

DRIVING DIGITAL INNOVATION FOR STRATEGIC TRANSFORMATION

Annual Integrated Report 2019



Growing Together...

→ DRIVING DIGITAL INNOVATION FOR STRATEGIC TRANSFORMATION

Digital technologies and its use have been changing the face of business, even as those technologies are rapidly evolving, becoming more powerful, and transforming organizations much faster than in the past. Strategic transformation is the profound and accelerating transformation of business activities, processes, competencies and models to fully leverage the changes and opportunities brought by digital technologies and their impact across society in a strategic and prioritized way. Significant competitive advantage is now achievable from digital innovation and transformation. LankaBangla is in the forefront to maximize its outcome and generate outstanding opportunities for tomorrow.



VISION

To be the most preferred financial service provider in creating, nurturing and maximizing value to the stakeholders, thereby, Growing Together.



MISSION

- ▶ Be a growth partner for our customers, ensuring financing and superior experience
- ▶ Maintain a culture of meritocracy in the DNA of the company
- ▶ Be sustainable and ensure quality returns to our valued shareholders
- ▶ Uphold efforts to develop our community



CORE VALUES

We have strong values that are well embedded in our culture. Our values create the following goals to help us deliver our strategy:

- ▶ Cherish a sense of ownership
- ▶ Be customer centric
- ▶ Grow as a team
- ▶ Act with integrity and professionalism
- ▶ Deal with respect

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Run the QR Code Reader App and point your camera at the QR Code



Access it

Get access to LankaBangla’s website



Feedback

We need your feedback to make sure we are covering the things that matter to you. For the feedback form, scan the QR Code with your smartphone. You can also email info@lankabangla.com

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Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213

Notice is hereby given that 23rd Annual General Meeting (AGM) of LankaBangla Finance Limited will be held on September 7, 2020 (Monday) at 11.00 am. The AGM will be held using digital platform (<https://lankabanglafinance.bdvirtualagm.com>) to transact the following businesses:

AGMA-01-23-20	To receive and adopt Directors' Report, Auditors' Report and Audited Financial Statements for the year ended on December 31, 2019
AGMA-02-23-20	To declare dividend for the year 2019
AGMA-03-23-20	To elect Directors in place of those who shall retire by rotation in accordance with the provision of Articles of Association of the Company and appointment of Independent Director of the Company
AGMA-04-23-20	To appoint Statutory Auditors of the Company for the year 2020 until conclusion of 24th AGM and to fix their remuneration
AGMA-05-23-20	To appoint Compliance Auditor as per Corporate Governance Code for the year 2020 and to fix their remuneration
AGMA-06-23-20	To transact any other business with the permission of the Chair

Dated: August 17, 2020

By Order of the Board

Mostafa Kamal FCA
Company Secretary

Notes:

- ▶ The record date is fixed on 16 July 2020 (Thursday). The Shareholders, whose names will appear in the Share Register of the Company at the close of business on the record date, will be eligible to attend the meeting and get dividend.
- ▶ Pursuant to the Bangladesh Securities and Exchange Commission's Order No. SEC/SRMIC/94-231/25 dated July 8, 2020, the AGM will be conducted via live webcast by using digital platform.
- ▶ The Board of Directors has recommended 5.00% Stock Dividend (i.e. 5 shares per 100 shares) and 7.00% Cash Dividend (i.e. BDT 0.70 per share of BDT 10.00 each).
- ▶ A Member entitled to attend and vote at the AGM may appoint a Proxy to attend and vote in his/her stead. The "Proxy Form", duly filled, signed and stamped at BDT 20.00 must be sent through email at share.lbfl@lankabangla.com not later than 48:00 hours before commencement of the AGM.
- ▶ Pursuant to the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated June 20, 2018, the Company will send the Annual Report-2019 in soft format to the email of the shareholders available in their Beneficial Owner (BO) accounts maintained with the Depository. Soft copy of the Annual Report 2019 will also be available in the Company's website at: www.lankabangla.com
- ▶ The shareholders will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging into the system, the shareholders need to put their 16-digit Beneficial Owner (BO) ID number and other credential as proof of their identity by visiting the link <https://lankabanglafinance.bdvirtualagm.com>.
- ▶ We encourage the Members to log into the system prior to the meeting on September 7, 2020. Please allow ample time to login and establish your connectivity. The webcast will start at 12.01 am (Bangladesh Time) on September 6, 2020. Please contact +8801678006132 in case of technical difficulties in accessing the virtual meeting.

