

# DIRECTORS' REPORT

## Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you to the 22nd Annual General Meeting of the Company.

The Board of Directors of LankaBangla Finance Limited have the pleasure in presenting LankaBangla Group's Annual Report for the year ended 31 December 2018, which includes reports on business strategy and review, risk management, corporate governance, investor relations and a sustainability supplement. It includes Audited Financial Statements of the Company, Consolidated Financial Statements of the Group for the year and the Auditors' Report on those Financial Statements. The Financial Statements were reviewed and approved by the Board of Directors on 12 February 2019.

We are pleased to report that during the year 2018, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 444.44 million. This year was a difficult year as we navigate through tight liquidity situations but at the end we came out of the situation with stronger balance sheet. Needless to say, capital market downturn resulted in reduced profitability which is expected to improve in FY 2019 as uptick in market indexes and robust economy leads the way in post-election expectation of an improved economic environment.

## 1. General

LankaBangla Finance Limited (LBFL) started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LBFL also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as a Merchant Banker. The Company went for public issue in 2006 and its shares are listed in both Dhaka and Chittagong Stock Exchange since 17 October 2006 and 31 October 2006 respectively. The corporate office of LBFL is located at Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh.

## 2. Vision, Mission, Core Values & Code of Conduct

LBFL's Vision, mission, core values and code of conduct are given in the page number 1 and 10 of the Annual Integrated Report. The business activities of the organization are conducted at a high level of ethical standard in achieving its Vision.

## 3. Principal Business Activities

### 3.1 LBFL

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

- ▶ Fee based services include Credit Card Membership Fees, Merchants Commission, Underwriting of Securities, IPOs, Portfolio Management, and Corporate Financial Services etc.
- ▶ Fund based services include Lease Finance, Term Finance, Real Estate Finance, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, Term Deposit etc.

Organization	Principal Business Activities
LankaBangla Securities Limited	The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, treasury bills and/or any financial instruments.
LankaBangla Investments Limited	The activities of the Company include services broadly classified as interest income and fee based services, such as underwriting of securities, issue management, register to issue, portfolio management, corporate advisory services etc.
LankaBangla Asset Management Company Limited	<p>The principal activities of the company include:</p> <ul style="list-style-type: none"> <li>▶ Manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust.</li> <li>▶ Float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being.</li> <li>▶ Manage and administer mutual fund, provident fund, pension fund for the purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise as per relevant rules and regulations.</li> </ul>

LankaBangla Information System Limited	ERP, Consultancy & Training, Market Data Service to International Fund Manager and Exchanges, develop specialized simulation tools for trading, outsourcing, Private Cloud Computing, ITES, Project Management, Process Management, Cloud Services, Business Process Outsourcing (BPO), Registered Educational Provider (REP) affiliating with world recognized companies, System Integrator (SI), E-Commerce, M-Commerce, IT Audit, Trading of PC, Servers, Network, Security and Accessories and many more with changes of technology and business diversities.
BizBangla Media Limited	Printing and publishing of newspaper, Journals, magazines, periodicals, books any other literary and non-literary works.

## 4. Economic Review of 2018

### 4.1 World Economy

The global economy started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017. After the rapid growth in 2017, industrial production and trade have slowed and business confidence has fallen. In a nutshell, growth has weakened, trade tensions remain high, several developing economies have experienced financial stress, and risks to the outlook have increased. The global economy is projected to grow at 3.5% in 2019.

The global economy continues to expand in 2018 but third-quarter growth has disappointed in some economies. New fuel emission standards in Germany, natural disasters in Japan were weighed on activity in large economies. But these developments occurred against a backdrop of weakening financial market sentiment, trade policy uncertainty, and concerns about China's outlook. In the fourth quarter of 2018, outside the United States, industrial production has decelerated, particularly of capital goods. Global trade growth has slowed down.

Crude oil prices have been volatile since August 2018, reflecting supply influences, including US policy on Iranian oil exports and more recently fears of softening global demand. As of early January, crude oil prices stood at around \$55 a barrel, and markets expected prices to remain broadly at that level over the next 4–5 years. Prices of metals and agricultural commodities have softened slightly since August, in part due to subdued demand from China. Consumer price inflation has generally remained contained in recent months in advanced economies but has inched up in the United States, where above-trend growth continues. Among emerging market economies, inflationary pressures are easing with the drop in oil

prices. For some, this easing has been partially offset by the pass-through of currency depreciations to domestic prices.

Financial conditions in advanced economies have tightened in 2018. Equity valuations—which were stretched in some countries—have been pared back with diminished optimism about earnings prospects amid escalating trade tensions and expectations of slower global growth. Concerns over a US government shutdown further weighed on financial sector sentiment toward year-end. Major central banks also appear to be adopting a more cautious approach. While the US Federal Reserve raised the target range for the federal funds rate to 2.25%–2.50% in December, it signalled a more gradual pace of rate hikes in 2019 and 2020.

Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019. There is substantial uncertainty around the baseline projection of about 1.5% growth in the United Kingdom in 2019–20. The unchanged projection reflects the offsetting negative effect of prolonged uncertainty about the Brexit outcome and the positive impact from fiscal stimulus announced in the 2019 budget. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, as of January 2019, the shape that Brexit will ultimately take remains highly uncertain.

The growth forecast for the United States also remains unchanged. Growth is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest. Nevertheless, the projected pace of expansion is above the US economy's estimated potential growth rate in both years. Strong domestic demand growth will support rising imports and contribute to a widening of the US current account deficit.

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018) before improving to 4.9% in 2020. Growth in emerging and developing Asia will dip from 6.5 percent in 2018 to 6.30% in 2019 and 6.40% in 2020. Despite fiscal stimulus that offsets some of the impact of higher US tariffs, China's economy will slow due to the combined influence of needed financial regulatory tightening and trade tensions with the United States. India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.

2018 is also marked by a number of countries carrying out comprehensive tax reform. Among others, Argentina, Belgium, Poland, South Korea, Turkey and the United States all fall under this banner. The reduction in the corporation tax rate from a maximum of 35% to a flat rate of 20% (25% for personal services corporations) may encourage capital spending. The tax reform package is expected to help small businesses & self-employed individuals. Despite these actions, the US economy expanded at a fast pace in 2018, as tax cuts and spending increases stimulated demand. The US Federal Reserve has continued to raise the policy interest rate as a result. Interest rates on US long-term bonds have increased less, as investors see risks to future growth and value the safety of US Treasury securities. As growth and interest rates in the United States have outpaced those in other major economies, the US dollar has appreciated against most other currencies in 2018.

