

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

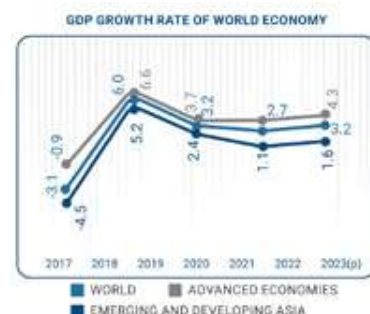
The Board of Directors of Bangladesh Finance Limited is pleased to welcome you to the 24th Annual General Meeting (AGM) of the company and present before you the Annual Report along with the Audited Standalone and Consolidated Financial Statements for the year ended December 31, 2022. The report includes a brief elaboration on the review of the business and its financial performance, as well as the underlying forces that have had an influence on them. This report has been prepared in compliance with section 184 of the Companies Act 1994, Financial Institutions Act 1993 and the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank and other regulatory authorities.

Global Economy

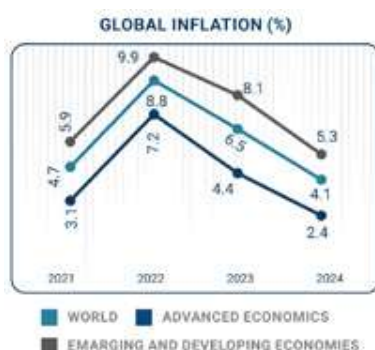
The global economy is experiencing a number of turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. By introducing a flexible monetary policy that delivered unprecedented support during the pandemic is cooling demand as policy makers aim to lower inflation back to target. But a growing share of economies is in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions.

Global GDP Growth

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth.



Global Inflation



Globaleconomicactivityisexperiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. In early 2022, the Russian invasion of Ukraine's effect on global oil prices, natural gas, fertilizer, and food prices further exacerbated the situation. The effect of sanctions on the Russian economy caused annual inflation in Russia to rise to 17.89%, its highest since 2002. Higher gasoline prices were a major contributor to inflation as oil producers saw record profits. Debate arose over whether inflationary pressures were transitory or persistent. Central banks responded by aggressively increasing interest rates. U.S. inflation surge to product shortages resulting from the global supply-chain problems, itself largely caused by the COVID-19 pandemic. In November 2021 inflation in the United States was 14.9% for durable goods, compared to 10.7% for consumable goods and 3.8% for services. Similar situations occurred in several other major economies. The supply chain stresses increased prices for commodities and transportation, which are cost inputs for finished goods. Eurozone inflation hit 9.1% and 10% in August and September, respectively.

According to IMF's World Economic Outlook OCT 2022, Global inflation is forecasted to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

Global Commodity Market

Throughout 2022, the market was observed as a devastating situation. Russia's attack on Ukraine caused most commodities to peak in the first three months of 2022. However, for much of the rest of the year, synchronized interest rate hikes by central banks to deal with inflation and a slowing Chinese economy caused by the Covid-19 zero policy to combat new cases put downward pressure on commodity prices. Some notable price movement following the war in Ukraine was international benchmark Brent crude oil surge to \$139 per barrel in early March on talks of the US plans to ban imports of Russian oil. Natural gas in Europe rose to a record high of €345 megawatts/hour in high of \$13.6 per bushel as the Russia from the main Black Sea ports. On the in Ukraine briefly elevated gold's status as reached \$2,000 an ounce in March 2022, \$2,075 per ounce set in August 2020. Most continue their tightening cycle in the first before easing the pace of their rate hike or half. On 8 December, Fitch Solutions product (GDP) to slow to 2% in 2023, from will be hit hard, with a painful recession in and short recession in the US. Amid such a as well as speculative demand for World Bank suggested Brent could drop to \$92 in 2023 and \$80 in 2024, from \$100 in 2022. Fitch Solutions' commodity price forecast expected Brent to average \$95/barrel in 2023 and \$88 in 2024, easing from an average of \$101.7 in 2022. It suggested WTI could average \$93/bbl in 2023 and \$87 in 2024, dropping from \$94.33 in 2022. JP Morgan Chase & Co. forecast Brent crude oil to average around the \$90/barrel level in 2023.

Figure 1.9. Inflation Driven by Food and Fuel (Annualized percent)

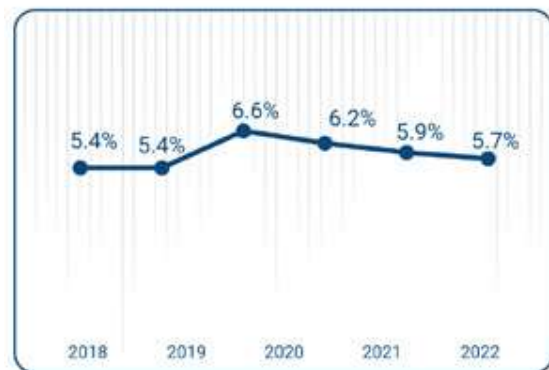


March. Wheat reached an all-time Ukraine war disrupted deliveries precious metals front, the conflict a safe haven. The price of gold but fell short of the all-time high of analysts expect central banks to half of 2023 to combat inflation, reducing the rate in the second estimated global gross domestic 3.1% in 2023. Developed markets the eurozone as well as a light clouded global backdrop, physical commodities will be capped. The

Global Unemployment

The unemployment rate in the was stable in September 2022, at 4.9%, slightly above its lowest point since the start of the 2001 (4.8%) recorded in July 2022. This rate was 0.4 percentage point below its pre-pandemic level. The number of unemployed workers in the OECD decreased slightly, to 33 million. The OECD unemployment rate was broadly stable in September for both women and men, at 5.1% and 4.6% respectively, as well as for workers aged 25 and above. However, the unemployment rate for younger workers slightly increased over the last two months, reaching 10.8% in September. In the euro area, the unemployment rate decreased slightly, by 0.1 percentage point, to 6.6% in September reaching its lowest level since the start of the series in 1990. The unemployment rate was stable or decreased in 80% of euro area countries, with the largest declines observed in Austria, France, Greece and Lithuania. Outside Europe, the unemployment rate fell in Canada, Mexico and the United States and was broadly stable in Japan. By contrast, it increased in Israel and Korea. In October 2022, the unemployment rate was stable at 5.2% in Canada while it increased to 3.7% in the United States from 3.5% in September. The total global number of unemployed youths should fall to 73 million in 2022, according to the UN Survey. The reasons behind were many dropped out of the labor force, or failed to enter it altogether, due to the difficulty of finding a job during Covid-19 lockdowns and while businesses were closing due to the pandemic. The global unemployment rate is projected to remain above its 2019 level until at least 2023. Labor market recovery will remain weak through 2023. Employment losses and a drop in labor income characterized 2021 as they had the year before. Low- and lower-middle-income countries have fared the worst. Moreover, people who already faced a disadvantage in the labor market, such as women, youth, the elderly, and migrant workers – have experienced higher employment losses than other groups.

GLOBAL UNEMPLOYMENT
SOURCE: INTERNATIONAL LABOUR ORGANIZATION
(2022 GLOBAL ESTIMATES)



World Economic Outlook 2023

Global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024. The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical (2000–19) average of 3.8 percent. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017–19) levels of about 3.5 percent.

The balance of risks remains tilted to the downside, but adverse risks have moderated since the October 2022 WEO. On the upside, a stronger boost from pent-up demand in numerous economies or a faster fall in inflation is plausible. On the downside, severe health outcomes in China could hold back the recovery, Russia's war in Ukraine could escalate, and tighter global financing costs could worsen debt distress. Financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation could hamper economic progress.

