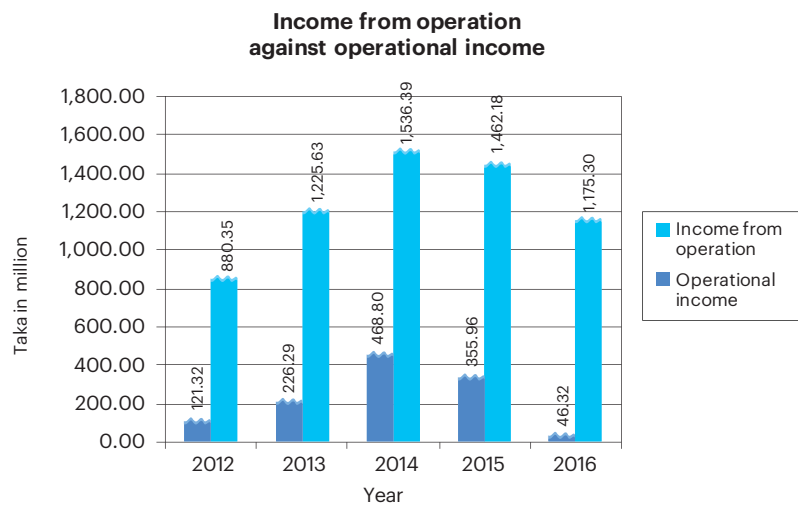
Company's focus is on making relationships with good clients, financiers and to make plan for long-term perspective and designing the policy for clarity, responsibility and accountability.

Commitment

Fareast Finance management is committed to develop sense of belongingness of all members of the team towards the institution and full participation in quality improvement activities. Management will ensure all activities through documented quality management system in every phase of decision-making and services.

Simultaneously, Fareast Finance management is also committed to satisfy customers' need through quality and prompt service by a trained and motivated team of professionals and obviously with smile.

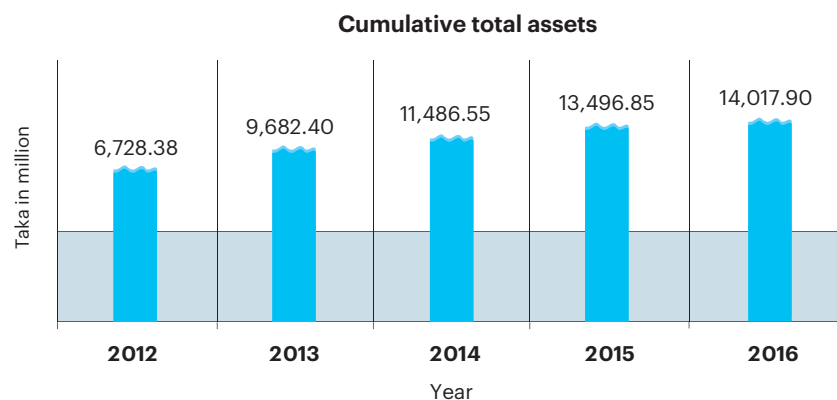
Fareast Finance management also undertakes to make appropriate review, evaluation and performance measurement of its operation to ensure compliance with quality and prompt service.



Strategic objectives

Strategic objectives are the goals and objectives deemed most important for the company to maintain current and future health of the business. Objectives are prioritized by an organization through a thorough analysis of business practices by analyzing strengths, weaknesses, opportunities, threats etc. Though prioritization of strategic objectives is unique to each business, Fareast Finance has some strategic objectives. These are also the part of the planning process which describes company expectations and its accomplishment throughout the year. These goals and objectives might pertain to the company as a whole. Besides, it is the part of mission statement that provides guidance on how the company can fulfill or move towards its "high goals". Keeping these in view, company's strategic objectives are aimed at broad-based exposure with emphasis on the following:

- To provide capital finance for various small and medium enterprises aiming at poverty alleviation and creating employment opportunities. In case of large finance, company's policy is to provide finance through syndication with other financial institutions.
- To provide lease finance for various agricultural equipment namely tractors, power tillers, power pumps to promote mechanization of agriculture in the country.
- To provide lease finance for commercial vehicles particularly buses for urban transportation and inter district communication.
- To provide medical equipments, apparatus etc. to enterprising doctors to enable them render improved services to patients.
- To assist professionals in research work to obtain various research instruments on easy installment basis.
- To promote industrialization of the country by way of participation especially in the BMRE of the existing projects.
- To provide lease finance to the fixed income group in-order to enable them to improve their standards of living by using various household durables.
- To provide term finance to the clients, in-order to enable them to meet their working capital and or other needs.
- To invest in the secondary capital market.
- To encourage the woman entrepreneurs to take part in the economic development of the country.

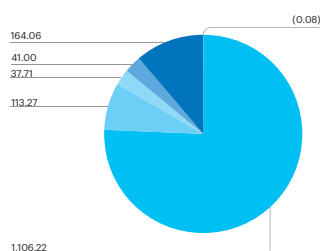


Values

Values of Fareast Finance are what support its vision, shape the culture and reflect it's goodwill in the country. They are the essence of the company's identity – the principles, beliefs or philosophy of the company. Establishing strong values provides both internal and external advantages to the company not only in the decision making processes but also influence the existing and prospective clients make near to the company. It also increases the loyalty and reputation of the company in the society. Value also refers all forms of value that determines the health and well-being of the company in the long run. It also relates to the economic value, employee value, customer value, shareholder value and the social value as a whole. Through values, an organization can be best viewed by its relationship both internal and external. So, setting and implementation of the values for achieving the long-term goals in a financial institution are very much essential. In light of that Fareast Finance Board set the following values for the Board itself and its employees:

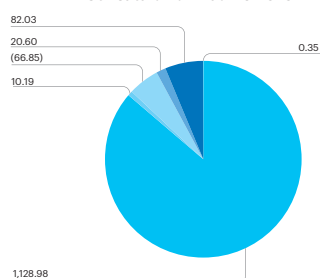
- Priority to the country's development with importance to growth and transparency.
- Proper training to the employees for grooming future leaders.
- Promote creativity and innovative financial solutions for clients.
- Maintain code of conducts and ethical practices approved by the Board.
- Prompt personalized service to the clients geared towards maximizing their satisfaction in a focused way.
- Working together with the clients on mutual respect basis.
- Maintain long-term relationship with the clients through integrity and accountability.
- Service to the clients with Smile.

Utilisatation of income 2015



Utilisation of income in 2015	Taka in million
Operational expenses	1,106.22
Provision for investments	113.27
Provision for tax	37.71
Statutory reserve	41.00
Dividend	164.06
Retained earnings	(0.08)
Total	1,462.18

Utilisatation of income 2016



Utilisation of income in 2016	Taka in million
Operational expenses	1,128.98
Provision for investments	10.19
Provision for tax	(66.85)
Statutory reserve	20.60
Dividend	82.03
Retained earnings	0.35

Code of conduct and ethical practices

A code of conduct outlines the mission and values of the business of the company that how professionals are supposed to approach within the company in line with ethical and corporate principles. A code of Conduct also formed on the basement of on the company's values and standards. It is also called a management tool for setting out the company's values, responsibilities and ethical obligations in a summery manner. The code of conduct provides employees with guidance for handling difficult ethical situations related to the business.

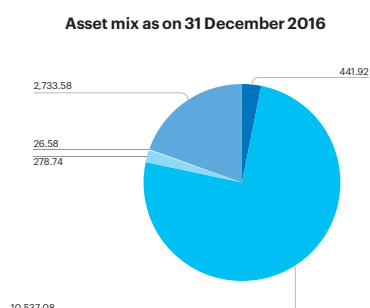
In line with that the service rule approved by the Board of Directors of Fareast Finance & Investment Limited, all employees shall require observing and complying with the norms of conduct, manner, behavior and ethical practices stated hereunder in activities they perform in the company:

Code of conduct

- Conduct in such a manner that will enrich the image, dignity and reputation of the company.
- Shall discharge his duties honestly, faithfully, diligently and to the best of his abilities, devotion and efficiency.
- Shall attend his duty punctually and regularly.
- Shall not conduct him in such a manner as is likely to bring his private interest to conflict with his official duties.
- Shall not commit insubordination or non-compliance with any legitimate, lawful or reasonable order or instruction of a superior.
- Shall maintain secrecy regarding the affairs of the company and also of its clients.
- Shall not accept directly or indirectly any gift, gratuity or reward or any offer of a gift on his behalf or on behalf of any other person from any one, which is likely to have a negative effect in the interest of the company.

Ethical practices

- Must give proper attention to the clients and make utmost efforts to render improved customer service at the quickest possible time.
- To act and encourage others to behave in a professional way and ethical manner.
- Shall not bring or attempt to bring any form of outside influence or pressure.
- Shall not take up additional job or employment with another organization or involve in any trade or business without the prior written approval of the management.
- Shall not associate in any activities, which may be prejudicial to the interest of the company and subversive to the state.
- Entrusted with the duty of cash transaction shall not leave office until and unless the day's accounts agree in all respects.
- Use reasonable care and perform independent professional judgment.
- Shall comply with all applicable laws, rules and regulations, company policies and professional standards.



Type of assets	Taka in million
Lease finances	441.92
Term finances	10,537.08
Investment in shares	278.74
Property, plant and equipment	26.58
Other assets	2,733.58
Total	14,017.90

Milestones

Company's milestones are the event that results in a reasonable change in the pathway of the business. It refers the significant achievement, progress, or development happened in its total business period that reflects the total growth of the company on periodic time frame. These are the points that can be used to mark specific events that receive special attention. They focused on major progress points that were achieved as success. Milestones signify an important decision or the derivation of a critical piece of information, which outlines or affects the future of a company through its business. Fareast Finance's milestones from the inception are as follows:



Company information

Company information represents a clean picture of a company indicated it's all surrounding within the scope of its functional areas. Details of Fareast Finance's information are presented below:

Legal status

Fareast Finance & Investment Limited one of the progressive financial institutions incorporated in Bangladesh as a public limited company with limited liability, on 21 June 2001 under The Companies Act, 1994. The company was authorized to commence business in Bangladesh as per Certificate of Commencement dated 21 June 2001.

The company obtained license from Bangladesh Bank as a financial institution under The Financial Institutions Act, 1993 on 3 July 2001 to operate as a leasing and financing company as provided under the relevant law.

The company obtained permission from Bangladesh Bank on 20 January 2015 for opening its Chittagong and Banani branch.

Nature of operation

Fareast Finance offers a wide range of credit facilities comprising lease, loan, deposit and different services to its clients for all types of machinery, equipment, household durables including vehicle for the purpose of industrial, commercial and personal use in Bangladesh within the purview of the law.

The company also invests in the secondary capital market with prudence and care.

Activity areas

Fareast Finance feels for what a client feel to make his life style more comfortable, convenient and peaceful. To come closer to client's feeling, Fareast Finance does not believe to restrict new ideas and new thinking.

The company concentrates its activities in extending finance facilities in the form of leasing, term financing, import financing, working capital financing, work order financing, lease syndications and sale and lease back financing for business expansions.

The company eventually will seek to broaden its leasing and financing services by entering into vendor programs with asset suppliers, underwriters, brokers, leveraged leases and temporarily financed assets.

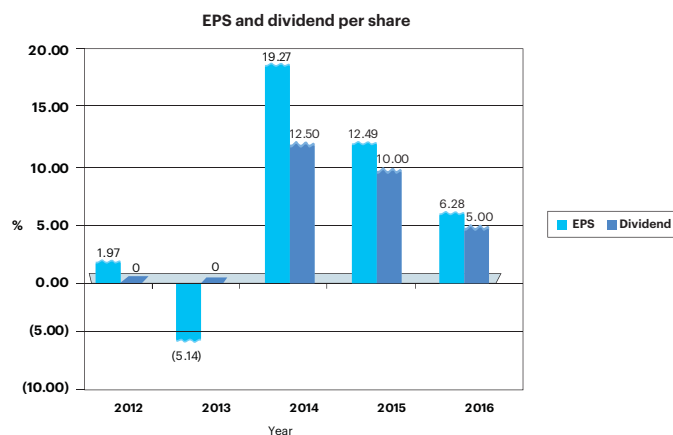
The company may extend guarantees for lease/finance obligations to other institutions/companies subject to the laws and rules of the Government of the Peoples' Republic of Bangladesh.

Associate

Fareast Finance & Investment Limited holds 50% shares of Fareast Stocks & Bonds Limited a brokerage house having membership of both the exchanges in Bangladesh.

Listing

Fareast Finance & Investment Limited listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 September 2013.



Products and services

Products and services of Fareast Finance has unique features included continuous development, adding new ideas and thoughts and more customarily to the clients. Innovative financing is one of the major concepts of Fareast Finance products. Service with smile is the slogan of Fareast Finance and it always reflected in every path of the business. For faster growth and wealth maximization, customers can get assistance from the company through the following fund and fee based debt products and services:

- Corporate finance
- SME finance
- Consumer finance
- Agriculture finance
- Syndication finance
- Housing/real estate finance
- Equity finance
- Others

Through categorizing the products and services by the aforesaid broad generic names, Fareast Finance offers different products and services under the following broad heads:

Corporate finance

1. Lease finance
2. Term loan
3. Project finance
4. Working capital finance and
5. Short-term revolving finance

SME finance

1. Lease finance
2. Term loan
3. Working capital
4. Woman entrepreneur loan
5. SME tailored loan
6. JICA-SME loan
7. Work order financing

Consumer finance

1. Auto/car loan
2. Lease financing for vehicle
3. Personal loan
4. Loan against TDR

Agriculture finance

1. Lease finance
2. Term loan
3. Working capital finance
4. Agriculture trade finance
5. SME agriculture loan

Syndication finance

1. Lease finance
2. Term loan
3. Working capital finance

Housing finance

1. Real estate (individual consumer)
2. Project/Commercial housing loan

Equity finance

1. Investment in preference share
2. Common stock

Others

1. Factoring
2. Loans against deposit (other than consumer finance)
3. Work order finance (other than SME finance)
4. Institutional loan
5. Bridge finance
6. Import guarantee
7. Performance guarantee
8. Letter of comfort
9. Green financing to Corporate and SME clients
10. Advisory services
11. Arranger

In all cases management shall follow the key features of the above products as mentioned by Bangladesh Bank in their "Products and Services Guidelines".

Deposit schemes

Fareast Finance has introduced a number of innovative deposit products to serve its customers. The customers of the institute include individuals, corporations, financial institutions, government bodies, autonomous bodies and NGOs etc. The company offers different deposit schemes with a very competitive rate that customers' can deposit their hard-earned savings and can get the maximum benefit. For securing bright and prosperous future, Fareast's deposit scheme will be the right selection aimed at meeting exact requirement with full satisfaction. Variety of company's depository services are as follows:

FFIL Sanirbhorota - You are in safe hands

Deposit for specific period with flexible tenor and amount; starting from 1 year and Tk.50,000 respectively, loan facility up to 80% of accumulated deposit*.

FFIL Pension Plan - Live freely

Deposit with certain monthly income, flexible deposit amount starting from Tk.100,000, loan facility up to 80% of accumulated deposit*.

FFIL Shomriddhi - Bringing your prosperity

Deposit with income on quarterly basis with flexible deposit starting from Tk.100,000, loan facility up to 80% of accumulated deposit*.

FFIL Subidha- Smile twice in a year

Deposit with income on half yearly basis with flexible deposit starting from Tk.50,000, loan facility up to 80% of accumulated deposit*.

Double Money Benefit Scheme – Double your dream

Secures the future by doubling the deposit within 6 years 6 months with flexible deposit starting from Tk.50,000, loan facility up to 80% of accumulated deposit*.

Triple Money Benefit Scheme - When money does matter

Makes the future comfortable by making triple of the deposit within 9 years 9 months with flexible deposit starting from Tk.50,000 loan facility up to 80% of accumulated deposit*.

FFIL Lakhpati Scheme - Be a millionaire

Meets dream for becoming millionaire within 4 years with flexible deposit scheme according to earnings and loan facility up to 80% of accumulated deposit*.

FFIL Kotipati Scheme - Fortune favors the depositors

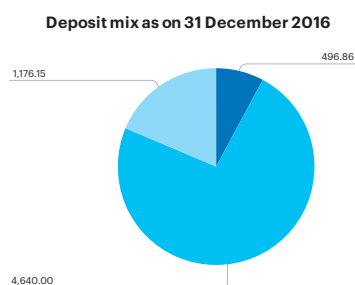
Dreams of being cotipati within 8 years can be successful with flexible deposit scheme according to earnings and loan facility up to 80% of accumulated deposit*.

FFIL Monthly Savings Scheme – Go with dream

Make the future brighter with monthly deposit along with loan facility up to 80% of accumulated deposit*.

*Conditions applicable

Share your idea with us; we are ready to offer deposit scheme(s) commensurate with your required cash flow.



Type of deposits	Taka in million
General public	496.86
Banks & FIs	4,640.00
Companies & Others	1,176.15
Total	6,313.01

Company directory

Fareast Finance directory includes overall information of the whole business aspects under a categorical list. It mainly shows the information of legal status of the company, key personnel, under whose leadership and guidance company performs, tax consultants, auditors etc. Details of Fareast Finance's directory are presented below:

License/registration/identification

Company registration # : C-43400(2759)/2001
 Bangladesh Bank license # : FID(L)/26
 Company e-TIN : 791836709180
 Company VAT registration # : 9021092710
 Company IRC # : BA125072

Managing Director

Santanu Saha
 M. Com., FCA, FCMA, FCS, FMAAT

Chief Financial Officer

Mohammed Hafizour Rahman
 M. Com., FCA, ACS

Company Secretary

Sheikh Khaled Zahir
 MBA, FCS

Auditors

Khan Wahab Shafique Rahman & Co.
 Chartered Accountants
 Rupali Bima Bhaban (5th Floor)
 7, Rajuk Avenue
 Motijheel, Dhaka -1000, Bangladesh

Tax consultant

A. Hossain & Co.
 Chartered Accountants
 Paramount Heights (Level-5)
 65/2/1 Box Culvert Road
 Purana Paltan, Dhaka, Bangladesh

Head Office & Principal Branch

Eunoos Centre (8th level), 52-53 Dilkusha Commercial Area
 Dhaka-1000, Bangladesh
 Phone and fax: 88-02-9554174, 9559621, 9563253, 9572169
 Cell phone: 01819245908, 01977334539, E-mail: ffil@bdcom.net

Chittagong Branch

Ayub Trade Centre (level-2), 1269/B Sheikh Mujib Road,
 Agrabad Commercial Area, Chittagong-4100.
 Phone: 88-031-2526976-7, Fax: 88-031-2526978
 Cell Phone: 01912-132051

Banani Branch

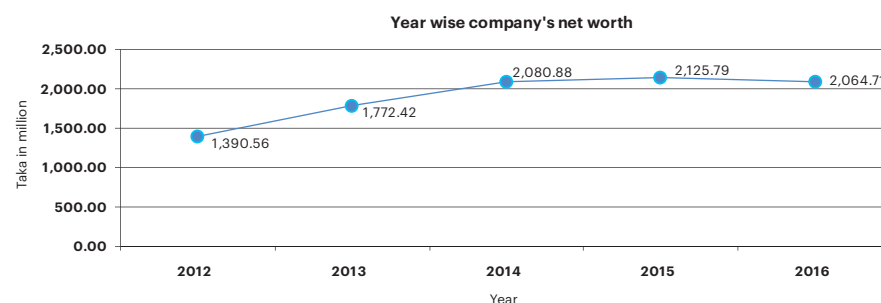
Concord Colosseum (6th floor), 156 Kemal Ataturk Avenue, Banani
 Dhaka – 1213, Bangladesh.
 Phone: 88-02-9859612, 9859507, 9859715 Fax: 88-02-9859987
 Cell Phone: 01993313050

Web site

<http://www.ffilbd.com>

Business hours

10.00 a.m. to 6.00 p.m. (Sunday to Thursday)



Performance at a glance

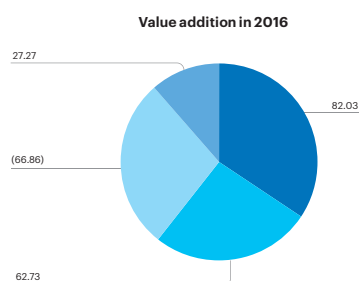
Financial performance analysis refers to identifying the financial strengths and weaknesses of the company by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. This term is also used as a general measure of a company's overall financial health over a given period of time, and can be used to compare with other similar company in the industry. It is also a part of total business performance management that has three main activities. They are (a) selection of goals (b) consolidation (c) interventions in light of performance analysis. To achieve the goals, Forecast Finance management is continuously trying its best.



Performance at a glance

Company's performances over the last five years are presented below:

Description	2012	2013	2014	2015	2016	Growth in 2016 %
	Taka	Taka	Taka	Taka	Taka	Taka
1. Business performances						
Contracted						
Lease finance	86.13	440.68	402.85	20.83	193.76	830.20
Term loan	1,442.77	2,727.43	3,204.31	3,331.76	4,323.61	29.77
Total	1,528.90	3,168.11	3,607.16	3,352.59	4,517.37	34.74
Disbursed						
Lease finance	74.50	316.95	180.22	349.99	142.06	(59.41)
Term loan	1,210.06	3,011.72	3,277.27	3,653.48	4,166.38	14.04
Total	1,284.56	3,328.67	3,457.49	4,003.47	4,308.44	7.62
2. Financial performances						
Operational income						
Operational expenses	880.35	1,225.63	1,536.39	1,462.18	1,175.30	(19.62)
Income from operation	759.03	999.34	1,067.59	1,106.22	1,128.98	2.06
Net profit after tax	121.32	226.29	468.80	355.96	46.32	(86.99)
Investment in leases	22.61	(68.13)	308.45	204.98	102.98	(49.76)
Term finances	588.34	720.21	788.59	918.38	441.92	(51.88)
Investment in shares	4,831.95	7,794.54	9,229.18	10,403.99	10,537.08	1.28
Total outstanding portfolio	216.06	182.99	312.94	378.22	278.74	(26.30)
Cumulative total assets	5,636.35	8,697.73	10,330.71	11,700.59	11,257.74	(3.78)
Paid up capital	6,728.38	9,682.40	11,486.55	13,496.85	14,017.90	3.86
Shareholders' equity	1,150.62	1,600.62	1,600.62	1,640.63	1,640.63	0.00
	1,390.56	1,772.42	2,080.88	2,125.79	2,064.71	(2.87)
3. Financial ratios						
Financial expenses coverage ratio						
Debt equity ratio (x)	1.06	0.87	1.56	1.33	1.17	(12.03)
Return on asset (%)	3.30	3.85	3.88	4.75	5.20	9.47
Return on average equity (%)	0.34	(0.83)	2.91	1.64	0.75	(54.27)
Earnings per share (%)	1.45	(4.31)	16.01	9.75	4.91	(49.64)
Dividend per share (%)	1.97	(5.14)	19.30	12.49	6.28	(49.72)
	0.00	0.00	12.50	10.00	5.00	(50.00)
4. Employee performance						
Operational income per employee	18.34	28.50	36.58	29.84	18.08	(39.41)
Value added per employee	1.74	(0.46)	11.38	5.59	1.62	(71.02)



Value addition	Taka in million
Shareholders as dividend	82.03
Employees as salary and allowances	62.73
Government as taxes	(66.86)
Retained in business	27.27
Total	105.18

Value added statement

Value-added describes the enhancement a company gives its product or service before offering the product to customers. Value added statement is the quantifying form showing how the value (wealth) created by the company and how it distributed among various stakeholders like employees, shareholders, government, creditors etc. in the business. It is a simplified financial statement that shows how much wealth has been created by the company. For a financial institution value addition refers to the profit that is earned over the year. As well as distribution of the added value refers to dividend to shareholders, payment to Government, employees and retention of profit within the company in different forms. For the year 2016, company's value addition to different sectors was as follows:

Description	2016	%	2015		%
	Taka		Taka	Taka	
Value added					
Operational income	1,175,296,491		1,462,175,766		
Financial expenses	(1,015,504,939)		(1,036,812,658)		
Provision for investments	(10,188,255)		(113,269,300)		
Operational expenses excluding salary and depreciation	(44,423,690)		(38,032,054)		
Total	105,179,607	100.00	274,061,754		100.00
Distribution of value addition					
Shareholders as dividend	82,031,665	77.99	164,063,330		59.86
Employees as salary and allowances	62,731,816	59.64	25,325,773		9.24
Government as taxes	(66,855,849)	(63.56)	37,711,662		13.76
Total	77,907,632	74.07	227,100,765		82.86
Retained in business					
As statutory reserve	20,595,963	19.58	40,995,030		14.96
As retained earnings	352,186	0.33	(83,208)		(0.03)
As depreciation	6,323,826	6.01	6,049,167		2.21
Total	27,271,975	25.93	46,960,989		17.14
Total	105,179,607	100.00	274,061,754		100.00
Employee statistics					
Number of employees at the year end	65		49		
Operational income per employee	18,081,484		29,840,322		
Value added per employee	1,618,148		5,593,097		

Market value added statement

Market value added (MVA) statement is a reflection of the market through company's share's market price. It is a tool that is used to measure the management's performance. MVA exhibits the difference between the current market value of the company and the capital contributed by the shareholders. Positive MVA is a sign that the company has added value to its investors. On the other side, negative MVA indicates that the company has destroyed the investors' value. MVA of Fareast Finance & Investment Limited for the last two years is presented below:

Description	2016	2015
	Taka	Taka
Number of shares outstanding at the end of year	164,063,330	164,063,330
Market value per share	12.30	9.90
Market value of shares outstanding at the end of year	2,017,978,959	1,624,226,967
Capital contributed by the shareholders at the end of year	2,064,705,571	2,125,789,087
Market value added	(46,726,612)	(501,562,120)

Economic value added statement

Economic Value Added (EVA) Statement is an estimation of company's economic profit; being the value created in excess of the required return of the company's investors. EVA is an internal management performance measurement mechanism which compares net operating profit to total cost of capital. EVA is an important tool because it is used as an indicator of how profitable company's investment is and it therefore serves as a reflection of management performance. The formula used to calculate company's EVA is net operating profit after tax minus capital charge, wherein capital charge represents capital employed multiplied by expected return of the investors. Details calculation of EVA is presented below:

Description	2016	2015
	Taka	Taka
Operating profit before provision	46,312,220	355,956,114
Less: Provision for tax	(66,855,849)	37,711,662
Net operating profit after tax (A)	113,168,069	318,244,452
Shareholder's equity	2,064,705,571	2,125,789,087
Add: Provision for loans, advances and leases	405,223,457	382,719,707
Add: Provision for investment in share	76,888,463	89,688,679
Capital employed	2,546,817,491	2,598,197,473
Average capital employed	2,572,507,482	2,519,106,140
Expected return of the investors	10.00%	10.00%
Capital charge (B)	257,250,748	251,910,614
Economic value added (C=A-B)	(144,082,679)	66,333,838

Expected return of the investors is calculated considering the opportunity cost i.e. the expected risk free return on investments plus risk premium. For calculation of the expected risk free return on investments, interest rate given by Bangladesh Government Sanchaya Patra for one year was considered. Besides, according to the Dhaka Stock Exchange rules, 10% dividend is required to be declared by the company to be qualified in "A" category trading.

Shareholding statement

Shareholding composition of the company as on 31 December 2016 was as follows:

Sl. #	Shareholders	# of shares	Taka	%
Holding by sponsors and directors				
1	Sponsor directors	27,706,349	277,063,490	16.89
2	Shareholder directors	22,063,942	20,639,420	13.45
3	Sponsors	39,131,007	391,310,070	23.85
	Sub total	88,901,298	889,012,980	54.19
Holding by other shareholders				
1	Company	19,635,423	196,354,230	11.97
2	General public	55,214,591	552,145,910	33.65
3	Non-Resident Bangladeshi	312,018	3,120,180	0.19
	Sub total	75,162,032	751,620,320	45.81
	Grand total	164,063,330	1,640,633,300	100.00

Associate company

Business diversification is a strategic part of Fareast Finance's investment that enriches the company's profit and improves its growth. In line with that in the year 2010, Fareast Finance & Investment Limited acquired 50% ordinary shares of Fareast Stocks & Bonds Limited (FSBL). FSBL was incorporated as a private company limited by shares on 3 September 2009 under the Companies Act, 1994 and converted to public limited on 10 October 2012.

Fareast Stocks & Bonds Limited has been set up to cater to the needs of the institutional and individual clients of the capital market. The company offers full-fledged international standard brokerage service for retail and institutional clients as well as foreign clients. Having seats in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, it becomes the trusted broker to the institutional and high net worth investors in Bangladesh.

FSBL provides a high level of professional and personalized services to its domestic and international clients. It has proven reputation in serving customers by maintaining strong compliance practices and highest ethical standard.

Range of services of FSBL is as follows:

Brokerage services

Executing Online Trade for all types of clients in Dhaka Stock Exchange and Chittagong Stock Exchange Limited.

CDBL services

Services like Beneficiary Owners (BO) account opening and maintenance, Dematerialization and Re-materialization of securities, Transfer and Transmission of securities, Pledging, Un-pledging and confiscation of securities etc.

Margin loan facilities

Margin loan facilities to clients through margin trading.

Value added services

Company has established a technological system enabling clients to receive maximum technological advantage in managing their investment accounts. Some unique features of value added services offered to their clients are as follows:

Phone trading services

All clients are able to trade with the use of Phone Trading Services during stock trading hour prescribed by BSEC, DSE and CSE. Besides, account holder can access to his/her account enabling him/her to know details of his/her investment like stock position, purchase power, value of investments etc.

SMS service

SMS message confirming execution of trade with stock, quantity and rates, Alert message for additional margin deposit, Alert message about execution of Trigger Sale.

E-mail service

Daily e-mail (end of day) to each BO account holder's address containing summarized Trade Confirmation and Portfolio Statement.

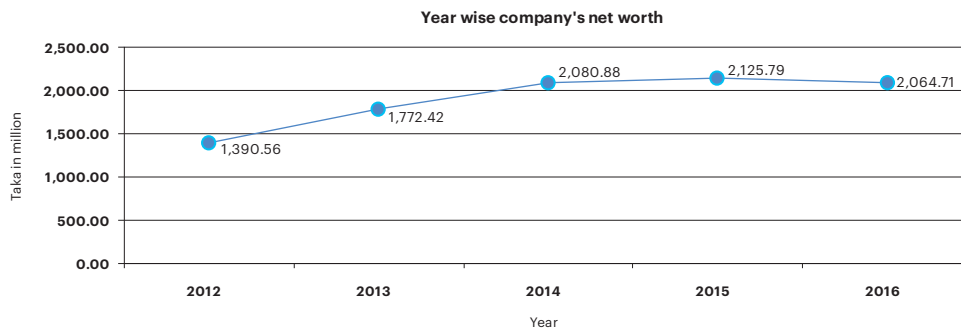
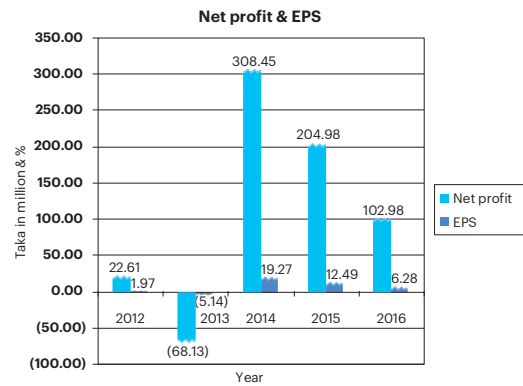
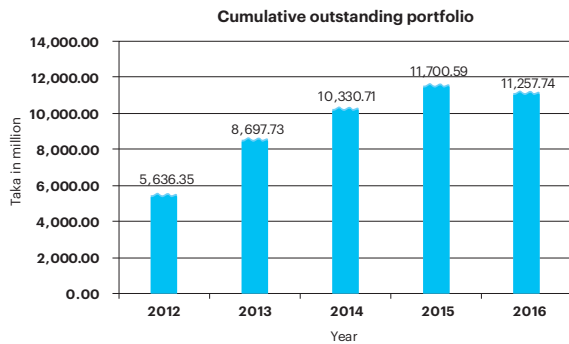
Fax

Fax message (end of day) to each BO account holders' number containing summarized Trade Confirmation and Portfolio Statement.

Financial calendar

Important compliance and regulatory dates which are required to shareholders for investing decision are represented in the financial calendar of Fareast Finance & Investment Limited. Company's financial calendar for the shareholders relating to the year 2016 was as follows:

	2016	2015
Approval of annual financial statements by the Board	10 April 2017	27 April 2016
Record date	3 May 2017	31 May 2016
Date of notice for AGM	25 May 2017	8 June 2016
Holding of AGM	11 June 2017	23 June 2016



Board of Directors

Board of Directors plays the central role in the strategic decision, guidance and as well as in supervising the overall business activities. Board of Directors of company should always cope with the guidelines, rules and regulations of the regulators and provide strategic direction to the management. Company's Board should be the maestro in business and financial arena. So that, their knowledge, valuable guidance and direction always enrich company's values in terms of revenues, viable business aspects and as well as control and compliance.



Board of Directors

Chairman

M. A. Wahhab

Vice Chairman

Md. Monir Hossain

Directors

M. Mustafizur Rahman

Umme Fatima Khaledee Jahan

Md. Ershad Ullah

Md. Shamsul Islam Varosha

Rubaiyat Khaled

Khorshed Alam Khan

Mohammad Shahidul Islam, FCA
(Independent Director)

Dr. M Mosharraf Hossain, FCA
(Independent Director)

Mr. Santanu Saha

Ex Officio member



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman



M. Mustafizur Rahman
Director



Umme Fatima Khaledee Jahan
Director



Md. Ershad Ullah
Director



Md. Shamsul Islam Varosha
Director



Mr. Rubaiyat Khaled
Director



Mr. Khorshed Alam Khan
Director



Mohammad Shahidul Islam
Independent Director



Dr. M Mosharraf Hossain
Independent Director



Santanu Saha
Managing Director

Brief profile of the Directors



M. A. Wahhab
Chairman

Mr. M. A. Wahhab a veteran banker joined in the Janata Bank (the then United Bank Limited) in the year 1961 and served there up to 1984. Then he was placed to Rupali Bank in the year 1984 as the General Manager. Subsequently in the year 1985 he joined the National Bank Limited as the Deputy Managing Director and he retired from the service as the Managing Director of the same bank.

After successful completion of banking carrier Mr. Wahhab started his business career as the Managing Director of MAWSONS Limited.

Subsequently, he made a strategic shift of his investment in the bank by becoming a Sponsor Director of Prime Bank Limited. After that he also made investment in the financial institution sector by becoming director in Fareast Finance & Investment Limited. Besides, he is a Member of the Board of Governing Council of Primeasia University.



Md. Monir Hossain
Vice Chairman

Mr. Md. Monir Hossain hailing from textile family started his own trading business and also involved in the textile industry in the year 1990. Subsequently in 2000 Mr. Hossain flourished his textile business by establishing Fahim Textile Mills Limited. Recently he launched a spinning mill namely Fariha Spinning Mills Limited. Besides, he is a Member of the Board of Governing Council of Primeasia University and from the year 2004 he was involved in Wari Golden Hospital. He also awarded as CIP (Commercially Important Person) by the Government of Bangladesh for his outstanding contribution in the national export trade for the year 2012.



M. Mustafizur Rahman
Director

Mr. M. Mustafizur Rahman, a renowned former Government Official, completed his M. A. from the University of Dhaka, Bangladesh and from Williams College, Massachusetts, USA. Mr. Rahman served the Government in different capacities including Chairman, Water Development Board, Secretary, Civil Aviation and Tourism, Information and Broadcasting and Education. He was also Finance Secretary, President's Secretary, Alternate Executive Director of World Bank and Executive Chairman, Board of Investment, Government of Bangladesh.

On retirement from the Government service, Mr. Rahman involved himself in the development of Financial Institutions and became the founder Chairman of Prime Finance & Investment Limited and Fareast Finance & Investment Limited. Besides, Mr. Rahman is also founder Chairman of the Board of Governors of Primeasia University.



Umme Fatima Khaledee Jahan
Director

Mrs. Umme Fatima Khaledee Jahan wife of Mr. Azizur Rahman Bhuiyan is currently residing in Canada. She completed her Advance Diploma in Business (Accounting) from Canberra Institute of Technology, Australia. She has very good experience in different area of business sector.



Md. Ershad Ullah
Director

Mr. Md. Ershad Ullah completed his graduation in Management from Southeast Asian Union American College, Singapore in the year 1995. He is hailing from a family engaged in transport and has given commendable support to his father in running a renowned transport organization "Diganta Paribahan" from the same year. After joining of Mr. Md. Ershad Ullah the business flourished and made impressive gains. Subsequently, in the year 1996 he started a new transport business line in the name of Ershad Enterprise.

In the year 2001 he diversified his operational area from transport to financial institution sector and became a Sponsor Director of Fareast Finance & Investment Limited. In the year 2003 he again diversified his operational area in the cargo business in domestic line.



Md. Shamsul Islam Varosha
Director

Mr. Md. Shamsul Islam Varosha, a Masters in Management, joined his father's renowned tobacco business in the year 1987 and continued up to 8 years. Subsequently, he joined his father's match factory in the year 1996 as Managing Director and with his skill, proficiency and courage he made a turnaround of the company from a losing concern to a profit generating company. Besides, from the very beginning of his business career, he was engaged in trading business of Chemicals and vehicles. He is a Member of the Executive Committee of Bangladesh Paints, Dyes & Chemicals Merchants Association. Lately Mr. Varosha diversified his interest in the financial sector and joined in Fareast Finance & Investment Limited as Sponsor Director in the year 2001.



Mr. Rubaiyat Khaled
Director

Mr. Rubaiyat Khaled, Director of Fareast Finance & Investment Limited has an excellent academic record. He has obtained his BBA Degree from North South University. He is a young entrepreneur. Mr. Rubaiyat is also a Director of MAKSONS (Bangladesh) Limited, MAKSONS Associates Limited, Prime Financial Securities Ltd., Prime Finance Capital Management Limited, Fareast Stocks and Bonds Limited. He is one of the sponsor shareholders of PFI Securities Limited. Besides, he is a member of the Board of Directors of Primeasia Foundation.



Mr. Khorshed Alam Khan
Director

Mr. Khorshed Alam Khan, Director of Fareast Finance & Investment Limited has an excellent business career. He did his M.Com in Management. He is the owner of Daffodils Sign Media and Daffodils Trading Int. etc. He has around 15 years' business experience in the field of photography business. Besides, Mr. Khan is also a director of Modern Diagnostic Centre Limited. He visited USA, Dubai, Singapore, Nepal, Saudia Arab and India for the interest of the business. He is also the member of the Bangladesh Photographic Association.



Mohammad Shahidul Islam
Independent Director

Mr. Mohammad Shahidul Islam is a renowned Fellow Chartered Accountant and Associate Chartered Secretary with vast experience in the field of financial sector. He completed his BBA and MBA major in accounting from University of Dhaka.