BRIEF ABOUT INTEGRATED REPORTING

Annual Integrated Report

Annual Report for the year 2019 of LankaBangla Finance Limited has been presented as an 'Integrated Report' with the aim to utter how LankaBangla, as a growing organization, has effectively managed its business to deliver consistent value to its stakeholders. It incorporates 'efforts' the company has undertaken on the way to contributing towards economic prosperity, environmental sustainability and social well-being for a brighter future.

Scope and boundary

Our 2019 annual integrated report covers the period between 1st January 2019 and 31 December 2019. All materials that matters, up to group board of directors (Board) approval on 08 June 2020, are included here. The annual integrated report reflects operations of LankaBangla Finance Limited (LBFL) and its subsidiaries. Unless indicated otherwise, all data pertains to the group, which includes our financial operations and subsidiaries.

In presenting the Annual Integrated Report, we have consistently followed the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information has been extracted from the Audited Financial Statements for the year ended 31 December 2019 with relevant comparative information. The financial statements consistently comply with the requirements of:

- ▶ International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs),
- ▶ Relevant rules & regulations of Bangladesh Bank (The Central Bank);
- ▶ Companies Act 1994;
- ▶ Financial Institutions Act 1993;
- ▶ Securities and Exchange Rules 1987;
- ▶ The Income Tax Ordinance 1984;
- ▶ And other applicable laws and regulations of the land.

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our corporate governance practices, we have followed the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The scope of our Annual Integrated Report comprises of activities that have been carried out within the geographical boundaries of Bangladesh, as we do not have operation or subsidiary in other countries.

Materiality

Our annual integrated report aims to present a balanced and concise analysis of our strategy, performance, governance and prospects. In determining the content to be included in this report, we considered the issues that are material to maintain the commercial viability and social relevance required to achieve our vision in the medium term.

We show the process of determining material issues as a business tool that facilitates integrated thinking. The materiality determination process undertaken in 2019 complemented our day-to-day stakeholder engagements, going beyond these engagements and placing particular emphasis on aspects that are likely to influence the social, economic and physical environments in which

we operate. Our material issues have been revised and are outlined on pages from 180 to 81 of this report.

Based on our leadership engagement, governance processes and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed in this report. Management of group functions and the business units approved the relevant content in the annual integrated report.

External Assurance

Sl.	Assurance on	External Assurer
1	Consolidated and Separate Financial Statements of LankaBangla Finance Limited	S. F Ahmed & Co. Chartered Accountants <i>A member Firm of HLB International</i>
2	Consolidated and Separate Financial Statements of LankaBangla Securities Limited	Ahmed Zaker & Co. Chartered Accountants
3	Financial Statements of LankaBangla Investments Limited	Syful Shamsul Alam & Co. Chartered Accountants <i>A member of UHY International Limited</i>
4	Financial Statements of LankaBangla Asset Management Company Limited	
5	Corporate Governance	M/s. Ahsan Manzur & Co. Chartered Accountants
6	BizBangla Media Limited	Ahmed Zaker & Co. Chartered Accountants
7	LankaBangla Information System Limited	Syful Shamsul Alam & Co. Chartered Accountants <i>A member of UHY International Limited</i>
8	Provident Fund	S. F Ahmed & Co. Chartered Accountants <i>A member Firm of HLB International</i>
9	Gratuity Fund	
10	LB Foundation	M/s. Ahsan Manzur & Co. Chartered Accountants
11	IPFF	S. F Ahmed & Co. Chartered Accountants <i>A member Firm of HLB International</i>

Responsibility of the Annual Integrated Report

Managing Director of LankaBangla Finance Limited acknowledges the responsibility to ensure the integrity of the disclosure contained in the Integrated Report presented herewith that comprises the discussion and analysis, disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements. In his opinion, the integrated report, incorporated in this annual report has been prepared in accordance with the IIRC's international integrated reporting framework and addresses all material issues and fairly presents the group's integrated performance.