In most economies, amid the cost-of-living crisis, the priority remains achieving sustained disinflation. With tighter monetary conditions and lower growth potentially affecting financial and debt stability, it is necessary to deploy macroprudential tools and strengthen debt restructuring frameworks. Accelerating COVID-19 vaccinations in China would safeguard the recovery, with positive cross-border spillovers. Fiscal support should be better targeted at those most affected by elevated food and energy prices, and broad-based fiscal relief measures should be withdrawn. Stronger multilateral cooperation is essential to preserve the gains from the rules-based multilateral system and to mitigate climate change by limiting emissions and raising green investment.

Economy of Bangladesh

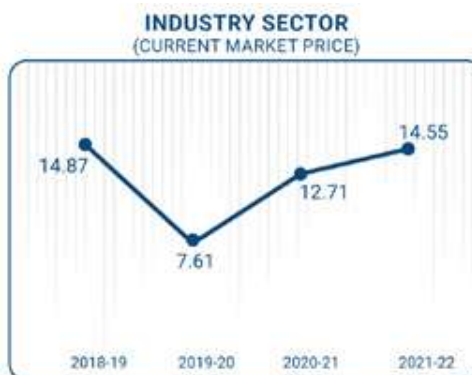
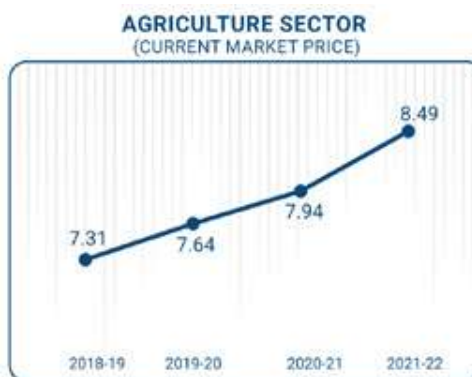
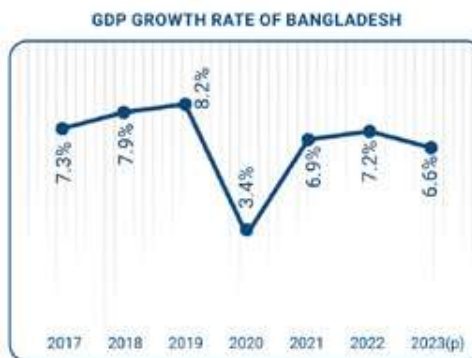
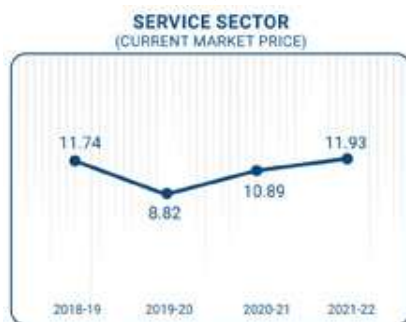
While the global economy was recovering strongly from the COVID-19 pandemic, the war in Ukraine posed a setback to the ongoing recovery. A rise in the global commodity prices and sluggish economic activities by war induced supply chain disruption is being observed. Sluggish growth rates between advanced economies and emerging and developing economies will be divergent. Growth in advanced economies is expected to decline from 5 percent in 2021 to 3.8 percent in 2022 and 2.3 percent in 2023.

However, Bangladesh's economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.4 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21. According to the BBS, the GDP growth stood at 7.2 percent in FY 2021-22, and it is estimated that the GDP will grow at a rate of 6.6 percent in FY 2022-23.

Sector Wise Economic Progress

In FY 2021-22, the growth of the agricultural sector has been 8.49 percent. whereas the industry and service sector appreciated with a growth rate of 14.55 and 11.93 percent correspondingly. The contribution of the broad service sector, such as; wholesale and retail trade; hotels and restaurants; transport, storage, and communication; financial intermediations; real estate,

renting, business activities, etc., to the GDP stood at 53.07% in FY 2021-22. Among service sector utmost contribution came from wholesale & retail trade sector in FY 2021-22.



Budget at a Glance for FY 2022-23

Bangladesh has presented the largest budget of its history in its 51th year of sustaining as a sovereign nation. The size of the proposed budget for the FY 2022-23 is TK. 6,78,064 crore which is a 12.03% higher from the previous FY. In this period, we are going to have a deficit of Tk. 2,45,064 crore which is 5.50% of the total GDP and the highest deficit budget in the history of Bangladesh.

Remittance

The flow of inward remittances is observed to be dropped by 16.20 percent in September 2022. However, according to the monthly economic trend published by Bangladesh Bank, inward remittance of Bangladesh experienced an upsurge of 10.40 percent in Dec-22, accounting for 1,700 million USD. Although, higher gap between formal banking channel exchange rate of the US dollar against the local currency and kerb market has encouraged illegal hundi activities in recent past, the remittance data evident an eradicated effect of such activities.

Foreign Direct Investment

Despite economic growth in Bangladesh over the past decades, Foreign Direct Investment (FDI) has been facing a declining trend in Bangladesh. According to the Bangladesh Bank's statistics, the inflow of FDI stood at USD 3,889 million in the FY-19, recording the highest amidst the previous 4 years. However, it started to decline in FY-2020 and accounted for 2,179 million USD in the recent FY-22. The government is taking promotional activities like investment summits & roadshows to attract foreign investors however foreign investors are expecting to have more ease of doing business & a stable economic climate.

Foreign Exchange Reserve

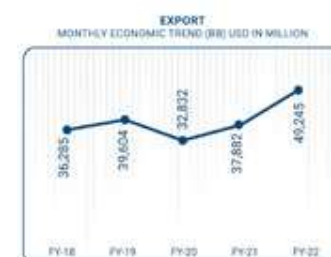
A foreign exchange reserve displays a nation's backup fund which, can be used during a turmoil economic situation. Foreign exchange reserve stood at USD 36,476 million in the Sep-22 quarter which, was USD 41,827 million in Jun-22. Hence, a decline of 12.79 percent can be observed over the mentioned quarters. The underlying causes behind such decline are pressure from various dimensions like unabated dollar price appreciation & costlier imports.

Inflation

Inflation in Bangladesh has been facing a swelling growth in the first two quarter of FY-22 as price of food & non-food items are showing upward movement. In the June-22 quarter, point to point inflation was 7.56% & in quarter Dec-22 inflation increased to 8.71%. Both the point to point & 12-month average inflation depicted a significant increase in FY-22 compared to the previous years. In Dec-22 point to point inflation stood at 7.70%, increase 2.16% from the previous quarter.

Export

After dealing with the negative effects of the COVID-19 epidemic, Bangladesh's foreign trade has begun to improve. Total export earnings fell 17.1% to USD 32,832 million in FY 20 compared to the previous fiscal year. However, export earnings started to show an increasing trend from FY 21. In FY 22, export earnings totaled USD 49,245 million, representing a 30% increase over the previous fiscal year. During this time period, commodity-wise growth in export earnings demonstrates that export earnings



from practically all items have increased in comparison to the previous fiscal year. The government has taken several steps including providing cash incentives to encourage exporters.

Import

Total import payments for FY-21 were USD 60,681 million, which upsurged to 82,495 million USD in FY-22 with a growth rate of 35.95%. Such an increase in import payment resulted in a negative balance of payments situation for FY-22. In accordance with FY-22, 25.60 percent of the total imported commodities arrived from China, while India was the second largest source of import, grabbing 18.10 percent of our total import.

Capital Market Overview

Turnover of the Dhaka Stock Exchange (DSE) increased almost two-fold in September-2022 compared to the previous quarter. This massive increase of in turnover is caused by enthusiastic investors after a slight decline trend in the market. The principal index (DSEX) of DSE stood at 6,513 points which is an increase of 2.13% from previous Jun-22 quarter. The higher DSE index also indices the growing confidence of investors. DSE30 index also portrayed a positive trend point over the quarters of march, June and September-22.