Dr. M Mosharraf Hossain
Independent Director

Dr. M Mosharraf Hossain, is a renowned Fellow Chartered Accountant and have around thirty years of experience in the field of financial and insurance sector. He worked as Managing Director in Baira Life Insurance Com. Limited and Fareast Life Insurance Co. Limited. He also served his vital responsibilities in different positions in Delta Life Insurance Co. Limited, Shandhani Life Insurance Co. Limited and Homeland Life Insurance Co. Ltd. He has participated in different training sessions in home and abroad. Mr. Hossain did his PhD on Investment of Insurance Fund in Bangladesh from the University of Dhaka and obtained 1st Class 1st position in his M.Com and 1st Division (3rd position with gold medal) in his B.Com.



Santanu Saha
Managing Director

Mr. Santanu Saha is a fellow member of The Institute of Chartered Accountants of Bangladesh, The Institute of Cost and Management Accountants of Bangladesh, The Institute of Chartered Secretaries of Bangladesh and The Association of Accounting Technicians. Besides, he is also the member of the Institute of Certified Financial Consultants of Canada.

At the beginning of his career, Mr. Saha joined IDLC Finance Limited the pioneer leasing company in Bangladesh in the year 1993. Then he joined Delta Life Insurance Company Limited in February 1995 and worked only for six months. In September 1995, he joined Uttara Finance and Investments Limited as Vice President and Company Secretary. There he worked as second man of the company and left in January 2002. Thereafter he joined Fareast Finance & Investment Limited as Executive Vice President and Company Secretary in January 2002. In September 2004, he was promoted to the post of Deputy Managing Director. Lastly, he joined in the position of Managing Director of the company on June 01, 2011.

Besides, he attended various training on different subjects mainly on financial management provided by ICAB, ICMAB, ICSB and Small Enterprise Development Facilities etc.

Board committees

The Board of Directors of Fareast Finance & Investment Limited constituted two committees namely Executive Committee and Board Audit Committee to assist the Board and to smooth operation of the company in complying with the DFIM Circular Letter # 18 dated 26 October 2011. Members of the committees are as follows:

Executive Committee

Chairman

M. Mustafizur Rahman

Members

M. A. Wahhab
Md. Monir Hossain
Rubaiyat Khaled
Dr. M Mosharraf Hossain

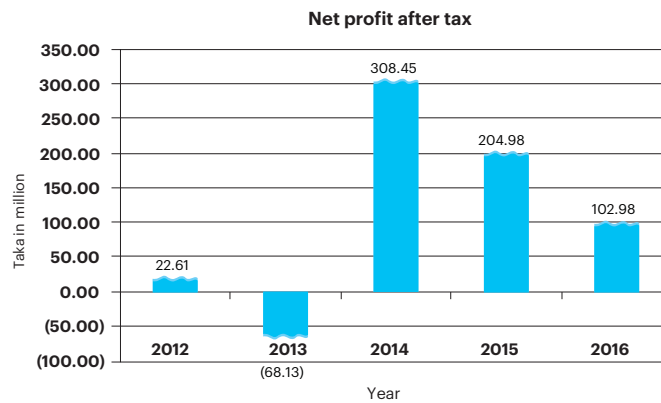
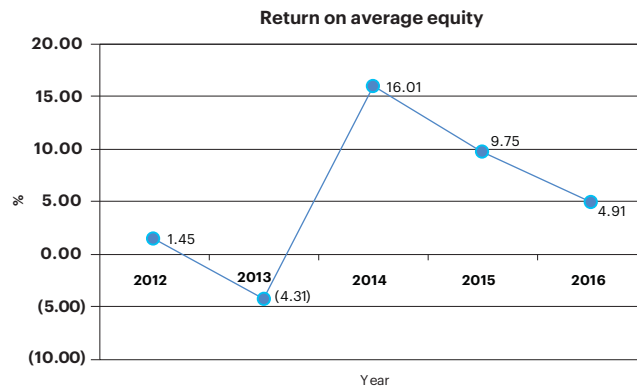
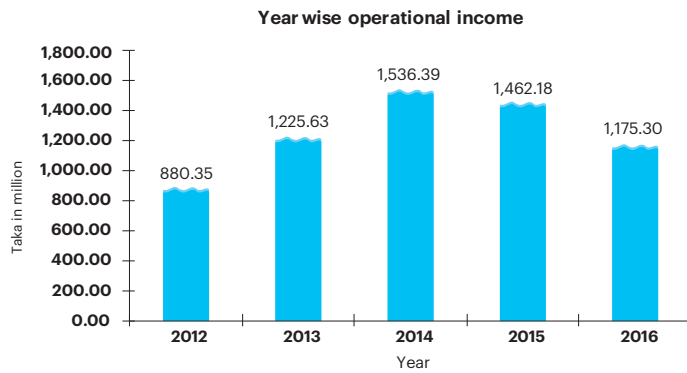
Board Audit Committee

Chairman

Mohammad Shahidul Islam

Members

Md. Shamsul Islam Varosha
Md. Ershad Ullah
Khorshed Alam Khan
Dr. M Mosharraf Hossain



Charter of Board and its committees

Charter of Board and its committees refers the respective roles, responsibilities and authorities of the board of directors and its committees in setting the direction, the management and the control of the company's overall business. Board charters have become an accepted part of the governance landscape. Many major inquiries, reports and leading practice recommendations refer to the need for board charters in delivering effective governance. The purpose of the charter is to clearly outline the structure of the Board and its committees to define the role of the Board and the committees as a whole through the identification of a schedule of powers reserved solely for the Directors and committee members.

The charter further defines the specific responsibilities of the Board of Directors and committees, in order to enhance coordination and communication between the Chief Executive and the Board and committee members more specifically, to clarify accountability of all parties for the benefit of the company.

The charter of the Board of Directors and its committees set out in line with Bangladesh Bank guidelines are as follows:

Board of Directors

Work-planning and strategic management

1. Setting Vision/Mission, formulating strategic policy, directions, plans and implementation of company's goal.
2. Analytical review of success/failure in achieving the target and key performance indicators for the executives.

Formation of sub-committee

To form sub committees for facilitating company's operation.

Financial management

Approve budget, review of financial statements and others, setting procurement policy and operation of company's bank account.

Loan/Lease/Investment management

Approve and implement Core Risk Management Guidelines, delegate power to the management and non interference in decision regarding loan processing

Risk Management

Approve syndicate loan/lease/ investment and large loan/lease/investment.

Internal Control and Compliance

1. Effective implementation of an integrated internal control system through Audit Committee.
2. Review of Internal Control & Compliance Department's report by the Board Audit Committee.

Human Resources Management

Approve and implementation of human resource policies.

Appointment of Managing Director and increase of salaries and allowances

To appoint Managing Director and increase in his salary and allowances subject to approval of the Bangladesh Bank.

Executive Committee

To run the business smoothly and to have proper focus in financing the Board of Directors formulated the following charters for the Executive Committee:

1. The committee will be responsible for proper scrutiny and evaluation of the proposals for facilities to be considered by Fareast Finance & Investment Limited through an in-depth focusing in terms of financial viability of the credit proposals.
2. The committee will recommend the proposals to the Board. If the committee thinks proper, they may take any other decision regarding the proposal.
3. If committee does not recommend any proposal to the Board, the proposal will be treated as cancelled.
4. The report of the committee should be attached with the proposal memo to be placed before the Board.

Board Audit Committee

To ensure the participation of Directors in company affairs through policy framing, proper directive to the management, to operate the different functions of company properly and in line with the Bangladesh Bank Circular # 13 dated 26 October 2011 the Board of Directors formulated the following duties and responsibilities for the Board Audit Committee:

Internal control

1. Board Audit Committee will examine the existence of culture for internal control and risk management; executive's responsibilities and functions and controlling of their jobs.
2. Board Audit Committee will examine management initiative regarding Computerization and MIS management of the Company.
3. Board Audit Committee will examine the management consideration on various recommendation provided by the Internal/External Auditor for developing internal control procedure/structure.
4. Board Audit Committee will examine the Risk Management procedure for implementation of work and control.
5. Board Audit Committee will examine the forgery, weakness of internal control etc. found by internal or external auditor or regulatory authority along with their recommendation to eliminate them and accordingly inform the Board regularly.

Publication of the financial statements

1. Board Audit Committee will verify that all the information is correctly and properly disclosed in the annual financial statements of the company and the financial statements are prepared on the basis of guidelines issued by Bangladesh Bank and other guidelines relating to the preparation of the financial statements.
2. Board Audit Committee will discuss with the management and the external auditor before finalization of the financial statements of the company.
3. The Chairman of the Board Audit Committee will present before the shareholders in the annual general meeting for answering the questions regarding the financial statements and audit of the financial statements.

Internal audit

1. Board Audit Committee will observe the functions of internal audit department and its structure and confirm that no barrier/limitation prepare hindrance against the work of the internal audit department.
2. Board Audit Committee will examine the capabilities and effectiveness of internal audit department.
3. Board Audit Committee will observe the management's function regarding the implementation/elimination of the recommendations/errors/irregularities etc. found by the internal audit department.
4. Board Audit Committee will submit their recommendation to the Board of Directors regarding the change of any accounting principle if they think necessary.

External audit

1. Board Audit Committee will examine the audit report and audit procedure of the External Auditor of the company.
2. Board Audit Committee will examine the implementation/elimination of the recommendation/observation/irregularities as provided by the external auditor in their report by the management properly.
3. Board Audit Committee will submit their recommend to the Board of Directors regarding appointment of external auditor of the company.

Implementation/existence of practice of acts, rules and regulations

Board Audit Committee will examine the implementation/existence of practice of the acts, rules and regulation enforced by the Regulatory Authority like Bangladesh Bank and other organizations and also adopted by the Board of Directors of the company on regular basis.

Miscellaneous

1. Board Audit Committee will submit a report to the Board on quarterly basis regarding the implementation/elimination of errors/forgery/irregularities etc. in the company found by the Internal Auditor, External Auditor and or Bangladesh Bank inspection team.
2. Board Audit Committee will perform other duties as and when vested by the Board and judge their own performance appraisal on regular basis.
3. Internal Auditor may submit their report directly to the Board Audit Committee along with to the Managing Director.
4. The Committee will be perpetual. However, in case of exigency, the Board of Directors will have the right to reconstruct the committee at any time as they think proper.

The management

Managing Director

Mr. Santanu Saha
M. Com., FCA, FCMA, FCS, FMAAT

Deputy Managing Director and Chief Financial Officer

Mr. Mohammed Hafizour Rahman
M. Com., FCA, ACS

Vice President

Mr. Md. Anwar Hussain, MBA

Senior Assistant Vice President

Mr. Sheikh Khaled Zahir, MBA, FCS
Mr. Mohammad Rofiqul Alam, MBA

Assistant Vice President

Ms. Nazmun Nahar, MBA, ACS
Ms. Farhana Yeshmin, LL.M.
Mr. Biplob Saha, M. Com., C.A.-PE-I

Senior Managers

Mr. Mutiul Aziz Khan, MBA
Ms. Shirina Akhter, M. Sc., MBA
Mr. Mohammad Abdullah Al Mamun, MBA
Ms. Rokshana Islam, MBA
Mr. Md. Rezaul Karim, MSS, MBA
Mr. Md. Iqbal Haque Choudhury, MBA
Mr. Manoranjan Chakraborty, M. Com.

Branch Managers

Ms. Sanjida I aboni, Senior Manager, Banani Branch
Md. Rafiqul Islam, Senior Manager, Chittagong Branch





Organizational committees

Organizational committee is a body of some persons that is subordinate to the management. Usually, the management sends business matters to the committee as a way to explore them efficiently on time. Committees may have different functions and the type of work that each committee does would depend on the type of company and its needs.

Organizational committees

In a financial institution, problems are multifaceted and require breadth of decision. Group deliberations and combined judgment of different peoples can be brought to bear on important problems. There can be a more realistic and objective appraisal of the problem from all angles; if the problem is discussed in a committee. This helps to improve the quality of decisions. To have proper control and good governance in the company's daily activities, company management has formulated the following committees. Brief description of the activities and members of the committees are described below:

Management Committee (MANCOM)

Management committee is empowered to take all kind of decisions relating to the day-to-day operation of the company excluding investment proposal exceeding limit set by the Board of Directors. Management committee also looks after the overall operational activities of the organization. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Farhana Yeshmin	AVP, Legal Affairs	Member
Mohammad Abdullah Al Mamun	Senior Manager	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Sheikh Khaled Zahir	SAVP and Company Secretary	Member Secretary



Santanu Saha
Managing Director



Mohammed Hafizour Rahman
DMD and CFO



Md. Anwar Hussain
VP and Head of Finance & HR



Sheikh Khaled Zahir
SAVP and Company Secretary



Mohammad Rofiqul Alam
SAVP and Head of Credit



Farhana Yeshmin
AVP, Legal Affairs



Mohammad Abdullah Al Mamun
Senior Manager
Deposit Mobilization



Md. Iqbal Haque Choudhury
Senior Manager and
Treasury-in-Charge

Management Recruitment Committee (MRC)

Management recruitment committee scrutinizes the applications and assesses the credential of the applicant. Thereafter the committee interviews the candidates and recommends to the management committee for appointment. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Sheikh Khaled Zahir	SAVP and Company Secretary	Member Secretary

Risk Management Forum (RMF)

The prime objective of Risk management forum is to examine and evaluate whether the company's frame work of risk management, control, and governance processes, is adequate and functioning properly. In addition, the objectives of Risk management include advising and recommending to the management for improvements in internal control and risk management systems. Members of the forum are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	CRO
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Md. Iqbal Haque Choudhury	Treasury and ALCO-(CC)	Member
Sheikh Khaled Zahir	SAVP and Company Secretary	Member Secretary

Asset Liability Management Committee (ALCO)

Asset liability management committee is responsible for better and efficient management of asset and liability of the company. The committee keeps tracking the matching of the assets and liabilities of the company and advises the management regarding the future business opportunities and problems. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Sheikh Khaled Zahir	SAVP and Company Secretary	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Mohammad Abdullah Al Mamun	Senior Manager	Member
Md. Iqbal Haque Choudhury	Manager and Treasury-in-Charge	Member Secretary

Risk Analysis Unit (RAU)

Risk analysis unit (RAU) will be responsible solely to identify and analyze all sorts of risks appropriately and timely. It will act as the secretariat of risk management forum. However, it must also be independent from all other units/divisions of the financial institution, e.g. no member of this unit will be involved in any sort of ratings of transactions, or setting/working to achieve any target imposed by the financial institution. Members of the unit are as follows

Name of members	Status in company	Status in committee
Shahana Akter	MTO, Credit	Member
Md. Shohaq Khalifa	MTO, ICC	Member

ICT committee

The committee is responsible for overall IT operations of the company under the Guideline on ICT Security for Banks and Non-Bank Financial Institutions, May 2015, Version 3.0. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR.	Member
Sheikh Khaled Zahir	SAVP and Company Secretary	Member
Mohammad Rofiqui Alam	SAVP and Head of Credit	Member
Farhana Yeshmin	AVP, Legal Affairs	Member

Central Compliance Unit (CCU)

Central compliance unit is formed to prepare and issue instructions to be followed by the branches; on the basis of combination of issues in monitoring of transactions, internal control, policies and procedures from the point of view of preventing money laundering and terrorist financing. Central compliance unit shall be dedicated solely to the organization's related responsibilities and perform the compliance functions. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Md. Anwar Hussain	VP and Head of Finance & HR	Chairman & CAMLCO
Sheikh Khaled Zahir	SAVP and Company Secretary	Member Secretary
Mohammad Rofiqui Alam	SAVP and Head of Credit	Member
Farhana Yeshmin	AVP, Legal Affairs	Member
Mohammad Abdullah Al Mamun	Senior Manager	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member & DCAMLCO

Ethical Committee

Ethical committee is formed having the prime objective of protecting the integrity and reputation of the company, to promote ethical standards of behavior and to strengthen the company's accountability and transparency. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Mr. Santanu Saha	Managing Director	Chairman
Mr. Mohammed Hafizour Rahman	DMD and CFO	Member
Mr. Sheikh Khaled Zahir	SAVP and Company Secretary	Member
Mr. Mohammad Rofiqui Alam	SAVP and Head of Credit	Member
Mr. Mohammad Abdullah Al Mamun	Senior Manager	Member
Mr. Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Mr. Md. Shohaq Khalifa	MTO, ICC	Member
Mr. Md. Anwar Hussain	VP and Head of Finance & HR	Member Secretary and Focal Point

Green Banking Committee

Green banking unit is formed with representation from different departments in the company. The Green banking unit shall be responsible for the design, implementation and evaluation of relevant green banking issues across the organization within the stipulated timeline, as well as for periodic reporting to the Green Banking and CSR Department of Bangladesh Bank. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Mohammed Hafizour Rahman	DMD and CFO	Head of GBCSR
Mohammad Rofiqui Alam	AVP and Head of Credit	Assistant Co-ordinator
Farhana Yeshmin	AVP, Legal Affairs	Member
Md. Mehedi Hasan Khan	Assistant Manager	Member
Ms. Shahana Akter	MTO, Credit	Member
Mr. Md. Shohaq Khalifa	MTO, ICC	Member

Central Customer Service and Complaints Management Cell (CCS & CMC)

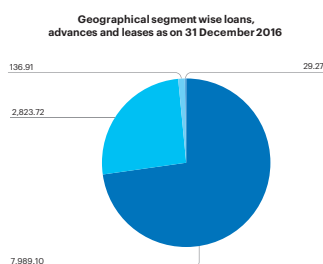
Central Customer Service and Complaints Management Cell (CCS & CMC) committee is formed having the prime objective of attaining and retaining customers' satisfaction and interest protection, company's goodwill, reputation and above all financial stability. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Mr. Md. Anwar Hussain	VP and Head of Finance & HR	Chairman
Mr. Sheikh Khaled Zahir	SAVP and Company Secretary	Member
Mr. Mohammad Rofiquel Alam	SAVP and Head of Credit	Member
Mr. Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Mr. Md. Shohaq Khalifa	MTO, ICC	Member
Ms. Farhana Yeshmin	AVP, Legal Affairs	Member Secretary

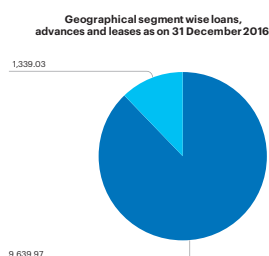
Corporate Social Responsibility (CSR) Unit

As per Bangladesh Bank GBCSR Circular # 7 issued on 22 December 2014 regarding indicative guidelines for CSR expenditure allocation and end use oversight Corporate Social Responsibility (CSR) unit is formed comprising of following members:

Name of members	Status in company	Status in committee
Mr. Md. Anwar Hussain	VP and Head of Finance & HR	Chairman
Mr. Sheikh Khaled Zahir	SAVP and Company Secretary	Member
Mr. Mohammad Rofiquel Alam	SAVP and Head of Credit	Member
Mr. Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Mr. Md. Shohaq Khalifa	MTO, ICC	Member
Ms. Farhana Yeshmin	AVP, Legal Affairs	Member Secretary



Geographical segment	Taka in million
Dhaka Division	7,989.10
Chittagong Division	2,823.72
Khulna Division	136.91
Rajshahi Division	29.27
Total	10,979.00



Geographical segment	Taka in million
Urban	9,639.97
Rural	1,339.03
Total	10,979.00

Human capital

Human capital has economic value because good performance always depends on the efficient Employee's set of skills towards the job usefulness of effort. So, efficient employees are called human capital. This capital can be calculated for evaluation of one's performance. On the other hand, employees' quality can be improved through training or education. Experiences, abilities, capacities, qualities etc. are the traits of employees which are the subjective assets of the company.

In line with that Fareast Finance believes that quality and dedication of employees is more important rather than dependency and the quality can be increased through the continuous learning process. Fareast Finance also believes that employees' excellence over other financial institutions.

Fareast Finance's performance driven culture, quality of working relationships, healthy work life balance and best practices attracts sharp peoples and retains the top talents. The company encourages open communication, feedback and discussions about any matter of importance to employees; so that they are well informed and can contribute to the change happening across the organization. Fareast Finance's main strength is the right employee at right place. The principal strength of the company is the eminence and devotion of its employees and their shared sense of being part of a team.

The company is in continuous process of developing and implementing human resources management policies and practices that are aimed at growing and developing employees and ensuring their contribution towards the achievement of corporate goals.

The company always concentrates on equitable distribution of human resources development opportunities and benefits to its employees.

Human capital strategy

Fareast Finance & Investment Limited follows the following strategies for human capital development:

- Efficient and effective manpower planning;
- Try to attract qualified personnel by fashioning a motivated workplace;
- Try to retain proficient employees by forming superior workplace;
- Take initiatives to provide new employees with appropriate training inside and outside of the company;
- Persuade employees to uphold professional skills and furnish them the opportunity to develop and grow;
- Performance management system. Written and operational promotion policy;
- Ensure maximum employees accomplishment-empower the individual, endow with an opportunity to prove initiative and command independent initiative;
- Maintain a spirit of ambition, efficient decision making, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization;
- Fareast Finance continues to maintain a very satisfactory position in terms of people productivity;
- Employee benefits such as advances, medical, insurance, home loan, retirement etc.

Group life insurance scheme and Hospitalization assurance Plan

Fareast Finance introduces a group life insurance scheme and hospitalization assurance plan for its permanent employees where employees are covered under group insurance along with hospitalization plan. This insurance not only covers the employee's life/partial disability but also boost up employees' belongingness to the company. It also works as the motivational force for the employee for better performance.

Employees' training and development

The company provides need based in-house and local training to its employees. This is done with a view to enhance human resources capacity by continuously upgrading their skill, abilities and knowledge and also to meet organizational needs to face future challenges in the ever changing financial services industry.

As part of company's human resource development program, a large number of employees were sent to different training programs, which included both managerial development and technical modules. During 2015, 26 employees were trained locally in 14 training courses for 64 days, while in 2014, 19 employees were trained locally in 16 training courses for 67 days.

For development of the employees company takes different initiative based on the need of the individual employee. Company provides the following knowledge and learning resources to its employees.

Step-1. Establish primary network of personal learning resources.

- by having relationship with the people
- by providing different material like books, video, CBT, etc.
- by meeting with experiences personal & others.

Step-2. Identify areas of deficiency

- by asking question.
- by giving problem on specific area.

Step-3. Prepare Personal learning plan.

Step-4. Extend learning network to 2nd level that focuses on components in the Personal Learning Plan.

Step-5. Discover process via implementing the personal learning plan.

Step-6. Application of the new knowledge

Step-7. Document knowledge for others by adding to the collective knowledge base

- storage and retrieval mechanism
- willingness to help others

Respect

For betterment of the company respect is one of the key factors that have to be followed. For this company follows the following:

Respect

For betterment of the company respect is one of the key factors that have to be followed. For this company follows the following:

- i. We always think and act as a team;
- ii. We try to maximize the value of our global community;
- iii. We deliver results and celebrate success.

Ethical standards

Ethic is a key to business success. Fareast Finance & Investment Limited adheres to the highest ethical standards and believes. The company prioritizes statutory compliance and has a set of code of ethics for employees, who are required to read and understand those documents, as a sign of reiteration and commitment to the principles enshrined in it.

Compensation and reward

It is a cornerstone of our ethos that Fareast Finance is a meritocracy, where all employees are recognized and rewarded on the basis of their performance, efforts, contribution and achievements. The company's performance management and personal development processes are being rolled out through the extended group. They are based on the following principles:

- i. That employees have a clear understanding of how they contribute to the business;
- ii. Have clear personal objectives, aligned to the business strategy;
- iii. Career pathways that identify key capabilities and behaviors at different Competency levels across core career paths;
- iv. Personal development training and succession planning to support personal growth;
- v. An annual review of performance that drives decisions about pay and career progression.

Fareast Finance & Investment Limited provides its employees with a competitive compensation package. The Company has implemented a strict performance based reward system and evaluates staff performance evaluation twice a year. The Company is a performance driven organization and career development opportunities are based on merit.

Work environment and culture at the company

As a leading company Fareast Finance & Investment Limited cuddles diversity and admire for different cultures and local requirements. Employees of both genders from different regions, ethnic groups, generations and backgrounds contribute their skills and different perspectives to improving our solutions and delivering to our clients.

Employees work in a positive, friendly and respectful environment and are able to maintain a good work life. Company aims to maintain healthy workplace and environmental conditions which permit employees to work to maximum effectiveness and to their full potential. Fareast Finance employees enjoy one of the best office premises and environments within the country.

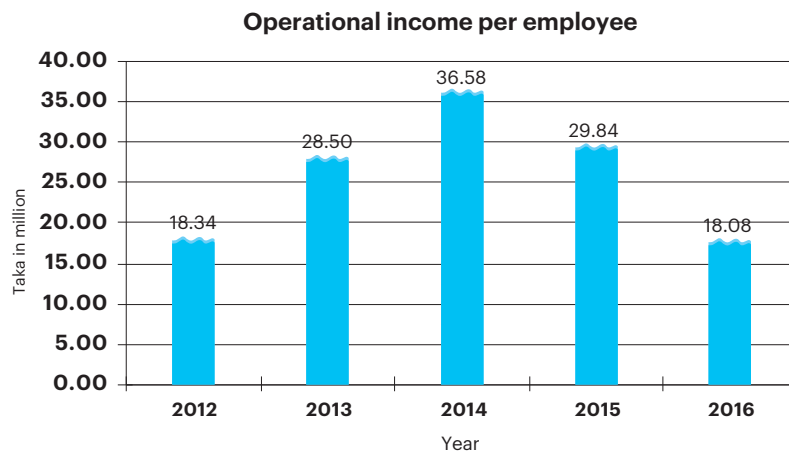
Non-discriminatory policy and equal opportunity

Fareast Finance & Investment Limited is an equal opportunity employer. It always values employee's right and dignity. We always practice equal treatment to all existing and potential employees irrespective of their race, religion, age and gender. It is our company's policy to ensure equal opportunity in recruitment, selection, promotion, development, training and rewards.

Communication and employee satisfaction

Fareast Finance & Investment Limited recognizes that, in the current rapid changing knowledge-based business, communication is a critical ingredient for success. Within the company emphasis is given on both formal and informal communication. The relationship managers have a key role to play communication. The relationship managers are accessible, encourage collaboration and the development of ideas that contribute to business performance and continuous improvement.

The company has an active program to ensure communication from executive team through a variety of media and encourage employee feedback and comment through methods including group discussions, employee surveys and email dialogue.



Employee issues

Diligence and hard work are some of the factors that make up a strong work ethic of an employee. Employee whose values and work ethic match those of the organization performs best. There are some essential employee strengths that are sought after by all the company regardless of industry. An employee with a strong work ethic knows he is there to perform a job to the best of his ability. Keeping that in mind, Fareast Finance management is always moving forward for retaining its best employees. Details of employee issues regarding cadre level, age, emoluments, turnover and training for the year 2016 corresponding with the year 2015 are presented below:

Description	2016 Number	2015 Number
Cadre wise employee		
Management cadre	50	38
Non-management cadre	15	11
Total	65	49
Male	50	38
Female	15	11
Total	65	49
Average age of employees	Year	Year
Management cadre	31.79	33.38
Non-management cadre	35.01	35.67
Employee emoluments	(Taka in million)	(Taka in million)
Salary and allowances to employees other than Managing Director	55.91	18.49
Managing Director's salary and allowances	6.82	6.83
Total	62.73	25.32
Employee turnover	Number	Number
Employee at the beginning	49	42
Recruitment during the year	31	10
Departures through resignation	15	3
Employee at the end	65	49
Net change during the year	16	7
Training		
Number of training programs participated by employees	14	16
Number of employees who participated in at least one training program	26	19
Percentage of employees who participated in at least one training program	52	61
Days participated for training program	64	67
Average number of days spent in training per employee	0.81	0.91

Social responsibilities

Observance of social responsibility is a corporate management concept, whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

It is concerned with the relationship between the company and the society in which it operates its business. Corporate social responsibility also refers to the continuing commitment to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large. The 'social contract' between the company and the community is of critical importance for Fareast Finance. Thus Fareast Finance has adopted corporate social responsibility practices in a formal, structured manner in line with company's vision to help the disadvantaged population of the country by taking socially responsible initiatives. Fareast Finance actively regards corporate social responsibility not a charity, but an investment in society and in its own future.

Fareast Finance & Investment Limited is and always has been established on solid long-term relationships with all of its stakeholders. In line with Bangladesh Bank rule and regulations, the company has taken different measures to comply with all of the requirements. Fareast Finance is proud to be actively involved in various fields of corporate social responsibilities. Fareast Finance designed its products and services in such a way that its business activities always pursue its commitments to sustainable development and transparent corporate conduct in social and ethical manner.

Ethical conduct

As a leading organization, Fareast Finance & Investment Limited does have a responsibility to act as a good corporate citizen all around the country. Because of ethical and public interest dimensions, Fareast Finance recognizes and performs the obligations that are towards the people, investors, customers, suppliers, competitors and the community as a whole.

Fareast Finance believes in standing together along with trust and confidence beside those with whom it deals. In order to keep the reputation and trust, Fareast Finance demands and maintains the highest ethical standards in carrying out its business activities. Its employees are encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work.

Useful service

Fareast Finance & Investment Limited constantly endeavors to make certain that its employees are close to clients and available at all the time. It also ensures quick and efficient response to client's requests and quality follow-through. The company management meets at least once in every month for making continuous improvements aiming to achieve operational excellence and change internal business process through employees. This program provides rational way for bringing about significant improvements in the quality of the service delivered, while empowering employees to make necessary changes.

The employees

Fareast Finance & Investment Limited is widely considered for ensuring equal opportunities for all its employees, both during the recruitment and appraisal process irrespective of age, gender, race or religion. Care is taken to the inner qualities of the employees to assist their development, and maintain a working environment to ensure work-life balance of the employees. Fareast Finance & Investment Limited inculcates a deeper sense of responsibility and stronger ethical standards among all the staff, laboring the point that Fareast Finance & Investment Limited has a significant role to play as a leading corporate citizen of the country.

Fareast Finance actively supports the development of its staff in a number of ways including dignified employee development discussions and structured programs for personal and professional development. It is linked to the transfer, exchange and creation of knowledge to the strategic corporate objectives and thus be the power behind ongoing innovation of company's products, services.

Commitments to employees

Fareast Finance & Investment Limited ensures to provide a workplace in which employees are respected. Besides, by practicing fair employment and taking initiatives for enhancement of employees' morale, the company provides encouragement to a management style that empowers and develops the employees.

Business partners and suppliers

Fareast Finance & Investment Limited is committed to building its business and serving its clients, while at the same time improving the communities in which it does business. This is a great opportunity that people entrust Fareast Finance & Investment Limited with their funds, and therefore, with their aspirations for their families and businesses. The company in turn endeavors to listen to and learn from its stakeholders and to take the appropriate measures where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of company's daily business.

Concerned to the helpless people

Fareast Finance & Investment Limited always extends its helping hands to the helpless people. Based on the need of the helpless people, Fareast Finance & Investment Limited always comes forward to provide them comfort in such a way that satisfies them.

Economic development

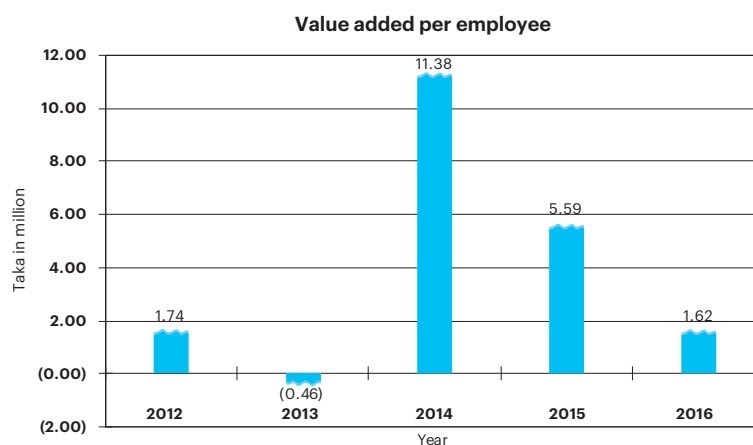
Fareast Finance & Investment Limited plays its role as an active partner of the economic development of the country. The company has extended its financial services to the wider community through SME financing, biomass processing plants (e.g. biogas plants), solar panels in rural households, for waste recycling plants in locations populated by urban poor, and for Effluent Treatment Plants (ETPs) in manufacturing establishments. At the same time for the industrialization of the country, Fareast Finance & Investment Limited provides industrial loan and related other services. FFIL has always come to the aid of victims following natural calamities such as cyclone, flood and rigorous cold. In the year 2016, our total expenditure in CSR arena was Tk.1,031,200.

Ideas for future CSR

Fareast Finance & Investment Limited is open to ideas and suggestions about possible further support and assistance options in increasing the corporate social responsibility activities, which can do benefit to the people of the country.

Shareholders information

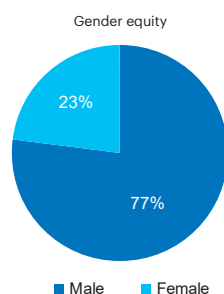
The goal of the Fareast Finance & Investment Limited is to deliver clear, complete and reliable information that meets the needs of all shareholders, regardless of their level of expertise as investors. Fareast Finance & Investment Limited ranks among the few listed companies that provide the most detailed possible information on business strategy, performance.



Gender equity issues

Fareast Finance & investment Limited is conscious about to ensure professional development opportunity and empower women in the workplace, its importance for economic prosperity and social well-being. In line with the Bangladesh Bank DOS Circular # 01 dated 1 June 2008 and subsequent guidelines, Gender Equality Issues of Fareast finance & Investment Limited as on 31 December 2016 is presented below:

Sl. No.	Issue	Yes/No (where applicable)	Data
1.	Gender diversity among members of the Board of Directors of the FI		10 male members 1 female member
2.	Gender diversity among permanent employees		i. entry level 27 male employees 9 female employee ii. mid level 12 male employees 3 female employees iii. senior management 5 male employees 2 female employees
3.	Gender breakdown by age group for permanent employees		i. < 30 years 18 male employees 8 female employees ii. 30-50 years 25 male employees 6 female employees iii. > 50 years 1 male employee 0 female employee
4.	Is there any maternity leave policy	Yes	
5.	Is there any day-care centre in head office/branch (es)	No	
6.	Does the FI provide transportation facility for female employees working beyond usual office hours	Yes	
7.	Is there any separate toilet for female employees in head office/branch	Yes	
8.	Employee turnover by gender	Yes	i. 7 permanent male employees leaving employment in the current calendar year ii. 2 permanent female employees leaving employment in the current calendar year
9.	Does the FI have any training on gender equality/ awareness program	No	
10.	Is there any sexual harassment prevention/ awareness policy in the FI Was there any inappropriate sexual harassment complaint made	No	



Environmental issues

Deteriorating of eco-system is a common environmental crisis for the world. Besides, Bangladesh is also a country of most climate change vulnerable position where control of the environmental factors is much higher requirement. In line with that Fareast Finance & Investment Limited believes that each small step to "Go Green" will take Bangladesh to a long way in building a better future. Going green by the company brings awareness among the customers and the employees lastly among the society and nation. Going green within the company is in process through reducing the use of electricity and paper at the office, recycle of used papers etc. Fareast Finance is always committed to environment through eco friendly funding.



Environmental issues

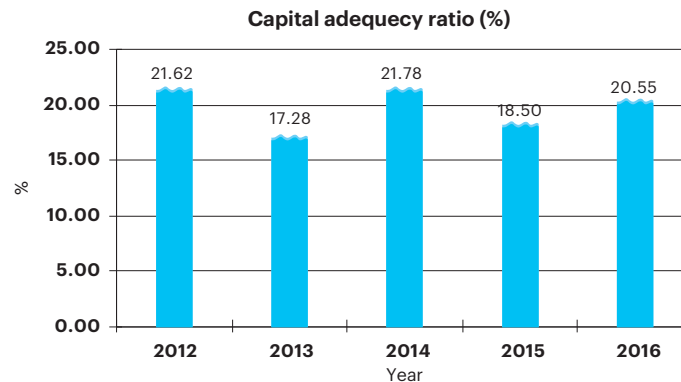
Based on the guideline issued by the Bangladesh Bank through DOS Circular # 01 dated 1 June 2008 Fareast Finance & Investment Limited designed its products and service in such a way that:

- Ensure that it does not have any negative impact on the economic, social and environmental issues;
- Ensure that it mitigates the negative impacts and bolster the benevolent impacts,
- Ensure that its action programs and community investments reduces social exclusion and inequality and addresses the keys to sustainable development challenges;
- Select borrowers in scrutiny of the environmental and social impacts of their proposed undertakings.

Re-use and recycle where possible and disposing-off non-recyclable items responsibly are emphasized, which minimizes the impact on the environment. It is expected that by adopting straightforward, environment friendly initiatives, the company will raise awareness amongst stakeholders and the wider community.

The company regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practices. In line with the growing global environmental consciousness, Fareast Finance & Investment Limited has always been keen on portraying a brand image that promotes environmental sustainability. Detailed due diligence is performed by company's relationship managers and credit risk analysts to identify environmental impacts of projects with possible critical environmental implications.

Client compliance with Environmental Conservation Act, 1995 and Environmental Conservation Rules, 1997 is thoroughly investigated during the project appraisal process. Besides, a report on environmental checklist prepared the company's Internal Control and Compliance department is regularly presented before the company's risk management forum's meeting.



Contribution to national economy

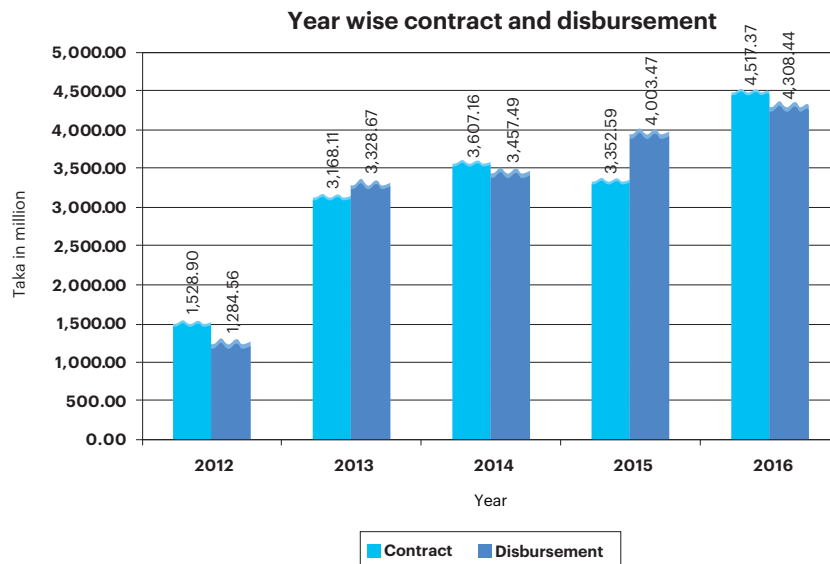
Fareast Finance & Investment Limited believes that making contribution to country's economy is the company's primary responsibility. Keeping that in view, the company contributes to the economy in various ways like financing for industrial development, adding extra value through financial services to clients, shareholders, employees and the community.