(Source: *World Economic Outlook, January 2019, International Monetary Fund*)



## 4.2 Regional Economy

Growth in South Asia accelerated to 6.9% in 2018 from 6.2% of 2017 and expected to accelerate to 7.1% in 2019 by strengthening investment and robust consumption. The solid investment was supported by the fading of a number of temporary disruptions, a revival of credit growth and ongoing infrastructure projects. Strong domestic demand boosted imports while exports remained subdued amid weak global trade sentiment, causing current account deficits to widen.

India is forecast to accelerate to 7.2% in FY 2018-19 as consumption remains robust and investment growth continues. Excluding India, regional growth moderated slightly in 2018. Pakistan's GDP has reached 5.8% in 2018, with solid contributions from consumption and investment and expected to decelerate to 3.7% in FY 2018-19, with financial conditions tightening to help counter rising inflation and external vulnerabilities.

Sri Lanka is anticipated to speed up slightly to 4.00% in 2019, supported by robust domestic demand and investment boosted by infrastructure projects. Investment and services remained the major contributor to economic activity in Bhutan and the Maldives. In Bhutan, hydropower and other infrastructure projects supported investment, and GDP has reached to 5.40% in 2018.

Maldives' GDP accelerated to an estimated 8% in 2018, reflecting strength in tourism and construction. Growth in Afghanistan is estimated to have edged down to 2.40%. Although activity was supported by agriculture and services, subdued business confidence and security challenges continued to weigh on growth.

There were some signs of rising inflationary pressure across the region, and both India and Pakistan raised rates in 2018 to counter the effects of currency depreciation, rising energy prices, and domestic capacity constraints. Sovereign bond yields surged in the region last year. Fiscal consolidation stalled owing to elections in several countries, contributing further to the region's high levels of government debt. Pakistan's fiscal deficit rose to 6.60% of GDP in the year 2018, well above the government's target of 4.10%, as tax collection fell short of expectations. External vulnerabilities are also rising in the region. In Sri Lanka and to some extent in Pakistan, external debt is sizable and current account deficits have deteriorated considerably.

## 4.3 World Commodity Price

Commodity prices are expected to generally stabilize in 2019. Crude oil & energy prices fluctuated remarkably in the second half of 2018, mainly due to supply factors, with sharp declines toward the end of 2018. Prices of metals and agricultural commodities also weakened, due to concerns about the effects of tariffs on global growth and trade. Oil prices averaged \$68 per barrel (bbl) in 2018, which was 30% higher than in 2017. Oil prices are expected to average \$67/bbl in 2019 and 2020. While growth in oil demand is expected to remain robust in 2019, the outlook for supply is uncertain and depends to a large extent on production decisions by OPEC. Metals prices rose 6.00% on average in 2018, less than the year 2017. After increasing in the first half of last year, prices fell sharply in the second half following the imposition of broad based tariffs by the United States on China's imports. While agricultural prices were roughly flat in 2018 as a whole, they declined appreciably in the second half of the year, with developments varying by commodity.

Wheat prices were slightly higher in 2018. Estimates for the 2018-19 crop forecast have been revised up for most commodities, and high stock-to-use ratios for rice and wheat reduce the likelihood of a food price spike. In all, agricultural prices are projected to remain broadly stable in 2019 and 2020.

## 4.4 Bangladesh Economy

Bangladesh is undergoing a transformation from a low-income to a middle-income economy. Bangladesh continues to generate strong growth at 7.86% for 2018 as against the target of 7.80% driven by consumer spending and investment. Growth in Bangladesh has averaged more than 6% over the last decade, significantly lifting per capita income. Poverty has declined steadily and other social indicators, like gender disparity in education and maternal mortality, have also improved. Throughout this process, the country has diversified away from an agrarian to a more manufacturing-based economy with rapid growth in the ready-made garment industry. Tax revenues in Bangladesh are currently low at 9.00% of GDP, and the country needs more revenues to finance infrastructure investment and social spending. The average tax revenue to GDP ratio for non-resource rich, low-income countries is around 15.00%.

### 4.4.1 Fiscal Management

Bangladesh is firmly on course to a higher economic growth achieving 7.80% gross domestic product (GDP) growth during the coming fiscal year of 2019. Budget for FY 2018-2019 is BDT 4,645.73 billion (around USD 55 billion) which is 16.07% higher compared to previous fiscal year's budget. It has revenue target of BDT 2,962.01 billion which is 63.70% of total budget funding. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.80% in FY'19, a slight increase from the previous year's target of 7.40%. Budget deficit is projected to be BDT 1,252.93 billion which is 4% of the GDP. Of this, an amount of BDT 540.67 billion (2.10% of GDP) will be collected from external sources while an amount of BDT 712.26 billion (2.80% of GDP) will be raised from domestic sources namely banking system, national savings schemes & other non-bank sources. The new budget has the highest allocation to public administration sector (18.00% of total budget) and also emphasized on power sector and ICT sector of the country.

### 4.4.2 Current Account Balance

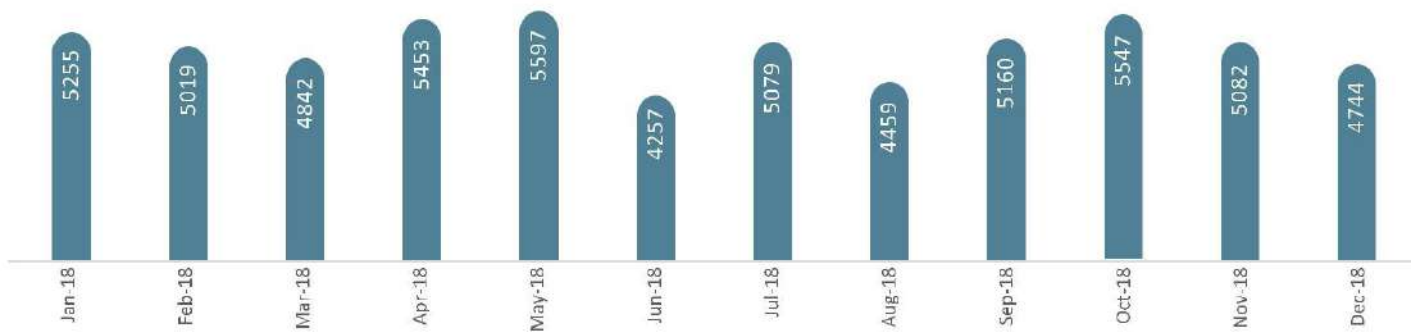
The current account balance continued to deteriorate throughout the first half of FY'18 as the country's capacity to export continues to lag behind. Bangladesh Current Account recorded a deficit of BDT 173.10 billion in October 2018 and a record low deficit of BDT 209.80 billion in May 2018. Money laundering & higher import payment against the lower export earnings was largely responsible for the large trade & current deficit. However, increasing foreign investment and aid can improve Bangladesh's capital account balance.