Market capitalization of the Dhaka Stock Exchange is observed to be increasing gradually since FY2020. As of FY-22, market capitalization of Dhaka Stock Exchange (DSE) stood at BDT 5,177 billion which illustrates a 0.68% increase in comparison with FY 2021.

Economic Outlook of Bangladesh 2023

Bangladesh has a strong track record of economic growth and poverty alleviation. Over the last decade, it has been one of the world's fastest-growing economies, owing to a demographic dividend, robust ready-made garment (RMG) exports, and stable macroeconomic conditions.

Looking ahead, solid economic growth momentum is expected to continue with growing internal and external demand, improving the COVID-19 situation, and rising business confidence. However, headwinds to this growth and inflation outlook could emerge from a number of factors, such as the unfavorable outcomes of the Russia-Ukraine war, the continuation of soaring global commodity and energy prices, and sustained widening current account deficits with the depreciation pressure on exchange rate.

Since Russia and Ukraine are critical suppliers of several commodities, such as wheat, maize, sunflower oil, corn, fertilizers, and rare earth minerals, including oil, gas, and metals, supply disruptions in these commodities may escalate their prices in the global markets. Given the escalated global commodity prices, the government's fuel and fertilizer subsidies will increase substantially, creating pressure on fiscal management. The pass-through of soaring global commodity prices and the exchange rate depreciation could impair domestic price stability through import channels. Apart from containing inflation at tolerable levels, keeping import payments manageable and maintaining stability in the foreign exchange markets would be a critical challenge for the economy.

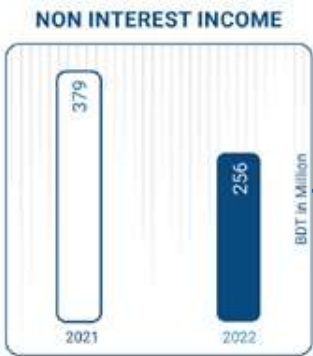
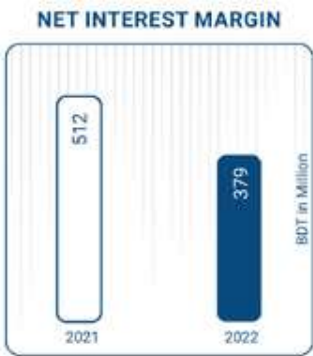
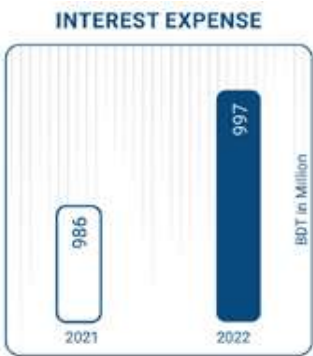
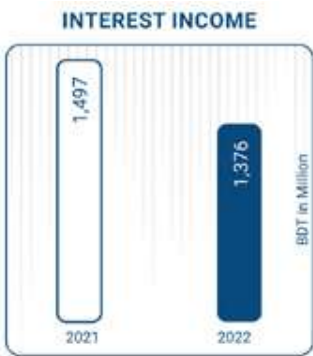
Given the shallow trade linkage of Bangladesh with Russia and Ukraine, the direct adverse impact of the war is expected to be limited. However, if the war lingers and propagates in neighboring European countries, which happen to be the major destinations of Bangladesh's exports and sources of remittance, the effects of the war could be non-trivial. In addition, the climate and environment-related vulnerabilities, like the recent sudden floods in the North and Northeastern part of the country, could have some headwinds on the country's overall price stability and growth prospect.

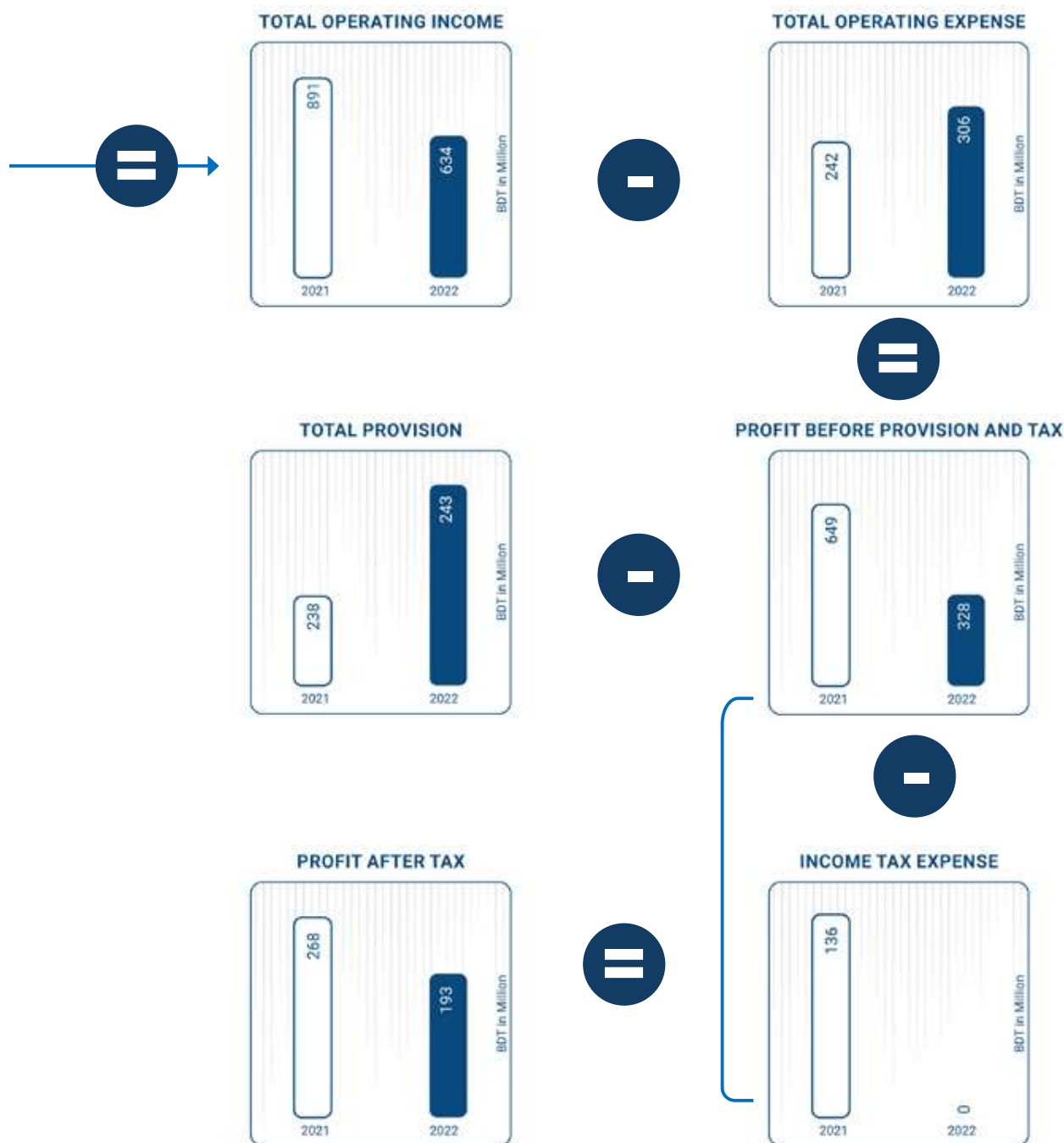


Performance of Bangladesh Finance in 2022

Bangladesh Finance has a strategy to improve its business portfolio by scouting good quality assets and to maintain a sustainable growth. The financial industry has been facing massive challenges since 2018. Severe liquidity crisis, reputational issue and growing non-performing loans still remains as the big concern for the industry. Keeping that in mind, Bangladesh Finance concentrated more on refinance schemes of Bangladesh Bank to grow its loan portfolio. The investment portfolio in lease and loan finance slightly increased to TK. 13,700 million in 2022 from TK. 12,369 million in 2021.