As on 31 December 2016 company's credit exposure stood at Tk.10,979.00 million. The facilities were extended mostly for importation of capital machinery, working capital and SME loan purpose. Besides, in the year 2016, Fareast Finance contributed Tk.78.18 million to the economy by paying income tax to the Government against Tk.37.56 million in the year 2015. On the other hand, during the year 2016, the company deducted income tax and VAT at sources amounting Tk.86.40 million and deposited the same to the authority. Other than above, the company is continuously making positive economic impact by creating employment. As on 31 December 2016 the company along with its associate company employed 97 employees against 91 employees as on 31 December 2015. During the year 2016 company's contribution to the economy through employees were as follows:

- Tk.238,500 was spent for training and human capital development.
- Paid a total amount of Tk.62.73 million as salaries and allowances to its employees.
- Tk.3,355,758 was paid by the employees as taxes.

Fareast Finance also plays a vital role in building charitable society through donation and sponsorship. Employees are also encouraged to participate in social and charitable programs. As a part of its social responsibility, the company contributes to various funds, flood affected people, hospitals and to the people who were affected by the natural calamities.

The company believes that sustainable economic growth and a healthy environment are inter-linked. Fareast Finance takes supportive role in terms of providing financial services by restricting and discouraging those projects that causes pollution for environment and health hazard.



Corporate governance

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the company such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders and include the rules and procedures for making decisions in corporate affairs.



Corporate governance

Corporate governance includes the processes through which company's objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Important part of the corporate governance is to disclosure of all information regarding the financial status of the company, its performance, ownership and governance status in a timely and accurate way. These disclosures help in improving the public understanding of the structure, activities and policies of the organization. Details of Fareast Finance's status of corporate governance are presented below:

Compliance of corporate governance

Pursuant to BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44: dated 7 August 2012, the Board of Directors of Fareast Finance & Investment Limited is responsible to company's shareholders for the policies and their implementation, activities regarding the effective corporate governance practices in the company. Implementation and improvement in the corporate governance is a continuous process. Keeping that in mind the Board is marching ahead with the formulation and implementation of clear structure and accountabilities supported by well understandable policies in the company. These policies define the independent role of Board of Directors, Chairman, different Board Committees, Managing Director, Company Secretary, Chief Financial Officer and Head of Internal Control & Compliance etc.

Ethics and compliance

Fareast Finance's corporate governance philosophy follows the ethical practices in the every aspect of the business mechanism involving from the Board of directors to the employees. High level of business ethics is practices in regulatory and legal requirement through effective supervision that enriches the value of the company. Complying with the Bangladesh Bank requirement, Ethical committee is formed having the prime objective of protecting the integrity and reputation of the company, to promote ethical standards of behavior and to strengthen the company's accountability and transparency. In line with that, Fareast Finance is performing ethically and efficiently to generate long-term value and wealth for all its stakeholders. The corporate governance principles of the company ensures that the Board remains informed, independent and involved in the company and there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

Composition of the Board of Directors

Fareast Finance & Investment Limited has highly effective boards include a mix of members with the expertise and experience from different arena of the financials sector to fulfill their essential roles. They encompass a range of talents, skills and expertise required to provide sound and prudent guidance in respect to the operations and interests of the company. Discharging of their responsibilities as per requirement of Bangladesh Bank is within the set forth of best practices of corporate governances.

The brief profiles of the directors presented in this annual report demonstrate that the directors have a range of financial, operational and entrepreneurial experience, which ensures that the company follows the principles of different corners of the society properly. The Board also considers that its composition carries a suitable sense of equilibrium of experience and expertise in following the corporate governance in the company.

According to the requirement of Bangladesh Bank, ten members excluding the Managing Director constitute the Board of Directors of Fareast Finance, which is also within the range prescribed by BSEC. Out of ten directors; two are Independent Directors.

The constructions of Board of Directors are as follows:

Name of Director	Board status
M. A. Wahhab	Chairman
Md. Monir Hossain	Vice Chairman
M. Mustafizur Rahman	Director
Umme Fatima Khaledee Jahan	Director
Md. Ershad Ullah	Director
Md. Shamsul Islam Varosha	Director
Rubaiyat Khaled	Director
Khorshed Alam Khan	Director
Mohammad Shahidul Islam	Independent Director
Dr. M Mosharraf Hossain	Independent Director
Mr. Santanu Saha	Ex officio member

The shareholders of the company appoint the directors in the annual general meeting. Casual vacancy in the Board if any is filled up by the Board of Directors as per The Companies Act, 1994 and the Articles of Association of the company. In addition, one third of the directors retire from the Board every year in the annual general meeting who are eligible for reappointment.

Independence

Directors' Independence is an essential component of corporate governance that refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. The Board of Directors of Fareast Finance & Investment Limited is committed to add value and bring independence to bear on the decision making process of the company, while meeting stakeholders' expectations of sound corporate governance practices. All the members of the Board of Directors are independent in nature, moral values, ethics and decision making.

Board meetings

For discharging the duties and responsibilities reposed by The Companies Act, 1994, the meetings of the Board of Directors of Fareast Finance & Investment Limited are held at the registered office of the company. The meetings are held frequently. Meetings are scheduled with consent of the Chairman of the Board and the Company Secretary gives the notice of each Board meeting in writing to each Director.

After obtaining approval from the Chairman, the Company Secretary prepares the detailed agenda for the meeting and sends the detailed board papers comprising, agenda, explanatory notes, memo regarding agenda and proposed resolution to each directors well before the meeting time and date. The Board members have full access to the Company Secretary for updating any information or documents. They are also free to recommend any matter for inclusion in the agenda for discussion.

Company Secretary and the Chief Financial Officer always attend the Board meetings and in case of requirement senior management is invited to clarify the matters and also to input their thoughts.

In the year 2016, the Board met ten times. Usually, Chairman of the Board of Directors presided and quorum was present.

Board's responsibility

According to the Bangladesh Bank guidelines, the Board is responsible for company's overall governance, performance, administration and following of rules and regulation. The role, responsibilities and accountabilities of the Fareast Finance Board are outlined below:

- Determination of strategic mission/vision of the company.
- Fixation of business goal, growth and excellence on annual basis.
- Establish, observe and evaluate the policies, planning, management performance criteria.
- Discussion regarding change/extension/modification/up-to-date of policies.
- Regular review of the operational success and failure and point out the reason for failure.
- Determine the key performance indicator of the CFO, Senior Management of the company and regular evaluation of the same.
- The delegation of authority has been fully supervised through close supervision in different issues (such as loan/lease approval, collection, reschedule etc).
- Approval and monitor timely completion of all annual budget, capital expenditure and statutory reports of the company.
- Review on regular basis the financial statements, overdue situation, financial performance, provisioning, capital adequacy and legal steps against the default cases.
- Policy regarding purchase.
- Decision regarding purchase of land, building, vehicle.
- Policy for maintenance of bank accounts and to establish financial fairness.
- Evaluation of proposal which requires Board approval and/or suggestions.
- Appointment of CEO and increase of remuneration under approval of Bangladesh Bank.
- Ensuring the necessary skills and experience of the senior management team, to perform their responsibilities, functions effectively, in the best interest of the company.
- Appointment and promotion of only CEO, DMD and GM or equivalent position under human resource policy and service rule.
- Approval of syndicated and large loan/lease/investment proposal.
- Approval and updating of different plans, guidelines, policies etc. as per requirement of Bangladesh Bank and the corporate operations.
- Formation of different committees.
- Review of the reports of external auditor, Bangladesh Bank auditor and audit committee.
- Any other activities as required beneficial for the company.
- Ensure the adequacy of Internal Control System and regular monitoring.
- Ensure state of the art ICT system in the organization which is sufficient to operate the activities of organizations smoothly and effectively.
- Ensuring the proper decision making and accountability structure throughout the company so that the staff down the line is fully accountable to the management.

The members of the Board of Directors do not participate in the day-to-day activities of the company. Neither have they received any form of honorarium except fees for attending Board and committee meetings.

Roles of Chairman

The Chairman of the Board of Directors is elected by the directors and he has no executive role and responsibility. The current chairman has been serving as Chairman from June 2014. The Board members elected him for the first time for the role of chairman of this organization.

Executive Committee

The Executive Committee of Fareast Finance works with the policies and guidelines issued by Bangladesh Bank, Board and Regulatory authorities regarding operational and credit matters. The committee ensures properly and timely implementation of policies and guidelines through the management. The Committee recommends the lease/loan and other business proposals to the Board of Directors for approval. Management ensures due diligence, necessary professional advice, where necessary. In the year 2016 the Executive Committee met nine times. The Committee consists of the following Directors:

Name of Directors	Executive Committee
M. Mustafizur Rahman	Chairman
M. A. Wahhab	Member
Md. Monir Hossain	Member
Rubaiyat Khaled	Member
Dr. M Mosharraf Hossain	Member

Board Audit Committee

The Board Audit Committee comprises of five members of the Board as follows:

Name of Directors	Board Audit Committee
Mohammad Shahidul Islam	Chairman
Md. Shamsul Islam Varosha	Member
Md. Ershad Ullah	Member
Khorshed Alam Khan	Member
Dr. M Mosharraf Hossain	Member

During the year 2016, four meetings were held by the Board Audit Committee. Functions and responsibilities of the Committee are as under:

- Examine any matter relating to the financial and other connected to the company.
- Review all internal & external Audit and inspection program of Bangladesh Bank.
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of Accounting Policies to statutory and regulatory compliance.
- Ensure that a well managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
- Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

Internal control

Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It involves with everything that controls risks to an organization. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical and intangible.

The primary objective of internal control system is to help the organization to perform better through the use of its resources. Through internal control system management identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timelines of financial and management information (information objectives)
- Compliance with applicable laws and regulations (compliance objectives)
- Accountability to the Board

Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective.

Board considers that company's internal control system is so designed that the company's assets are satisfactorily safeguarded, investment proposals are properly evaluated and disbursements are made after completion of all documentation approved by the Board. The Board Audit Committee is also supervising the procedures at regular interval. The Board reviews the reports arising from the internal and external audits, Bangladesh Bank inspection and monitors the progress of the company by evaluating the results against the budget and industry performance.

According to the guidelines provided by the Bangladesh Bank, Fareast Finance Board had already approved the internal control manual and continuing to implement the same in the company.

Budgetary control

In order to achieve the long term goal, the Fareast Finance management prepares an annual budget and subsequently approved it from Board. On the basis of budget, performance is monitored; evaluated and appropriate actions are taken throughout the year. In each Board meeting, business and financial performances are reported to the Board commensurate with the budget, so that Board is updated and can take up-to-date measures to reach the goal.

Delegation of authority

Fareast Finance Board of Directors delegated financial and operational powers to the company management with set of guidelines and limits to ensure effective, prompt and growth oriented business. The management of Fareast Finance strongly believes that accurate delegation of authority helped a lot the organization which causes betterment of the company.

External auditors

According to The Companies Act, 1994 and the Articles of Association of the company the external auditor of the company is appointed by the shareholders in the AGM along with the fee in quantum. The appointment of auditor is subject to the approval to be obtained from Bangladesh Bank each year and as per The Financial Institutions Act, 1993, an auditor cannot be appointed for more than three consecutive years.

Financial reporting

According to The Companies Act, 1994, the Board is responsible to prepare the financial statements of the company following the applicable accounting standards, rules and regulations etc. The Board is also responsible to present the financial statements before the shareholders in the annual general meeting for getting approval.

Regarding the financial position, the Fareast Finance Board confirms the following:

- The company's financial statements has been prepared in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB, the requirements of The Companies Act, 1994, Securities and Exchange Commission Rules 1987 and The Financial Institutions Act 1993.
- The financial statements represent the fair view of the state of affairs of the company and will enable the shareholders and other users to form their independent opinion with reasonable accuracy of the financial position.

Compliance with the requirement of Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited and Bangladesh Securities & Exchange Commission

In compliance with the requirement of Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and Bangladesh Securities & Exchange Commission (BSEC) Fareast Finance submitted all type of shareholdings' reports to the DSE, CSE and BSEC on monthly basis. Fareast Finance follows all other compliance of the notifications, orders, rules etc. of DSE, CSE and BSEC and especially the Listing Regulations of Dhaka and Chittagong Stock Exchange Limited, 2015 for approval of quarterly accounts and publication, declaration of financial performance, publication of price sensitive information, fixation of record date, Annual General Meeting, Extra Ordinary General Meeting etc. as a best practice of the corporate governance.

Communication with shareholders

All the shareholders have the right to attend the annual general meeting and to express their views on the company's business and financial performances. If any shareholder is unable to attend the annual general meeting, he may appoint a proxy on his behalf. The shareholder can also exchange his ideas and thoughts regarding company's betterment in future. The Chairman and the Directors are always makes them available in the annual general meeting, so that they can also exchange their views.

Fareast Finance Board believes that the shareholders of the company should have access to all the information of the company in complete and accurate form on timely and expressed way. Keeping that in mind, all material information and activities of the company are disclosed in the annual report and financial statements of the company, which are sent to the shareholders before the annual general meeting. Besides, all the relevant announcements are published timely for information of the shareholders. Other than above, information regarding company's activities, products and services, financial positions in the company's web site, which are regularly updated.

Compliance with guidelines on corporate governance

According to the DFIM circular # 7 dated 25 September 2007 the Board of Directors of Fareast Finance & Investment Limited has taken appropriate measures to comply with the guidelines as mentioned in the circular and implemented the same. Status report on compliance with those guidelines is as follows:

Sl. #	Particulars	Status
1	Responsibilities and authorities of the Board of Directors	
A	Work-planning and strategic management	
1	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 necessary amendments on the strategies on quarterly basis.	Complied
2	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.	Complied
3	Board shall determine the Key Performance Indicators for the Chief Executive Officer and other high officials and assess the performance on half yearly basis	Complied
B	Formation of sub-committee	Complied
	To facilitate the company's operation through making timely decisions sub committees can be formed from the board members and management. However alternative director shall not be included in those committees.	
C	Financial management	
1	Annual budget and statutory financial reports shall be authorized by the Board of Directors	Complied
2	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	Complied
3	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 top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.	Complied
4	Bank account of the Company shall be operated by a group constituted from amongst the Management.	Complied
D	Loan/Lease/Investment management	
1	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. The Board shall specifically delegate the power of sanction of loan/lease/investment and such delegate should desirably be made among the CEO and other top management of the company.	Complied
2	No director shall interfere directly or indirectly in the process of loan approval	Complied
3	Approval shall be taken from Board of Directors for syndicate loan/lease/ investment and large loan/ lease/investment.	Complied
E	Risk Management	
	Core Risk Management Guidelines shall be approved by the Board of Directors of the Company	Complied
F	Internal Control & Compliance	
	Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.	Complied
G	Human Resources Management	
	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	Complied

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 the positions MD, DMD and GM or equivalent.

H	Appointment of Managing Director and increase of salaries & allowances Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director.	Complied
I	Benefit to 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.	Complied
2 Responsibilities and duties of Chairman		
A	Chairman shall not personally possess the jurisdiction to apply policy making or executive or authority. He shall not participate in or interfere into the administrative or operational and routine affairs of the Company.	Complied Complied
B	The minutes of the Board meetings shall be signed by the Chairman.	Complied
C	Chairman shall sign-off the proposal for appointment of Managing Director and revision of his salaries and allowances. Complied	Complied
3 Responsibilities of Managing Director/CEO		
A	Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.	Complied
B	Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied
C	All recruitment/promotion/training, except recruitment/ promotion/ training of DMD & GM (as equivalent to EVP) shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the company.	Complied
D	Managing Director may re-schedule job responsibilities of employees.	Complied
E	Managing Director may take disciplinary actions against the employees except DMD & GM (as equivalent to EVP).	Complied
F	Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no.2 dated 6 January 2009 if so authorized by Managing Director.	Complied

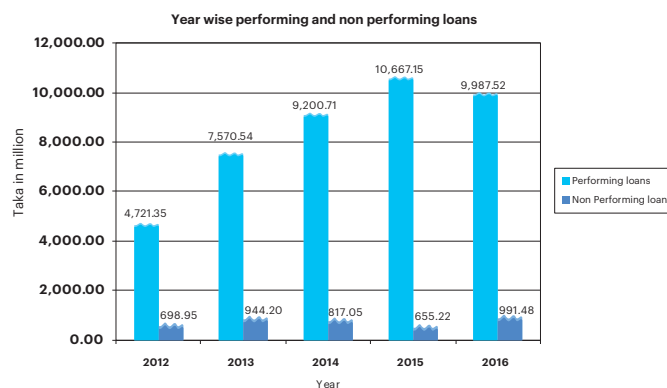
Risk management

Risk management is the process of identification, analysis and acceptance or mitigation of uncertainty in investment decisions. Essentially, risk management requirement occurs any time in a financial institution and the management takes attempts to quantify the potential for losses in an investment and then takes the appropriate action. For the overall control, Risk management is the process, whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit. Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. The prime responsibility of every financial institution is to manage its risk in a way that the return from business can be maximized. In a financial institution, taking risk lies at the core of its business activity and it earn return on investments through managing the risk. Therefore it is imperative that the management should understand the risk what they are going to take in order to carry out the business.

Fareast Finance & Investment Limited certainly believes that risk management is the core function that makes its business sustainable. Ability to generate profit consistently and sustainably is a function of enterprise wide risk management and the company is restlessly pursuing continuous improvement in this area. Fareast Finance's risk management strategy is based on a clear understanding of various risks, disciplined assessment, measurement and continuous monitoring of such risks.

Fareast Finance followed the risk management framework within the organization for managing company's different kind of risks. It has an effective risk management system in the right place to identify measure and manage these risks at a tolerable limit in order to ensure quality of its asset, business opportunities and our creative ventures. The mixture of the following elements builds the risk management structures successfully.

- Policies and procedures to managing the risks.
- Methodology for determining risk appetite
- Models for measuring risk, i.e. credit risk.
- Tools for analyzing risks, i.e. spreading balance sheet
- Take appropriate measure to deal with the risk
- Processes for recording and approving credit requests
- The means of delegating and monitoring the use of credit authority
- The management of documentation and limit input
- Tools and techniques for monitoring and reporting risk exposures
- The structures for regularly reviewing risk exposures. e.g. risk committees.



Risk factors and management perceptions

Risk is the most essential part of financial service providing arena. All separate risk factors are influences the wave of the financial business in its every aspect. Mitigating the risk and to maintain it in a lower level is a difficult job. Risk minimization always increases the profit margin. For a financial institution risk is the vital part of its daily life. Most of the times only credit risk is considered as risk to be evaluated at the time of lending decision. But except credit risk there is also some more kind of risk that is also aligning in financial business sector. The major risks that are faced by Fareast Finance & Investment Limited as a financial institution are as follows:

Credit risk

Credit risks refer the potential risk of a borrower, or counter party, will fail to meet its payment obligations regarding the terms agreed with the financial institutions. It includes both uncertainty involved in repayment of the dues and repayment of dues on time. The default usually occurs because of inadequate income or business failure. But often it may be willful because the borrower is unwilling to meet its obligations despite having adequate income. Credit risk also denotes the volatility of losses on credit exposures in two forms-the loss in the credit asset's value and the loss in the current and future earnings from the credit.

Management perceptions

Fareast Finance Management has taken the following steps to manage credit risk at a minimum level:

- Independent credit risk management unit.
- Multi-tier term/lease approval process.
- In depth analysis of the borrower in view of financial strength, managerial capacity, industry prospect and macroeconomic scenario.
- Credit Administration ensures that all documentations are properly completed and monitor the repayment performance on regular basis.
- Disbursement is made upon independent recommendation by the compliance department.
- The credit committee regularly meets to review new credit proposals as well as performance of existing portfolios.

Interest rate risk

It's the potential loss due to movements in interest rates. This risk arises because a institution's assets usually have a significantly longer maturity than its liabilities. Management of interest rate risk is also called asset liability management (or ALM). It is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loan/investment raise the rate of interest. Increase in interest rate of borrowings could narrow or eliminate the spread, or result in a negative spread and could adversely affect the business and future financial performance resulting from high cost of fund of a company.

Management perception

Company's investments are generally structured at fixed rates for a specified term. But, in case of exigency like unusual and abrupt increase in borrowing rate, the company has a scope to increase the lending rate which mitigates the risk. Again company always tries to reduce the interest rate risk by diversifying the borrowing from different sources at different rates.

Liquidity risk

Liquidity by definition means a financial institution has the ability to meet payment obligations in due time and maintenance of adequate money to give loans. So liquidity risk is the risk of not being able to have enough cash to carry out its day-to-day operations. Good liquidity risk management results Fareast Finance's position to meet all its obligations to fulfillment of commitments in due time. Sometimes critical importance is the need to avoid having to liquidate assets or to raise funds at unfavorable terms resulting in financial loss. Prudent liquidity management is of paramount importance as the ultimate cost of a lack of liquidity is being out of business.

Management perceptions

Liquidity risk management of Fareast Finance is well managed by the Treasury Department by assessing the availability of fund to meet its investment requirement as well as to discharge short term and long term financial obligations. The purpose of managing liquidity risk is to ensure that all upcoming funding commitments and deposit encashment that can be met within due time. In addition to that the Asset Liability Management Committee (ALCO) meets frequently to review the mismatches in liquidity if any and recommends encountering and mitigating the risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and reputation risk. Operational risk occurs in all day to day company's activities. This risk arises in almost all the department of a financial institution like credit, investment, treasury, information technology etc. Operational risk addresses the risk associated with fraud, forgery, unauthorized activities, error, omission, system failure and external events among others. Some more operational events are including operational errors, non compliance with internal regulations, non-compliance of legal requirements, launching new products without adequate operational support, rouge traders etc.

Management perception

In order to monitor and manage the risk arising from all operational activities, an appropriate organizational structure is second to none. Fareast Finance's Management manages to place proper organizational structure with proper segregation of duties and delegation of authorities. Fareast Finance has independent Credit Risk Management (CRM) Department, independent Treasury Department, independent Compliance Department, independent Finance & Administration Department and independent Information technology Department for technical services to operate the organization smoothly as per Bangladesh Bank's directives.

Market risk

Market risk is the risk that may Fareast Finance's earnings and capital due to changes in the market level of interest rates, securities, equities as well as the volatilities of those prices. Volatility of money market, which ultimately imposes upward pressure on interest rate structure, may erode the Company's profitability. Devaluation of local currency against major international currencies affects business performance of import based companies or companies borrowed in foreign currency adversely. Inability to offer on to a proactive and competitive posture due to lack of market access and inability to offer competitive products will hinder the Company's growth potential.

Management perceptions

The Company is less dependent on short-term borrowings rather depends on term deposit and line of credit facilities from commercial banks for funding its business activities. The renewal rate of its maturing deposits mitigates the interest rate risk. As far as interest on term loan is concerned, rise in interest rate of borrowing results in increase of lending rate to clients. Fareast Finance does not have any foreign currency loan. Moreover, since it is a leasing company it imports equipment, plant & machinery etc. to lease out to the prospective clients. In case of currency fluctuation it is the prospective client who ultimately takes the risk. The treasury department reviews and prepares a report on the trend of market interest rate movement and carry out asset liability gap analysis. To manage the market risk Fareast Finance has managed to arrange the funding facilities with competitive interest rate to match with maturity. It also maintains a new spread investment plans and practical provisioning policy. Fareast Finance with its strong earning capacity, favorable credit rating and market goodwill can access to money market with a competitive rate.

Industry risk

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Fareast Finance is operating in a highly competitive market. Some of the competitors have more resources, broader range of products, complementary lines of business etc. It is, therefore, very difficult to predict in advance the move of the competitors in the coming years.

Management perception

Fareast Finance has a sound financial base. Besides, this company has strong capital base and a successful history of sustainable growth for more than a decade. Fareast Finance always strives to provide products according to customers' needs with a personalized service. Continuous efforts for mobilizing funds at competitive prices from different sources will make the company competitive in the market.

Technology risk

Technology risk refers to failure of the information technology system, the hacking of the computer network by outsiders, and the programming errors that can take place any time and can cause loss to a financial institution. Technology always plays an essential role in any business concern that ensures better services to the customers and reduces the cost in various aspects. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Besides, any severe defects in the software and hardware may have an effect on productivity and profitability due to additional investment for replacement or maintenance.

Management perception

As a financial institution Fareast Finance is operated within the legal framework prevailing in the country which has little scope of introducing completely new technology. However, management of the company is aware of recent development and implementation of appropriate technology and is committed to adopt new technology and keeps their employees up-to-date on those by providing necessary training.

Risk related to rules and regulations

Company operates under The Companies Act, 1994, The Financial Institutions Act, 1993, The Financial Institutions Regulations, 1994, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax Act, 1991, Value Added Tax Rules, 1991, Customs Act, 1969 and other related regulations. Any abrupt change in the above acts or of the policies made by the regulatory authorities may have unfavorable effect on the business of the company.

Management perception

Unless any existing act/rules/regulations is fully cancelled or changed it may not have much negative impact or materially affect the industry as a whole and hence the business of the company is expected not to be affected significantly. Financial sector in Bangladesh is a sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government/Central Bank will initiate any fiscal measure having adverse effect on the growth of the industry.

Risk related to changes in global policies

Changes in the global policies can have either positive or negative impacts for the company. The performance of the company will be hindered due to unavoidable worldwide circumstances like political turmoil. Since the risk involved with the potential changes in global policies is a macro factor, it is beyond the control of Fareast Finance & Investment Limited.

Management perception

The management of Fareast Finance & Investment Limited is always concerned about the prevailing and upcoming future changes in the global policies and shall respond appropriately and timely to safeguard its interest. Due to maintaining a diversified portfolio in major sectors of industries in line with the country's growth scenario as well as industrial policy, the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which Fareast Finance will achieve its maximum potential.

Exchange rate risk

Generally this type of risk arises from exchange rate fluctuations when any institution holds foreign currency fund or raises loan in foreign currencies or deals in foreign exchange currencies.

Management perception

According to the act Fareast Finance is not authorized by Bangladesh Bank to deal in foreign exchange. Hence Fareast Finance does not borrow in foreign exchange nor it deal in foreign exchange directly excluding opening of letter of credit on behalf of its customers. In that case proper measures are taken to shift the risk to the customer's end. Therefore, such foreign exchange fluctuations will not have any adverse impact on the company.

Compliance risk

Compliance refers to legal penalties, financial forfeiture and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. Internal control and compliance contains self-monitoring mechanisms, and actions taken to correct deficiencies as they are identified. Since financial service activities are conducted within a framework of obligations imposed by regulators, complying with such requirements is not optional but mandatory for financial institutions.

The consequences of non compliance include fines, public reprimands and enforced supervision of operation or withdrawal of authorization to operate, any of which can lead to loss of reputation particularly through adverse publicity in national media.

Management perceptions

The company has been practicing internal control system based on the guidelines framed by Bangladesh Bank. Internal control and compliance department of Fareast Finance covers all areas of company's operational activities where risk of operational losses may arise as well as to ensure that everyone understands their roles and responsibilities in this process. All employees are expected to observe the professional and institutional code of conduct.

Internal control review

Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to a financial institution. It is a means by which a Financial Institution's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the company's resources, both physical like machinery, property etc. and intangible like reputation, goodwill etc.

In many organizations, internal control is defined as internal audit but the scope of internal control is not limited to audit work only. It is the built in check and balance system. Instilled in the processes and procedures affected by a company's Board of Directors and management designed to provide with reasonable assurance regarding the achievement of objectives and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies.

Control framework

Fareast Finance & Investment Limited has established a sophisticated organizational structure to establish and maintain strong control culture by implementing and strengthening policy guidelines of internal controls.

Responsibility to internal control systems

To ensure the responsibility, the company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed.

Opinion of the external auditors

The auditors of the company, Khan wahhab Shafique Rahman & Co. Chartered Accountants, have carried out annual audits to review on the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board meetings, relevant policies and expressed their opinion.

Internal control procedure

Fareast Finance believes on the principle of decentralization of authority and responsibility. Consequently, responsibility for the implementation of appropriate internal control and compliance with legislation is delegated to the managers of each department of the company.

To ensure the consistency of company's procedures with each department, senior management, relies on the functional department to draw up the procedures necessary for the proper operation of the controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are described below:

Internal control procedures in respect of financial and accounting information

Financial and accounting information is prepared centrally on the basis of financial statement generated from the software application that is used by different departments and is in compliance with the IAS and IFRS as adopted by the ICAB.

Reports are produced monthly and prepared in the following month to which they relates where as full accounting consolidation are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the management under the control of the audit committee and companies auditor.

Cash position and financing

Responsibility for cash management is delegated to the treasury department by means of well defined procedures and delegation. Any departure from general rules requires the prior authorization of ALCO.

Responsibility for borrowings and investment with a fixed term is delegated to the treasury departments, which are required to comply with specific procedures, position of the banks involved, risk free investment and monitoring of financial transactions. Borrowings and investment are monitored on monthly basis by means of report produced by the treasury and finance and accounts department and submitted to senior management.

Control mechanism procedure

With the objective of producing high quality financial and accounting information, Fareast Finance has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues. The internal control and compliance department is independent from management. It audits the activities and systems of different departments in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

The internal control and compliance department coordinates relations with external auditors.

Verification of documentation

Fareast Finance strongly maintains that without proper documentation no business or investment is made. Every Investment proposal passes through the Management Committee to the approving authority depending on the size of investment. The authorities are Executive Committee and the Board of Directors. The sanction limit for each level is defined and distinct. Before passing the proposal different risk points for the proposal and their mitigation are analyzed with proper documentation under the signature of the senior management.

Relationship with client

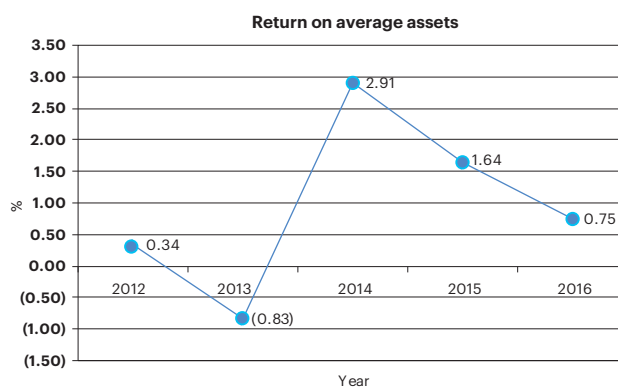
Fareast Finance has developed a procedure for managing clients' risk, limit in respect of credit, delegation of authority, security, insurance and documentation. The legal department analyses the legal provisions applicable to financing agreements executed between Fareast Finance and clients. Fareast Finance has standard documents defining the conditions with which the agreements should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned department.

Human capital

In this industry Fareast Finance has some finest employees through successful implementation of the policies in respect of human resources. Industry information regarding human resource position as well as the company status is regularly reported to the senior management. It also ensures that information for management reports is obtained and circulated.

Information technology

The information technology department is responsible for integrating and ensuring the consistency of the hardware and software used. In Fareast Finance, most data processing is carried out by means of integrated software packages. Back up of the database is stored in a safe custody on daily basis at outside business premises.



Credit rating information

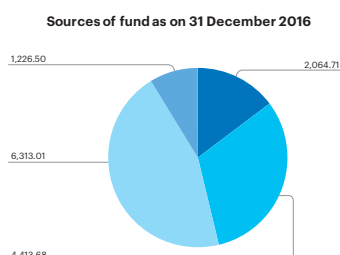
Credit rating of a financial institution reflects its ability to pay back the debt by making timely interest payments and likelihood of default. Credit rating gives an idea to the investors about the credibility of the company, and the risk factor attached to a particular instrument. So the investors can decide whether to invest in such companies or not. Higher the rating, the more will be the willingness to invest in the instruments and vice-versa. Credit rating of Fareast Finance & Investment Limited based on audited financial statements up to 31 December 2015 and unaudited financial statements up to 30 September 2016 assigned by Emerging Credit Rating Ltd. was as follows:

Description	Information
Entity rating	
Long Term	A
Short Term	ECRL-2
Out Look	Stable
Date of Rating	December 18, 2016
Methodology	ECRL's financial institution rating methodology

ECRL has reaffirmed the ratings to Fareast Finance & Investment Limited based on its financials as well as other relevant qualitative and quantitative information up-to the date of rating. The above ratings have been assigned after due consideration to its fundamentals such as good equity base, sound profile of Board of Directors, sound corporate structure, experienced management team etc. The above factors are however constrained to some extent by moderate asset quality, low profitability, moderate operating efficiency, performance of rescheduled assets is yet to arrive at satisfactory level, exposure to capital market risk, portfolio concentration on few clientele base, small operational network etc.

Financial Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. Short term rating signifies good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good.

ECRL also placed the entity under "Stable" outlook considering that the company might be able to maintain the above fundamentals during the rating validity period.



Description	Sources of fund	%
Shareholders' equity	2,064.71	14.73
Borrowings	4,413.68	31.49
Deposits	6,313.01	45.04
Other liabilities	1,226.50	8.75
Total	14,017.90	100.00

Going concern

A company will continue to exist long enough to carry out its business, objectives and commitments and will not liquidate in the foreseeable future. If the company's financial situation is such that the company will not be able to continue on, concept of going concern reflects adverse statement. The going concern assumption is a fundamental assumption in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business.

Company's going concern status as well as the factors that may create threat to that status is required to be disclosed. It is the auditor's duty to determine whether or not the company is still a going concern. The auditor is also required to disclose any negative trends in the company's business operations. In case of negative trends, the auditor should issue a "going concern opinion." For ascertaining the going concern status, the following indicators were considered by the management of Fareast Finance & Investment Limited:

Performance of the company

In the year 2016, the company makes profit of Tk. Tk.102.98 million and recommends 5 percent cash dividend. The company has good track record and reputation in settlement of its obligations with its lenders/depositors on or before the due dates. This helped the company to have easy access to the funding sources, which is considered to be continued in future.

Maintenance of sufficient capital

As on 31 December 2016, Fareast Finance's paid up capital is Tk.1,640.63 million which is more than the required capital of Tk.1,000.00 million as set by the Bangladesh Bank as per the DFIM circular No. 05, dated 24 July 2011. Again, the company also complied with the capital requirement as mentioned in the BASEL II accord.

Positive net current assets

Net current assets of the company as on 31 December 2016 was Tk.2,687.62 million, which signifies company's ability to meet its short-term obligations out of short-term assets.

Less reliance on short term borrowing

Total short term borrowing of the company at the end of 2016 was Tk.896.33 million representing only 8.36% of total borrowing. This indicates that the company is least reliance on short term borrowings.

Fixed term debt with realistic renewal

At the end of the year 2016 company's total fixed term borrowing was Tk.9,830.37 million. Based on past experience it is opined by the management that major part of the above debt will be renewed further.

Credibility in payment of obligations

Over the last decade company has strong credibility in terms of payment of its obligations to all its suppliers and creditors. This habit of payment positioned the company in a right track of getting services from its suppliers in right time.

Average employee service length

At the end of the year 2016, average length of services of an employee in the company decreased to 4.49 years from 5.89 years. Report on human resources of the company has been given in this Annual Report separately.

Credit rating

EMERGING Credit Rating Limited rated the company in long term rating at "A" and short term rating at "ECRL-2". This rating has been assigned in consideration of its fundamentals like good equity base with considerable business growth, good liquidity, sound profile of Board of Directors, sound corporate structure, experienced management team etc.

Changes in Government policy

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

On the basis of above indicators, the company has adopted the going concern concept for the year 2016 and all kinds of adequate disclosures have been made in the financial statements and different sections of the annual report.

Capital adequacy in accordance with BASEL II

Basel accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the types of financial and operational risks that Financial Institutions (FIs) face. In line with that and following the best practices in the world, Bangladesh Bank issued a road map in August 2010 on Implementation of Basel Accord in the FIs. Being well pursuant with the road map guidelines namely 'Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)' had been introduced from January 01, 2011 on test basis. During the test process, several quantitative impact studies were conducted, which validated the well of position of the FIs for implementing Basel Accord. As per the Road Map and as per the preparedness of the FIs, Basel Accord regime has been started and the guidelines on CAMD came fully into force from January 01, 2012.

From the very beginning of BASEL II implementation Fareast Finance & Investment Limited played pivotal role. The Chief Financial Officer of Fareast Finance & Investment Limited was one of the members of BASEL II working group constituted by Bangladesh Bank. Fareast Finance & Investment Limited already established a BASEL II implementation committee and submitted its quarterly report to Bangladesh Bank within the stipulated time frame.

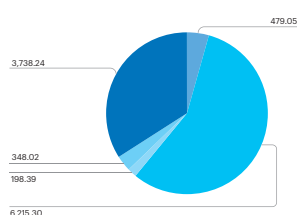
According to BASEL II accord, capital adequacy ratio (CAR) of Fareast Finance stood at 20.55% as well as Tier-1 (Core Capital) was Tk.1,879.00 million and Tier-2 (Supplementary Capital) was Tk.115.02 million. The capital adequacy ratio exhibits our capital strength in terms of maintaining adequate capital for minimum capital requirement.

Impact of changes in business environment

Future strategy and idea as stated in this annual report in different stages are based on some forward looking expectations and beliefs. Those strategy and idea involves uncertainties and actual achievement may differ from expectations due to changes in the business environment. Some of the reasons behind those fluctuations are as follows:

- Volatility in money market especially in liquidity position;
- Adverse change in country's general economic condition;
- Natural calamities;
- Political unsoundness;
- Increase in price level through inflation;
- Volatility in capital market;
- Reduction in foreign direct investment;
- Changes in corporate income tax rate and VAT;
- Increase in provisioning requirements;
- Increase in statutory liquidity reserves and cash reserve requirements by Bangladesh Bank;
- Changes in capital market regulations; etc.

Sectoral exposure loans, advances and leases
as on 31 December 2016



Name of sectors	Sectoral exposure	%
Trade and Commerce	479.05	4.36
Industry	6,215.30	56.61
Agriculture	198.39	1.81
Housing	348.02	3.17
Others	3,738.24	34.05
Total	10,979.00	100.00

Directors' responsibility

The primary responsibility of the Board of Directors of a company is to manage the company in an efficient and effective manner. Directors must discharge their duties in such a way that the company can run smoothly and make profit for the shareholders at the end of the year. They also have responsibilities to the company's employees, its business partners and the state too. Directors have wide powers to promote the company. In addition to the oversight responsibilities, the Board of Directors has to ensure that the financial statements of the company has been prepared in accordance with Bangladesh financial reporting standards (including Bangladesh accounting standards), The Companies Act, 1994, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Bangladesh Securities and Exchange Commission (BSEC) Rules 1987 and the listing rules of the two stock exchanges.