### 4.4.3 Import

Imports in Bangladesh increased to BDT 426.27 billion in October 2018. Total merchandise imports payments of Bangladesh (including imports of EPZ) during FY'18 amounting to USD 52,939.60 million and total imports payments of services during FY'18 amounting to USD 6,086.60 million. The import payment pressure particularly on capital machinery for power plants and infrastructure development projects may rise in the year 2019. The uptrend in fuel prices on the global market may enlarge overall import payment obligations in the near future.

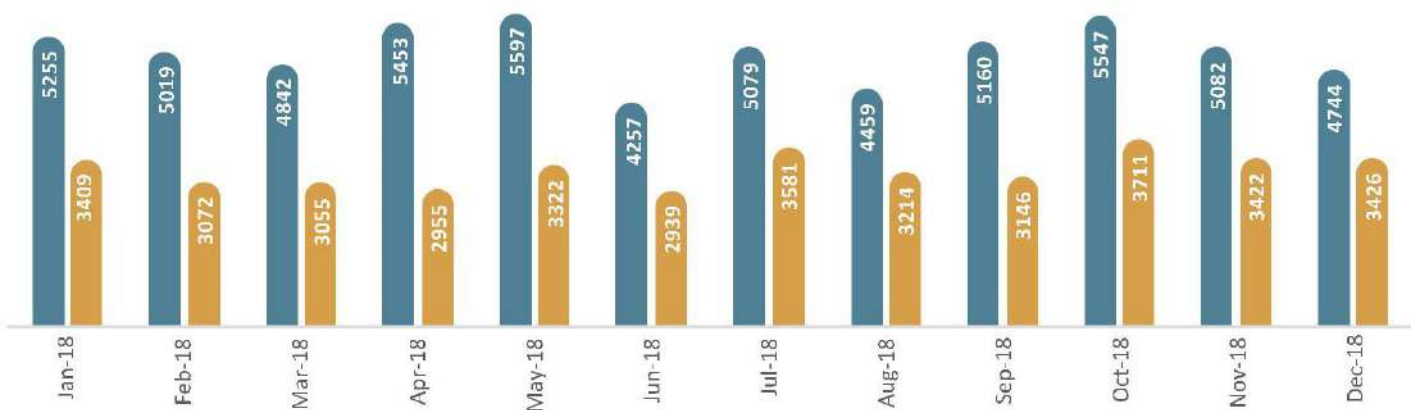


## IMPORTS (USD BN)



## IMPORTS VS EXPORTS (USD BN)

Exports Imports

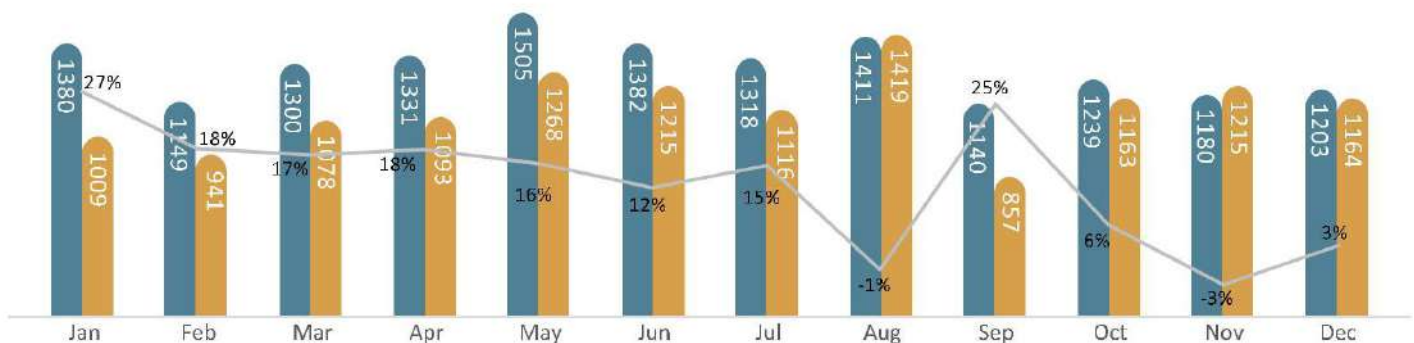


## 4.4.4 Remittance Inflow

Remittances in Bangladesh increased to USD 1,202.85 million in December 2018 which was USD 1,163.82 million in December 2017. Remittance increased 15.00% in FY'18 since the depreciation of taka against the greenback and the central bank's measures to strengthen its surveillance on hundi played a major role to encourage migrants to send home more remittance in the year 2018. Remittances also rose due to rise in oil prices in the global market. Money sent by the non-resident Bangladeshis makes up about 12.00% of country's total GDP.

## REMITTANCES (USD BN)

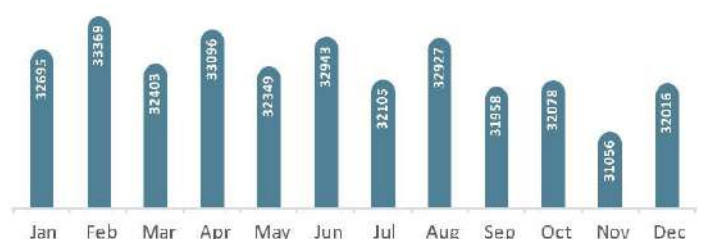
2018 2017 Growth



## 4.4.5 Foreign Exchange Reserve

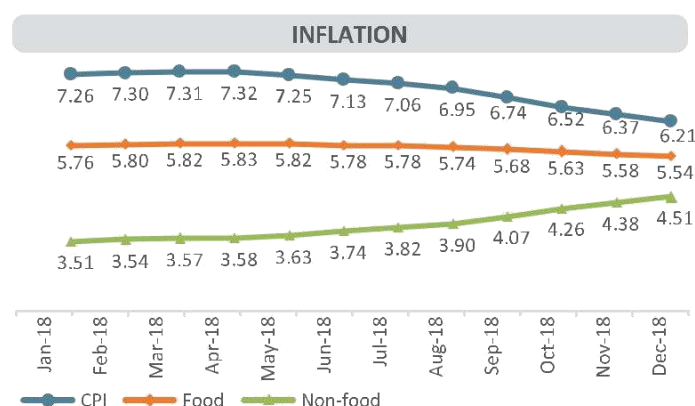
The foreign currency reserve of the Bangladesh Bank is on the decline. The reserves dropped to USD 32.02 billion in FY18 from USD 33.5 billion in FY17. Increase in import costs, particularly rise in rice and onion prices in India, the reserves declined. The import cost of necessary machinery for setting up industries rose by about 35.00% during the period of 2018 while the fuel oil & raw material for industries increased by 28.00% and 15.00% respectively. The country was witnessing a rise in foreign exchange reserves over the last few years. The import cost rose in the election time of 2018 and putting pressure on the reserves.