In addition to increasing the portfolio in the year 2022, Bangladesh finance improved its investment mix by reducing corporate investment and concentrating more on retail and CMSME segment. Operational performance of Bangladesh Finance compared to last year is summarized below:





The interest income decreased to BDT 1,376 million in 2022 from BDT 1,497 million in 2021 representing a negative growth of 8.1%. However, interest expenses increased to the tune of 1.2% due to liquidity crisis, inflationary adjustment and unstable money market. Overall net interest income showed a negative growth of 26%. The operating income stood at BDT 634 million in 2022 from BDT 891 million in 2021. The net profit after tax decreased to BDT 193 million in 2022 from BDT 268 million in 2021 registering a negative growth of 27.9% due to decreased other income and investment income.

Net Asset Value Per Share

There is an increase in Net Asset Value Per Share, in 2021 the Net Asset Value Per Share was BDT 15.69, which has increased to 16.15 in 2022. There is a 2.9% increase in Net Asset Value Per Share in 2022. The term Net Asset Value Per Share refers to the total value of a fund's investments divided by the number of shares outstanding. It indicates the price at which shares in that fund can be bought and sold.



Return on Equity

There is a decrease in Return on Equity (ROE) in the year 2022. The ROE has decreased to 6.45% in 2022 from 9.34% in 2021. Return on Equity is measured by dividing net income by shareholder's equity. We consider ROE as a measure of the profitability of a company in relation to stockholder's equity.



Earnings Per Share (EPS)

Earnings Per Share, or EPS gauges how much profit a company has generated. It is the portion of a company's profit that is allocated to each outstanding share of its common stock. EPS is calculated by dividing a company's total earnings by its outstanding shares. The Earnings Per Share has decreased to 1.03 in 2022 from 1.42 in 2021. The earnings decreased sharply due to lower of investment income from capital market operation, decreased interest income.



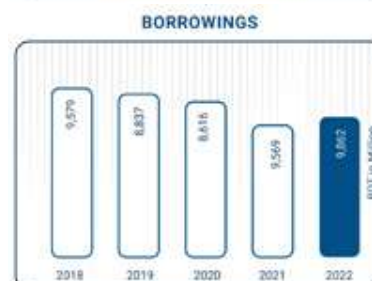
Capital Adequacy Ratio

The minimum paid-up capital of the Financial Institution (FI) shall be Taka 100 crore; provided that the sum of paid-up capital and reserves shall not be less than the minimum capital requirement (10% at present) under the Risk-Based Assets of the company, criteria determined by the Bangladesh Bank. Bangladesh Finance has maintained capital at 17.8% rate in 2022 which was 18.3% in the year 2021.

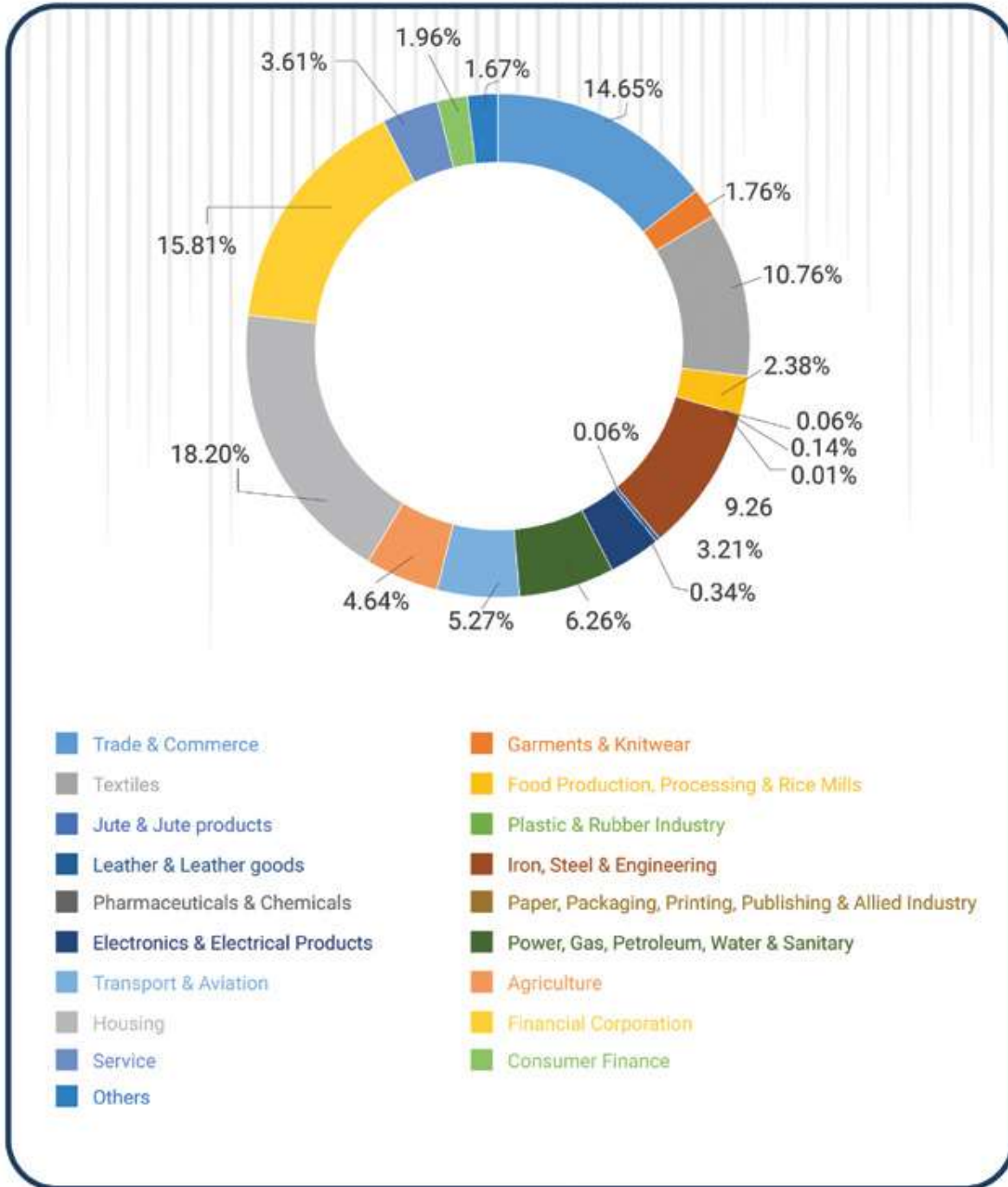


Deposit and Bank Borrowing

Total deposits increased by 3.1% in the year 2022 compared to previous year. Again, the dependency on bank borrowing increased by 6.5% in the year 2022. At the end of the year 2022 total deposit base of Bangladesh Finance stood at TK. 9,862 million from TK. 9,569 million in 2021.



SECTOR WISE CLASSIFICATION OF INVESTMENT 2022



Internal Control

The system of internal control is sound in design and has been effectively implemented and monitored within the organization. To further improve the internal control and monitoring system Bangladesh Finance has enriched its management information system.

Internal Control Over Financial Reporting

As well as complying with the Code, the Group has adopted the best practice recommendations for risk management, internal control and related financial and business reporting and the Company's internal control framework operates in line with the recommendations set out by the regulatory bodies.