Directors must act honestly, in what they believe to be the best interests of the company, and with such care as may reasonably be expected of them in all the circumstances. They must not carry on the business in a manner likely to create a substantial risk of serious loss to the company's stakeholders.

In terms of The Companies Act, 1994, Directors are also required to prepare and place a report before the shareholders in the annual general meeting, which would include the following:

- The financial statements present company's fair state of affairs, result of its operation, cash flow and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- Company's internal control system is sound, effectively implemented and monitored in regular interval.
- Directors are confident that in future company shall continue as a going concern. If there is any doubt, disclosure in detail.
- Significant deviations from last year's operating results are highlighted and explained.
- Key operating and financial data of the last three preceding years in summarized form.
- If dividend is not declared for that year, reasons in detail.
- The number of board meetings and attendance by each director.
- Pattern of shareholders in specific groups.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the company and enable them to ensure that its financial statements comply with The Companies Act, 1994. Under applicable laws and regulations, the Directors are also responsible for preparing a Director's report that complies with that laws and regulations.

The financial statements have been audited by chartered accountant firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the board as well as in the minutes of the annual general meeting. The Directors believes that all representations made to the independent external auditors during their audit were valid and appropriate.

Chairman's report

Chairman's report is a letter from the Chairman of the Board of Directors to the shareholders having information regarding company's performance and prospects. It refers to the company's financial performances of that year, activities and initiatives of the Board, other performances and indication of company's future. The report also reflects the appreciation to the stakeholders from the Chairman.



Chairman's report



All esteemed Shareholders

It is my immense pleasure to welcome you to the 16th Annual General Meeting and also inform you that your company passed the year 2016 with positive result that is happened only with your continuous trust, encouragement and support. Without your good faith on the company, it will be very difficult for us to complete the year of 2016 in a positive result and recommends 5 percent cash for the shareholders. Besides, I am also very glad to present the Annual Report for the year 2016 of Fareast Finance & Investment Limited along with the audited financial statements and Auditors' Report thereon for the year ended 31 December 2016 before you.

From the inception of company's journey from 2001, Fareast Finance & Investment Limited still continues its business by providing financial services in the field of financial sector. Though from the beginning of the year it could not stood within the first five in terms of profitability, but I do believe that over the years your company will come in the leading position with its core values, corporate ethics, transparency, fairness and good governance.

Our employees are truly dedicated to their work and the customers they serve by providing them and the communities in which they live and work with extraordinary services. We are relationship driven and personalized service will always remain the focus of our business model. We are committed to providing you with the best possible business relationship and invite you to begin that relationship with Fareast Finance to start investing in your future. We are here to help resonate with all of us in the ever-more-complex world of financial service. It nicely complements the institutions' culture of service, where our employees' dedication and commitment to customers continue to be driving forces in our performance.

This year country's gross domestic product (GDP) growth is 7.10% is indicated that the country's financial indicators are growing rapidly. Besides, Bangladesh economy continued to show signs of resilience throughout the FY2015-16 period. The economy benefitted from a number of advantages from the perspective of macroeconomic management that were sustained from the previous fiscal year. Macroeconomic stability was maintained, fallen of inflation, contained budget deficit, and large surpluses in both current and financial accounts in the balance of payments (BOP), which was reinforced by impressive export growth and rising foreign direct investment (FDI), and increasing foreign exchange reserves. Declining interest rate on lending has played an important role in the recovery of credit growth to the private sector.

Under these circumstances, your company was able to post net profit after tax of Tk.102,979,814 and profit before provision of Tk.46,312,220 and has recommended 5 percent cash dividend for distribution to the shareholders for the year 2016. Your company also disbursed Tk.4,308.44 million during the year 2016 representing 7.61% growth over the year 2015 reflected the continuous enlargement of the business. It will also create more profits in the years to come.

Your company also got credit rating of A on the audited financial statements for the year ended on December 31, 2015 and unaudited financial statements up to September 30, 2016 which indicated that the company has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse developments in the economy, and to business and other external conditions than institutions in higher rated categories. Overall it is stable position.

To make more profit, the management takes initiative from the begging of the year 2017 by disbursing more through diversified business strategies. Especial focus is given to SME (Small and Medium Enterprise) finance as there is large business segmentation in the SME sector in the country. Initiative is also taken to open new branches in the different areas in the country, which is subject to the approval of the Bangladesh Bank followed to the business expansion of the company.

Fareast Finance always deeply attached with the noble spirit of social involvements and as a part of corporate social responsibility during the period under review 3,000 number of blanket was distribute to the cold affected poor people of Rajshahi total amounting to Tk.951,700 only. Besides, Tk.30,000 only distributed for operation of brain tumor, blood cancer victims, cardiac disease and a road accident victim.

I would like to express my gratitude towards my fellow members of the Board of Directors for their valued expertise and fullest support for all times. My sincere thanks go to all the employees of Fareast Finance & Investment Limited for their hard work and commitment. I express my gratitude and sincere thanks to the Governor of Bangladesh Bank, his team members and especially to the Department of Financial Institutions and Markets for their continued support and unwavering co-operation.

Finally, I would like to express my heartfelt gratitude also to regulators, the sponsors, shareholders, stakeholders, management, clients and all well-wishers for their support they have been rendering to us during the year 2016.

Thank you.



M. A. Wahhab
Chairman
Board of Directors

10 April 2017

Board Audit Committee's report

The Audit Committee of Fareast Finance & Investment Limited oversees the company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the quarterly un-audited and yearly audited financial statements with related issues including of the accounting principles; the reasonableness of significant accounting treatment; and the clarity of disclosures in the financial statements. The Committee is governed by a board approved terms of reference prepared in accordance with the Bangladesh Bank's circular.

The Committee members are drawn from members of the company's board of directors, with a Chairman selected from among the committee members. A qualifying audit committee is required in a publicly listed company in accordance with the BSEC Notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012. An Audit committee is typically empowered to acquire the consulting resources and expertise deemed necessary to perform their responsibilities. Main purposes of the Board Audit Committee of Fareast Finance & Investment Limited are to assist the Board in its oversight of:

- a) The performance of the Company's internal compliance functions
- b) Compliance by the Company with legal and regulatory requirements
- c) The qualifications, independence and performance of the Company's independent auditor and
- d) The financial statements, whether it reflects true and fair view of the state of affairs of the Company.

Reporting to the Shareholders and General Investors

As per clause 3.5 of BSEC Notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012, this Board Audit Committee's report is placed before the Shareholders and general investors through the Annual Report 2016.

Composition

The Board of Directors of Fareast Finance & Investment Limited formed the Board Audit Committee in accordance with the Bangladesh Bank's guideline on Internal Control and Compliance (ICC) framework vide their DFIM Circular No. 13, dated October 26, 2011 and Bangladesh Securities and Exchange Commission's Corporate Governance Guidelines dated August 7, 2012. The terms of reference of the Board Audit Committee is approved by the Board. The Board also selected 1 (one) member of the Audit Committee as Chairman of the Committee who is an independent director. On the report date, the composition of the Board Audit Committee is as follows:

SI #	Name of committee members	Status in the Board audit Committee	Status in the Company
1	Mr. Mohammad Shahidul Islam, FCA	Chairman	Independent Director
2	Mr. Md. Shamsul Islam Varosha	Member	Director
3	Mr. Md. Ershad Ullah	Member	Director
4	Mr. Khorshed Alam Khan	Member	Director
5	Dr. M Mosharraf Hossain	Member	Independent Director

The committee reports to the Board of Directors directly. The Managing Director and the Chief Financial Officer attend the committee meetings on invitation basis and the company secretary functions as secretary to the committee. The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.

Meeting

During the year under review the Committee held four meetings. The Board Audit Committee reviews the financial reporting process, the system of internal control and management of financial and operational risks through the audit process. The committee reviewed all the three quarters' financial statements along with annual financial statements for the year 2016 and recommended to place before the Board for approval. Details of the committee meetings were held as under:

Meeting number	Meeting date	Total member	Attendee
71	20 April 2016	5	3
72	27 July 2016	5	3
73	9 October 2016	5	3
74	14 December 2016	5	4

Terms of reference

The Board of Directors of Fareast Finance & Investment Limited in its 125th meeting held on 5 December 2011 adopted the terms of reference of the Board Audit Committee. The Terms of reference is prepared in compliance with the Securities and Exchange Commission notification # SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 and Bangladesh Bank Circular # 13 dated 26 October 2011. The Committee will be perpetual in nature. However, in case of exigency, the Board of Directors will have the right to reconstruct the committee at any time as they think proper.

Scope of work

According to the delegation of the Board of Directors, the committee shall seek any information or investigate in any manner to satisfy itself, by means of suitable steps and appropriate information that proper and satisfactory internal control systems are in place. Specific areas of work of the committee are as follows:

1. Whether efficient and effective internal control do exist in the company's operation;
2. Whether adequacy of internal audit functions are existed;
3. Whether effective computerization and MIS system do exist in the company's operation;
4. Whether risk management procedure is working efficiently and effectively;
5. Whether information disclosed in the financial statements are proper, correct and adequate;
6. Reviewing the quarterly and half yearly financial statement before submission to the Board for approval
7. Monitor the choice of accounting policies and principles are in ordered
8. Implementation of internal audit;
9. Independence and procedure of the work of external auditor;
10. Implementation practice of the acts, rules and regulations in the company; and
11. Safeguarding of the assets of the company.

Authority

The committee is authorized for the following:

1. To review all activities adopted under the terms of reference of the committee;
2. To seek any information auditing in nature if it requires from any director or member of the management, and all employees are obliged to co-operate with any request made by the committee.
3. To obtain independent professional advice from any outside source regarding any legal matter; and
4. To secure the attendance of any outsider with relevant experience and expertise regarding any legal matter if deemed necessary.
5. To review the company's internal control and compliance department's report submitted to them directly.
6. To invite the Managing Director and Chief Financial Officer in meetings for discussion regarding the internal control and compliance department's report.

Roles, responsibilities and functions

In line with the Board's decision, details roles, responsibilities and functions of the committee are presented below:

Internal control

1. To examine the existence of culture for internal control and risk management; executive's responsibilities and functions and controlling of their jobs.
2. To examine management initiative regarding Computerization and MIS management of the Company.
3. To examine the management consideration on various recommendation provided by the Internal/External Auditor for developing internal control procedure/structure.
4. To examine the Risk Management procedure for implementation of work and control.
5. To examine the forgery, weakness of internal control etc. found by internal or external auditor or regulatory authority along with their recommendation to eliminate them and accordingly inform the Board regularly.

Publication of the financial statements

1. To verify that all the information is correctly and properly disclosed in the annual financial statements of the company and the financial statements are prepared on the basis of guidelines issued by Bangladesh Bank and other guidelines relating to the preparation of the financial statements.
2. To discuss with the management and the external auditor before finalization of the financial statements of the company.
3. The Chairman of the Board Audit Committee will present before the shareholders in the annual general meeting for answering the questions regarding the financial statements and audit of the financial statements.

Internal audit

1. To observe the functions of internal audit department and its structure and confirm that no barrier/limitation prepare hindrance against the work of the internal audit department.
2. To examine the capabilities and effectiveness of internal audit department.
3. To observe the management's function regarding the implementation/elimination of the recommendations/errors/irregularities etc. found by the internal audit department.
4. To submit their recommendation to the Board of Directors regarding the change of any accounting principle if they think necessary.

External audit

1. To examine the audit report and audit procedure of the External Auditor of the company.
2. To examine the implementation/elimination of the recommendation/observation/irregularities as provided by the external auditor in their report by the management properly.
3. To submit their recommendation to the Board of Directors regarding appointment of external auditor of the company.

Implementation/existence of practice of acts, rules and regulations

To examine the implementation/existence of practice of the acts, rules and regulation enforced by the Regulatory Authority like Bangladesh Bank and other organizations and also adopted by the Board of Directors of the company on regular basis.

Miscellaneous

1. To submit a report to the Board on quarterly basis regarding the implementation/elimination of errors/forgery/irregularities etc. in the company found by the Internal Auditor, External Auditor and or Bangladesh Bank Inspection Team.
2. To perform other duties as and when vested by the Board and judge their own performance appraisal on regular basis.

Internal control and risk management

Reviewing the quarterly operation report, the Board Audit Committee controlled the effective management of risks for the safeguard of sustainable shareholder value, protection of company's reputation and establishment of good corporate governance. The Committee has reviewed the ongoing effectiveness of the Company's risk management processes as part of its wider review of the effectiveness of internal controls.

Reporting to the Authorities

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Bangladesh Securities & Exchange Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

Activities

During the year 2016, the Board Audit Committee carried out the following activities:

1. Verify the disclosures and information provided in the financial statements;
2. Examination of audit procedure of the financial statements of the company;
3. Review the quarterly financial statements
4. Review the yearly draft financial statements
5. Review the financial data such as profit before tax and provision, profit after tax, earning per share (EPS), net operating cash flow per share (NOCFPS), net asset value (Taka) and Net asset value per share (Taka) for the shareholders
6. Appointment of external auditor of the Company;
7. Review Quarterly Operations Report;
8. Review the CAMELS rating of Fareast Finance & Investment Limited prepared by Bangladesh Bank
9. Review the functions of internal control and risk management of the company;
10. Examine the forgery and weakness of internal control;
11. Review of computerization and information database and reporting status within the company;
12. Review of existence of practice of the acts, rules and regulation in the company;
13. Monitor the internal control system of the company and its compliance;
14. Review of the delinquent portfolio against which litigation started by the company; and recommendation to the Board against delinquent clients for starting litigation;
15. Review of the company's overdue position with the objective of reduction in amount and quality.

Re appointment of the external auditor

The committee has recommended to the Board of Directors that Khan Wahab Shafique Rahman & Co. Chartered Accountants be re-appointed for the financial year ending 31 December 2017, subject to the prior approval of the Bangladesh Bank and approval of the shareholders at the next annual general meeting.

Opinion

In view of the above activities, the committee is in the opinion of the following:

1. Procedures followed by the management for internal control of the company's activities under the manual set by the management in line with Bangladesh Bank's guidelines are satisfactory;
2. Overdue and litigation position of the company as stated by the management presents a true and fair view;
3. Effective computerization and MIS system exists in the company's operation;
4. Risk for different investment is properly identified, measured, disclosed and mitigated;
5. Information in the financial statements is adequate and properly disclosed;
6. External auditor is independent and their work procedure is standard;
7. All the acts, rules and regulations are properly followed by the management;
8. Company's assets are safeguarded;
9. The minutes of the Board Audit Committee meetings are placed before the Board for ratification on regular basis.

The committee is also in the opinion that in the year 2016 the company did not allow any credit facility to any of its Directors in their name or in the name of an Institution/Firm/Company/Organization where they have interest as a Director/Partner/Proprietor or guarantor as the case may be in individual capacity or jointly. For this purpose, Directors included wife, husband, father, mother, son, daughter, son-in-law, son's wife, father-in-law and mother-in-law of the Director.

Acknowledgement

Based on the above review and obtaining of the standards, the Board Audit Committee is of the opinion that the preparation and reporting of the financial statements with adequate disclosures for the year 2016 are in order and also very helpful for the company's shareholders. Besides the existence of internal control and compliance procedures in the company are adequate enough to present a true and fair view of the activities of the company that ensure that its assets are safeguarded properly. The Board Audit Committee also expresses its sincere thanks to the members of the Board of Directors, management and the auditors for extending excellent support in carrying out the duties and responsibilities of the committee satisfactorily during the year 2016.

Sincerely yours,

On behalf of the committee,



Mohammad Shahidul Islam, FCA
Chairman
Board Audit Committee

29 March 2017

Executive Committee's report

The Executive Committee of Fareast Finance & Investment Limited has been formed by the Board of Directors in fulfilling its oversight responsibilities in investment matters by recommending or not recommending to the Board for approval. The Committee also empowered to provide approval within the sanctioning amount as approved by the Board.

Mainly, the committee works as a catalyst to Board's decision by observing all the policies, rules and regulations and guidelines issued by Bangladesh Bank regarding credit matters. It was established by the Board within its defined scope of responsibilities that the Board has delegated to the Committee to act on behalf of the Board, thereby enabling the Board to conduct business within a limitation of financing amount. Notwithstanding this grant of authority, the Committee does not have the authority of the Board with respect to certain key actions and the Board does not delegate to the Committee any of its core oversight obligations. The Committee shall report its actions to the full Board on regularly basis.

The committee was constituted in accordance with DFIM Circular Letter # 18 dated 26 October 2011 of Bangladesh Bank and comprises of five members nominated by the Board headed by Mr. M. Mustafizur Rahman, Director of the company.

Composition of the Executive Committee

In line with DFIM Circular Letter # 18 dated 26 October 2011 of Bangladesh Bank, as on report date the members of the Executive Committee are as follows:

SI #	Name of committee members	Status in the committee	Status in the Company
1	Mr. M. Mustafizur Rahman	Chairman	Director
2	Mr. M. A. Wahhab	Member	Chairman
3	Mr. Md. Monir Hossain	Member	Vice Chairman
4	Mr. Rubaiyat Khaled	Member	Director
5	Dr. M Mosharraf Hossain	Member	Independent Director

The Board of Directors shall appoint the members in the Executive Committee. The Board shall determine the number of directors to serve on the Executive Committee, which cannot be more than 5 (five) members. The Board elects the Chairman of the Executive Committee.

Meeting of the Executive Committee

In the year 2016 the committee met ten times. Details of the committee meetings were as follows:

Meeting number	Meeting date	Total member	Attendee
97th	18-Feb-2016	5	5
98th	17-April-2016	5	4
99th	26-April-2016	5	4
100th	15-Jun-2016	5	3
101th	27-Jul-2016	5	3
102th	29-Aug-2016	5	4
103th	22-Sept-2016	5	4
104th	13-Oct-2016	5	3
105th	27-Oct-2016	5	3
106th	6-Dec-2016	5	5

Functional areas of the committee

Committee's functional area is to scrutinize and evaluate the credit facility proposals to be considered by Fareast Finance & Investment Limited properly, through in-depth analysis in terms of financial viability.

Committee is empowered not to recommend any proposals to the Board. In that case, the proposal will be treated as cancelled.

Committee has been enjoying the sanctioning power up to Tk.50,000,000 of credit facilities subject to maintenance of all the rules and regulations of Bangladesh Bank and other regulatory authorities in that respect along with ensuring all due diligence of the management according to Board's decision adopted in the 154th meeting held on 08 December 2014.

During the period under review, the Executive Committee approved total 23 credit facilities amounting to Tk.332,600,000 only. Besides, the Committee recommended total 40 credit facilities amounting to Tk.4,388,470,934 only to the Board for approval.

Authority

The Executive Committee of Fareast Finance & Investment Limited exercises the following authority:

- The Executive Committee acts as an advisor to the Board and reviews, assesses and makes recommendations to the Board of Directors on the business investment.
- The Executive Committee has the authority to take decisions as per the limits indicated in the delegation of authority by the Board. However, the Committee has the mandate to review and recommend to the Board on the matters that have been placed before them for approval.
- The Executive Committee may engage and pay vital role in business investment issue, if the Board required so.
- All recommendations to be made to the Board of Directors are to be taken by a simple majority.

Reporting

Minutes of discussions, recommendations and actions by the Committee will be taken and recorded. Copies of these minutes was maintained by the Committee Secretary, and be timely provided to the Bangladesh Bank within stipulated time.

Opinion

Committee is in the opinion that over the year 2016 management pursued and observed the following:

- Oversight of the investment and credit policies and take decisions as per the delegation of authority and recommend to the Board the specific investment and credit related decisions of the company.
- All the rules and regulations issued by Bangladesh Bank in respect of the credit facilities;
- The Financial Institutions Act, 1993 and all the clauses mentioned in the memorandum and articles of association of the company;
- According to the management declaration, company's employees relating to the processing, preparation and supervision of the appraisal and also approval of the proposal have no family/financial/business relation with the client or any of his business in their individual capacity; and
- In the year 2016 the company did not allow any unsecured credit facility to any of its Directors in their name or in the name of an Institution/Firm/Company/Organization where they have interest as a Director/Partner/Proprietor or guarantor as the case may be in individual capacity or jointly. For this purpose, Directors included wife, husband, father, mother, son, daughter, son-in-law, son's wife, father-in-law and mother-in-law of the Director.

Acknowledgement

The members of the Executive Committee express their gratitude and thanks to the members of the Board of Directors, Management and all the stakeholders of Fareast Finance & Investment Limited for their cooperation while performing the duties and responsibilities over the year 2016.

Sincerely yours,



M. Mustafizur Rahman
Chairman
Executive Committee

10 April 2016

Managing Director and Chief Financial Officer's report

We the undersigned duly report that the financial statements of Fareast Finance & Investment Limited for the year ended 31 December 2016 have been prepared and presented fairly in accordance with Bangladesh Accounting Standards, Bangladesh Financial Reporting Standards, the Financial Institutions Act, 1993, the rules and regulations issued by the Bangladesh Bank in that respect, the Companies Act, 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations of the land.

In accordance with the clause 6 of the Bangladesh Securities and Exchange Commission notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 we certify that:

- (i) We have reviewed the financial statements for the year ended 31 December 2016 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading,
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.



Mohammed Hafizour Rahman
FCA, ACS
Chief Financial Officer



Santanu Saha
M. Com., FCA, FCMA, FCS, FMAAT
Managing Director

5 April 2017

Directors' report to the Shareholders

Dear Shareholders,

Assalamu Alaikum,

It is a great pleasure and privilege on the part of the Board of Directors of Fareast Finance & Investment Limited to present the sixteenth Annual Report inclusive of the audited financial statements of the Company for the year ended on 31 December 2016 and the Auditor's Report thereon, for consideration and approval of the esteemed Shareholders. Beside, the Board also welcomes all the present shareholders whose presence in this sixteenth Annual General Meeting makes enlighten and provide us huge encouragement to work hard for upcoming days for producing good result for the company.

The Board of Directors expresses their sincere thanks to all the shareholders for being with the company over the year 2016 and humbly discloses that during the year 2016 the company was able to unveil net profit of Tk.102,979,814 only and posted Tk.0.63 EPS. The Board also expresses his happiness for recommendation of 5% cash dividend for the year 2016 for the shareholders.

This report has been prepared in compliance with The Companies Act, 1994, BSEC Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012, Dhaka and Chittagong Stock Exchange (Listing) Regulations, 2015 and other applicable rules and regulations. Other than the requirements mentioned in above regulations, this report also contains some other information and disclosures as was deemed relevant and important by the Board of Directors as well as to ensure good governance and transparency to the stakeholders.

Global economy

Stagnant global trade, subdued investment, and heightened policy uncertainty marked difficult year of 2016 for the world economy. Global growth in 2016 was at a post-crisis low of 2.3 percent and is projected to rise to 2.7 percent in 2017. Growth in emerging market and developing economies (EMDEs) is expected to pick up in 2017, reflecting receding obstacles to activity in commodity exporters and continued solid domestic demand in commodity importers. Downside risks to global growth include increasing policy uncertainty in major advanced economies and some EMDEs, financial market disruptions, and weakening potential growth. However, fiscal stimulus in key major economies in particular, the first world could lead to stronger than expected activity in the near term and thus represent a substantial upside risk to the outlook. In EMDEs, investment in human and physical capital would help narrow unmet needs in skills and infrastructure and support growth for the long term. Rebuilding policy space, addressing vulnerabilities, and enhancing international integration by promoting services trade and foreign direct investment would also boost resilience and improve growth prospects.

Major economic status

Advanced economies continue to be afflicted by weak growth and low inflation, amid rising uncertainty about future policy direction. After slowing to 1.6 percent in 2016, growth is projected to recover somewhat in 2017, although the range of possible outcomes has significantly widened after the elections in the United States and the United Kingdom's decision to leave the European Union. In China, projections are unchanged, despite resurfacing concerns about buoyant property markets, as growth slows gradually toward more sustainable levels, with a rebalancing from manufacturing to services.

Economy of United States

Growth in the United States slowed markedly, from 2.6 percent comparing with 2015 to 1.6 percent in 2016, 0.3 percentage point below previous projections. The U.S. economy was held back in 2016 by soft exports, a continued drawdown in inventories, and a deceleration in private investment. In the run-up to the U.S. elections in November, activity had picked up again, and a further tightening of labor markets had led to slowly rising wage growth. This supported continued gains in real disposable income, which could help deliver a further reduction in poverty rates, following a drop in 2016.

The outcome of the U.S. elections has made macroeconomic projections more uncertain. Proposals for corporate and personal income tax cuts; infrastructure spending; and shifts in trade, immigration, and regulation policies are likely to have sizable effects on the U.S. outlook—as well as spillovers on the rest of the world.

However, their overall scope has not yet been clearly defined; hence, they are not included in baseline projections. While confidence continued to improve in the immediate aftermath of the election, an increase in policy uncertainty, if persistent, could have a dampening effect on investment. Against this backdrop, GDP growth was reaching to 2.2 percent over the year 2015.

Economy of Japan

Following the release of new and revised national accounts data, growth in Japan is now increased 1 percent for 2016 over the year 2015. Investment and exports were generally weak, while private consumption showed some signs of improvement after two years of contraction. Labor shortages underlay a modest increase in wage growth; however, the gains were dampened by low inflation expectations and a rising share of part-time employment. In September 2016, the Bank of Japan changed its policy focus from a quantitative target for government bond purchases to a more flexible approach aimed at stabilizing long-term interest rates around zero. The decision could help alleviate constraints associated with the increased scarcity of bonds eligible for purchase by the central bank, and at the same time mitigate adverse effects of negative long-term yields on financial institutions.

Economy of China

Growth in China is estimated to have slightly decelerated to 6.7 percent in 2016. As part of ongoing economic rebalancing, growth has been concentrated primarily in services, while industrial production has stabilized at moderate levels in 2016. The internal rebalancing is also evident on the demand side; consumption growth has been strong, while investment growth has continued to moderate from the post-crisis peak. The decline in investment growth was concentrated in the private sector; investment by the non-private sector accelerated in 2016. Fiscal and credit-based stimulus measures supported growth in 2016, focusing on infrastructure investment and on efforts to stimulate household credit.

Besides, credit growth, which has been moderating since late 2015, stabilized during 2016 but remained well above the pace of nominal GDP growth. On the back of a continued real estate boom, loans to households accounted for an increasing share of credit extension in 2016. Reflecting household lending activity, household debt to GDP has surpassed 40 percent of GDP, up almost 10 percentage points over the past three years. While credit growth to the industrial sector has moderated, the stock of credit to the nonfinancial corporate sector continued to rise, reached 7 percent of GDP in 2016.

Economy of Euro Area

Euro Area growth slowed from 2 percent to 1.6 in 2016, as both domestic demand and exports lost momentum. Confidence in the Euro Area has been resilient following the United Kingdom's vote to exit the European Union (EU) in June 2016. The U.S. election results could also heighten policy uncertainty in Europe. A rebound in oil prices, from their trough in early 2016, implies diminished support to real income and private consumption growth relative to the 15 period. Investment rates are particularly low in the Euro Area periphery, with increased policy uncertainty likely weighing further on capital spending in 2016. Labor market and credit conditions continued to improve in 2016. Employment recouped its pre-crisis levels, and the unemployment rate ebbed further, albeit from elevated levels and with wide cross-country variations.

Negative policy interest rates, combined with large scale asset purchase programs by the European Central Bank led to a noticeable easing of borrowing costs and generally had a positive effect on lending flows in 2016. However, renewed concerns about banking sector profitability and elevated non-performing loans in some countries e.g., Italy could continue to constrain Euro Area credit and contribute to market volatility. Despite ongoing monetary policy easing, headline and core inflation remain significantly below target. The longer this undershooting continues, the greater the risk of inflation expectations becoming denatured from policy objectives in 2016. Fiscal policy was slightly expansionary in 2016 partly as a result of refugee related outlays, but is expected to be broadly neutral to growth in 2017. Fiscal sustainability concerns remain in a number of countries, although debt services costs declined in most Euro Area countries, thanks to the exceptionally low interest rates across the maturity spectrum. Uncertainty about the Brexit process is expected to weigh on growth in 2017 in the United Kingdom and, to a lesser extent, in the Euro Area.

Economy of East Asia and Pacific Region

Regional output expanded 6.3 percent in 2016, slightly slower than in 2015. Strong domestic spending, supported by generally benign financing conditions, largely offset weak export growth. China continued on the path of gradual deceleration and rebalancing. In the rest of the region, growth remained steady at 4.8 percent, as higher growth in commodity importers offset a slowdown in commodity exporters, which continue to adjust to lower prices. During the year 2016, regional growth was reach to a moderate level of 6.1 percent, with a gradual slowdown in China partly offset by a pickup in the rest of the region.

Economy of Latin America and the Caribbean

Output in Latin America and the Caribbean was decreased to 1.4 percent in 2016 over the year 2015, the second consecutive year of negative growth. This weakness was due to the combined effects of low commodity prices and domestic economic challenges in large economies. In South America, where a large share of countries is commodity exporters, GDP growth contracted 2.8 percent. Growth in Mexico and Central America slowed to 2.3 percent, while growth in the Caribbean decelerated to 3.2 percent. Regional growth is projected to recover, reaching 2.6 percent in 2019, as domestic constraints loosen and fiscal consolidation is completed. Downside risks to the outlook include rising policy uncertainty among advanced economies, a renewed slide in commodity prices, and weaker than expected activity among the region's largest economies. A key policy challenge is to nurture the nascent and fragile recovery, particularly in South America, while completing the fiscal adjustment to lower commodity revenues

Economy of Middle East and North Africa

Growth in the Middle East and North Africa was in satisfactory level following the bottoming out of oil prices in 2016. For oil-exporting economies, despite robust growth in the Islamic Republic of Iran, the recovery will be slightly slower than expected in mid-2016, reflecting fiscal consolidation plans and oil production capacity constraints in Iraq. Growth was increased to somewhat more robust in oil-importers than expected in mid 2016, driven by a broad based strengthening of activity in these countries. Key risks to the outlook are a weaker than expected rise in oil prices and conflict related spillovers. Challenges include staying the course with policy adjustment, particularly fiscal policy, to support medium term macroeconomic stability; diversifying away from oil; developing more dynamic private sectors; and harnessing the potential benefits of demographics.

Economy of South Asia

Economic activity in South Asia expanded to 6.8 percent in 2016, buoyed by robust domestic demand. India continued to post strong growth, reflecting ongoing tailwinds from low oil prices and support from structural reforms. Excluding India, regional growth is estimated at 5.3 percent in 2016; however, there were notable differences within the region depending on security issues, domestic policies, and reliance on remittance flows. Looking ahead, growth in the region is projected to edge up to an average of 7.3 percent in 2017 supported by dividends from ongoing policy reforms and strong domestic demand.

Global business trends

Global trade growth slowed further in 2016 to its weakest pace since the global financial crisis. Soft imports from major economies continued to depress trade flows, compounded by structural factors and increased protectionism. Financial market conditions for EMDEs, which were generally benign for most of 2016, tightened significantly following the U.S. elections. Commodity prices stabilized in the course of 2016, and are expected to gradually recover. Heightened policy uncertainty in the United States and Europe is likely to weigh on global trade and capital flows.

Global trade

Global trade growth in 2016 recorded its weakest performance since the global financial crisis. Stagnant goods trade for most of 2016 was exacerbated by a cyclical drawdown in inventories across advanced economies and contracting imports in China and in major commodity exporters. The sharp drop in oil prices from mid 2014 to early 2016 could have contributed to the weakness in global trade over that period, as income losses were highly concentrated among a few countries, while gains were diffused among many import demand is generally more sensitive to large changes in income than to smaller changes. The observed slowdown in global investment in 2016 played an important role as well, as capital goods account for about one third of world goods trade.

Financial markets

While capital inflows to EMDEs generally recovered in 2016, a rapid increase in U.S. bond yields and an appreciation of the U.S. dollar following the U.S. elections led to a sudden tightening of financing conditions for EMDEs toward the end of 2016. In some cases, this tightening led to significant currency depreciations, portfolio outflows, and slowing debt issuance.

The sudden rise in U.S. yields reflected an uptick in long-term inflation expectations and prospects of a faster normalization of U.S. monetary policy, which contributed to a recovery in term premiums from previous record low levels. U.S. long-term yields increased to the highest levels since September 2016, although they remained below post-Taper Tantrum peaks in 2015-16. In contrast, expectations of continued monetary policy accommodation by the European Central Bank and the Bank of Japan put downward pressure on global bond yields and term premiums for most of 2016.

Commodities

Crude oil prices have recovered from a low of \$30 per barrel (bbl) at the start of 2016, but are still half of their pre 2015 levels. The oil market continues to rebalance, as consumption rises while non OPEC supply declines notably in the United States, where oil output is down 12 percent from its peak in early 2016. However, global oil inventories remain high, particularly in the United States. After averaging \$43/bbl in 2016 an annual decline of 15 percent relative to 2015, despite the gradual increase throughout the year oil prices are expected to average \$55/bbl in 2017, up 28 percent from 2016 levels.

Inflation Remains Low

In 2016, consumer price inflation in advanced economies was, at 0.3 percent, the lowest it had been since the global financial crisis. It edged up to about 0.5 percent in the first half of 2016 as the drag from oil prices diminished. Core consumer price inflation is higher than headline inflation but differs across major advanced economies. It averaged slightly above 2 percent in the first half of the year in the United States, which may reflect temporary factors or seasonality, while it was lower at about 3/4 percent in the euro area and Japan. Inflation has held steady in emerging market and developing economies as exchange rates remained broadly stable or appreciated in many countries and the effects of past exchange rate depreciations began to fade.

Exchange Rates and Capital Flows

The dollar and the euro remain broadly unchanged in real effective terms. The largest movements across the currencies of advanced economies of the year 2016 were the depreciation of the pound following Brexit and the appreciation of the Japanese yen down around 10 percent. Across emerging market currencies, the Chinese currencies continued to depreciate gradually, by over 4 percent. The currencies of commodity exporters including the Brazilian real, the Russian ruble, and the South African rand have generally appreciated, reflecting some recovery in commodity prices and a more general strengthening of financial market sentiment vis-à-vis emerging market economies, related in part to expectations of even lower interest rates in advanced economies.

Monetary Policy and Financial Conditions

Asset prices and risk sentiment have generally recovered after the declines in the aftermath of the U.K. referendum. Equity prices reached record highs in the United States in 2016 and picked up in other advanced economies as well. A notable exception are bank stocks, reflecting expectations of weakened future bank profitability, as interest rates are now expected to stay very low even longer, as well as balance sheet concerns in some countries with more vulnerable banking systems, such as Italy and Portugal. In response to persistently weak inflation and lackluster data on economic activity, markets expect central banks in major advanced economies to remain dovish for longer than previously thought. In particular, markets now expect only one further rate increase in the United States during 2016. The shift in expectations was particularly notable in the United Kingdom, where the Bank of England cut the policy rate, boosted quantitative easing, and undertook a number of other initiatives to support sentiment following the referendum.

Weak Productivity Growth and Low Interest Rates

A second important trend with much more uncertainty surrounding its causes and likely persistence is weak productivity growth. For instance, the year 2016 WEO documented that labor productivity growth was 14 percent had been below precise trends for all but one of a sample of some 30 advanced economies. The causes for the productivity slowdown remain uncertain. It may partly reflect crisis legacies and prolonged weak investment, as well as the exhaustion of productivity gains from the information and communications technology revolution, as discussed in detail. Productivity measurement issues are severe for some parts of the economy, but recent research suggests that they are unlikely to account for a sizable part of the slowdown for the year 2016.

Global GDP Growth

Based on preliminary data, global GDP growth was 5.80 percent in the year of 2016, slightly weaker than in the year of 2015 and lower than projected by the WEO. Global industrial production remained subdued, but has shown signs of a pickup in recent months, and trade volumes retreated in the quarter through June after several months of sustained recovery from the trough of early 2016. The recent weak momentum is mostly a product of softer activity in advanced economies.

The U.S. economy has lost momentum over the past few quarters, and the expectation of a pickup in the second quarter of 2016 has not been realized, with growth was at 1.1 percent at a seasonally adjusted annual rate.

GDP growth in the euro area declined to 1.2 percent at a seasonally adjusted annualized rate in the second quarter, after mild weather and consequent strong construction activity helped boost growth in the first quarter to 2.1 percent. Domestic demand, notably investment, decelerated in some of the larger euro area economies after successive quarters of stronger than expected growth.

In the United Kingdom, a strong start to the second quarter lifted GDP growth to 2.4 percent at a seasonally adjusted annualized rate. A breakdown of high frequency data within the quarter suggests that momentum had begun to weaken over May and June leading up to the referendum.

In Japan, GDP growth decelerated in the second quarter to 0.7 percent at a seasonally adjusted annualized rate, from 2.1 percent in the third quarter. In part of this reflects payback after an unusually strong quarter, during which the outturn particularly for consumer spending was driven in part.

In emerging Asia, GDP growth in China in the first half of the year stabilized close to the middle of the authorities' target range of 6½–7 percent for 2016 on policy support and strong credit growth. Robust consumption and a further rotation in activity from industry to services indicate that rebalancing is progressing along the dimensions of internal demand and supply-side structure. India's economy continued to recover strongly, benefiting from a large improvement in the terms of trade, effective policy actions, and stronger external buffers, which have helped boost sentiment.

In Latin America, Brazil's economy remains in recession, but activity appears to be close to bottoming out as the effects of past shocks, the decline in commodity prices, the administered-price adjustments of 2016, and political uncertainty wear off.

Russia's economy shows signs of stabilization as it are adjusting to the dual shock from oil prices and sanctions, and financial conditions eased after bank capital buffers were replenished with public funds. Macroeconomic performance elsewhere in emerging Europe was broadly stable, although the situation in Turkey became more uncertain in the aftermath of the attempted coup in July.

The Middle East continues to confront difficult challenges with subdued oil prices, the fallout from geopolitical tensions, and civil conflict in some countries.

Emerging and developing economies

EMDEs grew by 3.4 percent in 2016, slightly below June projections. Among commodity exporters, output expanded an estimated 0.3 percent, as some improvement in Brazil and Russia and a modest increase in commodity prices was offset by further weakness in other exporters. In commodity importers, growth in 2016 is estimated at 5.6 percent, reflecting resilient domestic demand and generally accommodative macroeconomic policies. EMDE growth is projected to pick up to 4.2 percent in 2017 and to an average of 4.7 percent in 2018-19, mainly on a recovery in commodity exporters supported by a gradual increase in commodity prices. However, a number of factors—including advanced economy policy uncertainty and slowing productivity growth—are expected to weigh on the medium- and long-term EMDE outlook.

Bangladesh economic scenario in 2016

In the face of formidable challenges, the Bangladesh economy continued to show signs of resilience throughout the FY2015-16 period. The economy benefitted from a number of advantages from the perspective of macroeconomic management that were sustained from the previous fiscal year. Macroeconomic stability was maintained, fallen of inflation, contained budget deficit, and large surpluses in both current and financial accounts in the balance of payments (BOP), which was reinforced by impressive export growth and rising foreign direct investment (FDI), and increasing foreign exchange reserves. Declining interest rate on lending has played an important role in the recovery of credit growth to the private sector. Provisional estimates of gross domestic product (GDP) growth rate for FY2015-16 is indicative of strong performance, although private investment (as a share of GDP) is expected to decline and the drivers of growth to remain outside of real sectors. Moving forward, Bangladesh needs to translate this macroeconomic stability into higher investment and higher growth.