## FX reserves- 2018



#### 4.4.6 Inflation

From the beginning of 2016 a downward trend has been observed in year on year inflation. Starting from 7.35% in 2014 year on year inflation declined to 5.83% in 2017 and stood at 5.35% in December 2018 on a point to point basis. Satisfactory domestic production, favourable domestic environment, low budget deficit and prudent monetary policy coupled with low fuel and commodity prices in the international markets contributed to such sliding of overall inflation. Food inflation stood at 5.28% in December 2018 as against 6.02% of 2017. On the other hand, with an upward inclination since 2014, non-food inflation shot up but after that it came down to 5.49% in 2017 and 5.45% in 2018.



#### 4.4.7 Money Market

The overall market was depressed due to 2018 being election year and unrest in the banking sector. Interest rate in call money market rate ranging from 3.90% to 4.09% during this year. Private sector credit growth continued its downward course after many banks adopted a go slow policy in disbursing fresh loans. The ongoing downward trend in money market continued in 2018. Bangladesh Bank has re-fixed the repo interest rate from 6.75% to 6.00% and unchanged the reverse repo rate remained in 2018 for achieving broad objective of monetary policy.

### 5. Industry Outlook

The Financial Industry in our country represents one of the most important industries those control the monetary flow in the economy. Non-Bank Financial Institutions (NBFIs), have been playing a crucial role by providing additional financial services that is not usually provided by the banks. From the very first of its journey this industry has shown so much prospect as well as progress. Sharing some common characteristics of banks & some of its own it brought diversification in the financial market. NBFIs are supervised by Bangladesh Bank under a risk-based supervisory system. The asset of NBFIs was BDT 870.30 billion as on June 30, 2018. Among the total investment made by the NBFIs 44.20% was in industry sector. Currently the industry has so many competitors. It is very clear that the companies are trying to strengthen their position in the market as the investment and fixed asset seems to be on the rise.

FIs in Bangladesh may also explore the possibilities of gaining access to new sources of funds. New instrument may introduce

which will be emerged as an important tool and added a new dimension in the financial market. If proper support is given, NBFIs will play more significant role in the economic and financial development of our country.

### 6. Review of Operation of LankaBangla

A review of financial and operational performance of LBFL and the Group together with important events that took place during the year 2018 are contained in the Chairman's Message pages 52-53, the Managing Director's Review pages 132-134, and the CFO's Reviews pages 135-140. These reports form an integral part of the Annual Report of the Board of Directors.

### 7. Future Developments

LBFL focuses on a business expansion drive through its existing and extended branch network, concentrating more on Retail and SME business to increase its market share and profitability. This will be further accompanied by a more vigorous drive on innovative product development, process improvements and staff development, aimed at fulfilling the rapidly changing customer needs in the challenging market conditions and maximizing the value that we create for all the stakeholders. Two new branches were opened during the year 2018 and further five branches are set to be opened in the year 2019. Further an overview of the future development of LBFL and the Group is given in the Chairman's Message pages 52-53, the Managing Director's Review pages 132-134, and the CFO's Reviews pages 135-140.

### 8. Financial Statements

The Financial Statements of LBFL and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) laid down by the Institute of Chartered Accountants of Bangladesh, and comply with the requirements of DFIM circular No. # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank and Bangladesh Bank's other circulars and guidelines or directives, the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing regulations of Dhaka and Chittagong Stock Exchanges. The aforementioned Financial Statements for the year ended 31 December 2018 duly signed by the Chief Financial Officer, Company secretary, Managing Director, the Chairman of the Audit Committee and the Chairman of the Board are given on pages from 214-372 which form an integral part of this Annual Report.

### 9. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of LBFL and the Group to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages from 214-372 have been prepared in conformity with the requirements of the International Financial Reporting Standards, Companies Act 1994, Financial Institutions Act 1993 and amendments thereto, the Listing Regulations of Dhaka Stock Exchange & Chittagong Stock Exchange, Bangladesh Bank's Guidelines and the Corporate Governance Code. The Statement of Directors'



Responsibility for Financial Reporting is given on page 103 and forms an integral part of the report of the Board of Directors.

## 10. Auditors Report

The Auditors of LBFL are M/s. S. F Ahmed & Co., Chartered Accountants carried out the audit on the Financial Statements of LBFL and the Group for the year ended 31st December 2018 and their report on those Financial Statements, as required by the Companies Act 1994 is given on 215.

## 11. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 233 to 249 which comply with provisions of IFRSs and the Companies Act 1994.

## 12. Financial Review

In line with overall economic growth, LankaBangla also exhibited a substantial progress in many of the business lines during 2018. Total asset of the group grew by 02.86% from BDT 85.44 billion in 2017 to BDT 87.89 billion in 2018. Significant amounts of disbursements were made in Corporate, Retail and SME business. Cost of borrowing has slightly increased in 2018 compared to 2017 due to liquidity crisis in whole of the year.

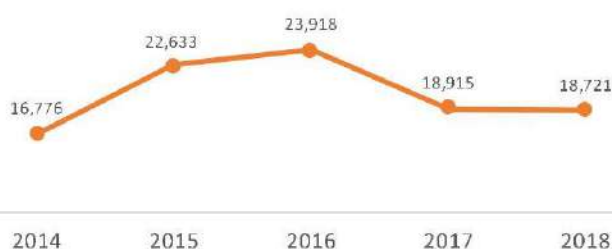
Total Asset disbursement of LankaBangla Finance for the year 2018 reduced by 31.70% compared to 2017, due to liquidity crisis in the whole of year. Total disbursed amount in 2018 was BDT 38,754 million compared to BDT 56,726 million in 2017. On the deposit side, our total deposits grew by 03.26% from BDT 51,553 million in 2017 to BDT 53,231 million in 2018, largely driven by our strong liability sales team who has provided uncompromised service. The company's investment portfolio reached BDT 77,531 million in 2017 compared to BDT 75,505 million in 2017. NPL showed a negative picture as the percentage of classified loans for the company increased to 3.60% in 2018 compared to 3.07% in 2017.

## 13. Core Business Review

### 13.1 Corporate Financial Services

LankaBangla maintained its Corporate Business portfolio throughout 2018. A total of BDT 21,052 million of corporate lending has been disbursed for the year 2018 compared to BDT 26,211 million of 2017. Disbursement in Corporate Business has decreased due to the less emphasis on Corporate Business because of low margin. Disbursement in 2018 was driven mostly by Term Loan and Factoring.