Risk Management

Taking on credit exposure is a defining element of our business, and risk management of lending activities is a major challenge. Our risk management practices are currently undergoing a significant transformation, entailing a greater emphasis on the systematic analysis and assessment of the quality of the lease/loans and the development of qualitative and quantitative parameters to reduce internal and external risks.

Bangladesh Finance follows a standard credit policy which has been designed considering all kinds of related risks. The company has formed several committees (e.g. Credit Committee, Risk Management Forum, Internal Control and Compliance, Anti-Money Laundering/Central Compliance Unit) to deal with the various risk issues in the best possible way. The members of the mentioned committees meet on a regular basis to minimize and manage the risk. The Board continuously assess the risks faced by the organization and updates policies to maintain the balance between risk and growth. While the Board sets the policies, management is responsible for implementing those policies throughout the organization. The risk management issue has been discussed in detail in the chapter named "Risk Analysis and Management" of this report.

Directors' Rotation and Re-appointment

As per Articles 121, 126 and 127 of the Articles of Association of the Company which comply with the pertinent company law of the country, one-third of the Board of Directors (Excluding Managing Director and Independent Directors) shall retire by rotation. The following Directors shall retire from the office by rotation at the 24th Annual General Meeting:

Mr. Md. Asaduzzaman Khan
(Nominated by Khaled Iron
and Steels Ltd.)

Mr. Imtiyaj Yousuf
(Shareholding Director)

As per Article 128 of the Articles of Association of Bangladesh Finance, the Directors who retire by rotation, are eligible for reelection. Furthermore, Anwar Ispat Ltd. has recently changed their nomination to the Board of Bangladesh Finance Ltd. The Brief Resume and other information of the Directors as per clause 1.5 (xxiv) of the Corporate Governance Code of BSEC as on June 03 2018 are depicted in the directors' profile. The names of the companies in which the person also holds the directorship are shown on note no: 43.1 of the Financial Statements. It is noteworthy that, all the reappointment and new appointment of Directors are duly approved by the Bangladesh Bank which will be placed in the 24th AGM for final approval from the shareholders.

Appointment of Independent Director

The Independent Directors were duly appointed according to the Corporate Governance Code as prescribed by Bangladesh Securities and Exchange Commission (BSEC). The Board of Directors reappointed Mr. Md. Rokonzaman FCA as the independent director of Bangladesh Finance on its 256th Board meeting held on 21 June 2022. Again, Mr. Iqbal Uddin Ahmed also reappointed as another independent director in the 263rd Board meeting held on 29 November 2022. Both the appointment of the directors is duly approved by the Bangladesh Securities and Exchange Commission and Bangladesh Bank.



Long Term

Credit Rating

Bangladesh Finance has been awarded credit rating AA" in Long Term and ST-1 in Short Term by Alpha Credit Rating Ltd. based on the audited Financial Statements. The validity of the rating is up to April 13, 2023.

BY ALPHA CREDIT RATING LTD



Short Term



Quarterly Operating Results

Bangladesh Finance registered a slight decreasing growth in loans and advances in 4th Quarter over 1st, 2nd and 3rd Quarters (QoQ) respectively and an increasing the trend on Year over Year (YoY) basis. Deposit was grown over 4th Quarter over 2nd and 3rd Quarters (QoQ) in spite of the unhealthy competition to the tight money market and liquidity crisis and global economic slowdown. Revenue increase in QoQ basis in Q3'22 and Q4'22 with huddle recovery from outstanding loans, reduction of deposit rate, dividend income from subsidiaries and cost reduction strategy. Operating profit and net profit also increased in Q4'22 compared to quarters of 2022. However, overall net profit after tax decreased due to interest rate capping and depression in liquidity market.

Quarterly Operating Results		
Particulars	Q2'22	Q1'22
Loan & Advances	13,956	13,724
Growth (%) - QoQ	1.69%	2.65%
Growth (%) - YoY	4.39%	2.65%
Deposit & Other Accounts	10,275	10,458
Growth (%) - QoQ	-1.75%	9.29%
Growth (%) - YoY	7.37%	9.29%
Revenue	296	133
Growth (%) - QoQ	121.62%	-85.02%
Growth (%) - YoY	-66.80%	-85.02%
Operating Profit	166	76
Growth (%) - QoQ	117.92%	-88.22%
Growth (%) - YoY	-74.33%	-88.22%
Profit After Tax	71	34
Growth (%) - QoQ	108.09%	-87.36%
Growth (%) - YoY	-73.70%	-87.36%
Cost to Income Ratio	43.88%	42.92%
Growth (%) - QoQ	2.22%	56.61%
Growth (%) - YoY	60.09%	56.61%
Classified Loan Ratio (%)	3.24%	3.23%
Growth (%) - QoQ	0.31%	27.17%
Growth (%) - YoY	27.56%	27.17%

Quarterly Operating Results		
Particulars	Q4'22	Q3'22
Loan & Advances	13,700	14,043
Growth (%) - QoQ	-2.45%	0.62%
Growth (%) - YoY	2.47%	5.04%
Deposit & Other Accounts	9,862	9,185
Growth (%) - QoQ	7.38%	-10.61%
Growth (%) - YoY	3.07%	-4.02%
Revenue	634	395
Growth (%) - QoQ	60.56%	33.69%
Growth (%) - YoY	-28.75%	-55.62%
Operating Profit	328	190
Growth (%) - QoQ	72.30%	14.74%
Growth (%) - YoY	-49.26%	-70.55%
Profit After Tax	192	75
Growth (%) - QoQ	154.94%	6.63%
Growth (%) - YoY	-28.51%	-71.96%
Cost to Income Ratio	48.31%	51.83%
Growth (%) - QoQ	-6.80%	18.13%
Growth (%) - YoY	76.26%	89.11%
Classified Loan Ratio (%)	5.56%	3.08%
Growth (%) - QoQ	80.52%	-4.94%
Growth (%) - YoY	118.90%	21.26%

- Loans and advances balance decrease due to collections of loans in Q4.
- Deposit and other accounts increase due to Deposit collection from customers in Q4.
- Revenue growth in Q4 due to dividend income from subsidiaries which increases operating income and profit after tax as well.
- Cost to income decreases in Q4 due to revenue growth and lower growth of expenses but increases compared to last year due to incremental new hiring, slight increase in operating cost due to inflation adjustment.

Credit Rating

Bangladesh Finance has achieved the credit rating 'AA' (double A) in long term and ST-1 in short term. This credit rating reflects the company's strong capacity to meet its financial obligations ensuring high safety for depositors and investors.

Extra-Ordinary Gain or Loss

During the year 2022, Bangladesh Finance realized gain/loss of 97.26 million (solo) and 297.36 million (consolidated) respectively from the investment in shares from the capital market.

Statement of Directors on Financial Reporting Framework

The directors are responsible for the governance of the company and as part of preparation and presentation of the financial statements. We, the directors confirm compliance with the financial reporting framework in line with the Corporate Governance Code issued by Bangladesh Securities & Exchange Commission in the following matters:

- The financial statements prepared by the management present fairly its state of affairs, the result of its operation, cash flow and statement of changes in shareholders' equity;
- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable & prudent judgment;
- The International Accounting Standards (IAS) or applicable International Financial Reporting Standards (IFRS), as applied in Bangladesh, have been followed in preparation of the financial statements any departure there from has been adequately disclosed;
- Internal Control System is sound in design and has been effectively implemented & monitored;
- There is no significant doubt upon the ability of the company to continue as a going concern.
- Although there are some quarterly deviations due to the change in funding cost, at the year-end there are no significant deviations from the last year's operating results.