GDP growth rate

Bangladesh's economy is now the second fastest growing major economy of 2016, with a rate of 7.1% of GDP rate in the world. An analysis of incremental contributions by different sectors towards GDP growth in FY2015-16 shows that the services sector has maintained its leading position as a contributor to GDP growth. In recent years, public administration, education and health services have been making an increasingly large contribution to GDP growth. On the other hand, the contribution by wholesale and retail trade has decreased, while the contribution by financial intermediaries has remained stagnant. The contribution by industries sector has increased at a modest pace, while that of agriculture has decelerated. The rising contribution to GDP growth by the services sector has originated in those sub-sectors that are relatively less capital intensive in nature (e.g. public administration and education). Given the role of services sector-led GDP growth, yet sluggish growth in investment in the manufacturing sector, the role of private investment in GDP growth is becoming rather weak. Incremental Contribution to GDP Growth in the Last Five Years is as follows:

Sectors	FY12	FY13	FY14	FY15	FY16
Agriculture	0.52	0.41	0.70	0.53	0.40
Industries	2.47	2.59	2.27	2.74	2.95
Manufacturing	1.69	1.80	1.60	1.93	1.99
Services	3.43	2.88	2.92	3.00	3.44
Public administration and defense	0.24	0.21	0.22	0.32	0.53
Education	0.16	0.13	0.16	0.17	0.30
Health and social works	0.07	0.09	0.09	0.09	0.15
Wholesale and retail trade	0.42	0.28	0.23	0.25	0.21
Financial intermediations	0.28	0.28	0.29	0.29	0.29
GDP	6.52	6.01	6.06	6.55	7.10

Inflation

One of the welcome trends was that, the growth in annual average inflation reached 6.10 per cent in March 2016 against the annual target of 6.07 per cent set in the Monetary Policy Statement (MPS) of the Bangladesh Bank for January-June 2016. It is also lower than the 7FYP target of 6.2 per cent. The fall in inflation was driven by declining food inflation which was 5.5 per cent in June 2016. In contrast, nonfood inflation has seen a secular rise in the fiscal year and reached 7 per cent. The difference in inflation between rural and urban areas has been widening on a continuing basis since June 2016 with lower inflation in rural area. Lower global commodity prices, nearly stable exchange rate of the BDT with only marginal recent depreciation and restrained growth of broad money supply have been contributing to the falling inflation. Sustained negative growth of global commodity price index since July 2016 contributed to the falling inflation rate in Bangladesh through both direct and lagged pass on impact. Lower broad money growth, originating from negative growth of credit to the public sector, also contributed. Inflation is expected to decline further in the face of sustained lower global commodity prices and the envisaged downward adjustment of administered prices of petroleum products in the domestic market.

Foreign Exchange Reserve and its Import Coverage

At end June 2016, the gross foreign exchange reserves reached at USD 30.2 billion recording an increase of 6.8 percent, from the USD 28.3 billion of end-March 2016. The reserve position was sufficient to meet more than nine month's import bills on FOB basis.

Wage Earners' Remittance

The remittances from Bangladeshi nationals, working abroad, stood at USD 3,871.5 million during the review quarter, recording an increment of 8.4 percent compared to USD3,572.5 million recorded during the preceding quarter. It is noteworthy that in the January-March quarter of 2016 remittance growth was 0.5 percent compared to October-December quarter of 2015.

Industrial Production

The Quantum Index of Industrial Production (General-Manufacturing) at end-June 2016 reached to 321.2 compared with 272.2 at end-March 2016. The QIP (manufacturing) demonstrated an increasing trend over the quarter that implies sufficient industrial output.

Imports and Exports

In the review quarter of 2016, aggregate import payments¹ increased by 9.8 percent and reached at USD 10,720.0 million as compared to USD 9,765.0 million recorded in the previous quarter. Export receipts, on the other hand, increased by 5.4 percent and reached at USD 9,088.0 million compared with USD 8,624.0 million recorded in the fourth quarter of quarter 2015.

Interest Rate Spread

The spread between the weighted average lending and deposit rates remained mostly unchanged to 4.9 percent with respect to that of end of March 2016; spread of 24 banks out of 56 is above 5.0 percent. Foreign Commercial Banks' (FCBs) spread is much higher than the industry average and Specialized Banks' spread is the lowest among the four categories of banks. During the period, the weighted average lending rate was recorded at 10.4 percent while the deposit rate was 5.5 percent. Both the lending and deposit rates slightly declined compared with those of the preceding quarter.

Exchange Rate

The value of the Bangladesh Taka, in terms of US dollar, remains mostly unchanged at BDT78.40 per USD, in June 2016, compared with the previous quarter.

Balance of Payments

Bangladesh economy experienced favorable balance of payment during July-June period of FY2015-16 (USD 3.1 billion) over the corresponding months of FY2014-15 (USD 2.2 billion). Trade balance was USD (-) 4.06 billion and remained almost unchanged compared to corresponding period of FY2014-15, as a consequence of high export earnings against relatively lower growth of import. Also, current account balance stood at USD 2.7 billion which was USD 511 million higher than July-June of FY2014-15 mainly originating from higher services income. Within the financial account, net foreign direct investment (FDI) passed USD 1.4 billion to register a growth rate of 27.2 per cent over July-June of FY2014-15, whilst net trade credit was negative at USD (-) 1.2 billion.

Foreign exchange reserve continued to rise

In the backdrop of the rising of balance of payment surplus, foreign exchange reserve has continued to rise to reach USD 28.7 billion as of June 2016. During the first nine and half months of FY2015-16 foreign exchange reserve increased by USD 3.6 billion. Major share of the foreign exchange reserves was kept as convertible foreign currencies including securities, and also in the form of special drawing rights, gold and export development fund, etc. There is a strong case for Bangladesh Interim review and budget recommendations to revisit and examine the reserve issue, from the perspective of accumulation, deployment, uses of cost and return, as also safety and security of the foreign exchange reserves.

Credit to the Government (Gross) by the Banking System

Credit to the Government (gross), by the banking system, increased by BDT 172.3 billion or 10.6 percent during the period under review. In the preceding quarter, credit to the government recorded a decline of 4.6 percent compared to October - December quarter of 2016.

Banking sector performance

Banking sector exhibited a mixed performance in terms of asset growth, return on assets, and return on equity and asset quality during the year 2015-2016.

The balance sheet size of the banking sector grew by almost 5.7 percent and reached BDT 11,128.5 billion at end of June 2016. Loans and advances, as a percentage of total assets, recorded a minor decrease compared with that of end of June 2016. The proportion of investment also decreased. The share of loans and advances, the largest among the asset items, decreased by 10 basis points at end of June of 2016, compared with that of end of March 2016. The share of banks' assets with Bangladesh Bank decreased by 20 basis points and balances with other banks and financial institutions increased by 30 basis points. Banks' money at call increased by 10 basis points, and the share of other assets increased by 80 basis points. However, the share of investments in government and other securities decreased by 110 basis points. The asset concentration ratios of Top 5 and Top 10 banks as against total banking system assets were 30.4 and 44.2 percent respectively at end of June 2016.

The NPL ratios increased by 20 basis points, reaching 10.1 percent at end of June 2016 from 9.9 percent recorded at end of March 2016. State owned commercial banks (SCBs) NPL remains higher than that of the overall banking industry. Besides, non-performing loans net of specific loan loss provisions and interest suspense to total loans decreased to 2.8 percent from 2.9 percent recorded at end March 2016. Non-performing loans net of specific loan loss provisions and interest suspense to regulatory capital decreased to 21.1 percent at end of June 2016 from 21.2 percent of end of March 2016.

In the review quarter, both return on assets (ROA) and return on equity (ROE) decreased by 0.3 and 3.7 percentage points respectively, from those of the previous quarter (0.5 and 6.8 percent). Almost 89.3 percent of the banks' ROA was up to 2.0 percent, while 10.7 percent of banks' ROA was higher than 2.0 percent. On the other hand, 64.3 percent of the banks' ROE was higher than 5.0 percent.

DSE Performance and Index Movement

In the second quarter of the year 2016, DSE turnover was BDT 237.9 billion as compared to BDT 279.9 billion recorded in the first quarter of the year 2016, scoring a 15 percent decline in terms of volume. At end of June 2016, key DSE indices DSEX, DSE 30 and DSES increased by 3.4, 7.4 and 5.6 percent respectively from those of end of March 2016.

Price/Earnings (P/E) Ratio

The weighted average P/E ratio in June 2016 was 14.6, which was 30 basis points higher than that of March 2015. The overall market P/E ratio displayed an upward trend in the second quarter of the year 2016.

Sectoral Turnover

In the review period, the highest turnover was recorded for the fuel and power followed by pharmaceuticals and engineering sector. Next two positions were held by the textile and banking sectors respectively. It is mentionable that, in the review period, contribution of the banking sector to DSE turnover was 7.9 percent, as compared to 7.2 percent recorded in the March quarter of the year 2016. The FIs sector's contribution was 5.2 percent compared with 6.0 percent of the previous quarter.

Industry outlook

Performance of NBFIs has been showed a mixed ration picture. The advance deposit ratio (ADR) appears rather high when compared to that of the banks, although the ADR has slowly declined over recent years. The growth in NBFI loans and leases has been volatile, with NBFIs outperforming banks, particularly in 2014 and 2015, growth of NBFI loans was 21.7 per cent during December 2016. Major sectors to which NBFI loans have been disbursed include housing, trade and commerce, power and gas, and textiles. In addition, a sizable amount of the loan profile has been directed to merchant banking and as margin loans. Such a loan profile reveals different levels of risk involved in invested assets. NBFIs will need to manage these risks effectively, as otherwise their level of NPLs could rise, which would then adversely affect their return on assets.

At the end of June 2016, borrowings, deposits, capital and other liabilities constituted 23.2, 52.3, 14.9 and 9.7 percent of the sources of funds of the FIs respectively. In comparison with end of March 2016, the proportions of all the sources of funds remained mostly unchanged.

FIs' loans and leases constituted 74.2 percent of total assets at the end of June 2016. Cash and balances with banks/FIs, investments, fixed assets, and other assets comprised 13.7, 3.4, 1.0 and 7.6 percent of total assets respectively. When compared with end of March 2016 positions, the proportion of cash and balances with other banks/FIs has decreased by 120 basis points. The proportion of loans and leases has increased by 130 basis points, while the proportion of other asset classes remained almost same.

FIs' asset quality remained unchanged in June 2016. Non-performing loans and leases increased from BDT 41.8 billion at end of March 2016 to BDT 45.1 billion in end of June 2016, recording an increase of 7.9 percent. The ratio of non-performing loans and leases to total loans was 9.0 percent; slightly higher than that of the end of March 2016 was 8.9 percent.

As of end of June 2016, the aggregate amount of maintained CRR was BDT 5,829.6 million as compared to BDT 5,540.4 million recorded at end of March 2016, scoring an increment of 5.2 percent. On the other hand, at end of June 2016, the amount of maintained SLR was BDT 69.4 billion, which is 2.3 percent lower than the amount maintained at end of March 2016.

In the period of review, FIs were required to maintain a 10.0 percent capital adequacy ratio (CAR) with at least 5.0 percent in Tier-1 capital in line with the Basel II framework. The CAR of the FIs sector decreased slightly from 17.9 percent in the March quarter of the year 2016 to 16.7 percent in the June quarter of the year 2016. It is to mention that the maintained CAR was well above the minimum regulatory requirement. In addition, the Tier-1 capital ratio was recorded at 15.3 percent in the review quarter of the year 16; slightly lower than the ratio of end of March 2016. Still the end of June 2016 data indicates that the FIs sector was compliant with the Basel II requirements in respect of the Tier-1 capital ratio too.

NBFIs are in a better position in terms of risk management than banks. NBFIs' CAR has been maintained at a higher level than the BASEL III requirement, and has been near double that of banks for the last five years.

FIs' profitability has improved in the review quarter over the March quarter of 2016. The return on assets (ROA) and return on equity (ROE) stood at 0.8 and 5.5 percent respectively in the June quarter of 2016 as compared to 0.6 and 3.9 percent respectively recorded in the preceding quarter.

Product wise performance

During the year 2016 company has entered into total contract of Tk.4,517.36 million representing 34.74 % increase in growth over the year 2015. Among this Tk.193.76 million was contracted as lease finance and Tk.4,323.60 million was contracted as term finance. Besides, in the year 2016, total Tk.4,308.44 million was disbursed representing 7.61% growth over the year 2015.

Risk management and internal control

Because of the diversification of risk in the financial market, the Company is committed to identify the risk and monitor regularly for pre capturing the risk and always works to manage the risks associated with its business. To control the risk Fareast Finance designed its risk management program in a structured way that can easily identifying, measuring, monitoring and controlling the risk. To do so, Fareast Finance established the following must existed elements:

- Active board and senior management oversight;
- Adoption of adequate policies, procedures and limits;
- Establishment of adequate risk measurement, monitoring and management information system; and
- Existence of comprehensive internal control steam.

Besides the business, Fareast Finance always overseeing the following areas for managing and minimize the risk:

- Credit risk management
- Market risk management
- Liquidity risk management
- Operational risk management
- Reputation risk management
- Strategic risk management
- Compliance risk management
- Money laundering risk management
- Environmental risk management
- Capital risk management and
- IT risks management.

Fareast finance has "Asset Liability Management Committee (ALCO) constituted by the senior officials of the Company for overseeing the increase/decrease risk in any area or product line, concentration in assets and liabilities status, deterioration in quantity of credit portfolio, decrease in earnings performance or projections, rapid asset growth funded by volatile large deposit, etc. Besides, Company's Internal Control and Compliance department is engaged for detection of operational risk and its management. This ensures the employees' performances at optimum level with zero tolerance.

For each credit facilities over Tk.10 million, management calculates the credit risk grade in line with the model provided by Bangladesh Bank and places before the Board to facilitate the decision making. Besides, management analyses the market scenario related to that industry, which also helps to quantify the credit risk inherent to that particular business. For better sustainability and in line with Bangladesh Bank's guidelines, four manuals regarding credit risk, asset liability management, IT risk and internal control were prepared and implemented in the Company. The Board periodically reviews those manuals and their effectiveness and makes revisions/amendments for betterment of the Company. Bangladesh Bank through their on sight supervision also inspects the manuals and their implementations in the Company and provides rating. According to the latest rating your Company obtained "Fair".

Details of Company's risks and management perception about those risks are discussed in the "Risk factors and management perception" on page 60.

To safeguard the Company's assets the Board constituted an Audit Committee comprising five Directors who reviews/supervises the internal control process and procedures that are working within the Company at regular interval. At the end of each year the Committee reports regarding the existing internal control system and its effectiveness is at par with the satisfactory level or not. The details report is placed on page 72.

Cost of goods sold and profit margin

Fareast Finance & Investment Limited is a financial institution and hence cost of goods sold and gross profit margin concept is not appropriate for the company. Rather total operating income and profit before provisions is the main concern for sustainability and growth of a financial institution. In the year 2016 Company's total operating income was Tk.1,175.29 million. Besides, in the year 2016 Fareast Finance was able to post Tk.102.98 million as net profit against the previous year's profit of Tk.204.97 million. We believe in the year 2017, the company will earn handsome profit for the company.

Continuity of any extra-ordinary gain or loss

In the year 2016 there was no extra ordinary activities and hence there was no continuation of extra ordinary gain or loss in the current year.

Basis of related party transaction

According to the Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated 23 December 2009, related party disclosure was made in note # 42 of the financial statements. Besides, Directors' name and their interest in different organizations are also disclosed in annexure-c attached to the financial statements.

Utilization IPO proceeds

In line with the Bangladesh Securities & Exchange Commission's approval, Fareast Finance & Investment Limited completed its IPO and listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 September 2013. Utilization of IPO proceeds were entirely completed and communicated to the Bangladesh Securities & Exchange Commission in the year 2014. So nothing is obligatory in the year 2016.

Explanation for deterioration in financial results after IPO

Continuing from the year 2014, the company post profit for the 2015 and 2016, hence there is no such matter to report.

Variance between quarterly and annual financial performance

Up to 30 September 2016 company's net profit stood at Tk.(123.05) million. Again at the end of the year 2016, company's net profit enhanced to Tk.102.98 million. Within the quarter, management rigorously followed up the overdue clients, made new investments and finally it was possible to enhance the profit situation. We believe, positive results will continue in the year 2017 too.

Remuneration to directors including independent directors

According to Bangladesh Bank's guidelines directors are not empowered to take any remuneration other than attendance fee. In line with that no remuneration except meeting attendance fee has been given to any director in the year 2016. Till date no remuneration was also given to any independent director except the attendance fee.

Corporate and financial reporting framework

In conformity of the BSEC Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012; the directors confirm compliance with the financial reporting framework for the following:

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

Significant deviations from the last year's operating result

The company earned profit of Tk.204.97 million and operating profit was Tk.355.96 million in the year 2015. In the year 2016, the company earned profit of Tk.102.98 million and operating profit is 46.31 million. The company earns less profit in the year 2016 over the year 2015, so can say significant deviation is arisen comparing with the last year's operating profit.

Key operating and financial data

Key operating and financial data of preceding five years is shown under the heading of Performance at a glance in the annual report on page 22.

Dividend

For the year 2016 the Board of Directors recommends 5 percent cash dividend hence there is no reason for non declaration of dividend.

Director's meeting

During the year 2016 ten board meetings were held. The attendance in the board meetings by each director is attached as annex-A.

Shareholding pattern

According to the clause 1.5 (xxi) of the BSEC's Notification No. SEC/CMRRCD/2006 158/134/Admin/44 dated 7 August 2012 shareholding pattern is attached as annex-B.

Directors' appointment and re-appointment

As per Article 61 of the Articles of Association of the Company, subject to these presents, the Directors shall have power at any time and from time to time to fill up a casual vacancy either from the existing qualified members or legal heir nominee of the original directors having requisite qualification and duly registered as member of the company as an addition to the Board but the total number of Directors shall not at any time exceed the maximum number to be determined from time to time. Any Director so appointed shall hold office only until the next following ordinary general meeting of the company but shall be eligible for re-election. While making such appointment, the proportion of Directors appointed or nominated by the Company and categories of shareholders shall be maintained.

In line with Article 61, no director was resign hence no casual vacancy was created during the period under review.

As per Article 67 of the Articles of Association of the Company, in every year other than first year, one-third of the Directors for the time being or if their number is not three or multiples of three then the number nearest to one-third are required to retire from office. Till date number of Directors in the Company's Board is eleven and hence four Directors will retire on 11 June 2017 from their office.

In line with Article 67 of the Articles of Association of the Company, Directors, namely, Mr. M. Mustafizur Rahman, Mr. Md. Monir Hossain, Mr. Muhammed Abdul Wahhab, and Mr. Khorshed Alam Khan will retire on 11 June 2017 from their office. According to Article 69 of the Articles of Association of the company, all of them are eligible for re-election.

Mr. Mohammad Shahidul Islam and Dr. M Mosharrif Hossain were appointed as Independent Director on 11 February 2015 and 31 December 2015 respectively. As per clause 1.2 (vi) of BSEC notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.

Detail disclosure in this regard is stated under the heading of brief profile of Directors in the annual report on page 29.

- (a) Brief resume of the Directors;
- (b) Nature of the expertise of the Directors;
- (c) Name of the Directors and entities in which they have interest as Directors are disclosed in annex-C attached to the financial statements.

Besides, name of the Directors who are the members of the Committees is disclosed under the heading of Board Committees in the annual report on page 32.

Compliance status

Compliance status of the clause 7(ii) of the BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 is attached as annex-D.

Company's overall status other than above**A. Going concern**

A simple but very important financial accounting principle is Going concern which stipulates the basis on which financial statements are prepared depending on the likelihood of the company continuing its normal course of business. General purpose financial statements are prepared assuming that the company can and will continue its business in the foreseeable future. If the company is not expected to continue operations i.e. it is required or reasonably expected to wind up, its financial statements are prepared using break-up basis. Foreseeable future normally means at least one year. The assumption that a business is expected to continue in future affects the timing, nature and amount on which accounting transactions are recorded. Criteria for classification of assets and liabilities into current and non-current is whether they are realized/settled within normal course of business should be reflected in concept of going concern. A detailed disclosure regarding company's going concern status is disclosed under the name going concern in the annual report on page 66.

B. Corporate governance

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to

shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company by full-time executives. In a listed company, corporate governance is the part of the legal system as corporate governance code applies to accounting year. A detailed corporate governance compliance report is disclosed under the name Corporate Governance in the annual report on page 52.

Besides, a certificate issued by FAMES & R, a practicing Charter Accountants firm regarding compliance of corporate governance is attached as annex-C.

C. Corporate social responsibility

Fareast Finance & Investment Limited always extends its hand to the underprivileged, poor and hapless people of the society as a part of corporate social responsibility. Likewise previous year, Fareast Finance & Investment Limited disbursed total Tk.1,031,200 only in the following sector:

Health:

Tk.30,000 only distributed for operation of brain tumor, blood cancer victims, cardiac disease and a road accident victim.

Environment:

3,000 pieces blankets with a cost of Tk.951,700 (Taka nine hundred fifty one thousand and seven hundred) only among the cold-stricken poor people at Rajshahi in Bangladesh.

Cultural Welfare:

Tk.49,500 only distributed for various cultural functions.

D. Business plan for the year 2017

Predicting that the year 2017 will be move forward with a stable political situation and a good movement of business, management of Fareast Finance focusing on the core business with forceful marketing. Initiative will be taken for opening new branches, if Bangladesh bank approved, and enlarge the market segment in different areas of the country. Considering that, company's forecasted portfolio for the year 2017 will be around Tk.15,000 million.

E. Human resources

Fareast Finance believes on the Human Resource Management (HRM) designed to maximize employee performance in service with the company. We focused on the management of employee within the company that right peoples are in the right place at the right time. Board approved service rule is reviewed time to time, if required, fulfillment of the best practice of HR especially focusing on the employee benefits design, employee recruitment, training and development, performance appraisal and rewarding, managing pay and benefit systems etc. We also believe in equal employment opportunities regardless of age, gender, disability, religion, race, cast or any other factors. A detailed disclosure regarding company's human resource position is made under the name Human resource status in the annual report on page 44.

F. Treasury operation

During the period under review the company meet its fund requirement through deposit mobilization, term loan and overdraft facilities from banks. The company received Tk.1,673,014,899 from deposit mobilization department. On the other hand, continuous efforts are there to reduce the average cost of borrowing it came to lowest to 9.34. Concentration was always made diversifying the sources of fund. From the year 2014 company shifted its strategy for liability management through diminishing dependence on conventional sources of funding. In the year 2017 this activity will be continued.

G. Information technology

Fareast Finance & Investment Limited has a fully functional ICT infrastructure based on Bangladesh Bank's latest ICT Security Guideline to serve the daily official purposes of the employees. The ICT infrastructure of Fareast Finance has several servers through which all access to any kind of information is being authenticated and served. Two branches of Fareast Finance have been connected to central data center 24x7 through WAN. All office premises of Fareast Finance are being monitored using surveillance cameras. Video conference facilities have been setup for audio visual communications between offices. Beside these, three online disaster recovery sites have been developed in three different geographical locations that are able to act as the data recovery servers in the event of any disaster. And last but not the least, Fareast Finance is opening internet and email facilities to all employees gradually to perform official activities in faster and effective ways.

H. Auditors

The shareholders in their fifteenth Annual General Meeting appointed Khan Wahab Shafique Rahman & Co., Chartered Accountants as the Company's Auditor for the year 2016 with the annual remuneration of Tk.350,000 excluding VAT for the second time. They completed the audit satisfactorily and submitted their report. The Board in its 177th meeting recommended for appointing Khan Wahab Shafique Rahman & Co., Chartered Accountants for the year 2017 with the annual remuneration of Tk375,000 only excluding VAT for the third time. It may be noted here that according to section 24(1) of The Financial Institutions Act, 1993, appointment of auditors will be made subject to approval of Bangladesh Bank. In line with that a letter was sent to Bangladesh Bank on 12 April 2017 for seeking their permission. Bangladesh Bank through their letter # DFIM(C)1054/38/2017-1039 dated 16 April 2017 provided their permission to make appointment of Khan Wahab Shafique Rahman & Co., Chartered Accountants as external auditor for the year 2017 for the third time. Besides, Khan Wahab Shafique Rahman & Co., Chartered Accountants is the approved audit firm of the panel of auditors of Bangladesh Securities & Exchange Commission. Now the appointment is placed before the sixteenth Annual General Meeting for shareholders approval.

Acknowledgement

The Board of Directors takes the privilege to convey its profound gratitude and heartfelt thanks to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms, Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and Central Depository Bangladesh Limited (CDBL) for their cordial help and support, valuable guidance and advices extended to the Fareast Finance & Investment Limited from time to time.

The Board of Directors do also highly appreciate the contribution of the honorable founder members, sponsors, and shareholders, valued customers, patrons and well wishers for their invaluable continuous support and cooperation in the company and also to the management and all members of the company for their skillful service with utmost sincerity and dedication for the company. On the other hand the Board also provided the heartfelt thanks to all the common people for their accelerating contribution towards economic development of the country.

Thank you.

On behalf of the Board of Directors,



M. A. Wahhab
Chairman
Board of Directors

10 April 2017

Annex-A

Directors' attendance in board meetings in the year 2016

Name of Directors	Status	Relevant meetings	Attendance	
		Number	Number	%
M. A. Wahhab	Chairman	10	9	90
Md. Monir Hossain	Vice Chairman	10	8	80
M. Mustafizur Rahman	Director	10	7	70
Khandker Mohammad Rakib Hasan	Alternate Director	10	0	00
Md. Ershad Ullah	Director	10	9	90
Md. Shamsul Islam Varosha	Director	10	5	50
Rubaiyat Khaled	Director	10	8	80
Khorshed Alam Khan	Director	10	5	50
Mohammad Shahidul Islam, FCA	Independent Director	10	9	90
Dr. M Mosharraf Hossain, FCA	Independent Director	10	4	40

Annex-B

Shareholding pattern of Fareast Finance & Investment Limited as on 31 December 2016 is presented below:

Sl. #	Shares held by	No. of shareholding	Shareholding %
A.	Parent/Subsidiary/Associate Companies and other related parties	0	0
B.1	Directors		
	M. A. Wahhab	5,774,601	3.52
	Md. Monir Hossain	10,261,512	6.25
	M. Mustafizur Rahman	5,085,115	3.10
	Umme Fatima Khaledee Jahan	3,281,266	2.00
	Md. Ershad Ullah	5,797,190	3.53
	Md. Shamsul Islam Varosha	3,281,266	2.00
	Rubaiyat Khaled	3,361,077	2.05
	Khorshed Alam Khan	4,107,175	2.50
	Mohammad Shahidul Islam, FCA	0	0.00
	Dr. M Mosharraf Hossain, FCA	0	0.00
B.2	Executive officers		
	Santanu Saha, Managing Director	0	0
	Mohammed Hafizour Rahman, Chief Financial Officer	0	0
	Sheikh Khaled Zahir, Company Secretary	0	0
c.	Executives		
	Md. Anwar Hussain, Vice President	0	0
	Nazmun Nahar, Assistant Vice President	0	0
	Mohammad Rofiqul Alam, Assistant Vice President	0	0
	Mutiul Aziz Khan, Senior Manager	0	0
	Biplob Saha, Senior Manager	0	0
	Shirina Akter, Senior Manager	0	0
	Mohammad Abdullah Al Mamun, Senior Manager	0	0
	Rokshana Islam, Senior Manager	0	0
	Md. Rezaul Karim, Senior Manager	0	0
	Md. Iqbal Haque Choudhury, Senior Manager	0	0
D.	Shareholders holding 10% or more voting right	0	0

Annex-C

Compliance of corporate governance



Annex-D

Compliance status with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 is as follows:

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.	Board of Directors			
1.1	Board's size: (number of the Board members– minimum 5 and maximum 20)	√		
1.2	Independent Director			
1.2 (i)	At least one fifth (1/5th) of the total number of directors shall be Independent Directors	√		
	Independent director means a director			
1.2 (ii) a)	who does not hold any share or holds less than 1% shares of the total paid-up shares of the company	√		
1.2 (ii) b)	who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	√		
1.2 (ii) c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2 (ii) d)	who is not a member, director or officer of any stock exchange	√		
1.2 (ii) e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2 (ii) f)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	√		
1.2 (ii) g)	who shall not be an independent director in more than 3 (three) listed companies	√		
1.2 (ii) h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non bank financial institution (NBFI)	√		
1.2 (ii) i)	who has not been convicted for a criminal offence involving moral turpitude	√		
1.2 (ii) j)	who shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	√		
1.2 (ii) k)	the post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.2 (ii) l)	the Board shall lay down a code of conduct of all board members and annual compliance of the code to be recorded	√		
1.2 (ii) m)	the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	√		
1.3	Qualification of Independent Director			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	√		
1.3 (ii)	Independent Director should be a Business/Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants/Cost & Management Accountants/Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management /professional experiences	√		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	-	-	Not applicable
1.4	Chairman of the Board and Chief Executive Officer			
	The Chairman of the Board and the Chief Executive Officer shall be filled by different individuals. The Chairman shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.5	The Directors' Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		
1.5 (vi)	Basis for related party transactions -- a statement of all related party transactions should be disclosed	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	√		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	√		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance	√		
1.5 (x)	Remuneration to directors including independent directors	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operation, cash flows and changes in equity	√		
1.5 (xii)	proper books of account of the issuer company have been maintained	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	√		
1.5 (xiv)	IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		
1.5 (xvi)	Going concern (ability to continue as Going Concern)	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained	√		
1.5 (xviii)	Presentation of key operating and financial data for at least last five years	√		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given	-	-	Dividend is recommended for declaration, hence not applicable for the company
1.5 (xx)	The number of Board meetings held during the year and directors attendance	√		
1.5 (xxi)	Pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
1.5 (xxi) a	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) b	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) c	Executives;	√		
1.5 (xxi) d	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1.5 (xxii)	In case of appointment/re-appointment of a director the company shall disclose the following information to the shareholders:			
1.5 (xxii) a	a brief resume of the directors	√		
1.5 (xxii) b	nature of his/her expertise in specific functional areas;	√		
1.5 (xxii) c	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY:			
2.1	Appointment of Chief Financial Officer, Head of Internal Audit and Company Secretary and defining of their respective roles, responsibilities and duties.	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
2.2	The Chief Financial Officer and the Company Secretary shall attend the meetings of the Board of Directors	√		
3.	AUDIT COMMITTEE:	√		
3.(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors	√		
3.(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	√		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	√		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director	√		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experiences	√		
3.1 (iv)	When the term of service of the Committee members expires or any Committee member to be unable to hold office, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy (ies) within 1 month from the date of vacancy(ies) that the number of Committee members never be lower than the prescribed number of 3 (three) persons to ensure continuity of the performance of work of the Audit Committee.	-	-	Not applicable
3.1 (v)	The company secretary shall act as the secretary of the Committee	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select chairman of the Audit Committee who shall be an Independent Director	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting	√		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	3.3 (v) Review along with the management, the annual financial statements before submission to the board for approval	√		
3.3 (vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review the statement of significant related party transactions submitted by the management	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	The uses/applications of fund raised through IPO/RPO/Right issue etc. shall be disclosed by the company to the Audit Committee on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus	-	-	Not applicable
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1 (ii)(a)	report on conflicts of interests;	-	-	No such matters to report
3.4.1 (ii)(b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	-	-	No such matters to report
3.4.1 (ii)(c)	suspected infringement of laws, including securities related laws, rules and regulations;	-	-	No such matters to report
3.4.1 (ii)(d)	any other matter which shall be disclosed to the Board of Directors immediately	-	-	No such matters to report
3.4.2	Reporting to the Authorities			
	If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	-	-	No such matters to report
3.5	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company	√		
4	EXTERNAL/STATUTORY AUDITORS:			
	The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-			

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
4.(i)	Appraisal or valuation services or fairness opinions	√		
4.(ii)	Financial information systems design and implementation	√		
4.(iii)	Book-keeping or other services related to the accounting records or financial statements	√		
4.(iv)	Broker-dealer services	√		
4.(v)	Actuarial services	√		
4.(vi)	Internal audit services	√		
4.(vii)	Any other service that the Audit Committee determines	√		
4.(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	√		
4.(ix)	Audit/Certification services on compliance of Corporate Governance as required under clause (i) of the condition no.7	√		
5.	SUBSIDIARY COMPANY:			
5.(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	-	-	There is no subsidiary company, hence not applicable for the company
5.(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company	-	-	There is no subsidiary company, hence not applicable for the company
5.(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	-	-	There is no subsidiary company, hence not applicable for the company
5.(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	-	-	There is no subsidiary company, hence not applicable for the company
5.(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	-	-	There is no subsidiary company, hence not applicable for the company
6.	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):			
	The CEO and CFO shall certify to the Board that:			
6.(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6.(i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6.(i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6.(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7(i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost & Management accountant/ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		



Partners:
S.M. Shafique FCA
Mujibur Rahman FCA
Md. Abu Sina FCA
Md. Anisur Rahman FCA

Khan Wahab Shafique Rahman & Co. Chartered Accountants



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Auditors' Report to the Shareholders of Fareast Finance & Investment Limited

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements of the company in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of these financial statements of the company that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

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

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- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;
- b. in our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- c. the balance sheet and profit and loss account of the Company together with annexed notes from 1 to 49 dealt with by the report are in agreement with the books of account;
- d. the expenditure incurred was for the purpose of the company's business;
- e. the financial statements of the Company have been drawn up in conformity with the Financial Institution Act, 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- f. the records and accounts of the branches have been properly maintained and consolidated in the financial statements;
- g. FFIL has no subsidiary company and thus its consolidation does not arise during the year under audit;
- h. adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instruction in this regard have been followed properly;
- i. statements sent to Bangladesh Bank has been checked on sample basis and no inaccuracy has come our attention;
- j. taxes and other duties collected and deposited to Government treasury by the company as per Government instructions found satisfactory;
- k. 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 & liabilities;
- l. proper measures have been taken eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank & other regulatory authorities have been found complied ;
- m. the internal control and compliance of the company is satisfactory, and effective measure have been taken to prevent possible fraud, forgery and internal policies are being followed;
- n. the Company has complied with relevant laws pertaining to capital, reserve & net worth, cash & liquid assets and procedure for sanctioning & disbursing loans/leases found satisfactory;
- o. the financial statements of the company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- p. we have reviewed over 80% of the risk weighted assets of the company during the course of our audit and we have spent over 1,280 person-hours for the audit of books and accounts of the company;
- q. All other matters which are important for the stakeholders of the company have been adequately disclosed in the audit report.

Dhaka, April 10, 2017

Khan Wahab Shafique Rahman & Co.

Khan Wahab Shafique Rahman & Co.
Chartered Accountants

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Financial Statements

Financial Statements are the formal record of company's financial statement activities and position. A good financial statement help investors to understand the business, its industry, its motivation and any edge it might have over its competitors. These factors can prove invaluable in helping to explain why the company might be a profitable manner or not.




Fareast Finance & Investment Limited

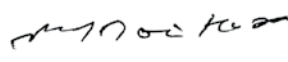
Balance Sheet

as at 31 December 2016

Particulars	Note	Amounts in Taka	
		31.12.2016	31.12.2015
PROPERTY AND ASSETS			
Cash	4	47,716,032	62,516,258
In hand (including foreign currencies)		0	2,070,560
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		47,716,032	60,445,698
Balance with other banks and financial institutions	5	1,491,110,646	711,644,689
In Bangladesh		1,491,110,646	711,644,689
Outside Bangladesh		0	0
Money at call and short notice	6	0	0
Investments	7	278,735,118	378,216,175
Government		0	0
Others		278,735,118	378,216,175
Loans, advances and leases		10,978,996,209	11,322,375,340
Loans, cash credits, overdrafts, leases, etc.	8	10,978,996,209	11,322,375,340
Bills purchased and discounted	9	0	0
Fixed assets including premises, furniture and fixtures	10	26,579,123	22,860,711
Other assets	11	1,194,766,018	999,231,983
Non-business assets	12	0	0
Total assets		14,017,903,146	13,496,845,156
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	13	4,413,677,145	3,795,651,734
Deposits and other accounts	14	6,313,014,900	6,292,635,134
Current deposits		0	0
Bills payable		0	0
Savings deposits		0	0
Term deposits		6,313,014,900	6,292,635,134
Bearer certificate of deposit		0	0
Other deposits		0	0
Other liabilities	15	1,226,505,530	1,282,769,201
Total liabilities		11,953,197,575	11,371,056,069
Capital/Shareholders' equity		2,064,705,571	2,125,789,087
Paid up capital	16	1,640,633,300	1,640,633,300
Statutory reserve	17	242,447,925	221,851,962
Revaluation reserve	11.3.1	98,743,750	98,743,750
Retained earnings	18	82,880,596	164,560,075
Total liabilities and Shareholders' equity		14,017,903,146	13,496,845,156

Particulars	Note	Amounts in Taka	
		31.12.2016	31.12.2015
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	19.1	515,588,000	0
Acceptances and endorsements		0	0
Letter of guarantee		515,588,000	0
Irrevocable letter of credit		0	0
Bills for collection		0	0
Other contingent liabilities		0	0
Other commitments	19.2	0	0
Documentary credits and short term trade related transactions		0	0
Forward assets purchased and forward deposits placed		0	0
Undrawn note issuance and revolving underwriting facilities		0	0
Spot and foreign exchange rate contract		0	0
Undrawn formal standby facilities, credit lines and other commitments		0	0
Total off-balance sheet items including contingent liabilities		515,588,000	0
Net asset value per share		12.58	12.96


M. A. Wahhab
Chairman


Md. Monir Hossain
Vice Chairman


Santanu Saha
Managing Director


Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.