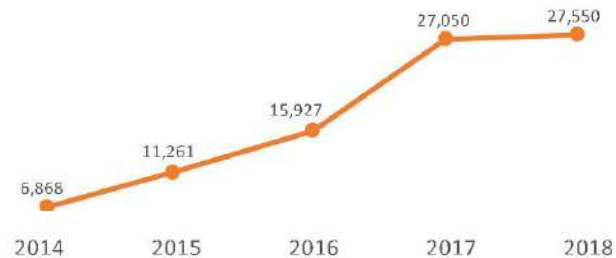
#### CORPORATE FINANCIAL SERVICES



### 13.2 Personal Financial Services

During the year 2018, the Company has continued to concentrate more on this segment by expanding two branches and increasing manpower in retail financial activities. Total BDT 13,207 million was disbursed during 2018 under retail financial services in the form of auto loan, home loan, personal loan, credit card and staff loan.

#### PERSONAL FINANCIAL SERVICES



#### 13.2.1 Home Loan

Total Home Loan disbursement in 2018 was BDT 2,078 million comprising of Mortgage Loan of BDT 1,963 million and Staff Home Loan of BDT 115 million. Home Loan portfolio grew by 7.40% in 2018. At the end of 2018, Home Loan portfolio stood at BDT 13,159 million which was BDT 12,250 million in 2017.

#### 13.2.2 Auto Loan

In 2018, BDT 1,210 million has been disbursed as auto loan compared to BDT 5,269 million in 2017 resulting an 77.00% reduced in disbursement. Also the auto loan portfolio reduced by 10.70% in 2018 from BDT 5,473 million in 2017 to BDT 6,128 million at the end of 2018.

#### 13.2.3 Personal Loan

Disbursement of Personal Loan has been in 2018 with a total figure of BDT 1,692 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2018 was BDT 5,309 million, which reduced by 8.40% from BDT 5,794 million in 2017.

#### 13.2.4 Credit Card

During 2018, a total of 37,103 new credit cards were issued by LankaBangla. The card portfolio grew by 25.40% in 2018 to BDT 3,609 million from BDT 2,878 million in 2017. Number of active credit card users has increased from 79,272 in 2017 to 99,271 in 2018 resulting in a growth of 25.23%. This was the highest number of active card users in the industry. Monthly average spending by all credit card users has significantly increased in 2018 in comparison to previous year due to Company's prudent strategies to motivate customers to use LBFL's card by giving various promotional offers including attractive discounts in prominent outlets, gifts, etc. Average monthly credit card usage in 2018 has increased to BDT 686 million from BDT 514 million in 2017 resulting in a growth of 33.40%.

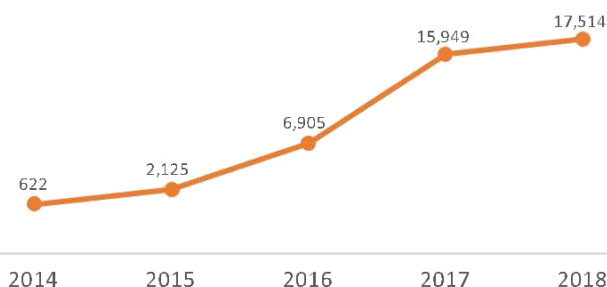
### 13.3 SME

SME, the heart of worldwide growth of economies, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance

is also remarkable. In 2018, SME loan disbursement of BDT 4,495 million has been made compared to BDT 7,074 million in 2017, thereby resulting in an 36.5% reduced. At the end of 2018, SME portfolio stood at BDT 17,514 million compared to BDT 15,549 million in 2017 resulting in 9.81% growth in portfolio. Management has taken a series of strategies to foster more disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

In view of the rising market risk and the Company's ambitious growth trajectory, treasury in LankaBangla assumed greater importance. Treasury is using its internal expertise successfully in reading the market, gaining market entry in a timely manner and availing itself of arbitrage opportunities thereby enabling the company to improve its revenue. It is also engaged in increasing the sources of funding, proprietary trading, as well as managing the maturity mismatches arising from short-term financing to long term lending in its attempt to sustain the Company's margins.

#### SME FINANCIAL SERVICES



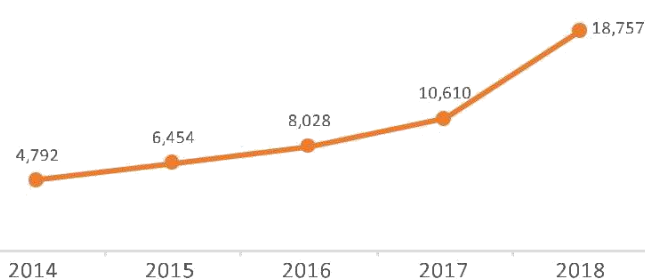
### 13.4 Liability Management

Liability Management has played an important role throughout 2018 with regards to achieving TDR growth, reducing bank borrowing dependencies by sourcing core deposit products, and balancing the heat of extreme volatility in the money market. In this regard, the Retail, Corporate and SME Liability units played an important role. In 2018, total retail, SME and corporate TDR stood at BDT 40,012 million portraying a moderately strong growth of 15.27% from 2017 and a budget achievement of 81.83%. TDR mobilization during 2018 was BDT 25,915 million compared to BDT 20,804 million indicating a 24.57% growth.

#### 13.4.1 Retail Liability Management

Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 18,757 million at the end of 2018 which shows a growth of 76.78% from 2017 portfolio and having a budget achievement of 128.16%. Retail liability mobilization for the year was BDT 13,539 million compared to 2017 figure of BDT 5,947 million. This is made possible due to strong personnel of product marketing officers.

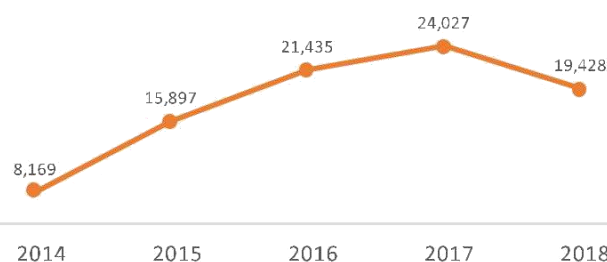
#### RETAIL LIABILITY



#### 13.4.2 Corporate Liability Management

Corporate Liability portfolio consists of a diverse deposit portfolio of corporate clients. The value of the portfolio stands at BDT 19,428 million at the end of 2018 decreasing by 19.1% from 2017 end having a budget achievement of 61.4%. Corporate liability mobilization for the year was BDT 10,425 million compared to BDT 14,782 million of 2017. Mobilization decrease as the company made more focus on decentralized fund sourced from retail and SME market during the year.

#### CORPORATE LIABILITY



### 13.5 Treasury Operations

2018 was so far a turbulent year considering the liquidity concern of the entire Banking/FI industry. Treasury Division of LankaBangla Finance played a crucial role regarding understanding of the market, managing fund effectively, and ensuring liquidity by prudent contingency and backup plan.