We (Board of Directors) also hereby confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, profit or loss of the company;
- Adequate disclosures have been provided for the users of financial statements to understand the impact of financial information, other events and conditions on the entity's financial position and financial performance.
- Reasonable effort has been made to safeguard company's assets and to detect/prevent any fraud or irregularities.
- The minority shareholders have been protected from abusive actions by, or in the interest of, controlling
- Shareholders acting either directly or indirectly and have effective means of redress.

Related Party Transactions

In the normal course of business, Bangladesh Finance has entered into very few transactions with related parties during the year 2022. Disclosure of all related party transactions including nature and basis of such transactions have been furnished in Financial Statements, note no. 43.

Key Operating and Financial Data

Key operating & financial data over the last five years as per requirement of BSEC Notification No. BSEC/ CMRRCD/2006-158/207/ Admin/80 dated June 03, 2018 are presented in Annexure-III to this report. Highlights of overall operations of the company as per DFIM Circular No. 11 dated December 23, 2009 are also been presented on Annexure-C of Financial Statements.

Dividend

The Board of Directors proposed 10% cash dividend for the year 2022. Considering the overall situation of the financial sector of the country, the Board believe that the cash dividend will give a confidence to the investors about the strength of the company. The Board also states that in line with the corporate governance code prescribed by BSEC, no bonus shares or stock dividend was declared as interim dividend during the year 2022.

Shareholding Pattern

According to the CDBL report, there were 8496 registered ordinary shareholders as on December 31, 2022. The shareholding pattern of the company as on December 31, 2022 is disclosed as per new Corporate Governance Code of BSEC in Annexure-I of this Directors' Report.

Meetings Attendance & Remuneration

During the year 2022 a total of 13 (Thirteen) Board Meetings, 1 (One) Executive Committee Meeting & 5 (Five) Audit Committee meetings were held. The detail of meeting attendance by the Directors along with remuneration paid to them are disclosed in Annexure- II of this Directors' Report.

Going Concern

Going Concern is one of the fundamental accounting concepts that determine the basis of preparation of the financial statement. According to going concern concept, an entity deems to have perpetual succession; i.e. to be continued in operation for foreseeable future. The management of an entity is responsible to assess the entity's ability to continue as a going concern company before preparing the financial statement. The assessment is pertinent as it is required/guided by the International Accounting Standard, Companies Act, Listing Rules of concern issue and Corporate Governance Code of BSEC.

The management of Bangladesh Finance has made an annual assessment of the company on the ability as going concern based on the accounting period ended on 31 December 2022 by making appropriate inquiries including review of budget as well as future outcomes of external and internal risks associated with the business. Considering the following major indicators, the management of Bangladesh Finance has come to the decision that preparation of financial statement of Bangladesh Finance for the year 2022 on going concern assumption is appropriate:

Indicating Factors	Response/Status of the Company
Dependency on Bank Borrowing	As on 31 December 2022, the bank borrowing of Bangladesh Finance is Taka 2,666.63 million against Term and Scheme deposit of Taka 9,862.35 million. Again, the bank borrowing is 18.56% of total liabilities which indicates that the company has no significant dependency on bank borrowings.
Equity Base	Bangladesh Finance has a good equity base which stands at Taka 3,040.95 million as of December 31, 2022 compared to Taka 2,954.06 million in the same period of previous year.
Interest Coverage Ratio	As of December 31, 2022, interest coverage ratio of Bangladesh Finance stands at 2.56 times (EBIT/Interest Expense-Borrowing) which indicates a good capacity of serving debt.
Credibility in payment of loan obligations and encashment of deposit	Bangladesh Finance has strong credibility in terms of payment of its obligations to lenders. The payment history of the company is smooth towards both the lenders and depositors.
Renew of borrowing facility	At the end of year 2022, total borrowing from other banks and financial institutions becomes Taka 2,666.63 million. Based on our relationship, reputation and past experience, it can be said that a major part of the debt would be renewed further.
Faith and confidence of depositors towards the company	Bangladesh Finance has good relationship with the depositors and good track record in settling its obligation towards its depositors. The confidence and continues support from the depositors helped the company to maintain a good amount of deposit consistently.
Financial Ratios	Most of the key financial ratios of the company are favorable. The key operating and financial ratios have given in Financial Highlight.

Non-Performing Loan (NPL)	The company has an excellent track record for improvement of non-performing loan. As of 31 December 2022, the NPL stands at 5.56% whereas the industry average is two-digit figure.
Payment of Dividend	Bangladesh Finance has been paying dividend consistently to its shareholders over the years. The balance sheet as on 31 December 2022 is also supportive to continue the trend of its dividend payment.
Working Environment and Employee Satisfaction	The employees of Bangladesh Finance enjoy a good working environment. They dedicatedly work for the company and the company care for them by providing benefits and recognition.
Ability to Meet Operational Expenses	Bangladesh Finance has not faced difficulties in paying its day-to day operational expenses. It has a culture to pay the vendors on time.
Off-balance Sheet Liability	Bangladesh Finance has limited amount of off-balance sheet liability which is not material compared to the financial strength of the company.
Maintenance of Capital Adequacy Ratio (CAR)	Bangladesh Finance has been maintaining the required CAR consistently as per the instruction of Bangladesh Bank (DFIM Circular Number 14, dated December 28, 2011). As of December 31, 2022, the CAR stands at 17.80% against the required rate of 10.00%.
Change in Government Policy	The management of Bangladesh Finance does not anticipate any significant changes in legislation or government policy, which may materially affect the business of the Company.

Review of Subsidiaries Performance

Bangladesh Finance has mainly two subsidiaries:

1. Bangladesh Finance Securities Limited (BD Securities)
2. Bangladesh Finance Capital Limited (BD Capital)

Bangladesh Finance Securities Limited (BD Securities)

The First subsidiary (56.34%) of Bangladesh Finance is BD Securities that offers full-fledged international standard brokerage service for retail and institutional clients. It started its operation in November 2011. It also has seats on Dhaka Stock Exchange Limited. BD securities has managed to come out as a strong market player in the sector within a short period of time. The total investment portfolio size of Bangladesh Finance securities stood at Tk. 360.98 million at the end of the year 2022. While the total asset is Tk. 2,550.26 million. Earnings Per Share (EPS) is Tk.1.50, which is 0.77% higher than that of 2021.

Bangladesh Finance Capital Limited (BD Capital)

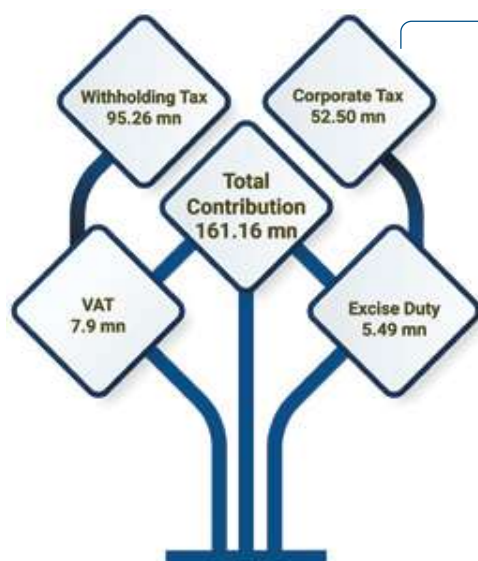
Bangladesh Finance Capital Limited, known as BD Capital is a 99.972% subsidiary of Bangladesh Finance. It started its operation from February 26, 2012 as a full-fledged Merchant Bank. Portfolio management, issue management, underwriting of securities and advisory services are the main activities of the company. BD Capital has achieved a sustainable growth in the Merchant Banking Industry within a short time period. It indicates a further potential growth of the company in the near future. The total Asset of BD Capital stood at Tk. 693.39 million at the end of the year 2022. As per Articles 121, 126 and 127 of the Articles of Association of the Company which complying with the pertinent company law of the country, one-third of the Board of Directors (Excluding Managing Director and Independent Directors) shall retire by rotation. The following Directors shall retire from the office by rotation at the 24th Annual General Meeting.