Dhaka, 10 April 2017


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Fareast Finance & Investment Limited

Profit and Loss Account

for the year ended 31 December 2016

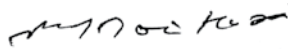
Particulars	Note	Amounts in Taka	
		31.12.2016	31.12.2015
Interest income	21	1,046,426,417	1,326,146,537
Interest expenses on borrowings, deposits, etc.	22	(1,015,504,939)	(1,036,812,658)
Net interest income		30,921,478	289,333,879
Investment income	23	4,557,349	7,334,299
Commission, exchange and brokerage	24	2,009,250	0
Other operating income	25	122,303,475	128,694,930
Total operating income		159,791,552	425,363,108
Salary and allowances	26	55,911,516	18,491,373
Rent, taxes, insurance, electricity, etc.	27	17,721,659	12,877,585
Legal expenses	28	4,489,409	2,771,894
Postage, stamp, telecommunication, etc.	29	1,448,423	972,535
Stationery, printing, advertisements, etc.	30	2,460,133	3,318,511
Managing Director's salary and allowances	31	6,820,300	6,834,400
Directors' fees	32	928,000	638,000
Auditors' fees	33	486,450	345,000
Charges on losses regarding loans, advances and leases		0	0
Depreciation and repairs of company's assets	34	7,452,474	6,932,652
Other operating expenses	35	15,760,968	16,225,044
Total operating expenses		113,479,332	69,406,994
Profit before provisions		46,312,220	355,956,114
Provisions for loans, advances and leases:	36	22,988,471	75,383,460
Provision for the diminution in the value of investments	37	(12,800,216)	37,885,840
Other provisions		0	0
Total provisions		10,188,255	113,269,300
Profit before income tax		36,123,965	242,686,814
Provision for income tax			
Current tax	38	(66,330,573)	39,349,378
Deferred tax	38	(525,276)	(1,637,716)
		(66,855,849)	37,711,662
Net profit after income tax		102,979,814	204,975,152
Retained earnings brought forward from previous years		164,560,075	200,657,179
Profit available for appropriations		267,539,889	405,632,331

Particulars	Note	Amounts in Taka	
		31.12.2016	31.12.2015
Appropriations			
Statutory reserve	17	20,595,963	40,995,030
Cash dividend		164,063,330	160,061,786
Dividend (Bonus shares)		0	40,015,440
		184,659,293	241,072,256
Retained earnings carried to the balance sheet	18	82,880,596	164,560,075
Earnings per share	39	0.63	1.25
Weighted average number of outstanding shares		164,063,330	164,063,330

The annexed notes 1 to 49 form an integral part of these financial statements.



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman



Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.

Dhaka, 10 April 2017


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Fareast Finance & Investment Limited

Cash Flow Statement

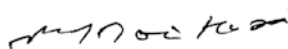
for the year ended 31 December 2016

Particulars	Amounts in Taka	
	31.12.2016	31.12.2015
Cash flows from operating activities		
Interest received	1,053,523,118	1,393,895,363
Interest paid	(1,025,158,970)	(1,037,115,207)
Dividend received	2,508,104	4,221,435
Fees and commission received	2,009,250	0
Recoveries of loan previously written-off	600,000	16,558,421
Income taxes paid	(78,216,060)	(37,560,306)
Received from other operating activities	122,303,475	128,694,930
Payments for other operating activities	(107,178,185)	(87,269,579)
Cash generated from operating activities before changes in operating assets and liabilities	(29,609,268)	381,425,057
Increase/decrease in operating assets and liabilities		
Statutory deposit	0	0
Trading securities	0	0
Loans, advances and leases	342,894,410	(1,304,609,328)
Other assets	(145,309,943)	(128,107,656)
Deposit and other accounts	20,379,766	1,182,477,143
Net drawdown of short term loans	86,623,131	93,031,815
Other liabilities on account of customers	15,150,313	(187,088,106)
Trading liabilities	0	0
Other liabilities	17,293,223	8,881,767
	337,030,900	(335,414,365)
Net cash from operating activities	307,421,632	46,010,692
Cash flows from investing activities		
Proceeds from sale of securities	253,691,777	874,537,441
Payments for purchase of securities	(152,161,476)	(936,698,844)
Purchase of fixed assets including premises, furniture and fixtures	(10,042,238)	(5,914,161)
Proceeds from sale of fixed assets including premises, furniture and fixtures	-	-
(Increase)/decrease regarding purchase and sale of subsidiary	(1,582,914)	(8,524,703)
Net cash used in investing activities	89,905,149	(76,600,267)
Cash flows from financing activities		
Receipt of borrowings from other banks, financial institutions and agents	1,859,280,000	1,783,320,000
Repayment of borrowings from other banks, financial institutions and agents	(1,327,877,720)	(1,042,120,965)
Receipt against issue of share capital	-	-
Increase/(decrease) in revaluation reserve	-	-
Dividend paid in cash	(164,063,330)	(160,061,786)
Net cash from financing activities	367,338,950	581,137,249

Particulars	Amounts in Taka	
	31.12.2016	31.12.2015
Net increase/(Decrease) in cash and cash equivalents	764,665,731	550,547,674
Effects of exchange rate changes on cash and equivalents	0	0
Cash and cash equivalents at beginning of the year	774,160,947	223,613,273
Cash and cash equivalents at the end of the year	1,538,826,678	774,160,947
Cash and cash equivalents at the end of the year		
Cash in hand (including foreign currencies)	0	2,070,560
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	47,716,032	60,445,698
Balance with other banks and financial institutions	1,491,110,646	711,644,689
Money at call and short notice	0	0
	1,538,826,678	774,160,947



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman

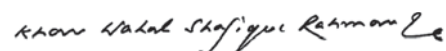


Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.



Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Dhaka, 10 April 2017

Fareast Finance & Investment Limited

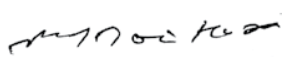
Statement of Changes in Equity

for the year ended 31 December 2016

Particulars	Paid up capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka
Balance at 01 January 2015	1,600,617,860	180,856,932	98,743,750	200,657,179	2,080,875,721
Changes in accounting policy(s)	0	0	0	0	0
Restated balance	1,600,617,860	180,856,932	98,743,750	200,657,179	2,080,875,721
Surplus/deficit on account of revaluation of properties	0	0	0	0	0
Surplus/deficit on account of revaluation of investments	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Net gains and losses not recognized in the profit and loss account	0	0	0	0	0
Net profit for the year	0	0	0	204,975,152	204,975,152
Dividend (Bonus shares)	40,015,440	0	0	(40,015,440)	0
Cash dividend	0	0	0	(160,061,786)	(160,061,786)
Issue of share capital	0	0	0	0	0
Appropriations during the year	0	40,995,030	0	(40,995,030)	0
Revaluation of Fareast Stocks & Bonds Ltd. (note-11.3.1)	0	0	0	0	0
Balance as at 31 December 2015	1,640,633,300	221,851,962	98,743,750	164,560,075	2,125,789,087
Balance at 01 January 2016	1,640,633,300	221,851,962	98,743,750	164,560,075	2,125,789,087
Changes in accounting policy(s)	0	0	0	-	0
Restated balance	1,640,633,300	221,851,962	98,743,750	164,560,075	2,125,789,087
Surplus/deficit on account of revaluation of properties	0	0	0	0	0
Surplus/deficit on account of revaluation of investments	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Net gains and losses not recognized in the profit and loss account	0	0	0	0	0
Net profit for the year	0	0	0	102,979,814	102,979,814
Cash dividend	0	0	0	(164,063,330)	(164,063,330)
Dividend (Bonus shares)	0	0	0	0	0
Issue of share capital	0	0	0	0	0
Appropriations during the year	0	20,595,963	0	(20,595,963)	0
Revaluation of Fareast Stocks & Bonds Ltd. (note-11.3.1)	0	0	0	0	0
Balance as at 31 December 2016	1,640,633,300	242,447,925	98,743,750	82,880,596	2,064,705,571



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman




Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.



Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Dhaka, 10 April 2017

Fareast Finance & Investment Limited

Liquidity Statement

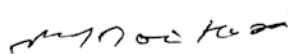
(Analysis of maturity of assets and liabilities)

for the year ended 31 December 2016

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash in hand (including balance with Bangladesh Bank)	47,716,032	0	0	0	0	47,716,032
Balance with other banks and financial institutions	291,110,646	400,000,000	800,000,000	0	0	1,491,110,646
Money at call and short notice	0	0	0	0	0	0
Investments	278,735,118	0	0	0	0	278,735,118
Loans, advances and leases	1,108,929,430	467,309,190	2,414,866,864	4,072,199,172	2,915,691,553	10,978,996,209
Fixed assets including premises, furniture and fixtures	8,106	0	53,328	21,013,325	5,504,364	26,579,123
Other assets	183,767,700	11,994,867	224,419,808	154,081,803	620,501,840	1,194,766,018
Non-business assets	0	0	0	0	0	0
Total assets	1,910,267,032	879,304,057	3,439,340,000	4,247,294,300	3,541,697,757	14,017,903,146
Liabilities						
Borrowings from other banks, financial institutions and agents	638,967,867	289,684,742	1,289,113,540	2,195,910,996	0	4,413,677,145
Deposits and other accounts	366,050,316	164,270,037	267,895,984	5,493,774,144	21,024,419	6,313,014,900
Provision and other liabilities	215,406,673	86,420,173	223,479,885	611,419,955	89,778,844	1,226,505,530
Total liabilities	1,220,424,856	540,374,952	1,780,489,409	8,301,105,095	110,803,263	11,953,197,575
Net liquidity gap	689,842,176	338,929,105	1,658,850,591	(4,053,810,795)	3,430,894,494	2,064,705,571



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman

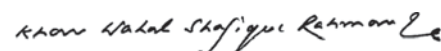


Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.



Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Dhaka, 10 April 2017

Fareast Finance & Investment Limited

Notes to the Financial Statements and significant accounting policies

As at and for the year ended 31 December 2016

(forming an integral part of the financial statements)

1. Legal status and nature of the company

1.1 Domicile, legal form, country of incorporation and status of the company

Fareast Finance & Investment Limited ("the company") was incorporated in Bangladesh as a public limited company with limited liability on 21 June 2001 under the Companies Act, 1994. The company was authorized to commence business in Bangladesh as per Certificate of Commencement dated 21 June 2001.

The company obtained license from Bangladesh Bank as a Financial Institution under the Financial Institutions Act, 1993 to operate as a leasing and financing company on 03 July 2001.

1.2 Address of registered office and place of business of the company

The registered office of the company is at Eunoos Centre (8th level), 52-53, Dilkusha Commercial Area, Dhaka-1000, Bangladesh. Company's principal office is also situated at the same address and at present, the company has also two branch offices at Chittagong and Dhaka in Bangladesh.

1.3 Principal activities of the company

The company concentrates its activities for full payout leases and term finances, extended on the basis of recovering the full capital cost of the asset/finance, plus imputed interest charges. The company eventually will seek to broaden its leasing and financing services by entering into vendor programs with asset suppliers, underwriters, brokers, leveraged leases, lease syndications, sale and lease back finances, financing for business expansions and temporarily financed assets. The company may extend guarantees for lease/finance obligations to other institutions/companies subject to the Laws and Rules of the Government of the Peoples' Republic of Bangladesh.

1.4 Nature of operation of the company

The company extends lease finance for all types of machinery, equipment, household durables including vehicles for the purpose of industrial, commercial, agricultural and personal use in Bangladesh and also term finance to its clients within the purview of the Law.

1.5 Information regarding associate company

The company has 1 (one) associate company namely Fareast Stocks & Bonds Limited (fifty percent shareholding), was incorporated on 03 September 2009 as a private limited company under The Companies Act, 1994 with authorized share capital of Tk.1,500,000,000. The company had started its operation from 27 April 2010. Subsequently it has been converted into public limited company on 17 October, 2012. The main business of the company is to carry on the business as a stock broker, stock dealer in stocks and dealing in securities, commercial papers, bonds, debenture stocks, foreign currencies, treasury bills/bonds and/or any financial instruments.

1.6 Number of employees of the company

The number of employees of the company was sixty five and forty nine at the end of the year 2016 and 2015 respectively.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the basis of going concern concept under historical cost conventions in

accordance with Generally Accepted Accounting Principles (GAAP) and after due compliance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB).

2.2 Basis of measurement

The financial statements have been prepared using the accrual basis of accounting except for the cash flow information where the material class of similar item has been presented separately. The accounting policies have been consistently applied by the company and are consistent with those of the previous year.

2.3 Statement of compliance

The financial statements have been prepared in compliance with the requirements the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and other applicable laws and regulations.

2.4 Basis of presentation

The presentation of financial statements has been made in accordance with the DFIM Circular No. 11 dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. All financial information presented in Bangladesh Taka (BDT) which has been rounded off to the nearest Taka.

2.5 Uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of other information at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for accounting of certain items such as depreciation on fixed assets, accrued expenses and income taxes in respect of note numbers 10, 15.1 and 15.4 respectively.

2.6 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for all Non-Banking Financial Institutions in Bangladesh. Some of the requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of BAS/BFRS. To comply with the Bangladesh Bank's rules and regulations, the company has departed from those contradictory requirements of BAS/BFRS.

2.7 Cash flow statement

Cash flow statement is prepared in accordance with BAS 7: "Cash Flow Statement", DFIM circular # 11 dated 23 December 2009 and as recommended by the Securities and Exchange Rules 1987. The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. Cash and cash equivalents include notes and coins on hand, unrestricted balance held with the Bangladesh Bank and its agent bank including balances with other commercial banks. It is broken down into operating activities, investing activities and financing activities. The direct method is used to show the operating activities.

According to BAS 7: "Cash Flow Statements", cash comprises cash in hand and demand deposits and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Considering the provisions of BAS 7 and BAS 1, cash in hand, fixed deposits and bank balances have been considered as cash and cash equivalents.

2.8 Statement of changes in equity

The statement of changes in equity is prepared in accordance with BAS 1: "Presentation of Financial Statements" and DFIM Circular # 11 dated 23 December 2009.

2.9 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared in accordance with the guidelines issued by Bangladesh Bank through DFIM circular # 11 dated 23 December 2009 as per following bases:

- a) Balance with other banks and financial institutions are on the basis of their maturity term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans, advances and leases are on the basis of their repayment/maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment terms.
- f) Borrowings from other banks, financial institutions and agents as per their maturity/ repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and behavioral past trends.
- h) Other liabilities are on the basis of their settlement terms.

2.10 Contingent liabilities and contingent assets

The company does not recognize contingent liabilities and contingent asset but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

2.11 Proposed dividend

Proposed dividend has not been recognized as a liability in the balance sheet in accordance with BAS 10: "Events after the Reporting Period".

2.12 Events after the Reporting Period

All material events occurring after the reporting period has been considered and where necessary, adjusted for or disclosed in note-47.

2.13 Provision for income tax

BAS 12: "Income Taxes" and Income Tax ordinance 1984 have been used for the calculation of deferred tax and current tax expense respectively. Provision for income tax represents the sum of the current tax expense and deferred tax expense.

a) Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in succeeding years and it further excludes items that are never taxable or deductible.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

b) Deferred tax expense

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

2.14 Fixed assets

All fixed assets are stated at cost less accumulated depreciation as per BAS 16: "Property, Plant and Equipment". The cost of acquisition of an asset comprise its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the items can be measured reliably. Normal expenditure incurred after the assets have been put into operation such as repairs and maintenance other than major replacements, renewals and or betterment of the assets are charged off as revenue expenditure in the period in which it is incurred.

Depreciation on fixed assets has been charged only from the month of acquisition of the asset (if purchased on or before fifteenth day of the month) to the end of the year and in case of assets disposed off, no depreciation on the assets has been charged on the month of disposal of assets. Depreciation on all assets is computed to write off over the estimated useful economic lives of the assets.

Depreciation on fixed assets under company's own use is charged on straight-line method throughout the estimated useful lives of the assets.

The annual depreciation rates applicable to the class of assets are as follows:

Item of assets	Rate (%)
Furniture	18
Office equipment	20
Office software	20
Office crockery	20
Motor vehicle	20

2.15 Impairment of assets

In each year the management assess whether there is any indication that the assets may be impaired in accordance with BAS 36: "Impairment of Assets" considering the current economic situations. Management concludes that there is no such indication exists.

2.16 Accounts receivable

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, term deposits and investments in call loan that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

2.18 Accounting for investment in leases

As per BAS 17: "Leases", the company recognizes leased assets in the balance sheet and presents them as receivable at an amount equal to the net investment in the lease. Under a finance lease all the risks and rewards incident to legal ownership are transferred by the company, and thus the lease payment receivable is treated as repayment of principal and finance income to reimburse and reward for its investment and services. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

2.19 Accounting for term finances

As per IFRS 7: "Financial Instruments: Disclosures", term finances given by the company are recognized as financial asset on its balance sheet when and only when, the company becomes a party to the contractual provisions of the finances and have a contractual right to receive cash or another financial asset from the finance. Subsequently, the financial assets are presented in the balance sheet at amortized cost using the effective interest rate method.

2.20 Accounting for investment in associates

An associate is an entity in which the company has significant influence and which is neither a subsidiary nor a joint venture. The company's investment in associate is accounted for in the financial statements using the equity method in accordance with BAS 28: "Accounting for investment in associates". Such investments are classified as other assets in the balance sheet and the share of profit/loss of such investment is classified under other operating income in the profit and loss account.

2.21 Recognition of leased assets

Company's leased assets are stated at the gross lease receivables less the unearned lease income. Lease payments relating to the accounting period are applied against the gross investment in the lease to reduce both the principal and the unearned lease income.

2.22 Recognition of term finances

Term finances are stated at the initial investment less accumulated principal amortization calculated under effective interest rate method. Initial investment represents principal finance and capitalization of interest accumulated before starting repayment and amortization rate under effective interest rate method represents the rate that exactly discounts the expected stream of future cash payments through maturity.

2.23 Recognition of investment in associate

Recognition of income on the basis of distributions received from associate may not be an adequate measure of the income earned by the Company on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because of the company has significant influence over the associate; the company has an interest in the associate's performance and as a result the return of investment. The company's accounts for this interest by extending the scope of its financial statements to include its share of profit/loss of such an associate. As a result application of the equity methods provides more informative reporting of the net asset and profit or loss of the investor.

2.24 Provision for loans, advances and leases

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations.

No provision is recognized for any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or any present obligation that arises from past events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimates of the amount of obligation can not be made.

The company evaluates its loans, advances and leases portfolio on regular intervals and maintains its provision requirement at a level adequately considering the identifiable and unforeseen losses in the portfolio and also the quality of the portfolio commensurate with changes in the economic conditions.

The following three principles are followed to estimate the company's provision:

- Bangladesh Bank guidelines relating to classification and provisioning of loans, advances and leases.
- BAS 37: "Provisions, Contingent Liabilities and Contingent Assets".
- Management consideration regarding the quality of portfolio.

Provision has been recognized as on the date of the balance sheet and charged to the profit and loss accounts on incremental basis.

2.25 Write-off

Write-off refers to an investment from which recovery becomes difficult and legal proceedings are started against the investment. Through write-off investment is removed from the company's balance sheet. Recovery against debts written off is credited to revenue.

2.26 Depreciation of assets under finance lease

As per BAS 17: "Leases", the company recognizes its assets, taken on lease as its assets under fixed assets and liabilities in the Balance Sheet at amounts equal at the inception of the lease to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The depreciation policy for depreciable leased assets is consistent with that of depreciable assets owned, and the depreciation recognized is calculated on the basis set out in BAS 16: "Property, Plant and Equipment".

2.27 Investment in shares

Investment in shares are treated as financial asset as per BAS 32: "Financial Instruments: Presentation", classified as financial asset at fair value through profit and loss as per BAS 39: "Financial Instruments: Recognition and Measurement" and are recognized as current investment and shown in the Balance Sheet under the current assets and investments head.

Investment in shares has been shown at fair value considering the Bangladesh Bank guidelines and SEC notifications in this regard.

Provision has been made for reduction in market price of shares as on the date of the balance sheet and charged to the profit and loss accounts on incremental basis.

2.28 Borrowings from other banks, financial institutions and agents

In conformation to DFIM circular # 11 dated 23 December 2009 issued by Bangladesh Bank, borrowings from other banks, financial institutions and agents are placed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

2.29 Deposits and other accounts

The company takes term deposits from banks, financial institutions and general public at various rates against issuance of fixed deposits receipts within the parameters set by Bangladesh Bank through different circulars.

The company places the deposits and other accounts into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date considering the DFIM circular # 11 dated 23 December 2009 issued by Bangladesh Bank.

2.30 Interest suspense account

According to Bangladesh Bank's guidelines relating to classification and provisioning of loans, advances and leases, interest included in the overdue having status other than standard are not recognized as income rather transferred to interest suspense account. Recovery of overdue balances credited to interest suspense account is recognized as income on cash basis.

2.31 Revenue recognition

The revenue is recognized after satisfying all the conditions for revenue recognition as provided BAS 18: "Revenue". Detailed income wise policy for revenue recognition is as under:

a) Interest income on loans, advances and leases

Interest on loans is recognized as income at the time of its becoming receivable from the client.

As per BAS 17: "Leases", finance income are recognized as income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Interest included in the installments against the loans, advances and leases, which are in standard status as per Bangladesh Bank's guidelines relating to classification and provisioning of loans, advances and leases are recognized as income irrespective of received or not.

In case of loans, advances and leases, which are in status other than standard mentioned above, interest included in the overdue installments are not recognized as income.

Interest accrued on loans, advances and leases for the period from the due date in December to the balance sheet date is recognized as income (on time proportion basis).

b) Capital gain

Capital gain on sale of shares listed in the stock exchanges is recognized on cash basis. Company does not recognize the unrealized capital gain in the profit and loss account.

c) Dividend income

Dividend income has been accounted for when the right to receive the dividend is established.

d) Commission income

Commission income has been accounted for on cash basis.

e) Other operating income

Income classified as fee has been accounted for on cash basis.

Profit or loss on sale of leased assets has been accounted for on completion of sale basis at the time of sale of the respective leased asset as per BAS 17: "Leases".

Profit or loss on sale of fixed assets has been accounted for on completion of sale basis at the time of sale of the respective fixed asset as per BAS 16: "Property, Plant and Equipment".

Income from associate has been accounted for using the equity method under BAS 28: "Accounting for investment in associates".

2.32 Post employment benefits to the employees

The retirement benefits accrued for the employees of the company as on the reporting date have been accounted for in accordance with the provisions of BAS 19: "Employee Benefit". Bases of enumerating the retirement benefits schemes operated by the company are outlined below:

a) Provident fund

There is a provident fund scheme under the defined contribution plan. The fund is operated by a separate Board of Trustees. All eligible employees contribute 10% of their basic pay to the fund.

The company also contributes equal of employee's contribution to the fund. Benefits from the fund are given to eligible employees at the time of retirement/resignation as per approved rules of the fund.

The financial statements are duly prepared for the provident fund as per the requirements of BAS 26: "Accounting and Reporting by Retirement Benefit Plans".

b) Staff gratuity

The company has a separate Board of Trustees for operating the staff gratuity fund. Employees of the company, who served the company for five years or above is entitled to get gratuity benefit at rates determined by the approved rules of the fund.

The financial statements are duly prepared for the gratuity fund as per the requirements of BAS 26: "Accounting and Reporting by Retirement Benefit Plans".

2.33 Other benefits to the employees

Other benefits to the employees of the company are as follows:

a) Group life insurance scheme and Hospitalization assurance plan

The company operates a group life insurance scheme and Hospitalization assurance plan for its permanent employees.

b) Employee transport facility

The company provides car as well as car loan facility to the employee as per Transport Policy of the company. This policy is made to provide transport facilities and transport loan and assistance to the entitled employees as per terms of employment and also to facilitate procurement and maintenance of vehicle for the entitled employees of the company. This policy is applicable for the employees in the following three ways:

- Vehicle facility under company management.
- Vehicle facility under loan facility.
- Vehicle facility under pool service.

c) Mobile facilities

The company provides all confirmed employees of the company starting from officers and above positions mobile phone set and monthly bill for using mobile within the limit as per Policy for Mobile Phone Facilities of the company.

d) Payment of professional fees

The company makes payment of all kind of professional fees relating to the professional institutes to all professional degree holder employees of the company as per Policy for payment of professional fees of the company.

2.34 Foreign currency transaction**a) Functional and presentational currency**

Financial statements of the company are presented in Taka, which is the company's functional and presentational currency.

b) Foreign currency translation

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transaction as per BAS 21: "The Effects of Changes in Foreign Exchange Rates".

2.35 Borrowing costs

Interest on borrowings of fund from different sources is recognized as financial expenses according to BAS 23: "Borrowing Costs". Interest amount represents the amount paid and accrued up to the end of the year.

2.36 Related party transactions

The managements duly identified the party/parties related to the company and disclose the transactions of the related party

in note # 42 as per BAS 24: "Related Party Disclosures".

2.37 Earnings per share (EPS)

The company calculates earnings per share (EPS) in accordance with BAS 33: "Earnings Per Share" shown on the face of the profit and loss account while, the computation of EPS is stated in note-39.

Basic earnings per share

This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

For calculation of basic earnings and weighted average number of ordinary shares outstanding during the year, the following formulas have been used:

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary share issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days the specific shares outstanding as a proportion of the total number of days during the year.

Diluted earnings per share

No diluted earnings per share are required to be calculated for the year, as there was no scope for dilution during the year under review.

2.38 Provision for liabilities

According to BAS 37: "Provision, Contingent Liabilities and Contingent Assets" the company recognizes the provision in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations.

2.39 Derivatives

According to IFRS 7: "Financial Instruments: Disclosures", the company was not a party to any derivative contract (financial instruments) at the Balance Sheet date, such as forward exchange contracts, currency swap agreement or contract to hedge currency exposure related to import of capital machinery to be leased to lessees in future.

2.40 Risk management

For a financial institution risk is the vital part of its daily life. Identification, measurement, management perception about those risks, their control and or countermeasures works as the life line of the institution. Most of the times only credit risk is considered as risk to be evaluated at the time of lending decision. But except credit risk there is also some more kind of risk that is also aligning in financial business sector. The major risks that are faced by Fareast Finance & Investment Limited as a financial institution are as follows:

a) Credit risk

Credit risk refers to the probability that a counter party will not repay its financial obligations in due time. As a lending institution credit risk cannot be eliminated but reduced at a minimum level and managed. The recent global financial meltdown

underscored the importance of a proper credit risk management system.

Fareast Finance management has established an independent credit risk management unit who will supervise, review and undertakes multi-tier term/lease approval process, in depth analysis of the borrower in view of financial strength, managerial capacity, industry prospect and macroeconomic scenario. Credit Administration ensures that all documentations are properly completed and monitor the repayment performance on regular basis, disbursement is made upon independent recommendation by the compliance department, the credit committee regularly meets to review new credit proposals as well as performance of existing portfolios.

b) Interest rate risk

Interest rate risk is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loan/investment raise the rate of interest. Increase in interest rate of borrowings could narrow or eliminate the spread, or result in a negative spread and could adversely affect the business and future financial performance resulting from high cost of fund of a company.

Company's investments are generally structured at fixed rates for a specified term. But, in case of exigency like unusual and abrupt increase in borrowing rate, the company has a scope to increase the lending rate which mitigates the risk. Again company always tries to reduce the interest rate risk by diversifying the borrowing from different sources at different rates.

c) Liquidity risk

Liquidity risk management involves the ability to manage and maintain adequate financial liquidity at all times. Good liquidity risk management results Fareast Finance's position to meet all its obligations to fulfillment of commitments in due time. Sometimes critical importance is the need to avoid having to liquidate assets or to raise funds at unfavorable terms resulting in financial loss. Prudent liquidity management is of paramount importance as the ultimate cost of a lack of liquidity is being out of business. Liquidity risk management of Fareast Finance is well managed by the Treasury Department by assessing the availability of fund to meet its investment requirement as well as to discharge short term and long term financial obligations. The purpose of managing liquidity risk is to ensure that all upcoming funding commitments and deposit encashment that can be met within due time. In addition to that the Asset Liability Management Committee (ALCO) meets frequently to review the mismatches in liquidity if any and recommends encountering and mitigating the risk.

d) Operational risk

Operational risk addresses the risk associated with fraud, forgery, unauthorized activities, error, omission, system failure and external events among others. Some more operational events are including operational errors, non compliance with internal regulations, non-compliance of legal requirements, launching new products without adequate operational support, rouge traders etc.

In order to monitor and manage the risk arising from all operational activities, an appropriate organizational structure is second to none. Fareast Finance's Management manages to place proper organizational structure with proper segregation of duties and delegation of authorities. Fareast Finance has independent Credit Risk Management (CRM) Department, independent Treasury Department, independent Internal Control & Compliance Department, independent Finance & HR Department and independent Information & Communication Technology Department for technical services to operate the organization smoothly as per Bangladesh Bank's directives.

e) Market risk

Market risk is the risk that may hamper Fareast Finance's earnings and capital due to changes in the market level of interest rates, securities, equities as well as the volatilities of those prices. Volatility of money market, which ultimately imposes upward pressure on interest rate structure, may erode the Company's profitability. Devaluation of local currency against major international currencies affects business performance of import based companies or companies borrowed in foreign currency adversely. Inability to offer on to a proactive and competitive posture due to lack of market access and inability to offer competitive products will hinder the Company's growth potential.

The Company is less dependent on short-term borrowings rather depends on term deposit and line of credit facilities from commercial banks for funding its business activities. The renewal rate of its maturing deposits mitigates the interest rate risk. As far as interest on term loan is concerned, rise in interest rate of borrowing results in increase of lending rate to clients. Fareast Finance does not have any foreign currency loan. Moreover, since it is a leasing company it imports equipment, plant & machinery etc. to lease out to the prospective clients. In case of currency fluctuation it is the prospective client who ultimately takes the risk. The treasury department reviews and prepares a report on the trend of market interest rate movement and carry out asset liability gap analysis. To manage the market risk Fareast Finance has managed to arrange the funding facilities with competitive interest rate to match with maturity. It also maintains a new spread investment plans and practical provisioning policy. Fareast Finance with its strong earning capacity, favorable credit rating and market goodwill can access to money market with a competitive rate.

f) Industry risk

Industry risk refers to the risk of increased competition from foreign and domestic sources leading lower revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Fareast Finance is operating in a highly competitive market. Some of the competitors have more resources, broader range of products, complementary lines of business etc. It is, therefore, very difficult to predict in advance the movement of the competitors in the coming years.

Fareast Finance has a sound financial base. Besides, this company has strong capital base and a successful history of sustainable growth for more than a decade. Fareast Finance always strives to provide products according to customers' needs with a personalized service. Continuous efforts for mobilizing funds at competitive prices from different sources will make the company competitive in the market.

g) Technology risk

Technology always plays an essential role in any business concern that ensures better services to the customers and reduces the cost in various aspects. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Besides, any severe defects in the software and hardware may have an effect on productivity and profitability due to additional investment for replacement or maintenance.

As a financial institution Fareast Finance is operating within the legal framework prevailing in the country which has little scope of introducing completely new technology. However, management of the company is aware of recent development and implementation of appropriate technology and is committed to adopt new technology and keeps their employees up-to-date on those by providing necessary training.

h) Risk related to rules and regulations

Company operates under The Companies Act, 1994, The Financial Institutions Act, 1993, The Financial Institutions Regulations, 1994, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax Act, 1991, Value Added Tax Rules, 1991, Customs Act, 1969 and other related regulations. Any abrupt change in the above Acts or of the policies made by the regulatory authorities may have unfavorable affect on the business of the company.

Unless any existing act/rule/regulation is fully cancelled or changed it may not have much negative impact or materially affect the industry as a whole and hence the business of the company is expected not to be affected significantly. Financial sector in Bangladesh is a sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government/Central Bank will initiate any fiscal measure having adverse effect on the growth of the industry.

i) Risk related to changes in global policies

Changes in the global policies can have either positive or negative impacts for the company. The performance of the company will be hindered due to unavoidable worldwide circumstances like political turmoil. Since the risk involved with the potential changes in global policies is a macro factor, it is beyond the control of Fareast Finance & Investment Limited.

The management of Fareast Finance & Investment Limited is always concerned about the prevailing and upcoming future changes in the global policies and shall response appropriately and timely to safeguard its interest. Due to maintaining a diversified portfolio in major sectors of industries in line with the country's growth scenario as well as industrial policy, the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which Fareast Finance will achieve its maximum potential.

j) Exchange rate risk

Generally this type of risk arises from exchange rate fluctuations when any institution holds foreign currency fund or raises loan in foreign currencies or deals in foreign currencies.

According to the act Fareast Finance is not authorized by Bangladesh Bank to deal in foreign currencies. Hence Fareast Finance does not borrow in foreign currencies nor it deals in foreign currencies directly except opening of letter of credit on behalf of its customers. In that case proper measures are taken to shift the risk to the customer's end. Therefore, such foreign currencies fluctuations will not have any adverse impact on the company.

k) Compliance risk

Internal control and compliance contains self-monitoring mechanisms, and actions taken to correct deficiencies as they are identified. Since financial service activities are conducted within a framework of obligations imposed by regulators, complying with such requirements in not optional but mandatory for financial institutions. The consequences of non compliance include fines, public reprimands and enforced supervision of operation or withdrawal of authorization to operate, any of which can lead to loss of reputation particularly through adverse publicity in national media.

The company has been practicing internal control system based on the guidelines framed by Bangladesh Bank. Internal control and compliance department of Fareast Finance covers all areas of company's operational activities where risk of operational losses may arise as well as to ensure that everyone understands their roles and responsibilities in this process. All employees are expected to observe the professional and institutional code of conduct.

l) Non operation of business

If the company becomes non operative for any reason, company's investment will not be returned and the shareholders will suffer huge loss.

Fareast Finance & Investment Limited does not have any history of non operation to date. The company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws implemented by the Government. Besides, the company's financial strength is satisfactory. The Company is staffed with expert management team and guided by experienced Directors to make the company more efficient and stronger in the financial sector. So, the chance of becoming non-operative for the company is very low.

Keeping in view with the divergence of skill levels and available resources, a modest beginning was focused with sensitivity and scenario analysis considering different types of risks. In light of the calculations, Fareast Finance & Investment Limited was able to maintain its capital adequacy ratio above the required level after considering highest level cumulative shock of all risks. At the same time the company was able to maintain its liquidity ratio at satisfactory level after considering highest level of liquidity shock which reflects that the company is able to keep strong position in the market for having better risk management policy.

m) Maturity gap risk

The duration of assets is larger than the duration of liabilities, the duration gap is positive. In this situation, if interest rates rise, assets will lose more value than liabilities, thus reducing the value of the firm's equity. If interest rates fall, assets will gain more value than liabilities, thus increasing the value of the firm's equity.

Conversely, when the duration of assets is less than the duration of liabilities, the duration gap is negative. If interest rates rise, liabilities will lose more value than assets, thus increasing the value of the firm's equity. If interest rates fall, liabilities will gain more value than assets, thus reducing the value of the firm's equity.

By duration matching, that is creating a zero duration gap, the firm becomes immunized against interest rate risk. Duration has a double-facet view. It can be beneficial or harmful depending on where interest rates are headed.

To mitigate risk, the management carefully analyzes the maturity gap on varieties of levels. To deal with those sorts of risk management concentrates on the various categories of risk and their impact on different levels of the organization. To minimize the risk at a tolerable level the gap between the cash out and inflows management is closely following up and necessary measures are taken by the management.

3 Additional information on financial statements

3.1 Responsibility for preparation and presentation of financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements under section 183 of the Companies Act 1994.

3.2 Components of the financial statements

Following the BAS 1: "Presentation of Financial Statements", the company's complete set of financial statements include the following components:

- a) a statement of financial position (Balance Sheet) as at 31 December 2016
- b) a statement of comprehensive income (Profit and Loss Account) for the year ended 31 December 2016
- c) Cash Flow Statement for the year ended 31 December 2016
- d) Statement of Changes in Equity for the year ended 31 December 2016
- e) Liquidity Statement as at 31 December 2016
- f) Notes to the Financial Statements and significant accounting policies.

3.3 Comparative information

As per paragraph 38 of BAS 1: "Presentation of Financial Statements" the company has disclosed comparative information in respect of the previous period for all amounts reported in the current period's financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Figures of the previous period have been rearranged whenever considered necessary to ensure comparability with the current year.

3.4 Compliance with BFRS and BAS

The financial statements have been prepared in compliance with the requirements of the following BFRS and BAS

Sl. #	BFRS & BAS #	Name of BFRS and BAS	Status
1	BFRS 1	First time Adoption of International Financial Reporting Standards	Not applicable
2	BFRS 2	Share-based Payment	Not applicable
3	BFRS 3	Business Combinations	Not applicable
4	BFRS 4	Insurance Contracts	Not applicable
5	BFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not applicable
6	BFRS 6	Exploration for and Evaluation of Mineral Resources	Not applicable
7	BFRS 7	Financial Instruments: Disclosures	Applied*
8	BFRS 8	Operating Segments	Not applicable
9	IFRS 9	Financial Instruments	Not adopted
10	BFRS 10	Consolidated Financial Statements	Not applicable
11	BFRS 11	Joint Arrangements	Not applicable
12	BFRS 12	Disclosure of Interest in Other Entities	Not applicable
13	BFRS 13	Fair Value Measurement	Not applicable
14	BAS 1	Presentation of Financial Statements	Applied
15	BAS 2	Inventories	Not applicable
16	BAS 7	Cash Flow Statements	Applied
17	BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied
18	BAS 10	Events after the Reporting Period	Applied
19	BAS 11	Construction Contracts	Not applicable
20	BAS 12	Income Taxes	Applied
21	BAS 16	Property, Plant and Equipment	Applied
22	BAS 17	Leases	Applied
23	BAS 18	Revenue	Applied
24	BAS 19	Employee Benefits	Applied
25	BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
26	BAS 21	The Effects of Changes in Foreign Exchange Rates	Applied
27	BAS 23	Borrowing Costs	Applied
28	BAS 24	Related Party Disclosures	Applied
29	BAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied
30	BAS 27	Consolidated Financial Statements	Not applicable
31	BAS 28	Investments in Associates	Applied
32	BAS 31	Interests in Joint Ventures	Not applicable
33	BAS 32	Financial Instruments: Presentation	Applied*
34	BAS 33	Earnings Per Share	Applied
35	BAS 34	Interim Financial Reporting	Applied
36	BAS 36	Impairment of Assets	Applied
37	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied
38	BAS 38	Intangible Assets	Applied
39	BAS 39	Financial Instruments: Recognition and Measurement	Applied*
40	BAS 40	Investment Property	Not applicable
41	BAS 41	Agriculture	Not applicable

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note-2.6).

3.5 Reporting period

Financial statements of the company cover one calendar year from 01 January to 31 December, 2016 consistently.