Khwaja Shahriar
Managing Director & CEO

BRIEF ABOUT LANKABANGLA FINANCE LIMITED

 LankaBangla is the country's leading provider of integrated financial services including corporate financial services, personal financial services, SME financial services, stock broking, corporate advisory and wealth management services. Under the broadest umbrella of products and service offerings, we are the lone financial institution to operate credit card (Mastercard and VISA) and also provide third party card processing services to different banks in Bangladesh. Since 2006 LankaBangla has been listed in both DSE & CSE in Bangladesh.

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LANKABANGLA IN 2019

LankaBangla is the country's leading provider of integrated financial services including Corporate Financial Services, Personal Financial Services, SME Financial Services, Stock Broking, Corporate Advisory and Wealth Management Services.

LankaBangla Finance Limited (LBFL)

As thwarting prevailed like last couple of years, in 2019 the financial industry faced another challenging year due to some macro factors which edgily affected the performance of the financial institutions. Extreme liquidity crisis prevailed during the year. Central Bank revised the AD ratio to 83.50 percent from 85 percent in the mid of 2018 which continued to intensified the liquidity crisis during the year 2019. Alongside, capital market unrelentingly experienced bearish condition. DSE General Index shrunk by 17% at the end of 2019 dropping from 5,386 to 4,453 points. Further, DSE's turnover reduced by 15% during the year 2019. As a result of the facts, our financial performances have been affected.

LBFL focused on showcasing its strength to sustain in harsh situation through meeting obligations in time along with keeping calculative growth. In 2019 LBFL settle total 37 Billion Term Deposit encashment claim. Managed to pay around 1 Billion compensations to its 1,804 full time and contractual personnel.

LBFL conducted total 68 training programs, involving 1,248 nos. of participants in the year 2019. These programs were categorized as in-house, external and overseas training. Given the company's strong commitment towards developing a learning culture. It is pertinent to note that employees underwent a total of 16,690 man-hours of training during the year on various knowledge building programs which is 185 hours more than previous year.

Business departments, call center, customer care units Kept continuous service relation with 152,111 customers during the year 2019.

LBFL has contributed 1,102 Million to Government exchequer and paid 7,25 Million cash dividend in 2019. Alongside, in 2019, LankaBangla Foundation spent about BDT 4.00 million for CSR activities. All these implies LBFL's financial competences to endure its growth.

Amount in mn

Years	TDR Attrition	Employee Benefit	Contribution to Government Exchequer	CSR Activities	Dividend Paid
2019	37,126	1,002	1,102	04	725
2018	37,909	964	948	03	372

As there was a liquidity dearth in the industry, balance sheet of LBFL struggled to keep steadiness. LBFL's consolidated asset base dropped to BDT 84 billion in 2019 from 88 Billion of 2018 and Fund Under Management stood at BDT 139 billion by the end of 2019. LBFL managed to keep its loan portfolio at BDT 60 billion by the end of 2019 registering yearly asset disbursement of nearly BDT 34 billion.

LBFL on the average of expanding its wings and drive for reaching to the furthest ends. With this sentiment LBFL has opened 01 new branches in the year 2019 and reached to a total tally of 28 Branches within the jurisdiction of the country.

LBFL has always been very passionate about Human Capital Management within the organization. It is the employees who are

fueling the performance of LBFL bring it to the position where it is now. Total value of human capital stood 25,535 Million at 2019 which was 23,394 Million at 2018. Total employees of LBFL as at 31 December 2019 was 1,804, which consists of 674 Full Time Employees (FTE), 249 Business Support Officer (BSO) and 881 Product Marketing Officers (PMO).

As an alternate source of funding, LBFL at the very beginning of the year we have managed to receive USD 19.98 Million equivalent to BDT 1,675.72 Million against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank.

The touch of excellence in operation resulted in boosting the solvency and efficiency of LBFL and which as a logical consequence improved its Credit Rating. LBFL's Credit rating has been done by Credit Rating Agency of Bangladesh (CRAB) and LBFL has maintained decent rating "AA3" for long term and "ST-2" for short term.