Contribution to the Society & Environment

As a corporate citizen, Bangladesh Finance always considers to contribute towards the society and environment. Bangladesh finance is focusing in CMSME sector with a view to support the small entrepreneurs who play an important role in the economy of the country. Bangladesh Finance is engaged with various social and environmental initiatives as part of its CSR activities.

Insider Trading

The members of the Board of Bangladesh Finance as well as its sub-committees, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.



Contribution to National Economy

Bangladesh Finance contributes to the national economy mainly through contribution to the national exchequer, as well as through financing in productive enterprises and creating employment thereby. Bangladesh Finance has been playing a good role over the last two decades by financing various successful projects in the private sector of the country. As a direct contribution to the national economy, Bangladesh Finance deposited a total amount of BDT 161.16 million during the year 2022 in the form of corporate tax, withholding tax, excise duty and VAT to the national exchequer.

Management's Discussion and Analysis

A detailed discussion and analysis of financials, as delivered by the MD & CEO in line with the Corporate Governance Code, is appended in this annual report.

Declaration by the CEO and CFO

A declaration by the Managing Director & CEO and the Chief Financial Officer, as prescribed in the Corporate Governance Code has been appended as Annexure-A to the corporate governance report.

Statutory Auditor

Hoda Vasi Chowdhury & Co., Chartered Accountants are the current statutory Auditors of Bangladesh Finance who (the audit firm) were appointed in the 23rd Annual General Meeting held on March 31, 2022 for the year 2022 until 24th Annual General Meeting. On the basis of the proposal of the Board Audit Committee, the Board recommends A. Qasem & Co., Chartered Accountants to be appointed as the statutory auditor of the company for the year 2023 at a remuneration of BDT 300,000.00 only (excluding VAT) up-to the 25th Annual General Meeting.

Compliance Auditor

Itrat Husain & Associates, Chartered Secretaries in practice are the current compliance auditor of Bangladesh Finance who (the audit firm) were appointed in the 23rd Annual General Meeting held on March 31, 2022 for the year 2022 until 24th Annual General Meeting. On the basis of the proposal, the Board recommends Itrat Husain & Associates, Chartered Secretaries in practice to be reappointed as the compliance auditor of the company for the year 2023 at a remuneration of BDT 75,000.00 only (excluding VAT) up-to the 25th Annual General Meeting.

Status of Compliance on Corporate Governance

Status of the compliance of conditions of Corporate Governance Code imposed by Bangladesh Securities and Exchange Commission under Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated June 03 2018 along with a certificate from a compliance auditor in practice has been enclosed as page no. ... to the Corporate Governance Section. We also appended a statement of compliance with the good governance guidelines issued by Bangladesh Bank as additional Disclosure in the Corporate Governance Section.

Outlook 2023

The year 2023 will be the year of 'recovery from economic recession' for Bangladesh Finance Limited. The high level of non-performing loans in the banking and financial institutions sector in Bangladesh has been an area of concern. With the economic recession, the risk profile of the borrower has deteriorated across the world – and Bangladesh is no exception. With lending cap policy that take away the ability to cover the risk to the full extent created an ill-timed double whammy. At the same time, high inflation and liquidity crisis will give extra challenges for the business community and the savers people.

Our top most challenges in 2023 shall be to maintain quality asset portfolio, to reduce the amount of classified loans, to increase retail and SME business both in Deposit and Loans & Advances segment, and to avail low-cost refinance scheme so that the cost of fund could be reduced and the desired reduction in lending rate can be achieved. Our strategies next year will include: exploiting the growing rural deposit basket by strengthening the Sales team, cross Selling of different products and services including retail to corporate customers will get the top most focus next year. In our loan portfolio, we will remodel the concentration of segment wise loans & focus on good rated business, SME and retail businesses, and increase fee-based income through our 'Structured Finance' department. New emerging sectors like ICT Sector, Energy & Power Sector, Health care sector, Light Engineering, Tourism Industry, Ceramic Sector, to be more emphasized. Special attention will be given to expand SME credit portfolio to achieve relatively higher yields and also to reduce adverse effects of large volume defaults. Existing thrust sectors like agro based industries, leather, frozen food, textile industry to be more focused. Agri-business sectors like sugar, edible oil, wheat, rice, maize, pulses, peas, Food & Beverage to be more focused. In addition, we are going to explore new business avenues for ensuring wide range of customer services through establishing a new wing in the name of 'Islamic Financing Wing'.

Acknowledgement

The Board of Directors expresses heartfelt appreciation and gratitude to the valued clients, lenders, depositors, bankers & business associates for their support and cooperation. The Board also expresses its gratitude to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, National Board of Revenue, Registrar Joint Stock Companies & Firms and other regulatory bodies for their assistance and guidance. Our sincere appreciation goes to the employees of the company for their loyalty, efforts and dedication. Finally, the Board of Directors thank the respected shareholders for their confidence on the Board and Management and assures them that the process of strengthening and developing of the company will continue in coming days to optimize the wealth of the stakeholders.

For and on behalf of the Board of Directors,



Manwar Hossain
Chairman
Bangladesh Finance Limited

ANNEXURE-I

PATTERN OF SHAREHOLDINGS AS ON DECEMBER 31, 2022 AS REQUIRED BY THE CORPORATE GOVERNANCE CODE ISSUED BY BSEC:

	Status (Sponsor/ Promoter/Director/ Nominated Director/ Independent Director/ Depositor Director etc.)	No. of Securities Held as on End of the Month	% of Total No. of Paid-up Securities as on End of the Month
		31.12.2022	31.12.2022
A. Parent/ Subsidiary/ Associated Companies		Nil	
B. Directors, Sponsors, CEO, Company Secretary, CFO, Head of Internal Control and Compliance and their spouse and minor children			
ANWAR STEEL MILLS LTD.		9,004,232	4.78%
MR. FURKAAN MUHAMMAD N HOSSAIN (Nominated by Anwar Steel Mills Ltd)	Director	Nil	-
ANWAR ISPAT LTD		14,223,130	7.56%
MRS. SHAHNAZ RASHID (Nominated by Anwar Ispat Ltd)	Director	Nil	-
HOSSAIN DYEING & PRINTING MILLS LTD.		7,857,468	4.17%
MR. MANWAR HOSSAIN (Nominated by Hossain Dyeing & Printing Mills Ltd)	Director	1,219,240	0.64%
KHALED IRON & STEELS MILLS LTD.	Director	3,797,998	2.02%
MR. MD. ASADUZZAMAN KHAN (Nominated by Khaled Iron & Steel Mills Ltd)	Director	Nil	0.00%
ANWAR SILK MILLS LTD.		3,805,265	2.02%
MR. YOUSUF AMAN (Nominated By Anwar Silk Mills Ltd)	Director	Nil	-
MEHMUD INDUSTRIES (PVT.) LTD.	Director	7,125,828	3.79%
MR. IHTIAZ YOUSUF (Nominated by Mehmud Industries (PVT.) Ltd)	Director	Nil	-
Mr. Imtiyaj Yousuf	Director	8,189,251	4.35%
Mr. Abdur Rashid Salam	Sponsor	1,363,052	0.72%