		Amounts in Taka	
		31.12.2016	31.12.2015
4.	Cash		
4.1	Cash in hand (including foreign currencies)		
	In local currency	-	2,070,560
	In foreign currency	-	-
		-	2,070,560
4.2	Balance with Bangladesh Bank and its agent banks (including foreign currencies)		
	In local currency	47,716,032	60,445,698
	In foreign currency	-	-
		47,716,032	60,445,698
4.3	Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)		
	Cash Reserve Requirement @ 2.5% and Statutory Liquid Ratio @ 5% have been calculated and maintained in accordance with FID Circular # 02 and 06 dated 10 November 2004 and 31 May 2001 respectively. Details calculation are as follows:		
	a) Cash Reserve Requirement		
	Required reserve	44,181,536	54,841,613
	Actual reserve maintained	47,716,032	60,445,698
	Surplus/(deficit)	3,534,496	5,604,085
	b) Statutory Liquidity Ratio		
	Required reserve (including CRR)	116,794,697	141,509,412
	Actual reserve maintained (including CRR) (note-4.3.1)	1,544,173,104	779,610,028
	Surplus/(deficit)	1,427,378,407	638,100,616
4.3.1	Actual reserve maintained (including CRR)		
	Cash in hand	-	2,070,560
	Balance with Bangladesh Bank and its agent banks as per bank statement	47,716,032	60,445,698
	Balance with other banks and financial institutions as per bank statement	1,466,457,072	717,093,770
		1,544,173,104	779,610,028
5.	Balance with other banks and financial institutions		
	In Bangladesh		
	Current accounts (note-5.1)	2,830,459	2,971,359
	Short term deposit accounts (note-5.2)	8,280,187	8,673,330
	Savings accounts (note-5.3)	-	-
	Fixed deposit accounts (note-5.4)	1,480,000,000	700,000,000
		1,491,110,646	711,644,689
	Outside Bangladesh		
		-	-
		-	-
	The company does not maintain any account outside Bangladesh.		

		Amounts in Taka	
		31.12.2016	31.12.2015
5.1	Current accounts		
	Bank Asia Limited Savar Branch	16,493	-
	BRAC Bank Limited Graphics Building Branch	2,762,120	2,922,177
	Jamuna Bank Limited Moulovi Bazar Branch	34,595	35,745
	Modhumoti Bank Limited Aganagar Branch	2,330	-
	National Bank Limited Gulshan Branch	3,327	4,017
	Trust Bank Limited Dilkusha Corporate Branch	3,667	4,242
	Uttara Bank Limited Local Office	7,927	5,178
		2,830,459	2,971,359
5.2	Short term deposit accounts		
	Bangladesh Commerce Bank Limited Dilkusha Branch	39,211	39,435
	Bank Alfalah Limited Main Branch	16,261	16,459
	Bank Asia Limited Principal Office Branch	1	1
	BASIC Bank Limited Dilkusha Branch	69,998	68,759
	BASIC Bank Limited Bashundhara Branch	1	1
	Dhaka Bank Limited Local Office Branch	1,031	1,258
	Dutch-Bangla Bank Limited Bashundhara Branch	9,669	385,031
	Export Import Bank of Bangladesh Ltd Motijheel Branch	1,565	2,660
	Islami Bank Bangladesh Limited Foreign Exchange Branch	33,120	33,053
	Mercantile Bank Limited Main Branch	48,242	49,772
	Midland Bank Limited Dilkusha Branch	3,055	3,055
	Mutual Trust Bank Limited Dilkusha Branch	9,164	76,614
	Mutual Trust Bank Limited Dilkusha Branch	2,076,699	2,055,962
	Mutual Trust Bank Limited Dilkusha Branch	1,136,971	-
	Mutual Trust Bank Limited Bashundhara City Branch	334,286	325,923
	NCC Bank Limited Motijheel Main Branch	-	1,220
	NRB Commercial Bank Ltd. Principal Branch	-	190
	One Bank Limited Principal Branch	3,010,944	2,226
	Prime Bank Limited IBB Dilkusha Branch	2,601	3,026
	Shahjalal Islami Bank Limited Dhaka Main Branch	-	2,524
	Social Islami Bank Limited Principal Branch	15,696	16,968
	Social Islami Bank Limited Babu Bazar Branch	933	2,596
	Southeast Bank Limited Corporate Branch	878,408	5,524,287
	Southeast Bank Limited Principal Branch	54,440	54,168
	Standard Bank Limited Principal Branch	2,260	3,180
	The City Bank Limited Principal Office	305,655	4,278
	United Commercial Bank Limited Tejgaon Branch	229,976	684
		8,280,187	8,673,330
5.3	Savings accounts	-	-
		-	-
	The company does not maintain any savings account.		
5.4	Fixed deposit accounts		
	Bangladesh Industrial Finance Co. Ltd. Head Office	100,000,000	-
	FAS Finance & Investment Limited Head Office	250,000,000	400,000,000
	International Leasing And Fin. Ser. Ltd. Head Office	500,000,000	-
	People's Leasing and Fin. Services Ltd. Head Office	430,000,000	200,000,000
	Reliance Finance Limited Head Office	200,000,000	100,000,000
		1,480,000,000	700,000,000

		Amounts in Taka	
		31.12.2016	31.12.2015
5.5	Maturity grouping of balance with other banks and financial institutions		
	Up to 1 month	291,110,646	161,644,689
	Over 1 month but not more than 3 months	400,000,000	50,000,000
	Over 3 months but not more than 1 year	800,000,000	500,000,000
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		1,491,110,646	711,644,689
6.	Money at call and short notice	-	-
7.	Investments		
7.1	Investment classified as per nature		
	Government securities (note-7.1.1)	-	-
	Others investments (note-7.1.2)	278,735,118	378,216,175
		278,735,118	378,216,175
7.1.1	Government securities		
	Treasury bills	-	-
	National investment bonds	-	-
	Bangladesh Bank bills	-	-
	Government notes/bonds	-	-
	Prize bonds	-	-
	Others	-	-
		-	-
7.1.2	Others investments		
	Investment in shares (Annexure-A)	278,735,118	378,216,175
	Debenture and bonds	-	-
	Other investment	-	-
	Gold, bullion etc.	-	-
		278,735,118	378,216,175
7.2	Residual maturity grouping of investments		
	Repayable on demand	278,735,118	378,216,175
	Up to 1 month	-	-
	Over 1 month but not more than 3 months	-	-
	Over 3 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		278,735,118	378,216,175
8.	Loans, advances and leases		
8.1	a) Inside Bangladesh		
	Investment in leases (note-8.1.1)	441,920,352	918,381,340
	Term finances (note-8.1.2)	10,537,075,857	10,403,994,000
		10,978,996,209	11,322,375,340
	b) Outside Bangladesh	-	-
	Total	10,978,996,209	11,322,375,340

		Amounts in Taka	
		31.12.2016	31.12.2015
8.1.1	Investment in leases		
	Principal outstanding	367,716,232	817,740,932
	Accounts receivable	74,204,120	100,640,408
	Advance against lease finance	-	-
	Total	441,920,352	918,381,340
8.1.2	Term finances		
	Principal outstanding	9,666,241,722	9,678,919,477
	Accounts receivable	870,834,135	725,074,523
	Total	10,537,075,857	10,403,994,000
8.1.2.1	In order to reduce single borrower exposure limit with subsidiary and associate company, as was prescribed by Bangladesh Bank vide the DFIM circular letter no. 14 dated 31st December, 2013, the Board of Directors of the company in their 161st meeting held on August 10,2015 considered the financial position of Associate Company-Fareast Stocks & Bonds Limited and approved not to charge any interest on outstanding loan of Tk. 2,895.21 million from July 25, 2015 and decided for abandonment of income against the loan facility of Fareast Stock & Bonds Limited. Though the loan was allowed not as per section 14(1)(GA) of financial institution Act 1993, the Board decided to restructure the said facility for 180 installments on monthly basis under special circumstances and the related minutes have been submitted duly to the Bangladesh Bank.		
8.2	Sector wise loans, advances and leases		
	Public sector	-	-
	Co-operative sector	-	20,419,815
	Private sector	10,978,996,209	11,301,955,525
		10,978,996,209	11,322,375,340
8.3	Residual maturity grouping of loans, advances and leases		
	Repayable on demand	-	-
	Not more than 3 months	1,576,238,620	2,172,963,656
	Over 3 months but not more than 1year	2,414,866,864	2,248,050,826
	Over 1 year but not more than 5 years	4,072,199,172	3,925,319,684
	Over 5 years	2,915,691,553	2,976,041,174
		10,978,996,209	11,322,375,340
8.4	Loans, advances and leases on the basis of significant concentration		
a)	Loans, advances and leases to Directors and organizations related to Directors	2,986,340,840	3,020,964,751
b)	Loans, advances and leases to Chief Executive Officer and other senior executives	-	-
c)	Loans, advances and leases to customer groups:		
	i) Loans	7,550,735,017	7,383,029,249
	ii) Leases	441,920,352	918,381,340
		10,978,996,209	11,322,375,340
d)	Loans, advances and leases on sector basis:		
	1. Trade and Commerce	479,045,334	215,561,549
	2. Industry:		
	i) Garments and Knitwear	602,600,858	687,743,817
	ii) Textile	322,870,516	981,914,194
	iii) Jute and Jute-Products	167,575,346	197,140,143
	iv) Food Production and Processing Industry	621,582,762	265,495,929
	v) Plastic Industry	492,701,581	290,368,461
	vi) Leather and Leather-Goods	-	-

	Amounts in Taka	
	31.12.2016	31.12.2015
vii) Iron, Steel and Engineering	1,190,073,848	1,047,331,481
viii) Pharmaceuticals and Chemicals	268,371,191	682,482,897
ix) Cement and Allied Industry	248,758,590	246,769,837
x) Telecommunication and Information Technology	156,050,055	61,089,147
xi) Paper, Printing and Packaging	140,563,109	110,068,188
xii) Glass, Glassware and Ceramic Industry	149,875,105	148,565,544
xiii) Ship Manufacturing Industry	370,359,508	310,483,664
iv) Electronics and Electrical Products	577,592,861	498,655,156
xv) Power, Gas, Water and Sanitary Service	407,291,788	116,213,388
xvi) Transport and Aviation	499,035,500	735,595,875
3. Agriculture	198,389,807	860,792,248
4. Housing	348,015,848	199,776,356
5. Others:		
i) Merchant Banking	-	-
ii) Margin Loan	3,319,428,968	3,488,787,635
iii) Others	418,813,634	177,539,831
Total	10,978,996,209	11,322,375,340

8.5 Details of large loans, advances and leases

Number of clients	10	9
Amount of outstanding loans, advances and leases	4,931,903,069	5,195,352,966
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	Not applicable	Not applicable

The amount represents the sum of total investments to each group of customer exceeding 15% of total capital of the company. Total capital of the company was Tk.2,064,705,571 as at 31 December 2016 (Tk.2,125,789,087 as at 31 December 2015).

8.6 Loans, advances and leases on geographical basis

Inside Bangladesh Urban

Dhaka Division	6,792,774,129	6,954,686,982
Chittagong Division	2,699,469,201	2,499,985,585
Khulna Division	135,162,080	147,468,700
Rajshahi Division	12,563,617	12,563,617
Barisal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
	9,639,969,027	9,614,704,884

Rural

Dhaka Division	1,196,326,624	864,452,573
Chittagong Division	124,247,236	839,839,744
Khulna Division	1,752,019	3,378,139
Rajshahi Division	16,701,303	-
Barisal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
	1,339,027,182	1,707,670,456
	10,978,996,209	11,322,375,340

Outside Bangladesh

	-	-
Total	10,978,996,209	11,322,375,340

		Amounts in Taka	
		31.12.2016	31.12.2015
8.7	Loans, advances and leases on security basis		
	Collateral of moveable and immovable assets	4,998,706,122	1,856,544,826
	Fixed deposit receipts	1,562,168,945	1,702,259,408
	Shares of listed public limited companies	263,019,120	251,867,352
	Corporate guarantee	281,073,608	863,535,017
	Personal guarantee	479,729,351	200,599,649
	Other securities	3,394,299,063	6,447,569,088
		10,978,996,209	11,322,375,340

8.8 Classification of loans, advances and leases
Unclassified

Standard	9,392,711,056	9,731,316,448
Special mention account	594,804,475	935,835,172
	9,987,515,531	10,667,151,620

Classified

Sub-standard	293,923,920	71,998,142
Doubtful	235,392,333	5,299,818
Bad/Loss	462,164,425	577,925,760
	991,480,678	655,223,720

Total

	10,978,996,209	11,322,375,340
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8.9 Provision for loans, advances and leases

Status	Base for Provision	Rate (%)		
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Provision for unclassified loans, advances and leases-General provision

Standard	9,392,711,056	0.25/1	88,112,268	90,157,084
Special mention account	560,367,964	5	28,018,398	44,562,632
			116,130,666	134,719,716

Provision for classified loans, advances and leases-Specific provision

Sub-standard	192,799,666	20	38,559,934	2,955,892
Doubtful	175,488,342	50	87,744,171	688,877
Bad/Loss	162,788,686	100	162,788,686	244,355,222
			289,092,791	247,999,991

Required provision for loans, advances and leases

	405,223,457	382,719,707
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Total provision maintained (note-15.2)

	405,223,457	382,719,707
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Excess/(short) provision as at 31 December

	-	-
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According to Bangladesh Bank letter # DFIM(S)1055/44(EDW-1)/2013-725 dated 11 June 2013, rate of general provision for standard facilities under SME sector loans, advances and leases is 0.25% and other than SME sector loans, advances and leases is 1%.

8.10 Net loans, advances and leases

Total loans, advances and leases (note-8.1)	10,978,996,209	11,322,375,340
Less:		
Non-performing loans, advances and leases (note-8.8)	991,480,678	655,223,720
Interest suspense (note-15.5)	197,349,731	176,110,451
Provision for loans, advances and leases (note-15.2)	405,223,457	382,719,707
	1,594,053,866	1,214,053,878
	9,384,942,343	10,108,321,462

		Amounts in Taka	
		31.12.2016	31.12.2015
8.11	Particulars of loans, advances and leases		
a)	Loans, advances and leases considered good in respect of which the financial institution is fully secured	10,218,193,250	10,258,240,674
b)	Loans, advances and leases considered good against which the financial institution holds no security other than the debtors personal guarantee	479,729,351	200,599,649
c)	Loans, advances and leases considered good secured by personal undertaking of one or more parties in addition to the personal guarantee of the debtors	281,073,608	863,535,017
		10,978,996,209	11,322,375,34
d)	Loans, advances and leases adversely classified: provision not maintained there against	-	-
e)	Loans, advances and leases due by directors or officers of the financial institution or any of them either separately or jointly with any other person	2,986,340,840	3,020,964,751
f)	Loans, advances and leases due from companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	-	-
g)	Maximum total amount of loans, advances and leases, including temporary advances made at any time during the year to the directors or managing directors or officers of the financial institution or any of them either separately or jointly with any other person	-	-
h)	Maximum total amount of loans, advances and leases, including temporary advances granted during the year to companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	-	-
i)	Due from banks and other financial institutions	-	-
j)	Classified loans, advances and leases:		
i)	Classified loans, advances and leases on which no interest has been charged	991,480,678	655,223,720
ii)	Provision on classified loans, advances and leases	289,092,791	247,999,991
iii)	Provision kept against loans, advances and leases classified as bad debts	162,788,686	244,355,222
iv)	Interest credited to interest suspense account (note-15.5)	197,349,731	176,110,451
k)	Cumulative amount of written-off of loans, advances and leases		
	Opening balance	370,306,828	383,738,685
	Add: Amount written-off during the year	589,292	-
	Less: Adjustment against realised written-off amount	-	13,431,857
		<u>370,896,120</u>	<u>370,306,828</u>
	Amount realized against loans, advances and leases previously written-off	600,000	16,558,421
	Amount relating to written-off/classified loans, advances and leases for which law suites has been filed excluding late payment interest and other charges	<u>625,284,256</u>	<u>574,782,524</u>

8.12 Suites filed by the company

As at 31 December 2016, Fareast Finance & Investment Limited filed 32 suits against 32 clients under Artha Rin Adalat Ain 2003. Total suit amount was Tk.1,203,367,845 only.

9. Bills purchased and discounted

Payable in Bangladesh	-	-
Payable outside Bangladesh	-	-

As at 31 December 2016, Fareast Finance & Investment Limited was not involved in any transactions relating to bills purchase and or discount.

10. Fixed assets including premises, furniture and fixtures

	Amounts in Taka	
	31.12.2016	31.12.2015
Cost		
Balance as at 01 January	51,987,336	46,073,175
Add: Additions during the period	10,042,238	5,914,161
Less: Disposals/adjustments during the period	-	-
Balance as at 31 December	62,029,574	51,987,336
Accumulated depreciation		
Balance as at 01 January	29,126,625	23,077,458
Add: Charge for the period	6,323,826	6,049,167
Less: Disposals/adjustments during the period	-	-
Balance as at 31 December	35,450,451	29,126,625
Net book value of the asset as at 31 December (Annexure-B)	26,579,123	22,860,711

11. Other assets

Advances, Deposits and Prepayments (note-11.1)	366,352,612	239,233,921
Interest and Commission Receivable (note-11.2)	72,308,229	80,004,930
Investment in associate (note-11.3)	620,001,840	618,418,926
Amount receivable against shares sold	134,441,053	60,374,684
Deferred tax assets (note-11.4)	642,252	116,976
Miscellaneous	1,020,032	1,082,546
	1,194,766,018	999,231,983

11.1 Advances, Deposits and Prepayments

Advance to employees	387,667	592,002
Advance against car loan facility	3,608,691	4,160,691
Advance corporate income tax	207,769,382	151,956,779
Advance office rent	448,156	1,502,849
Advance for annual picnic	238,600	-
Advance to FFIL Employees' Gratuity Fund	1,083,516	-
Advance to Spacezero Ltd.-Floor purchase for Head Office	151,200,000	80,000,000
Advance to CDBL-Refundable security deposit	500,000	500,000
Advance to DSE Limited-Annual subscription for 2017	600,000	-
Advance to Mrs. Saheli Huq-Security deposit for Banani branch	500,000	500,000
Miscellaneous	16,600	21,600
	366,352,612	239,233,921

11.2 Interest and Commission Receivable

Guarantee commission receivable	-	-
Interest accrued on fixed deposit receipts	36,806,597	18,608,333
Interest accrued on loans, advances and leases	35,501,632	61,396,597
	72,308,229	80,004,930

11.3 Investment in associate

Considering the paragraph 11 of BAS-28: "Investment in associates", investment in associate is recorded under the equity method. As per the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the company's share of net assets of the associate. Losses in excess of the cost of the investment in an associate are recognised when the company has incurred obligations on its behalf. Profit and loss account reflects the company's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Fareast Finance & Investment Limited has got one associate under its umbrella namely Fareast Stocks & Bonds Limited (having 50% shareholding) on the date of reporting.

	Amounts in Taka	
	31.12.2016	31.12.2015
Movement of investment in associate is as follows:		
Balance at 01 January	618,418,926	609,894,223
Investment/(Adjustment)	-	-
Revaluation reserve	-	-
Share of profit for the year	1,582,914	8,524,703
Cash dividend	-	-
Balance at 31 December	620,001,840	618,418,926

11.3.1 Revaluation reserve

Revaluation reserve includes proportionate revaluation reserve of Fareast Stocks & Bonds Limited. In the year 2010, Fareast Stocks & Bonds Limited revalued its membership of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) based on the prevailing market price. In the year 2012, Fareast Stocks & Bonds Limited further reassessed its membership of DSE and CSE and hence, proportionate revaluation decrease is reduced from investment in associate. Details are as follows:

Balance as at 01 January	98,743,750	98,743,750
Increase/(decrease) in revaluation reserve	-	-
Balance as at 31 December	98,743,750	98,743,750

11.4 Deferred tax asset

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 BAS 12: "Income Taxes". Deferred tax asset is arrived at as follows:

Particulars	Carrying amount at balance sheet	Tax base	(Taxable)/deductible temporary difference
Assets			
Fixed assets net of depreciation excluding land	21,094,122	22,699,752	1,605,630
Liabilities	-	-	-
Total	21,094,122	22,699,752	1,605,630
Applicable tax rate			40.00%
Deferred tax asset as on 31 December 2016			642,252

11.5 Divisions of other assets

Income generating other assets	692,310,069	698,423,856
Non income generating other assets	502,455,949	300,808,127
	1,194,766,018	999,231,983

11.6 Maturity grouping of other assets

Repayable on demand	-	-
Up to 1 month	183,767,700	131,674,600
Over 1 month but not more than 3 months	11,994,867	2,306,678
Over 3 months but not more than 1 year	224,419,808	162,486,315
Over 1 year but not more than 5 years	154,081,803	83,845,464
Over 5 years	620,501,840	618,918,926
	1,194,766,018	999,231,983

12. Non-business assets

-	-
-	-

As at 31 December 2016, Fareast Finance & Investment Limited does not have any non-business assets.

13. Borrowings from other banks, financial institutions and agents

	Amounts in Taka	
	31.12.2016	31.12.2015
In Bangladesh (note-13.1)	4,413,677,145	3,795,651,734
Outside Bangladesh (note-13.2)	-	-
	4,413,677,145	3,795,651,734

13.1 In Bangladesh**Long term loans:**

Bangladesh Bank	50,588,440	67,626,137
Bank Asia Limited	162,979,632	196,298,153
BASIC Bank Limited	223,337,907	273,323,652
Dutch-Bangla Bank Limited	611,632,994	215,515,716
Dhaka Bank Limited	128,416,157	196,308,317
IDLC Finance Limited	4,904,053	6,263,257
International Leasing And Financial Services Limited	-	5,177,095
Midland Bank Limited	275,071,680	-
Modhumoti Bank Limited	149,979,471	185,190,023
Mutual Trust Bank Limited	226,688,021	378,169,002
NCC Bank Limited	162,200,258	95,068,889
NRB Commercial Bank Limited	64,432,009	100,503,236
Pubali Bank Limited	59,490,048	79,899,645
Shahjalal Islami Bank Limited	531,584,476	94,991,491
Social Islami Bank Limited	-	31,507,570
Southeast Bank Limited	223,352,218	232,535,906
Standard Bank Limited	116,766,811	170,662,217
The Premier Bank Limited	69,457,342	107,477,312
United Commercial Bank Limited	108,294,760	171,534,900
Uttara Bank Limited	348,175,087	377,896,566
Total long term loans	3,517,351,364	2,985,949,084

Short term and call loans:

Short term loans:

Bangladesh Development Bank Limited	100,000,000	-
Mutual Trust Bank Limited	105,326,365	17,700,319
National Bank Limited	7,216	5,316
NRB Commercial Bank Limited	29,244	175,772
Pubali Bank Limited	100,491,396	311,864
The Premier Bank Limited	40,320,613	1,063,545
United Commercial Bank Limited	90,150,947	20,445,834
Total	436,325,781	39,702,650

Call loans:

Agrani Bank Limited	40,000,000	-
BASIC Bank Limited	150,000,000	200,000,000
Dutch-Bangla Bank Limited	50,000,000	250,000,000
Modhumoti Bank Limited	-	30,000,000
Mutual Trust Bank Limited	90,000,000	60,000,000
Pubali Bank Limited	-	40,000,000
Standard Bank Limited	-	150,000,000
Sonali Bank Limited	130,000,000	-
United Commercial Bank Limited	-	40,000,000
Total	460,000,000	770,000,000
Total short term and call loans	896,325,781	809,702,650
Total borrowings	4,413,677,145	3,795,651,734

Amounts in Taka	
31.12.2016	31.12.2015

13.2 Outside Bangladesh

-	-
-	-

As at 31 December 2016, the company does not have any borrowing from outside Bangladesh.

13.3 Security against borrowings from other banks, financial institutions and agents

Secured	3,903,088,705	2,958,025,597
Unsecured	510,588,440	837,626,137
	4,413,677,145	3,795,651,734

Borrowings from other banks, financial institutions and agents are secured by floating charges on all movable and immovable assets of the company ranking Pari-Passu among the lenders.

13.4 Maturity grouping of borrowings from other banks, financial institutions and agents

Payable on demand	460,000,000	770,000,000
Up to 1 month	178,967,867	77,577,755
Over 1 month but not more than 3 months	289,684,742	187,871,804
Over 3 month but not more than 1 year	1,289,113,540	812,917,045
Over 1 year but not more than 5 years	2,195,910,996	1,947,285,130
Over 5 years	-	-
	4,413,677,145	3,795,651,734

14. Deposits and other accounts

Current deposits (note-14.1)	-	-
Bills payable (note-14.2)	-	-
Savings deposits (note-14.3)	-	-
Term deposits (note-14.4)	6,313,014,900	6,292,635,134
Bearer certificate of deposit (note-14.5)	-	-
Other deposits (note-14.6)	-	-
	6,313,014,900	6,292,635,134

14.1 Current deposits

-	-
-	-

To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any current deposit account.

14.2 Bills payable

-	-
-	-

As at 31 December 2016, the company does not have any bills payable.

14.3 Savings deposits

-	-
-	-

To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any savings deposit account.

14.4 Term deposits

Deposits from other banks and financial institutions (note-14.4.1)	4,640,000,000	4,237,083,750
Deposits from customers (note-14.4.2)	1,673,014,900	2,055,551,384
	6,313,014,900	6,292,635,134

Amounts in Taka

31.12.2016

31.12.2015

14.4.1 Deposits from other banks and financial institutions

	-	-
Agrani Bank Limited	550,000,000	300,000,000
Bangladesh Commerce Bank Limited	300,000,000	-
BRAC Bank Limited	100,000,000	100,000,000
Dutch-Bangla Bank Limited	200,000,000	250,000,000
Investment Corporation of Bangladesh	540,000,000	727,083,750
Janata Bank Limited	400,000,000	-
Midland Bank Limited	300,000,000	-
Modhumoti Bank Limited	150,000,000	100,000,000
Mutual Trust Bank Limited	100,000,000	100,000,000
NRB Bank Limited	250,000,000	50,000,000
NRB Commercial Bank Limited	300,000,000	250,000,000
Prime Finance & Investment Limited	-	10,000,000
Rupali Bank Limited	600,000,000	700,000,000
Shahjalal Islami Bank Limited	100,000,000	200,000,000
Social Islami Bank Limited	150,000,000	150,000,000
Sonali Bank Limited	250,000,000	600,000,000
South Bangla Agriculture & Commerce Bank Limited	-	150,000,000
Southeast Bank Limited	-	100,000,000
The City Bank Limited	-	300,000,000
United Commercial Bank Limited	100,000,000	-
United Finance Limited	250,000,000	150,000,000
	4,640,000,000	4,237,083,750

14.4.2 Deposits from customers

Deposits from general public	496,857,576	599,202,756
Deposits from companies	1,176,157,324	1,456,348,628
	1,673,014,900	2,055,551,384

14.4.3 Rate of interest

Rate of interest on term deposit receipts ranges from 6.5% to 14.5%.

14.5 Bearer certificate of deposit

	-	-
	-	-

To conform the Bangladesh Bank's guidelines regarding deposits, the company does not have any bearer certificate of deposit.

14.6 Other deposits

	-	-
	-	-

As at 31 December 2016, the company does not have any other deposit account.

14.7 Maturity grouping of deposits and other accounts

Payable on demand	-	-
Up to 1 month	366,050,316	300,762,622
Over 1 month but not more than 6 months	303,370,678	721,543,046
Over 6 month but not more than 1 year	128,795,343	187,863,442
Over 1 year but not more than 5 years	5,493,774,144	4,908,867,054
Over 5 years but not more than 10 years	21,024,419	173,598,970
Over 10 years	-	-
	6,313,014,900	6,292,635,134

		Amounts in Taka	
		31.12.2016	31.12.2015
15.	Other liabilities		
	Expenditure and other payables (note-15.1)	307,944,136	317,620,847
	Provision for loans, advances and leases (note-15.2)	405,223,457	382,719,707
	Provision for the diminution in the value of investment (note-15.3)	76,888,463	89,688,679
	Provision for income tax (note-15.4)	125,594,851	214,328,881
	Interest suspense account (note-15.5)	197,349,731	176,110,451
	Advance rental/installment against loans, advances and leases	67,231,087	57,301,665
	Received from clients against partial rental/installment	40,264,764	35,043,873
	Unpaid dividend	2,869,385	1,784,743
	Income Tax, VAT and Excise Duty deducted at source	3,139,656	8,170,355
		1,226,505,530	1,282,769,201
15.1	Expenditure and other payables		
	Accrual of leave encashment	1,963,795	1,399,299
	Accrued interest on borrowings from other banks, financial institutions and agents	33,588,963	33,316,716
	Accrued interest on deposits and other accounts	271,514,207	281,440,485
	Salary and allowances	129,319	126,970
	Auditors' fee	481,850	333,500
	Office rent	-	824,677
	Office utilities	60,000	84,250
	Office security	8,050	32,200
	Professional fee	102,222	-
	Advertisement and publicity	7,500	-
	Telephone and mobile bill	85,250	62,750
	Others	2,980	-
		307,944,136	317,620,847
15.2	Provision for loans, advances and leases		
	This represents the amount arrived at after calculation as per circulars issued by the Bangladesh Bank in this context in order to cover all the required provisions of the company as at 31 December 2016. Total provision is made up as follows:		
	General provision on unclassified loans, advances and leases	116,130,666	134,719,716
	Specific provision on classified loans, advances and leases	289,092,791	247,999,991
	Balance at 31 December	405,223,457	382,719,707
	Movements in general provision on unclassified loans, advances and leases		
	Balance at 01 January	134,719,716	99,538,682
	Add: Provision made during the year	(18,589,050)	35,181,034
	Balance at 31 December	116,130,666	134,719,716
	Movements in specific provision on classified loans, advances and leases		
	Balance at 01 January	247,999,991	207,797,565
	Less: Fully provided debts written-off during the year	484,721	-
	Add: Recoveries of amount previously written-off	-	-
	Add: Provision made during the year	41,577,521	40,202,426
	Less: Provision no longer required	-	-
	Add: Net charge to profit and loss account	41,577,521	40,202,426
	Balance at 31 December	289,092,791	247,999,991
	Total	405,223,457	382,719,707
15.3	Provision for the diminution in the value of investments		
	Balance at 01 January	89,688,679	51,802,839
	Add: Provision made during the year	(12,800,216)	37,885,840
	Balance at 31 December (Annexure-A for detail)	76,888,463	89,688,679

		Amounts in Taka	
		31.12.2016	31.12.2015
15.4	Provision for income tax		
	The company calculated its tax liability considering the BAS 12: "Income Taxes". Details calculation of tax liability as at 31 December 2016 is as follows:		
	Balance at 01 January	214,328,881	174,979,503
	Add: Provision made during the year (note-38)	(66,330,573)	39,349,378
	Less: Settlement of previous years' tax liability	22,403,457	-
	Balance at 31 December	125,594,851	214,328,881
	Current tax liability represents tax calculated @ 40% on profit before tax less advance tax paid.		
15.5	Interest suspense account		
	This represents interest on loans and lease income not recognized as income according to Bangladesh Bank's FID circular # 03 of 2006. Details are as follows:		
	Balance at 01 January	176,110,451	172,105,849
	Add: Amount transferred to interest suspense account during the year	21,343,851	4,004,602
	Less: Amount recovered from interest suspense account during the year	-	-
	Less: Amount written-off during the year	104,571	-
	Balance at 31 December	197,349,731	176,110,451
15.5.1	Details of interest suspense account		
	Interest suspense for unclassified loans, advances and leases		
	Standard	-	-
	Special mention account	34,436,511	44,582,534
		34,436,511	44,582,534
	Interest suspense for classified loans, advances and leases		
	Sub-standard	39,437,263	7,407,086
	Doubtful	23,979,805	468,280
	Bad/Loss	99,496,152	123,652,551
		162,913,220	131,527,917
	Total	197,349,731	176,110,451
15.6	Maturity grouping of other liabilities		
	Repayable on demand	-	-
	Up to 1 month	215,406,673	217,114,119
	Over 1 month but not more than 3 months	86,420,173	94,335,612
	Over 3 months but not more than 1 year	223,479,885	359,352,254
	Over 1 year but not more than 5 years	611,419,955	552,090,291
	Over 5 years	89,778,844	59,876,925
		1,226,505,530	1,282,769,201
16.	Share capital		
16.1	Authorized capital		
	200,000,000 ordinary shares of Tk.10 each	2,000,000,000	2,000,000,000
16.2	Issued, subscribed and fully paid up capital		
	164,063,330 ordinary shares of Tk.10 each	1,640,633,300	1,640,633,300
		1,640,633,300	1,640,633,300

The company did not issue any share other than cash on the basis of any agreement.

16.3 Raising of share capital

Fareast Finance & Investment Limited raised its share capital as follows:

Year	Type of issue of paid up capital	Number of share	Face value per share	Value of share	Cumulative paid up capital
2001	Opening capital	500,000	100	50,000,000	50,000,000
2004	Bonus share	75,000	100	7,500,000	57,500,000
2004	Right share	875,001	100	87,500,100	145,000,100
2006	Bonus share	290,000	100	29,000,000	174,000,100
2007	Bonus share	217,500	100	21,750,000	195,750,100
2010	Bonus share	1,174,500	100	117,450,000	313,200,100
2010	Right share	5,000,000	10	50,000,000	363,200,100
2010	Right share	50,848,010	10	508,480,100	871,680,200
2011	Bonus share	17,433,604	10	174,336,040	1,046,016,240
2012	Bonus share	10,460,162	10	104,601,620	1,150,617,860
2013	IPO share	45,000,000	10	450,000,000	1,600,617,860
2015	Bonus share	4,001,544	10	40,015,440	1,640,633,300
Total		164,063,330		1,640,633,300	

Face value of the share has been denominated to Tk.10 from Tk.100 per share by the shareholders in their third Extra Ordinary General Meeting held on 20 October 2010.

The shares were listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. on 15 September 2013 and quoted at Tk.12.30 and Tk.12.40 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively at 31 December 2016.

16.4 Composition of shareholders by shareholding as at 31 December 2016

Particulars	No. of holders	Holding (%)
Particulars		
Sponsors (Institutions)	-	-
Sponsors (Individuals)	11	40.74
General Public (Institutions)	180	17.35
General Public (Individuals)	10,904	41.91
Total	11,095	100.00

16.5 Distribution of shareholders by shareholding as at 31 December 2016

Holding of shares	No. of holders	Holding (%)
Less than 500 shares	1,145	0.14
500 to 5,000 shares	9,051	4.47
5,001 to 10,000 shares	412	1.86
10,001 to 20,000 shares	207	1.79
20,001 to 30,000 shares	89	1.34
30,001 to 40,000 shares	31	0.67
40,001 to 50,000 shares	35	1.00
50,001 to 100,000 shares	46	2.10
100,001 to 1,000,000 shares	47	7.79
Over 1,000,000 shares	32	78.84
Total	11,095	100.00

16.6 Capital adequacy requirement

As per Section-4(Gha) of The Financial Institutions Rules, 1994 and Bangladesh Bank's DFIM Circular # 5 dated 24 July 2011, company's capital adequacy is as under:

Paid up capital	1,640,633,300	1,640,633,300
Required minimum capital	1,000,000,000	1,169,757,708
Capital surplus/(deficit)	640,633,300	470,875,592

Capital under Capital Adequacy and Market Discipline (CAMD)

		Amounts in Taka	
		31.12.2016	31.12.2015
A. Eligible Capital			
1. Tier-1 (Core Capital)		1,879,008,550	2,027,045,336
2. Tier-2 (Supplementary Capital)		115,023,270	137,462,426
3. Total Eligible Capital (1+2)		<u>1,994,031,820</u>	<u>2,164,507,762</u>
B. Total Risk Weighted Assets (RWA)		9,701,706,983	11,697,577,085
C. Capital Adequacy Ratio (CAR) (A3/B)*100		20.55	18.50
D. Core Capital to RWA (A1/B)*100		19.37	17.33
E. Supplementary Capital to RWA (A2/B)*100		1.19	1.18
F. Minimum Capital Requirement (MCR) (10% of Total RWA)		<u>1,000,000,000</u>	<u>1,169,757,708</u>
17. Statutory reserve			
According to the Rule 6 of The Financial Institutions Regulation, 1994, the company transfers 20% of its net profit for the respective year to statutory reserve. Detailed movement of the reserve is as follows:			
Balance at 01 January		221,851,962	180,856,932
Add: Transferred during the year		20,595,963	40,995,030
Balance at 31 December		<u>242,447,925</u>	<u>221,851,962</u>
18. Retained earnings			
Balance at 01 January		164,560,075	200,657,179
Less: Cash dividend paid		164,063,330	160,061,786
Less: Issue of bonus shares		-	40,015,440
Add: Net profit for the year		102,979,814	204,975,152
Less: Transfer to statutory reserve		20,595,963	40,995,030
Balance at 31 December		<u>82,880,596</u>	<u>164,560,075</u>
19. Contingent liabilities and commitments			
19.1 Contingent liabilities			
Acceptances and endorsements		-	-
Letter of guarantee (note-19.1.1)		515,588,000	-
Irrevocable letter of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		<u>515,588,000</u>	<u>-</u>
19.1.1 Letters of guarantee			
Claims lodged with the company which is not recognized as loan Money for which the company is contingently liable in respect of the following:		-	-
Directors		-	-
Government		-	-
Banks and other financial institutions		515,588,000	-
Others		<u>515,588,000</u>	<u>-</u>
19.2 Other commitments			
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Spot and foreign exchange rate contract		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		<u>-</u>	<u>-</u>

		Amounts in Taka	
		2016	2015
20.	Income statement		
	Income		
	Interest, discount and similar income (note-20.1)	1,048,475,662	1,329,259,401
	Dividend income (note-23)	2,508,104	4,221,435
	Commission, exchange and brokerage (note-24)	2,009,250	-
	Gains less losses arising from dealing in securities	-	-
	Gains less losses arising from investment in securities	-	-
	Gains less losses arising from dealing in foreign currencies	-	-
	Income from non-business assets	-	-
	Other operating income (note-25)	122,303,475	128,694,930
	Profit less losses on interest rate changes	-	-
		1,175,296,491	1,462,175,766
	Expenses		
	Interest expenses on deposits, borrowings, etc. (note-22)	1,015,504,939	1,036,812,658
	Charges on losses regarding loans, advances and leases	-	-
	Administrative expenses (note-20.2)	91,394,538	47,132,783
	Other operating expenses (note-35)	15,760,968	16,225,044
	Depreciation on company's fixed assets (note-34)	6,323,826	6,049,167
		1,128,984,271	1,106,219,652
		46,312,220	355,956,114
20.1	Interest, discount and similar income		
	Interest income (note-21)	1,046,426,417	1,326,146,537
	Capital gain on sale of shares (note-23)	2,049,245	3,112,864
		1,048,475,662	1,329,259,401
20.2	Administrative expenses		
	Salary and allowances (note-26)	55,911,516	18,491,373
	Rent, taxes, insurance, electricity, etc. (note-27)	17,721,659	12,877,585
	Legal expenses (note-28)	4,489,409	2,771,894
	Postage, stamp, telecommunication, etc. (note-29)	1,448,423	972,535
	Stationery, printing, advertisement, etc. (note-30)	2,460,133	3,318,511
	Managing Director's salary and allowances (note-31)	6,820,300	6,834,400
	Directors' fees (note-32)	928,000	638,000
	Auditors' fees (note-33)	486,450	345,000
	Repairs of company's fixed assets (note-34)	1,128,648	883,485
		91,394,538	47,132,783
21.	Interest income		
	Interest on term finances	848,654,590	1,144,303,592
	Lease income	79,700,867	149,705,676
	Interest during grace period	-	250,157
	Interest on call loans	-	-
	Total interest income on loans, advances and leases	928,355,457	1,294,259,425
	Interest on balance with banks and other financial institutions	118,070,960	31,887,112
		1,046,426,417	1,326,146,537

To reduce single borrower exposure limit with subsidiary and associate company, as was prescribed by Bangladesh Bank vide the DFIM circular letter no. 14 dated 31st December, 2013, the Board of Directors of the company in their 161st meeting held on August 10, 2015 considered the financial position of Fareast Stocks & Bonds Limited and approved not to charge any interest on outstanding loan of Tk. 2,895.21 million from July 25, 2015 and decided for abandonment of income against this loan facility of Fareast Stock & Bonds Limited.