Prudent and transparent reporting is in the philosophy of LankaBangla. LBFL has been awarded in both National and International level on a continuous basis.

In the year 2019 LBFL has been awarded with the following recognitions:

- ▶ SAFA Best Presented Annual Report Awards 2018
- ▶ SAFA Corporate Governance Award 2018
- ▶ 19th ICAB National Award for Best Presented Annual Report, 2018
- ▶ 19th ICAB National Award for Corporate Governance 2018

LankaBangla Securities Limited (LBSL)

"LBSL ranked Number One consecutively in last 14 years in both DSE and CSE"

Throughout the year 2019, the capital market was in struggling situation and also LBSL strived to maintain the momentum. During the year average daily turnover in DSE and CSE has declined by 36.58% and 48.43% respectively compared to the last year. Yearlong liquidity shortage in banking sector, unstable money market and selling pressure from foreign investors and local institutions as well have played big roles in the downtrend stock market. LBSL's brokerage and commission income reduced significantly by 35.99% in FY 2019.

Despite the prevailing vulnerabilities in the market, LankaBangla Securities Limited once again secured first position among all the brokerage houses in Bangladesh, making it 14th consecutive time in Dhaka Stock Exchange and 14th consecutive time in Chittagong Stock Exchange. During the year 2019 LankaBangla Securities Limited made after tax net profit of BDT 124.64 million which was BDT 281.42 million during the year 2018. Due to adverse situation in the Bangladesh Capital Market the Company's net profit after tax has declined by 55.71%.

Shareholders' equity is gradually increasing year on year which shows the company's commitment to protect the interest of its shareholders as well as increase the wealth of its shareholders. In the year 2019 the main source of income of the company was interest income which contributed 58% of the total income of the company. The other two main sources of income of the company were brokerage income and income from investment from the stock market which occupied 33% and 07% of the total income of

the company respectively. In 2019 Earnings per Share (EPS) was also decreased. EPS was 0.46 in 2019 which was 1.05 on 2018.

Country's first ever online payment gateway for stock brokerage company; LBSL credit rating, i.e. AA2 for long term, is the highest amongst the brokerage houses of the country as at 27 LBSL ranked Number One consecutively in last 14 years in both DSE and CSE;

LankaBangla Investments Limited (LBIL)

LankaBangla Investments Limited (LBIL) provides comprehensive Issue Management and Investment Banking services.

The Primary Market Services (PMS) wing of LankaBangla Investments Limited aspires to be the one-stop solution to equity financing needs of clients. LBIL's Issue Management Services include Private Equity Arrangements, Initial Public Offerings, Direct Listings, Rights Offerings, Repeat Public Offerings, Listing of Debt Securities, Issuance of Asset-backed Securities, Registrar to the Issue Services and Underwriting for Public Offerings. The team has a wide range of expertise to manage issues and provides advisory services in almost all the sectors incorporated in the Stock Exchanges, especially Fuel & Power, Engineering, IT, Cement, Service and Real Estate, Textile, Bank and Insurance. With the finest issue management services, LBIL not only helps clients increase the value of their companies but also assists in increasing the supply of quality shares in the capital market through listing good companies.

The Investment Banking wing of LBIL (IBS) aims to be a leading and trusted Corporate Advisor and Investment Banker to its clients, which include Corporates, Financial Institutions, Financial Sponsors, Governments & Public authorities and Boards of Directors by providing Suitable, Compliant and Value Maximizing Comprehensive Equity Solutions.

Investment Banking Services (IBS) of LBIL has increased its portfolio in Arrangement Business and has diversified the Advisory Business. In Advisory Business IBS worked as Transaction Advisor in divestment of a Foreign Investment and provided Valuation advisory services for repatriation of a foreign investment. IBS also engaged in Demerger, Merger and Corporate Restructuring of local conglomerates.

Through the strength of its Primary Market Services (PMS) and Investment Banking Services (IBS) teams, LBIL is a leading provider of Corporate Advisory Services in Bangladesh. LBIL has provided Corporate Advisory Services such as Capital Restructuring, Financial Consultancy, IPO-Feasibility Study, Company Valuation and Corporate Governance Structuring. As a full-fledged merchant bank with extensive Investment Banking and Issue Management Services, LBIL is uniquely positioned to act as the one-stop solution to the financing and restructuring needs of its clients.