Treasury relentlessly catered the demands of business and serviced all of its debts despite of having high volatility in deposit mobilization that predominantly occurred for the high demand of deposit among the Banking/FI community. Cash management has played a pivotal role in channelling all the cash flows of the company in a very effective and efficient way, so that optimum utilization of fund is achieved throughout the year. We have been able to implement most of the sophisticated cash management tools through the online system like BEFTN, RTGS, DDI etc. Notwithstanding rising interest trend, the WACB of LBFL was very much close to overall COFI during the 2018, which only happened for exercising optimum borrowing mix.

Treasury investments covered deposits with other banks and financial institutions, investments in capital market and commercial papers. Treasury strengthened its creditworthiness to counterparties in 2018 by way of dot payment, and thereby ensured strong presence in the market. Treasury deliberately down sized its investment portfolio during the year by assessing the market condition which stood at BDT 5,540 million at the end of 2018. Since the capital market was in a bearish mode for the entire 2018, the return was not at our expected level.

By taking into cognizance the liquidity pressure, Treasury gave utmost priority to alternative sources of fund. In this regard, Treasury has been able to issue a Subordinated Bond worth BDT 3.00 billion with Tier 2 capital implication, out of which BDT 1.81 billion has already been raised within 31st December 2018. This subordinated bond has a huge contribution to augment our capital adequacy ratio. Apart from that Treasury worked relentlessly to procure foreign currency loan and successfully obtained Term sheet of USD 20 million from Islamic Corporation for the Development of the Private Sector (ICD), the private sector wing of IDB, KSA and due



regulatory approval from Bangladesh Bank. Several negotiations are under process with other DFIs for separate deal of foreign currency loan. Treasury worked for a Syndicated Term Loan of BDT 3.00 billion

Among the funding mix of LBFL at the end of 2018, public deposit contributed to 59.59%, followed by money market exposure of 33.52%, zero coupon bond and subordinated bond comprised 3.33%, while bank borrowings made up for the remainder of the funding mix.

## 14. Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 28 June 2018 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable.

The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

## 15. Financial Results and Appropriations

### 15.1 Revenue

Total Revenue of the Group for the year 2018 was BDT 11,061.16 million registering a 10.82% growth over 9,980.78 million of 2017. Total revenue of LBFL for the year 2018 was BDT 9,232.98 million which was 18.08% higher than the previous year's BDT 7,818.98 million. An analysis of the revenue is given in pages from 138 to 139 of the annual report.

### 15.2 Profitability

The Group has recorded a reduced in operating profit and profit after tax of 31.79% and 79.93% respectively in 2018. LBFL's operating profit and profit after tax reduced by 21.29% and 47.21% respectively in 2018. Consolidated net profit after tax for the year 2018 was BDT 444.44 million which was BDT 1,926.29 million in previous year. LBFL's net profit after tax for the year 2018 was BDT 714.16 million compared to BDT 1,352.79 million in 2017.

Particulars	Consolidated		LBFL	
	2018	2017	2018	2017
Total Revenue	11,061.16	9,980.78	9,232.98	7,818.98
Total Expenses	9,375.75	7,510.02	7,939.76	6,176.06
Operating Profit	1,685.41	2,470.76	1,293.22	1,642.92
Provisions	976.34	206.95	477.48	245.53
Profit before Tax	709.07	2,263.81	815.73	1,397.39
Tax	264.63	337.52	101.58	44.60
Profit after Tax	444.44	1,926.29	714.16	1,352.79

## 14.3 Appropriation

Particulars	BDT
Net Profit After Tax for the year 2018	714.16
Retained Earnings brought forward	1,736.32
Profit available for appropriation	3,166.54
Less: Transaction Cost for Right Issue	10.17
Less: Statutory Reserve	142.83
Amount available for declaration of dividend	2,297.48
Less: Dividend (Proposed 15.00% Cash)	769.77
Retained Earnings carried forward	1,527.71

## 14.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended that dividend of BDT 1.5 per share as cash dividend of BDT 10.00 each compared to BDT 0.75 per share as stock dividend and BDT 0.75 per share in the form of cash dividend for the year 2017.

The dividend is subject to approval of the shareholders at the Annual General Meeting.

The Board was satisfied that LBFL would meet the solvency test immediately after the proposed dividend, which will be paid in 2018. Further details on liquidity position is given in page number 231 of this report.

No bonus shares or stock dividend was declared during the period under review as interim dividend.

## 15. Reserves

A summary of the consolidated reserves along with the reserves of LBFL is as follow:

Particulars	Consolidated		LBFL	
	2018	2017	2018	2017
Share premium	1090.88	1090.88	-	-
Right Share Subscription	-	160.31	-	160.31
Statutory reserve	1,615.43	1,472.60	1,615.43	1,472.60
General reserve	53.05	50.87	-	-
Retained earnings	1,932.05	2,369.83	2,297.48	2,452.39
<b>Total reserves</b>	<b>4,691.41</b>	<b>5,144.51</b>	<b>3,912.91</b>	<b>4,085.30</b>

## 17. Key Operating and Financial Data

Key operating and financial data for last five years as per Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in pages 141 to 146.

## 18. Plan for Utilization of Undistributed Profits

The Company requires substantial funds every year to carry out its regular business operation. The undistributed profits will be utilized to disburse fund for its new investments and will be used to meet contingencies in future as authorized under Article 100



of Schedule I of the Companies Act 1994. Additionally, with this retention a reasonable debt equity ratio would be maintained & the borrowing power of the Company would enhance.

## 19. Capital Expenditure

Total capital expenditure on acquisition of property, plant and equipment and intangible assets of Group and the LBFL for the year ended 31 December 2018 amounted to BDT 815.52 million and BDT 405.95 million respectively which were BDT 531.46 million and BDT 226.39 million respectively for the year 2017. Details are given in Annexure A & B of Financial Statements.

## 20. Capital Commitments

Capital expenditures approved and contracted for, as at the reporting date is given in note number 42 (f) of the financial statements.

## 21. Fixed Assets

Details of property, plant and equipment are given on note number 8 to the Financial Statements.

## 22. Utilization of proceeds raised through Rights Issue

Bangladesh Securities & Exchange Commission vide its letter number BSEC/CI/RI-112/2017/591 dated October 31, 2017 approved Rights Issue of LankaBangla Finance Limited. Rights issue process has been completed in January 2018 & Rights Shares have been issued & allotted on January 31, 2018. As per Rights Share Offer Document of LankaBangla Finance Limited, the proceeds as received from Rights Shares amounting to BDT 1,591,254,700 were invested to increase the lending portfolio of the Company.