		Amounts in Taka	
		2016	2015
22.	Interest expenses on borrowings, deposits, etc.		
a)	Interest expenses on borrowings		
	Interest on term loans	392,854,097	369,650,576
	Interest on call loans	35,817,181	60,632,417
	Interest on secured overdrafts	5,578,969	6,051,085
	Interest on margin accounts	8,193	1,433
	Bank charges	849,298	903,191
		435,107,738	437,238,702
b)	Interest expenses on deposits	580,397,201	599,573,956
	Total	1,015,504,939	1,036,812,658
23.	Investment income		
	Capital gain on sale of shares	2,049,245	3,112,864
	Dividend income	2,508,104	4,221,435
		4,557,349	7,334,299
24.	Commission, exchange and brokerage		
	Guarantee commission	2,000,000	-
	Realization of L/C commission	9,250	-
		2,009,250	-
25.	Other operating income		
	Income from associate	1,582,914	8,524,703
	Documentation fees	3,506,054	1,069,839
	Early settlement fees	7,578,236	-
	Realization of late payment interest	107,169,361	114,711,958
	Profit/(loss) on disposal of leased assets	539,757	394,780
	Miscellaneous earnings	1,927,153	3,993,650
		122,303,475	128,694,930
26.	Salary and allowances	55,911,516	18,491,373
	Salary and allowances include company's contribution to recognized provident fund and approved gratuity fund amounting Tk.1,854,073 and Tk.4,454,571 respectively.		
27.	Rent, taxes, insurance, electricity, etc.		
	Rent, rate and taxes	15,773,747	11,657,899
	Insurance	434,564	336,642
	Power and electricity	1,513,348	883,044
		17,721,659	12,877,585
28.	Legal expenses		
	Professional fees	3,175,189	2,297,593
	Other charges	1,314,220	474,301
		4,489,409	2,771,894
29.	Postage, stamp, telecommunication, etc.		
	Postage	100,140	153,094
	Telegram, telex, fax, and e-mail	3,600	700
	Data communication	443,020	198,130
	Telephone-office	890,043	608,609
	Telephone-residence	11,620	12,002
		1,448,423	972,535

		Amounts in Taka	
		2016	2015
30.	Stationery, printing, advertisement, etc.		
	Office stationery	481,383	445,052
	Computer consumable stationery	68,665	54,240
	Publicity and advertisement	1,910,085	2,819,219
		2,460,133	3,318,511
31.	Managing Director's salary and allowances		
	Basic pay	2,160,000	2,160,000
	Allowances	3,340,800	3,340,800
	Bonus	720,000	720,000
	Company's contribution to recognized provident fund	216,000	216,000
	Approved gratuity fund	360,000	360,000
	Annual membership subscription paid to professional bodies	23,500	37,600
		6,820,300	6,834,400
	Besides, total perquisites of Tk.284,258 in the year 2016 (Tk.316,087 in the year 2015) was paid in relation to the Managing Director of the company.		
32.	Directors' fees		
	Fees		
	Board of Directors	520,000	348,000
	Board Audit Committee	104,000	110,000
	Executive Committee	304,000	180,000
		928,000	638,000
	Other benefits	0	0
		928,000	638,000
	Other disclosures regarding the Board and Committee meetings are as follows:		
a)	In the year 2016 the following meetings were held:		
	Name of meetings	Number of meetings	
	Board of Directors	10	9
	Board Audit Committee	4	6
	Executive Committee	10	9
b)	Directors did not take any honorarium from the company during the year.		
c)	No amount of money was expended by the company for compensating any member of the Board for special services rendered.		
d)	Tk.8,000 per person per meeting was paid to the Directors of the company as attendance fee.		
33.	Auditors' fees		
	Auditors' fees including VAT @ 15.00%	457,700	316,250
	Auditors' certificate fees	28,750	28,750
		486,450	345,000
34.	Depreciation and repairs of company's assets		
	Depreciation on company's fixed assets (Annexure-B)	6,323,826	6,049,167
	Repairs of company's fixed assets	1,128,648	883,485
		7,452,474	6,932,652
35.	Other operating expenses		
	Office maintenance	3,913,694	4,209,131
	Travel and conveyance	396,269	178,799
	Motor vehicle expenses	5,526,409	5,473,852
	Meeting expenses	435,895	330,902
	Training expenses	238,500	229,380

	Amounts in Taka	
	2016	2015
Books and periodicals	42,076	34,685
Share business expense	367,104	893,448
Subscription	1,570,000	675,000
Entertainment and public relation	602,559	544,902
Annual General Meeting	2,668,462	3,302,445
Extra ordinary General Meeting	0	352,500
	15,760,968	16,225,044

Tk.1,241,699 was spent for the year 2016 (Tk.1,307,663 for the year 2015) for the vehicle used by the Chairman following of Bangladesh Bank's guidelines.

36. Provision for loans, advances and leases

General provision on unclassified loans, advances and leases	(18,589,050)	35,181,034
Specific provision on classified loans, advances and leases	41,577,521	40,202,426
	22,988,471	75,383,460

37. Provision for investment in shares

Balance at 01 January	89,688,679	51,802,839
Add: Provision made during the year	(12,800,216)	37,885,840
Balance at 31 December (Annexure-A for detail)	76,888,463	89,688,679

38. Provision for income tax

This represents amount provided for income tax on profit before tax for the year ended 31 December 2016. The amount has arrived as follows:

Amount provided on current year's profit	204,925	105,278,262
Less: Excess provision of income tax	66,535,498	65,928,884
Amount provided for current tax	(66,330,573)	39,349,378
Amount provided for deferred tax	(525,276)	(1,637,716)
Total	(66,855,849)	37,711,662

Excess provision of income tax represents amount provided in previous years as tax expenses in the financial statements which is excess of tax settlement by the tax authority. For this excess amount an accounting effect has been given in accordance with para 36 of BAS-8: "Accounting Policies, Changes in Accounting Estimates and Errors".

39. Earning per share (EPS)

Net profit after tax for the year	102,979,814	204,975,152
Weighted average number of ordinary shares at 31 December	164,063,330	164,063,330
Restated weighted average number of ordinary shares	164,063,330	164,063,330
Earnings per share (Basic)	0.63	1.25
Earnings per share (restated 2015)	0.63	1.25

Earnings per share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".

40. Number of employees

At the end of the year the number of employees drawing Tk.3,000 or above per month was sixty five (forty nine in 2015).

41. Assets pledged as security for liabilities

As at 31 December 2016, all the fixed and floating assets of the company were pledged as security under pari-passu security sharing agreement with lenders.

42. Related party disclosures

42.1 Name of directors and their interest in different organizations

According to the Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated 23 December 2009, directors' name and their interest in different organizations are presented in Annexure-C.

Amounts in Taka

2016

2015

42.2 Significant contracts where company is a party and wherein directors have interest

Fareast Finance & Investment Limited holds 50% of ordinary share capital of Fareast Stocks & Bonds Limited. The following shareholder of Fareast Finance & Investment Limited is also the sponsor shareholders of Fareast Stocks & Bonds Limited:

Name of directors	Shareholding % in the company	Shareholding % in FSB
Mr. M. A. Wahhab	3.52	10.00
Mr. Rubaiyat Khaled	2.05	2.76

42.3 Shares issued to directors and executives without consideration or at a discount

Till 31 December 2016, no shares were issued to the directors and executives of the company without having any consideration or at a discount.

42.4 Related party transactions

As per Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated 23 December 2009, no transaction was made with the related parties and on balance sheet date there is no balance outstanding excluding the following transactions in the ordinary course of business at normal commercial interest rate:

Name of related party	Related directors	Nature of transactions	Taka
Fareast Stocks & Bonds Limited	Mr. M. A. Wahhab	Investments	620,001,840
	Mr. Rubaiyat Khaled	Term loan given	2,847,218,768
			3,467,220,608
PFI Properties Limited	Mr. Nazim Asadul Haque Dr. M Mosharraf Hossain	Term loan given	139,122,072

42.5 Status of transactions done with related parties

As at 31 December 2016, there is no balance outstanding to the related parties other than disclosed in note-42.4.

42.6 Business with related parties

As at 31 December 2016, the company does not have any business with related parties under section 18(2) of the Bank Companies Act 1991.

42.7 Transactions with the securities of related parties

As at 31 December 2016, the company holds the shares of the following related parties:

Name of related party	Related directors	Number of shares
Fareast Stocks & Bonds Limited	Mr. M. A. Wahhab Mr. Rubaiyat Khaled	41,344,943

42.8 Transaction with key management personnel

As per paragraph 16 and 17 of BAS: 24 "Related Party Disclosures", the compensation of key management personnel are given below:

42.8.1 Compensation of key management personnel

a) Short-term employee benefits		
Basic pay and allowances	18,060,912	15,363,480
Bonus	2,758,597	2,344,508
Annual leave encashment	1,077,651	793,676
Motor vehicle expenses	3,012,562	3,444,179
Telephone and mobile allowances	133,370	149,387
	25,043,092	22,095,230

		Amounts in Taka	
		2016	2015
b)	Post-employment benefits		
	Company's contribution to provident fund	864,574	725,745
	Retirement benefit and gratuity	2,253,872	1,138,360
		3,118,446	1,864,105
c)	Other long-term benefits	0	0
d)	Termination benefits	0	0
e)	Share-based payments	0	0
Total		28,161,538	23,959,335

42.8.2 Other transactions with key management personnel

There is no transaction other than compensation with key management personnel.

43. Disclosure on Board Audit Committee

There is no transaction other than compensation with key management personnel.

43.1 Particulars of Board Audit Committee

According to the guidelines of Bangladesh Bank, the Board of Directors of Fareast Finance & Investment Limited (FFIL) constituted the Board Audit Committee of the company. Details of the Committee members are as follows:

Name of committee members	Status with FFIL	Status with committee	Educational qualification
Mr. Mohammad Shahidul Islam	Independent Director	Chairman	MBA, FCA, ACS
Mr. Nazim Asadul Haque (Representative of Asian Gate Limited)	Director	Member	Graduate in Accounting & Finance
Mr. Md. Shamsul Islam Varosha	Director	Member	M. Com. (Management)
Mr. Md. Ershad Ullah	Director	Member	BBA (Management)
Mr. Khorshed Alam Khan	Director	Member	M. Com.

43.2 Meetings held by the committee during the year

In the year 2016 the Committee met four times.

Meeting number	Held on
71st	20-Apr-2016
72nd	27-Jul-2016
73rd	10-Oct-2016
74th	14-Dec-2016

43.3 Activities of the audit committee during the year

In the year 2016 the Board Audit Committee carried out the following activities:

- Reviewed the financial reporting system ensuring that the appropriate accounting policies were applied as per requirement of Bangladesh Accounting Standards and Bangladesh Bank and the true and fair financial information were provided to the stakeholders.
- Reviewed that appropriate disclosures and information presented in the financial statements.
- Reviewed quarterly and half yearly financial statements and recommended to place the same before the Board for approval as per requirement of Bangladesh Securities and Exchange Commission's notifications no. SEC/CMRRC D/2006-158/134/Admin/44 dated 07 August 2012.
- Reviewed the draft financial statements and audit report thereon.
- Examine the audit procedure of the financial statements of the company.
- Regular monitoring of the company's portfolio.
- Reviewed and recommendation to the Board regarding the delinquent portfolio against which litigation started by the company.
- Reviewed the company's overdue position with the objective of reduction in amount and quality.

- i) Reviewed the Quarterly Operations Reports prepared by the Internal Control and Compliance Department of the company.
- j) Monitored the internal control system of the company and its compliance.
- k) Reviewed the procedure of appointment of external auditor of the company.
- l) Reviewed the existence of practice of the acts, rules and regulation within the company.
- m) Reviewed the computerization and MIS status in the company.
- n) Reviewed the implementation of Bangladesh Bank's report focusing on loans/lease against whom suit filed by the company and suit filed against the company.
- o) Reviewed the CAMELS rating of Fareast Finance & Investment Limited prepared by Bangladesh Bank.

43.4 Effective internal control and security documentation of the company

Having assessed the internal financial controls, information system and reporting models, the committee is in the opinion that:

- a) The management followed the procedure and activities for internal control of the company were within the manual set by the management in line with Bangladesh Bank's guidelines are satisfactory.
- b) Company's assets are reasonably safeguarded through proper documentation preserving under safe custody and the financial position of the company is sound enough.
- c) The management presented the overdue and litigation position of the company reflects the true and fair view.
- d) Quarterly operations report prepared by the Internal Control and compliance department directly submitted to the Board Audit Committee for reporting the overall effective internal control system.

44. Disclosure on Executive Committee

To conform the Bangladesh Bank guidelines, the Board of Directors of Fareast Finance & Investment Limited constituted the Executive Committee of the company comprising members from the Board and management of the company. In the year 2016 the committee met ten times.

45. Disclosure regarding branch

As at 31 December 2016, the company has three branches in Bangladesh.

46. Highlights

Highlights of the company for the year 2016 and 2015 is presented below:

Sl.# Particulars	Amounts in Taka	
	2016	2015
1 Paid up capital	1,640,633,300	1,640,633,300
2 Total capital	1,981,824,975	1,961,229,012
3 Capital surplus/(deficit)	640,633,300	470,875,592
4 Total assets	14,017,903,146	13,496,845,156
5 Total deposits	6,313,014,900	6,292,635,134
6 Total loans, advances and leases	10,978,996,209	11,322,375,340
7 Total contingent liabilities and commitments	515,588,000	0
8 Credit deposit ratio (%)	173.91	179.93
9 % of classified loans, advances and leases against total loans, advances and leases	9.03	5.79
10 Profit after provisions and income tax	102,979,814	204,975,152
11 Classified loans, advances and leases	991,480,678	655,223,720
12 Provision kept against classified loans, advances and leases	289,092,791	247,999,991
13 Provision surplus/(deficit)	0	0
14 Cost of borrowing fund (%)	9.34	10.18
15 Interest earning assets	13,441,152,042	13,110,660,060
16 Non-interest earning assets	576,751,104	386,185,096
17 Return on investments (ROI) (%)	9.74	13.35
18 Return on assets (ROA) (%)	0.75	2.91
19 Income from investments	4,557,349	7,334,299
20 Earnings per share (restated)	0.63	1.25
21 Net income per share	0.63	1.25
22 Price earnings ratio (times)	19.60	7.92

47. Subsequent events-disclosure under BAS-10 "Events after the Reporting Period"

As per paragraph 13 of BAS: 10 "Events after the Reporting Period" and paragraph 137 of BAS: 1 "Presentation of Financial Statements", the Board of Directors at the 177th board meeting held on 10 April, 2017, recommended to the shareholders a cash Dividend @ 5% i.e. Tk. 0.50 per share (amounting to Tk. 82,031,665). This will be considered for approval by the shareholders at the 16th Annual General Meeting (AGM) to be held on 11 June, 2017.

48. Risk factors-disclosure under IFRS-7 "Financial Instruments: Disclosures"

- Management believes that the fair value of all the assets and liabilities approximate their carrying value.
- As on Balance Sheet date, the company has no borrowing in foreign currency and hence there is no rate fluctuation risk.
- The company made its investment in a wide range of portfolios and the management believes that concentration of investment risk is negligible.

49. General**49.1 Business**

The detail of businesses done by the company are as follows:

Particulars	2016		2015	
	Contracted	Disbursed	Contracted	Disbursed
	Taka	Taka	Taka	Taka
Term finances	4,323,604,688	4,166,379,492	3,331,759,038	3,653,477,802
Leases	193,761,246	142,061,246	20,830,000	349,992,900
Total	4,517,365,934	4,308,440,738	3,352,589,038	4,003,470,702

49.2 Interim financial statements

The company publishes its interim financial statements quarterly as per the Bangladesh Securities and Exchange Commission Notification No. SEC/CMRRCD/2008-183/Admin/03-34 dated 27 September 2009.

49.3 Office space

The company is using 7,500 sft at its registered address @ Tk.60 per sft. The property is owned by Eunoos Trade Centre Limited. The lease agreement signed with the company was effective from 01 December 2009 to 30 November 2021. The rate of rent shall be valid for a period of 2 years commencing from 01 December 2009 up to 30 November 2011 and thereafter the rent shall increase @ 15% after expiry of every 2 years on the then existing rate.

Fareast Finance & Investment Limited entered into an agreement on 26 May, 2015 with Spacezero Limited having its office at House # 106, Road # 25, Block-A, Banani Model Town, Dhaka-1213 to buy office space at 9th and 10th floor of the multi-storied Commercial Building at House # 53, Road # 21, Block-B, Kemal Ataturk Avenue, Banani, Dhaka-1213 measuring approximately 5,403 square feet (considering 3 car parks for ground and 1st floor each and balance car parks equally distributed into all other floors) and 5,483 square feet (considering 3 car parks for Ground & 1st floor each and balance car parks equally distributed into all other floors) respectively at a rate of Tk.27,000 per square feet.

The company entered into an agreement with Mr. Mohammed Ayub, Proprietor of Ayub Trade Center at Agrabad, Chittagong on 29 December 2016 for renting 1,374 sft area on the 2nd floor of the building for a period of 5 years starting from 01 January 2017 to 31 December 2021 @ Tk.58 per sft to operate Chittagong branch office and thereafter the rent shall increase @ 16% after expiry of every 2 years on the then existing rate.

The company entered into an agreement with Mrs. Saheli Huq, owner of the premises at Banani, Dhaka on 21 June 2015 for renting 2,687 sft area on the 6th floor of the building for a period of 3 years starting from 01 August 2015 to 31 July 2018 @ Tk.283,050 per month to open a branch office.

49.4 Declarations

The Board of Directors of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended 31 December 2016 in their 177th meeting held on 10 April 2017 and recommended to the shareholders for approval.



M. A. Wahhab
Chairman



Md. Monir Hossain
Vice Chairman



Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

Fareast Finance & Investment Limited

Investment in shares as at 31 December 2016

Annexure-A

Sl. No.	Name of the company	Type of shares	Face value	No of shares	Cost/present value of holdings		Average cost		Quoted rate per share as at 31 Dec. 2016	Total market value as at 31 Dec. 2016		Estimated commission on sale of shares	Fair value as at 31 Dec. 2016		Provision required as at 31 Dec. 2016	
					Taka	Taka	Taka	Taka		Taka	Taka		Taka	Taka	Taka	Taka
1	Active Fine Chemical	A	10	65,000	2,847,650	43.81	43.30	2,814,500	8,444	2,806,057	41,594					
2	AB Bank Limited	A	10	63,950	1,479,107	23.13	22.30	1,426,085	4,278	1,421,807	57,300					
3	Bengal Windsor Thermoplastic Ltd.	A	10	1,329,544	88,319,115	66.43	48.80	64,881,747	194,645	64,687,102	23,632,013					
4	Delta Life Insurance Co. Ltd.	A	10	120,350	30,624,815	254.46	100.60	12,107,210	36,322	12,070,888	18,553,926					
5	Envoy Textiles Ltd.	A	10	429,268	21,302,232	49.62	38.80	16,655,598	49,967	16,605,632	4,696,600					
6	EXIM Bank Ltd.	A	10	22,966	505,022	21.99	11.70	268,702	806	267,896	237,126					
7	FAR Chemical Industries Ltd.	A	10	30,000	1,161,000	38.70	23.90	717,000	2,151	714,849	446,151					
8	Fareast Islami Life Insurance Co. Ltd.	A	10	19,838	1,704,912	85.94	67.70	1,343,060	4,029	1,339,031	365,882					
9	Golden Harvest Agro Ltd.	A	10	6,600	251,859	38.16	53.50	353,100	1,059	352,041	(100,182)					
10	Grameen Phone Ltd.	A	10	36,000	12,391,229	344.20	284.10	10,227,600	30,683	10,196,917	2,194,312					
11	Green Delta Mutual Fund	A	10	100,000	1,000,000	10.00	7.30	730,000	2,190	727,810	102,400					
12	IDLC Finance Ltd.	A	10	201,863	12,670,214	62.77	57.00	11,506,191	34,519	11,471,672	1,198,541					
13	IFAD Autos Ltd.	A	10	12,466	1,123,935	90.16	100.20	1,249,093	3,747	1,245,346	(121,411)					
14	Khulna Power Co. Ltd.	A	10	70,000	5,494,097	78.49	62.50	4,375,000	13,125	4,361,875	1,132,222					
15	Lafarge Surma Cement	A	10	27,000	3,321,756	123.03	82.10	2,216,700	6,650	2,210,050	1,111,706					
16	Matin Spinning Mills Ltd.	A	10	58,087	2,391,808	41.18	40.20	2,335,097	7,005	2,328,092	63,716					
17	Mozaffar Hossain Spin. Mills Ltd.	B	10	1,236,704	37,657,637	30.45	21.20	26,218,125	78,654	26,139,470	11,518,166					
18	Popular Life 1st Mutual Fund	A	10	264,588	1,999,991	7.56	5.40	1,428,775	4,286	1,424,489	0					
19	R.N. Spinning Mills Ltd.	Z	10	300,010	10,013,254	33.38	25.10	7,530,251	22,591	7,507,660	2,505,594					
20	RAK Ceramic Industries Ltd.	A	10	52,015	3,809,579	73.24	61.90	3,219,729	9,659	3,210,069	599,509					
21	Reckit Benckiser (BD) Ltd.	A	10	450	721,339	1,602.98	1,550.00	697,500	2,093	695,408	25,931					
22	Saif Powertec Ltd.	A	10	232,677	12,676,243	54.48	50.60	11,773,456	35,320	11,738,136	938,107					
23	Summit Alliance Port Ltd.	A	10	32,340	2,412,858	74.61	51.50	1,665,510	4,997	1,660,513	752,345					
24	United Airways Ltd.	Z	10	123,057	1,976,743	16.06	6.90	849,093	2,547	846,546	1,130,197					
25	Yeakin Plyomer Limited	N	10	1,141	10,372	9.09	30.40	34,686	104	34,582	(24,211)					
26	Zaheen Spinning Ltd.	A	10	798,025	20,868,354	26.15	18.90	15,082,673	45,248	15,037,424	5,830,929					
26	Total as at 31 December 2016			5,633,939	278,735,118			201,706,482	605,119	201,101,363	76,888,463					
	Total as at 31 December 2015			12,145,698	378,216,175			283,429,440	850,288	282,579,151	89,688,679					

Annexure-B

Fareast Finance & Investment Limited

Schedule of Fixed Assets

As at 31 December 2016

Particulars	Cost				Rate of Dep.	Depreciation				Net book value as at 31 December 2016
	Opening balance as at 01 January 2016	Additions during the year	Disposals/ adjustments during the year	Total balance as at 31 December 2016		Opening balance as at 01 January 2016	Charge for the year	Disposals/ adjustments during the year	Total balance as at 31 December 2016	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Owned assets										
Land	5,485,000	-	-	5,485,000	0.0%	0	-	-	-	5,485,000
Furniture and fixture	13,295,507	2,608,411	-	15,903,918	18%	9,239,410	1,712,676	-	10,952,086	4,951,832
Office equipment	12,962,386	1,805,177	-	14,767,563	20%	9,693,198	1,091,685	-	10,784,883	3,982,680
Office software	1,826,725	-	-	1,826,725	20%	1,710,041	39,996	-	1,750,037	76,688
Crockeries	32,780	28,650	-	61,430	20%	32,779	5,724	-	38,503	22,927
Motor vehicle	10,784,938	5,600,000	-	16,384,938	20%	6,677,864	1,953,745	-	8,631,609	7,753,329
Sub total	44,387,336	10,042,238	-	54,429,574		27,353,292	4,803,826	-	32,157,118	22,272,456
Leasehold assets										
Motor vehicle	7,600,000	-	-	7,600,000	20%	1,773,333	1,520,000	-	3,293,333	4,306,667
Sub total	7,600,000	-	-	7,600,000		1,773,333	1,520,000	-	3,293,333	4,306,667
Total as at 31 December 2016	51,987,336	10,042,238	-	62,029,574		29,126,625	6,323,826	-	35,450,451	26,579,123
Total as at 31 December 2015	46,073,175	5,914,161	-	51,987,336		23,077,458	6,049,167	-	29,126,625	22,860,711

Fareast Finance & Investment Limited

Name of directors and their interest in different organizations

Sl. No.	Name of Directors	Status in FFIL	Entities where they have interest	Status in interested entities	% of holding/ interest in the concern as 31 Dec. 2016
1	Mr. M. A. Wahhab	Chairman	MAWSONS Limited	Managing Director	53
			Fareast Stocks & Bonds Limited	Director	10
			PFI Securities Limited	Chairman	5.13
			Prime Prudential Fund Limited	Director	10
			Primeasia University	Member, Board of Trustee	7.7
2	Mr. Md. Monir Hossain	Vice Chairman	Fariha Spinning Mills Limited	Managing Director	63.93
			Fahim Textile Mills Limited	Managing Director	16.12
			Fariha Homes & Fashion Limited	Managing Director	50
			Fair Banks Properties Limited	Managing Director	40
			Wari Golden Hospital	Director	10
			Fahim Poultry & Dairy Farm	Proprietor	100
			Fahim Fish Farm	Proprietor	100
			Fahim Foods & Beverage	Proprietor	100
3	Mr. M. Mustafizur Rahman	Director	Credit Rating Agency of Bangladesh Ltd.	Director	8.17
4	Mrs. Umme Fatima Khaledee Jahan	Director	GETCO Agro Vision Limited	Director	15
			KBZ Properties Limited	Director	11
5	Mr. Nazim Asadul Haque Representative of Asian Gate Limited	Director	Bangla Trac Communications Limited	Chairman	50
			Asian Gate Limited	Managing Director	20
			ACORN Limited	Director	25
			ACORN Infrastructure Services Limited	Chairman	14.5
			Prime Finance Capital Management Limited	Director	6
			PFI Properties Limited	Nominated Director	10
6	Mr. Md. Ershad Ullah	Director	Ershad Enterprize	Proprietor	100
			M/S Ershad Shipping Line	Proprietor	100
			Diganta Paribahan (Pvt) Limited	Managing Director	50
			Ahsan Ullah Commercial Complex	Proprietor	100
7	Mr. Md. Shamsul Islam Varosha	Director	Karim Chemicals	Proprietor	100
			JSA Autos	Proprietor	100
			K.V Industries Ltd.	Shareholder	10
			JSA Multitrade & Products Ltd.	Managing Director	70
			R.K. Metal Industries Ltd.	Shareholder	0.5
8	Mr. Rubaiyat Khaled	Director	MAKSONS (Bangladesh) Limited	Director	15
			MAKSONS Associates Limited	Director	15
			MAKSONS Bay Limited	Director	25
			Prime Financial Securities Limited	Director	15
			Prime Finance Capital Management Limited	Chairman	3.85
			Prime Property Holdings Limited	Director	25
			Fareast Stocks & Bonds Limited	Director	2.76
			Fareast Islami Life Insurance Co. Limited	Director	2
			Bangladesh Institute for Professional Development (BIPD)	Director	15
			Primeasia University	Member, Board of Trustee	7.7

Sl. No.	Name of Directors	Status in FFIL	Entities where they have interest	Status in interested entities	% of holding/ interest in the concern as 31 Dec. 2016
9	Mr. Khorshed Alam Khan	Director	Modern Diagnostic Centre Limited	Director	1
10	Mr. Mohammad Shahidul Islam	Independent Director	Nil.		
11	Dr. M Mosharraf Hossain	Independent Director	PFI Properties Limited	Nominated Director	10
			United Media Limited	Nominated Director	0
			Bangladesh Institute for Professional Development (BIPD)	Director	10
12	Mr. Santanu Saha	Managing Director	Fareast Stocks & Bonds Limited	Nominated Director	50

Meeting Papers

Meeting papers are the necessary documents required to convey the meeting successfully. They are usually named notice of the meeting, agendas of the meeting, necessary notes relating to the agendas and proposed resolution. These are the supportive documents provided to the shareholders for their preparation and useful participation in the meeting. Proposed resolutions are placed as a guideline for talking the decisions.



Notice of the Sixteenth Annual General Meeting

Notice is hereby given that the sixteenth Annual General Meeting of Fareast Finance & Investment Limited will be held on Sunday 11 June 2017, at 10:00 a.m. at International Convention City Bashundhara (Venue 3: Rajdarshan), Kuril Bishwa Road (Next to 300 ft. Road) Purbachal Express Highway, Dhaka-1229, Bangladesh to transact the following business:

Agendum # AGM201616-01

Receive, consider and adoption of audited financial statements for the year ended 31 December 2016 together with the report of the Directors' and the Auditors' thereon

Agendum # AGM201616-02

Declaration of dividend

Agendum # AGM201616-03

Election of Directors

Agendum # AGM201616-04

Appointment of Auditor and fixation of their remuneration

By the order of the Board,



Sheikh Khaled Zahir
MBA, FCS
Company Secretary

Date: 25 May 2017

Notes:

1. The record date of the company was 3 May 2017 and the name of Shareholders in the depository register on the record date will be eligible to attend the meeting.
2. A member may appoint a proxy to attend and vote on his/her behalf by filling the attached proxy form as per Article 47 of the Articles of Association of the company. The proxy form, duly completed, must be affixed with stamp and deposited at the registered office of the company 48 hours before the time of holding the meeting.
3. According to article 48 of the Articles of Association of the company a corporate body being a member of the company may appoint its representative any person whether a member of the company or not through resolution.
4. Admission to the hall will be only on production of the attendance slip sent with the notice.

Explanatory notes and proposed resolution

Agendum # AGM201616-01

Receive, consider and adoption of audited financial statements for the year ended 31 December 2016 together with the report of the Directors' and the Auditors' thereon

Attachment: Audited financial statements for the year ended 31 December 2016 together with the report of the Directors' and the Auditors' thereon.

Notes:

1. Section 183 of the Companies Act, 1994 requires the Directors to submit before the general meeting a Balance Sheet and Profit and Loss Account along with the Auditors' Report thereon.
2. Section 184 of the said Act requires a Directors' Report on the state of the company's affairs along with their recommendations for appropriations to be attached to the Balance Sheet.

Proposed resolution:

As proposed by(BO ID:.....)
and seconded by(BO ID:.....)
audited financial statements for the year ended 31 December 2016 together with the report of the Directors' and the Auditors' thereon were received, considered and adopted.

Agendum # AGM201616-02

Declaration of dividend

Attachment: Nil

Notes:

1. As per Article 106 of the Articles of Association, the Board of Directors of the Company may recommend dividend, as they deem fit.
2. As per clause 96 of Schedule-1 of The Companies Act, 1994 the dividend shall not exceed the amount recommended by the Board of Directors of the Company.
3. As per regulation 19 of the Dhaka Stock Exchange (Listing) Regulations, 2015 and Chittagong Stock Exchange (Listing) Regulations, 2015 and BSEC notification # SEC/CMRRCD/2009-193/Admin/03-31 dated 1 June 2009 the decision about recommending or not recommending dividend and entitlement for such dividend, if recommended, cannot be changed prior to holding of the annual general meeting.
4. During the year 2016 Company earned net profit of Tk.102,979,814 only. After transfer of Tk.20,595,963 only to statutory reserve as per Rule 6 of The Financial Institutions Regulations 1994 and adjustment of retained earnings as on 31 December 2016, Tk.82,880,596 only was available for dividend which is not adequate amount for distribution of dividend.
5. The Board in their 177th meeting unanimously agreed and recommended 5.00% cash dividend on the ordinary shares of the company's paid up capital for the year 2016 to be paid after payment of dividend tax to such members whose names appeared in the depository register on the record date subject to the approval of shareholders in the ensuing Annual General Meeting and competent regulatory authorities if required.

Proposed resolution:

As proposed by(BO ID:.....)
and seconded by(BO ID:.....)
as recommended by the Board of Directors of the Company, the shareholders approved 5.00% cash dividend on the ordinary shares of the company's paid up capital for the year 2016 to be paid after payment of dividend tax to such members whose names appeared in the depository register on the record date subject to the approval of competent regulatory authorities if required.

Agendum # AGM201616-03**Election of Directors**

Attachment: Nil

Notes:

1. As per Article 67 of the Articles of Association of the company, in every year other than first year, one-third of the Directors for the time being or if their number is not three or multiples of three, then the number nearest to one-third shall retire from office. Till date number of Directors in the company's Board is ten and hence four Directors will retire on 11 June 2017 from heir office.
2. Article 69 of the Articles of Association of the company states that a retiring Director is eligible for re-election.
3. In line with Article 67 of the Articles of Association of the company, Directors, namely, Mr. M. Mustafizur Rahman, Mr. Md. Monir Hossain, Mr. Muhammed Abdul Wahhab and Mr. Khorshed Alam Khan will retire on 11 June 2017 from their office. According to Article 68 of the Articles of Association of the company, all of them are eligible for re-election.

Proposed resolution:

As proposed by(BO ID:.....)
 and seconded by(BO ID:.....)
 the shareholders of Fareast Finance & Investment Limited noted the resignation of the following directors from the Board of Directors effective from 11 June 2017:

Sl. #	Name of Directors
1	Mr. M. Mustafizur Rahman
2	Mr. Md. Monir Hossain
3	Mr. Muhammed Abdul Wahhab
4	Mr. Khorshed Alam Khan

Further as proposed by(BO ID:.....)
 and seconded by(BO ID:.....)
 The shareholders of Fareast Finance & Investment Limited elected the following directors in the board of directors effective from 11 June 2017:

Sl. #	Name of Directors
1	
2	
3	
4	

Agendum # AGM201616-04**Appointment of auditor and fixation of their remuneration**

Attachment: Nil

Notes:

1. According to Article 115 of the Articles of Association of the company and section 210 of The Companies Act, 1994, in the each ordinary annual general meeting, members of the company shall appoint an auditor for the company to hold office until the next ordinary general meeting.
2. According to section 24(1) of The Financial Institutions Act, 1993, financial institutions shall appoint an auditor on yearly basis subject to Bangladesh Bank's approval in this regard. This shall supersede all other rules of The Companies Act, 1994 in this regard.
3. Appointment of external auditor will be followed to DFIM circular # 04 dated 30 April 2015.

- 4 According to FID Circular # 04 dated 30 April 2015 a Chartered Accountant firm cannot be appointed as auditor for more than three consecutive years.
- 5 According to clause 1(a) of Bangladesh Securities and Exchange Commission's notification dated 04 January, 2000 financial statements shall be audited by a partnership firm of Chartered Accountants within the meaning of Bangladesh Chartered Accountants Order (P. O. 2 of 1972) consisting of not less than two partners in practice for a minimum of seven years.
- 6 The Shareholders on their fifteenth Annual General Meeting appointed Khan Wahab Shafique Rahman & Co., Chartered Accountants as the company's auditor for the year 2016 with the annual remuneration of Tk.350,000 excluding VAT for the second time. They completed the audit satisfactorily and submitted their report.
- 7 Khan Wahab Shafique Rahman & Co., Chartered Accountants expressed their willingness for reappointment as the auditor of the company for the year 2017.
- 8 Khan Wahab Shafique Rahman & Co., Chartered Accountants is the approved audit firm of the panel of auditors of Bangladesh Securities & Exchange Commission.
- 9 The Board of Directors in their 177th meeting recommended to appoint Khan Wahab Shafique Rahman & Co., Chartered Accountants as the company's auditor for the year 2017 with the annual remuneration of Tk.375,000 excluding VAT for the third year.
- 10 Bangladesh Bank through their DFIM(C)1054/38/2017-1039 dated 16 April 2017 provided their approval for the re-appointment of Khan Wahab Shafique Rahman & Co., Chartered Accountants as external auditor of the company for the year 2017.

Proposed resolution:

As proposed by(BO ID:.....)
 and seconded by(BO ID:.....)
,Chartered Accountants be and are hereby appointed as auditor of Fareast Finance & Investment Limited for the year 2017 with the remuneration of Tk..... excluding VAT.

Fareast Finance & Investment Limited

**Eunoos Centre (8th level)
52-53 Dilkusha Commercial Area, Dhaka-1000, Bangladesh**

Affix revenue
stamp of
Tk.20.00

Proxy form

I
of.....
being a member of Fareast Finance & Investment Limited hereby appoint Mr./Ms.....
.....of.....
.....(or failing him).....
.....of.....
.....as my proxy to attend and vote for me and on my behalf
at the sixteenth Annual General Meeting of the company to be held on Sunday 11 June 2017 at 10.00 a. m. and at any
adjournment thereof.

Signed thisday of.....2017.

Detail of proxy	Detail of member
Signature:	Signature:
Name:	Name:
BO ID # (if any):	BO ID #:

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:
BO ID # (if any):	BO ID #:

I/we hereby record my/our presence at the sixteenth Annual General Meeting of Fareast Finance & Investment Limited held on Sunday, 11 June 2017 at 10.00 a.m. at International Convention City Bashundhara (Venue 3: Rajdarshan), Kuril Bishwa Road (Next to 300 ft. Road) Purbachal Express Highway, Dhaka-1229, Bangladesh.

Glossary

Terms	Explanation
Associate Company	An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
Bank rate	The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.
Business risk	Business risk arises from the specific business activities of a company and the effects these could have on its earnings.
Book Value per share	Book value of shareholders equity divided by the number of ordinary shares outstanding.
CAMELS Rating	It is a measure for examining a financial institution or bank - the five things to examine are: <ul style="list-style-type: none"> • Capital adequacy • Asset quality • Management quality • Earnings • Liquidity • Sensitivity
Cash Reserve Requirement (CRR)	CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFIs is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.
Credit and counterparty risk	Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.
Collateral	Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.
Contingent liabilities	A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognizing the liability at this reporting date.
Default risk	The risk that a client may be unable to make payments of rentals/installments on time.
Diversification	Distribution of investments among various sectors and geographic region to minimize risk.
Earning Assets	Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.
Efficiency ratio	Non interest expenses (management expenses) expressed as a percentage of total operating revenue net of financial expenses. Used as a measure of productivity and for comparison with peers.
Equity method	Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportionate share of net assets; the prorate share of annual profit or loss in the relevant company is recognized to the income statement.
Equity ratio/Capital ratio	Indicator showing the relation of equity to total assets.
Fair value	The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

Fareast Finance makes every client

SPECIAL_{one}

We define

S

Speed

P

Personalised services

E

Exceed expectations

C

Competence & courtesy

I

Information

A

Attitude-‘can do’

L

Long term relationship

MANAGEMENT BELIEVES THAT
FFIL WILL CONTINUE TO GROW
ALONG WITH THEIR
CLIENT BASE OVER SIX HUNDRED NUMBERS

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