Notable Achievements of LankaBangla Investments Limited in 2019 are as follows:

- ▶ Completion of the merger of six companies of Confidence Group.
- ▶ Arranged the IPO Road Shows of Omera Petroleum Limited (IPO Size of BDT 2,384.35 Million) and submitted the IPO application to BSEC for approval.
- ▶ Financing arrangement of BDT 920 Mn for Kushiara Power Company Limited through Preference Share.

- ▶ Submitted the application for Rights Offering of Pragati Life Insurance Limited (Offer Size of BDT 230.27 Million) to BSEC for approval.
- ▶ Completion of Advisory Services for Emirates Cement Bangladesh Limited (a concern of Ultratech Cement, Aditya Birla Group of India) regarding repatriation of Foreign Investment in Bangladesh.
- ▶ Agreement signed with Omera Petroleum Limited, Pragati Life Insurance Limited and Rangs Motors Limited to provide corporate advisory and issue management services.

LBIL is also a leading provider of Portfolio Management Services, enabling clients to invest in different kinds of equity securities. LBIL combines global standards of equity research and portfolio management with in-depth understanding of the local market. The Portfolio Management Service is designed to provide personalized, secure and simple investment solutions for a wide range of investors who wish to enhance their returns while minimizing administrative burden.

LankaBangla Asset Management Company Limited (LBAMCL)

LBAMCL strives to be a leading fund manager in Bangladesh; recognized for its high level of ethical and professional standard and uncompromising commitment towards enhancing investors' interest. LBAMCL offers a host of wealth management solutions for its clients including Corporate Fund Management, Mutual Fund Management, Alternative Fund Management and Corporate Advisory services.

2019 was a difficult year for all capital market participants. With the broad market index declining by ~18% LBAMCL's existing unit funds, LankaBangla 1st Balanced Unit Fund and LankaBangla Al-Arafah Shariah Unit Fund, were unable to declare any dividend. However, despite the sluggish performance of its two unit funds, LBAMCL made some noteworthy progress in 2019:

- ▶ LBAMCL launched the country's first private equity (PE) fund, LankaBangla 1st PE Fund, with fund size of BDT 250mn and a tenure of 10 years.
- ▶ Received registration certificate for launching new unit fund, "LB Gratuity Opportunities Fund" with an initial fund size of BDT 200mn.
- ▶ Successfully launched discretionary corporate fund management services under "Maximizer" and "Prudent" with an initial AUM of BDT 314mn.

2020 is expected to be a promising year for LBAMCL as it expects to launch another unit fund, "LB Gratuity Wealth Builder Fund" with initial fund size of BDT 100mn and bring in sizable funds under corporate fund management services. As part of diversifying its product offerings, LBAMCL will also introduce a new wealth management service dedicated to High Net Worth Individuals (HNIs) of Bangladesh.

Following the historic strategic partnership between Dhaka Stock Exchange and Chinese Consortium comprised of the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) in 2018, it is obvious that Bangladesh Capital market has entered a new era which will be shaped with new product proliferation (e.g. ETF, Derivatives etc), Technological advancement and automation. LBAMCL is fully prepared to embrace the upcoming developments and changes to better serve its investors and take its service to the next level.



ORGANIZATIONAL OVERVIEW

Growing Together...

Two decades back LankaBangla Finance Limited started its journey in 1997 as a joint-venture financial institution in multinational collaboration with a license from Bangladesh Bank under Financial Institution Act-1993. Today, LankaBangla is the country's leading integrated financial services provider that include Corporate Financial Services, Personal Financial Services, SME Financial Services, Liability Management, Stockbroking, Corporate Advisory and Wealth Management Services.

LankaBangla has implemented business process re-engineering to build capacity for its clients' superior service experience. The company now operates from a centralized administrative framework through cutting edge technological environment. LankaBangla is fueling a wide operational periphery covering major business hubs of the country.

Under a wide umbrella of products and services, LankaBangla is the only financial institution to operate credit card (Master and VISA) and also provide third party card processing services to different banks in Bangladesh.