	Status (Sponsor/ Promoter/Director/ Nominated Director/ Independent Director/ Depositor Director etc.)	No. of Securities Held as on End of the Month	% of Total No. of Paid-up Securities as on End of the Month
		31.12.2022	31.12.2022
Mr. Chowdhury Monwar Ahmed Siddiqui	Sponsor	1,729,356	0.92%
Mr. Ihteshamur Rahman	Sponsor	402,260	0.21%
Mr. Chowdhury Erteza Ahmed Siddiqui	Sponsor	10,321	0.01%
Mr. Md. Rokonzaman, FCA	Independent Director (Non-shareholding)	Nil	-
Mr. Iqbal U. Ahmed	Independent Director (Non-shareholding)	Nil	-
Mr. Md. Kyser Hamid	Managing Director & CEO	Nil	-
Mr. Md. Sajjadur Rahman Bhuiyan, his spouse and minor child	CFO	Nil	-
Mr. Munshi Abu Naim, his spouse and minor child	Company Secretary	Nil	-
Mr. Firoz Hasan Siddiquee, his spouse and minor child	Head of Internal Control & Compliance	Nil	-
Sub-Total		58,727,401	31.19%
C. Executive (Top five person other than CEO, CFO, CS, HICC)			
Mr. Md. Anwar Hossain	Executive Vice President	Nil	-
Mr. Mohammed Jahir Uddin	Senior Vice President	Nil	-
Mr. Mohammad Abu Obayed	Vice President	Nil	-
Mr. Amitav Debnath	Vice President	Nil	-
Mr. Munshi Md. Ashfaquul Alam	Vice President	Nil	-
D. Shareholders holding 10% of more voting right	-	Nil	-

ANNEXURE-II

Name of Directors	Designation	Board of Directors Meeting			EC Meeting			AC Meeting			Total Remuneration paid for the year 2022
		Attend Ratio	Attendance as percent of total meeting held	Remuneration Paid for attending the meeting	Attend Ratio	Attendance as percent of total meeting held	Remuneration Paid for attending the meeting	Attend Ratio	Attendance as percent of total meeting held	Remuneration Paid for attending the meeting	
Mr. Manwar Hossain (Nominated by Hossain Dyeing & Printing Mills Ltd)	Chairman	11/13	85	88,000							96,000
Mr. Iqbal U. Ahmed	Vice-chairman, Independent Director	13/13	100	104,000	1/1	100	8,000	5/5	100	40,000	144,000
Mr. Md. Rokonzaman FCA	Independent Director	10/13	77	80,000				5/5	100	40,000	128,000
Mr. Furkaan Muhammad N Hossain (Nominated by Anwar Steel Mills Ltd.)	Director	6/13	38	48,000	1/1	100	8,000	2/5	40	16,000	136,000
Mr. Geasuddin Ahmed	Director	5/5	100	40,000	1/1	100	8,000				96,000
Mr. Md. Asaduzzaman Khan (Nominated by Khaled Iron & Steel Mills Ltd)	Director	13/13	100	104,000	1/1	100	8,000	5/5	100	40,000	144,000
Mrs. Shahnaz Rashid (Nominated by Anwar Ispat Ltd.)	Director	13/13	100	104,000							80,000
Mr. Yousuf Aman (Nominated by Anwar Silk Mills Ltd)	Director	12/13	92	96,000				5/5	100	40,000	112,000

ANNEXURE III

Five Year's Financial Performance Highlights

	2018	2019	2020	2021	2022
BALANCE SHEET MATRIX					
Authorized Capital	2,000.00	2,000.00	2,000.00	6,000.00	6,000.00
Paid-up Capital	1,523.00	1,675.30	1,675.30	1,775.81	1,882.36
Shareholders' Equity/Net Worth	2,554.24	2,742.37	2,992.41	3,147.74	3,277.21
Deposits	9,579.21	8,837.06	8,616.44	9,568.98	9,797.35
Loans, Leases and Advances	13,861.56	13,366.89	12,873.22	13,692.26	14,006.18
Investments	1092.26	806.27	796.00	986.92	1,135.63
Fixed Assets	398.44	415.77	540.00	544.16	624.79
Total Assets	18,718.29	17,162.39	17,016.10	18,473.15	19,131.66
Interest Earning Assets	13,861.56	13,366.89	14,671.54	16,231.70	16,717.06
Non-Interest Earnings Assets	4,856.73	3,795.50	2,344.57	2,241.45	2,414.60
INCOME STATEMENT MATRIX					
Interest Income	1884.64	1982.94	1688.93	1550.79	1,448.39
Interest Expenses	1468.67	1400.95	1193.63	1001.29	1,029.37
Net Interest Income	415.96	581.98	495.30	549.50	419.02
Non-Interest Income	222.28	37.78	220.50	586.57	478.54
Profit before Provision and Tax	346.66	334.59	484.83	838.79	518.22
Provision for Loans and Advances & Other Provision	(70.32)	(71.99)	33.70	315.36	204.83
Profit Before Taxation	416.98	406.58	451.13	523.43	313.38
Net Profit After Tax	281.95	190.63	314.59	323.80	304.73
CAPITAL MEASURES					
Total Risk Weighted Assets (RWA)	17,923.98	18,261.86	18,261.86	19,519.08	20,625.84
Tier-1 Capital	2,748.30	2,938.93	3,085.98	3,242.04	3,373.04
Tier-2 Capital	449.37	269.20	332.53	449.24	462.37
Total Capital/Regulatory Capital	3,197.67	3,208.13	3,418.51	3,691.27	3,835.41
Capital Surplus/ (Deficit)	899.90	920.70	1,592.33	1,739.37	1,772.83
Tier-1 Capital to RWA	15.33%	16.09%	16.90%	16.61%	16.35%
Tier-2 Capital to RWA	2.51%	1.47%	1.82%	2.30%	2.24%
Capital Adequacy Ratio (CAR)	17.84%	17.57%	18.72%	18.91%	18.60%
CREDIT QUALITY					
Non-performing Loans (NPLs)	602.03	636.73	413.20	340.03	762
Provision for Unclassified Loan	113.68	121.58	123.35	234.75	315.10

	2018	2019	2020	2021	2022
Provision for classified Loan	155.67	161.57	113.64	142.36	132.12
NPLs to total Loans and Advances	4.42%	4.84%	3.22%	2.54%	5.56%
INVESTORS INFORMATION					
Market price Per Share	16.30	10.00	29.10	54.40	44.10
No. of Shares Outstanding (Million)	152.30	167.53	167.53	177.58	188.24
Earnings per Share (BDT)	1.85	1.12	1.69	1.44	1.25
Dividend					
Cash	0%	10%	6%	6%	10%
Stock	10%	0%	6%	6%	0%
Dividend Payout Ratio	54.02%	87.88%	63.90%	78.58%	116.8%
Market Capitalization	2,482.48	1,675.30	4,875.11	9,660.4	8,301.2
Net Asset Value per Share	16.77	16.37	16.85	16.72	17.41
OPERATING PROFIT RATIO					
Net Interest Margin (NIM)	2.83%	4.02%	3.57%	3.60%	2.53%
Cost of Deposit	10.44%	11.52%	10.87%	8.65%	7.99%
Spread	3.53%	3.24%	2.78%	3.09%	2.72%
Return on Average Assets	148.50%	1.06%	1.41%	1.64%	1.13%
Return on Average Equity	11.68%	7.20%	10.97%	10.55%	1.13%
PERFORMANCE RATIO					
Profit per Employee	1.29	0.86	1.56	1.64	1.28
Salary Exp. to total Operating Exp.	51.61%	49.22%	59.53%	58.28%	58.89%
Cost to Income /Efficiency Ratio	45.69%	46.01%	32.27%	26.17%	42.26%
OTHER INFORMATION					
No. of Branches	7	7	7	7	7
No. of Employees	218	221	202	197	202
Credit Rating					
Long Term	A+	A+	AA-	AA-	AA
Short Term	ST-2	ST-2	ST-2	ST-2	ST-1
Capital Adequacy Ratio	17.84%	17.57%	18.72%	18.91%	18.60%