## 23. Financial results deteriorate after Public Issue

There was no such event happened during the reporting period.

## 24. Significant deviations from last year operating results

There was no significant deviation from last year's operating results.

## 25. Share Capital and Bonds

### 25.1 Equity Capital

Paid-up Capital of LankaBangla Finance Limited as at 31 December 2018 amounted to BDT 5,131.79 million consisting of 513,179,641 ordinary shares as against BDT 3,182.51 million consisting of 318,250,941 Ordinary shares as at 31 December 2017.

The increase in number of share is the result of issuance of right shares in the ratio of 1R:2 and payment of stock dividend at a rate of 7.50% for 2017. Details about share in issue are given in note number 13 of the financial statements.

### 25.2 Debt Capital

On 27 November, 2018 Bangladesh Securities & Exchange Commission has accorded its consent to issue Non-Convertible Subordinated Bond amounting to BDT 300,00,00,000 (three hundred crore) at floating interest rate of 8.00% to 11.00% p.a. to boost the capital base of the Company by increasing supplementary (Tier-II) capital, subject to compliance of the relevant laws & regulatory requirements.

On 26 December 2017, the Company issued the first tranche

of the second Zero Coupon Bond with face value of BDT 742,998,000 (with approved face value of BDT 3,000 million). The Company received BDT 654,466,856 after discounting the Bond at 7.50%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 12,195,023. Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.66% as per Para 9 of BAS 39. Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 12,195,023)

Details about Zero coupon bond is given in note number 10.1.5 of the financial statements.

## 26. Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Financial Highlights on pages 142 to 147. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 37.

## 27. Shareholding

There were 23,677 nos. of registered ordinary shareholders as on 31st December 2018 (2017: 15,325). Information on distribution of shareholding and the respective percentages are given on pages 270-271 of the Annual Report.

Details of shareholders' composition and percentage holding of the public are given in the Investor Information section on page 270.

The shareholding pattern as per Clause 2(k) of SEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 is shown in Annexure-iii.

## 28. Equitable Treatments to Shareholders

LankaBangla has at all times ensured that all shareholders are treated equitably. Minority shareholders' interests are always looked after by the Board.

## 29. The Board of Directors

The Board of Directors of LBFL consists of nine Directors with wide commercial knowledge and experience. The names of the Directors of LankaBangla during the period 1st January 2018 to 31st December 2018 are mentioned in Report on Corporate Governance (page 68) and their brief profiles are given on pages 38 to 42 of the Annual Report.

## 30. Changes in Board

- ▶ 2nd term of three years of Mr. Al-Mamoon Md. Sanaul Huq, as independent Director has expired on March 27, 2018.
- ▶ Mr. Abdul Malek Shamsheer has been appointed as Independent Director in the Board of LBFL in place of Mr. Al-Mamoon Md. Sanaul Huq w.e.f. March 29, 2018.

Mr. Shamsheer started his Banking career with Grindlays Bank Limited in 1966 and carried out various management roles until 1980. He joined Bank of Credit and Commerce International Limited in 1981 where he served in senior positions in Philippines, South Korea and Hong Kong from the year 1981

to 1991. He joined Arab Bangladesh Bank Limited as Vice President in 1992 and retired in 2004 as Executive Vice President. He has diverse experience in local and international banking for over 38 years. Mr. Shamsher is also Chairman of LankaBangla Asset Management Company Limited.

### 31. List of Directors of the Subsidiaries

Names of the Directors of Subsidiary companies are as follows:

Particulars	Name of Director	Position
LankaBangla Securities Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. B. W. Kundanmal	Director
	4) Mr. Mahbubul Anam	Director
	5) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	7) Mr. Khandoker Saffat Reza (Nominated by LankaBangla Finance Limited)	Director
	8) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Investments Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Abdullah Al Karim	Director
	4) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Asset Management Company Limited	1) Mr. Abdul Malek Shamsher	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	4) Mr. Abul Kalam Mohammad Kamruzzaman (Nominated by LankaBangla Finance Limited)	Director
	5) Mr. Quamrul Islam (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Shamim Al Mamun (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Information System Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Securities Limited)	Director
BizBangla Media Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. Dewan Hanif Mahmud	Director

### 32. Board Sub Committees

The Board, while assuming the overall responsibility and accountability for the management oversight of the organization, has also appointed Board Sub Committees to ensure that the activities of LankaBangla at all times are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board formed two Sub Committees named Executive Committee and Audit Committee. The compositions of these Sub Committees as at 31st December 2018 were as follows:

#### 32.1 Executive Committee

The Executive Committee of the Board of LankaBangla Finance Limited was re-constituted in the 109th Board of Directors meeting held on February 13, 2018.

#### 32.2 Audit Committee

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October 2011 and Bangladesh Securities & Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 the Audit Committee of LankaBangla Finance Limited was re-constituted in 112th Board of Director's meeting held on October 24, 2018.



### 33. Directors' Meeting

The details of Directors meetings which comprise Board meetings and the Board Sub Committee meetings and the attendance of Directors at these meetings are given in the Corporate Governance Report on pages 95 to 96 of the Annual Integrated Report.

### 34. Related Party Transactions

Directors have also disclosed transactions, that could be classified as Related Party Transactions in terms of International Accounting Standard-IAS 24 (Related Party Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in note number 39 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

### 35. Directors' Interest in Ordinary Shares

The shareholdings of Directors are as follows:

Sl. No.	Name of Director	Number of shares as on 31 December 2018	Number of shares as on 31 December 2017
1	Mr. Mohammad A. Moyeen	21,754,807	13,491,355
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	48,606,291	30,143,437
3	Mr. Nanda Fernando (Nominated by Sampath Bank PLC)		
4	Mr. M. Fakhrul Alam (Nominated by ONE Bank Limited)	19,393,083	12,026,719
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	39,527,471	24,513,161
6	Mr. Mahbubul Anam	22,855,945	14,174,230
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque-Alternate Director)	19,994,004	12,399,383
8	Mrs. Zaitun Sayef	Nil	Nil
9	Mr. Abdul Malek Shamsheer	Nil	Nil

### 36. Substantial Shareholdings

BSEC's Corporate Governance Notification dated June 3, 2018 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in LankaBangla Finance Limited. The shareholding status of all sponsor shareholders as on December 31, 2018 is given in page 44 of this report.

### 37. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2018

#### LankaBangla Securities Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen (Nominated by LankaBangla Finance Limited)	Chairman	122,290	122,290
2	Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director	Nil	Nil
3	Mr. Mahbubul Anam	Director	119,841	119,841

#### LankaBangla Investments Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Director	1	1
2	Mr. Mahbubul Anam	Shareholder	1	1

#### LankaBangla Information System Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

### BizBangla Media Limited

Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2018	Shares held on 31-Dec.-2017
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

### 38. Directors' Remuneration

Details of directors' emoluments paid during the year are given

### 39. Management discussion and analysis

Management discussion & analysis has been highlighted in the Managing Director's statement pages 132-134 & in Directors' Report.