LankaBangla is the market leader in the capital market services and has been giving an all-out effort to develop an efficient, vibrant and transparent capital market in Bangladesh. Its subsidiary, LankaBangla Securities Limited is providing top-notch brokerage services and leading the industry with cutting edge trading, top rated research information, and customer service. The group has another subsidiary, LankaBangla Investments Limited. It is a premier investment bank in the country providing corporate advisory, issue management, and portfolio management services. LankaBangla Asset Management Company Limited is providing

professional wealth management services to some of its customers. In quest of sustainable business, LankaBangla is positioning itself to provide enduring value to the people, customers, shareholders and the communities. There are other key divisions involved in setting up strategic priorities and upholding the living standard of our community. These divisions are involved among many others in prudent balance sheet management operation and maintenance of a strong IT infrastructure and recruiting as well as nurturing top-notch human resources.

LankaBangla Finance is the recipient of National Award for Best Published Accounts and Reports for the past few years announced by the Institute of Chartered Accountants of Bangladesh (ICAB). It also received "Best Presented Annual Report" for consecutive four years (2014-2018) from South Asian Federation of Accountants (SAFA) (an Apex body of SAARC). This is undoubtedly an igniting accomplishment and it is a reflection of ethical practices, right compliance and a great team work.

LankaBangla practices participatory management and adheres to industry's best practices in all its endeavors. Increasing stakeholders' value is a natural driving force for the people at LankaBangla.

Our long-standing sustainability efforts are creating environmental and social value while we move forward. By embracing high ethical standards, governance, and transparency, LankaBangla dreams to go further and grow bigger. Its ethos is simple. The company envisions its success lies in becoming the growth partner of its enterprising clients. LankaBangla is committed to empowering lives and inspire changes in community.

CODE OF CONDUCT GUIDING PRINCIPLES

LankaBangla is a value driven organization with strict adherence to principles even if the situation sometimes provides temporary benefit to the company. The guiding principles are set with the objective of upholding the company's reputation and dignity and treating them as absolutely priceless. The company's affairs get the utmost priority of all the employees.

Our reputation not only affects whether or not someone will be our customer, it also determines whether we are proud to be associated with this organization.

The Code of Conduct is designed to guide the employees of the company to observe, comply with the prudential norms of conduct, manner and behavior. It is in alignment with the Company's Vision and Values to achieve the Mission and Objectives, and aims at enhancing the ethical and transparent process in managing the affairs of the Company. It also applies to every employee of LankaBangla and may be furnished to others for discharging the responsibilities. In addition to the ethical guidelines included in the code, there are many laws and regulations that affect each of the business that we

do. Complying with law is mandatory for everyone and is not subject to business priorities or individual decision.

Personal Responsibilities

- ▶ Be an ethical role model by maintaining integrity and devotion to work
- ▶ Protect and enhance company's interest, dignity and reputation
- ▶ Act in accordance with the highest standards, professionalism and excellence in quality output
- ▶ Adherence to the company's policies, rules and regulations that obviously apply to the job
- ▶ Always act and behave like an ambassador of the company

Workplace Responsibilities

- ▶ Treat colleagues with respect and dignity
- ▶ Support the company's commitment to diversity and equal employment opportunity
- ▶ Provide a positive work environment free from intimidation and harassment

- ▶ Do not hold any outside positions with, or accept business opportunities from anyone who does business or competes with the company
- ▶ Ensure that financial records are accurate and complete and also ensuring cost efficiency.
- ▶ Maintain an effective system of internal control and compliance over financial reporting and operational activities
- ▶ Protect company's assets and properties

Marketplace Responsibilities

- ▶ Act responsibly in all sorts of communications with customers, suppliers, vendors, partners and regulatory authorities

- ▶ Safeguard the privacy, confidentiality and security of customer data
- ▶ Make only factual and truthful statements about company's products and services
- ▶ Gather business intelligence properly and ethically
- ▶ Prevent the use of company's services against money laundering purposes

Corporate Citizenship

- ▶ Support all communities and optimize contributions to the society
- ▶ Protect general safety of the environment
- ▶ Respond to public and cooperate with the government

FORWARD LOOKING STATEMENT

LankaBangla Finance being a forward thinker, has been adopting advanced innovation solution with enhanced adaptability. It has enhanced its capacity with required changes to bring about a stable, financially sound structure that exercises due care when providing financial services to customers. As near future, the world is likely to have changed drastically from what we know now, and the planet's economic and financial landscape will be no exception. What would be that next big leap in the financial landscape of Bangladesh, is well deemed and happening NOW in our territory.