### 40. Declaration by the CEO and the CFO

Declaration by the Managing Director and the Chief Financial Officer has been given on page 82.

### 41. Team Members (Employees)

LankaBangla believes that its real potential rests on the strength and capabilities of its team members in a rapidly changing environment. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected in the Strategic Plan and the Budget.

As at 31st December 2018, the number of employees on the payroll of LankaBangla was 896 which was 832 in previous year.

Details discloser related to human resource are given pages 189 to 195 of this report which form an integral part of the Annual Report of the Board of Directors.

### 42. Environmental Protection

To the best knowledge of the Board, LankaBangla has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirms that to the best of their knowledge and belief LankaBangla has complied with the relevant environmental laws and regulations.

### 43. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory bodies and related to the employees have been paid on a timely basis.

Details about contribution to government exchequer is given in page 213 of this Annual Report.

### 44. Outstanding Litigations

In the opinion of the Directors and in consultation with the LBFL's lawyers, litigation currently pending against LankaBangla will not have a material impact on the reported financial statements of future operations of LankaBangla. Details of litigation pending against LankaBangla are given in note number 2.38 to the Financial Statements.

### 45. Events after Reporting Period

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure

in, the accounts, except those disclosed in note number 42 (e) to the Financial Statements.

### 46. Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission LankaBangla has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. Details about going concern assessment of LankaBangla is presented in Statement of Going Concern in page 130 of the Annual Report.

### 47. Risk Management and Internal Control

#### 47.1 Material Foreseeable Risk Factors

LankaBangla has an ongoing process in place to identify, evaluate and manage the risks that are faced by it. This process is detailed in the Risk Management Report on pages 112-119. The Directors, on a regular basis review the above mentioned process.

#### 47.2 Internal Controls

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

### 48. Financial Risk Management

LBFL's management has overall responsibility for establishment and oversight of its risk management framework. The Company's management policies are established to identify and analyse the risk faced by the Company to set appropriate risk limit and controls and to monitor risk.

Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:



- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

The Company has provided in a separate note to the financial statements the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and management of its capital. Details about risk management is given in Risk management report on pages

112-119 of this Annual Report.

## 49. Corporate Governance

In the management of the Company, the Directors have placed emphasis on confirming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced or improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance is

Pursuant to Clause 9.00 of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 the Company's compliance status is shown in Annexure-i.

## 50. Additional Disclosures

The Directors, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018; confirm compliance with the financial reporting framework for the following;

- ▶ The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in 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 and prudent judgment.
- ▶ International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. 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.
- ▶ There is no extraordinary gain or loss during the year.
- ▶ No significant difference occurs between quarterly financial performance and annual financial statements.
- ▶ There are no significant changes in the Company or its subsidiaries' fixed assets and the market value.
- ▶ The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate.

The Directors who held office at the date of this Directors' Report confirm that:

- ▶ So far as the Directors are aware, there is no relevant audit

information of which the company's auditors are unaware; and

- ▶ The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

## 52. Auditors

The Board in its 114th meeting held on February 12, 2019 recommended the shareholders to appoint M/s. S. F Ahmed & Co. Chartered Accountants at a remuneration of BDT 550,000. LBFL has also taken prior approval from Bangladesh Bank to appoint M/s. S. F Ahmed & Co., Chartered Accountants, until completion of conclusion of the 23rd AGM.

Based on the declaration provided by M/s. S. F Ahmed & Co. and as far as the Directors are aware, the Auditors do not have any relationship with or interest with LankaBangla that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report.

Details about auditors of subsidiaries and auditor for other audit services are given in page number 6 of the annual report.

## 53. Recognition

As a reward of our relentless efforts to the best practices of corporate and financial reporting, LBFL is being recognized by South Asian Federation of Accountants (SAFA), Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Cost and Management Accountant of Bangladesh (ICMAB) on a continuous basis. Some of the awards we achieved are:

- ▶ SAFA Best Presented Annual Report 2014
- ▶ SAFA Best Presented Annual Report 2015
- ▶ SAFA Best Presented Annual Report 2016
- ▶ SAFA Best Presented Annual Report 2017
- ▶ SAFA Corporate Governance Award 2017
- ▶ ICAB Best Presented Annual Report 2014
- ▶ ICAB Best Presented Annual Report 2015
- ▶ ICAB Best Presented Annual Report 2016
- ▶ ICAB Best Presented Annual Report 2017
- ▶ ICAB Corporate Governance Award 2016
- ▶ ICAB Corporate Governance Award 2017
- ▶ ICMAB Best Corporate Award 2016
- ▶ ICMAB Best Corporate Award 2017

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive thirteen years from 2006 to 2018 by Dhaka Stock Exchange (DSE) & for consecutive fourteen years from 2005 to 2018 by the Chittagong Stock Exchange (CSE).

## 54. Notice of Meeting

The 22nd Annual General Meeting of LankaBangla Finance Limited will be held at 10:00 am on March 27, 2019.

The Notice of Meeting is given on page number 5 of the Annual Report.

As required by Section 168 (1) (k) of the Companies Act the Board of Directors hereby acknowledge the contents of this report.

## 55. Acknowledgement

The Board of Directors takes this opportunity of expressing its heart-felt appreciation and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and cooperation. The Board also expresses its deep gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies and Firms, National Board of Revenue (NBR), Central Depository Bangladesh Limited (CDBL) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also thanks M/s S. F. Ahmed & Co., Chartered Accountants, the Auditors of the Company, for their efforts for timely completion of audits.

Since 2006, LankaBangla Finance Limited has recorded rapid and consistent growth, outperforming its competitors. One of the major reasons for this success was possible with a strong work ethic which has improved productivity at all levels. My high and sincere appreciation, on behalf of the Board of

Directors, is due to the management and all members of staff of the Company, for their outstanding efforts, loyalty, sincere services and dedication.

I would like to take this opportunity to thank my colleagues on Board, who have extended their all sorts of cooperation, in the face of adverse internal and external conditions, and made the year 2018 another year of success for the Company. Finally, the Board of Directors thank the respected shareholders and assure them that they will continue to add value to maximize the shareholders' wealth through further strengthening and development of the Company in which they have placed their trust and confidence. Let us work together in a spirit of open and honest partnership. The Board's pledge to you is that we will listen your criticisms carefully, will at all times take those very seriously and will make clear cut decisions for the greater interest of the Company.

For and on behalf of the Board of Directors



**Mohammad A. Moyeen**  
Chairman