- ▶ LankaBangla Finance Group will look for success by combining business domain, analytics, and artificial intelligence(AI) experts who understand algorithms and new techniques, as well as data engineers/scientists who can work with cloud technology and machine learning systems.
- ▶ In 2020, we would put high emphasis on the Retail and SME Financial Services to achieve a fragmented portfolio to diversify risk and high yield. Through establishing credit delivery channels, staffed with the required skill sets, making improved process flow, and decentralizing credit decisions, we will expand our business at high pace.
- ▶ With the objective of optimizing the Company's funding mix, we would look forward to more diversified sources of fund. The Cost of Fund is also anticipated to come down with the diversification of the Company's' funding portfolio. ALCO will be more vibrant in 2020 to tap market level opportunities.
- ▶ We would be upgrading our interface and functions by using latest technology, systems and tools. This will increase operational efficiency, reduce lead time, and speed up customer service. It will also enable quicker information dissemination to loan and liability clients, thereby saving cost.

- ▶ We believe product diversification is the key to achieving customer satisfaction by meeting the tailor made needs of customers. Innovation would be a continuously sought out strategy in the foreseeable future.
- ▶ In 2020, more emphasis will be given to running the branches more independently so that we can deliver the finest customer service. Branch will be the main focal point and one stop service delivery center for business acquisitions, retention and development, and for providing customer care and maintaining relationship with all parties.
- ▶ Cost control will be one of the top strategies for 2020. We would take initiatives to reduce cost to income ratio as minimum as possible.
- ▶ Continuous monitoring will be done to restrict NPL at a tolerable low level. Initiatives will be taken to increase the efficiency level of Recovery & Monitoring team and Special Asset Management Team to reduce NPL at minimum level.
- ▶ While we engage in our activities we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.



SUCCESS STORIES



Md. Unus Bapary: National Shipping Lines

Contemporary maritime transportation is bound by geographical constraints, political regulation, and commercial interests. Modern advances and innovations in shipping technology have grown the shipping industry since the twentieth century. Many of these advances include the size of vessels, the size of fleets, specialty purposes for ships within the fleet, naval architecture and design, and automated ship systems. In terms of commercial interests, the maritime industry has a high level of contestibility for shipping lines. This means that the ease of entering and leaving the industry is high.

Yet local entrepreneurs take the challenge. Md. Unus Bapary, Khejurbagh, Suvadda, South Keraniganj; of National Shipping Lines is one such businessman. From BDT 6 lacs he has grown to 280 lacs. These repeat loan transactions have made his business secured and bigger. His shipping business has not looked back since he has become LankaBangla clients.

Jahangir Hossen Khan: Fashion Bangla

“ A goal is like a dream with deadline”. This is the most favorite quote of Jahangir Hossen Khan who is the proprietor of 'Fashion Bangla.' With this in mind he has been doing business since 2008 at 29 Mirpur Road. He owns a Shop at Jahan Mansion Shopping center, Dhaka. It is a trading & manufacturing business of 'Three Pieces & Panjabi'. The concern procures the raw products locally from Gausia & Islampur areas where major suppliers are Mollah Tant Bitan, Purnima Fabrics, Mile Stone and manufactures the goods as per market demand in its own factory. The factory area is 1350 sqft well equipped with machineries.

The business generated sales worth BDT 50.245 million last one year to target customers in Dhaka & outer Dhaka. And had bank transactions BDT 25.901 million with BRAC Bank, Dutch Bangla bank, Agrani Bank & The City Bank limited.

Currently he is enjoying the credit facility of BDT 1.2 million from BRAC Bank Limited & BDT 2.5 million term loans from LBFL & BDT 1.5 million from City Bank Limited with regular repayment history. Structured payment of BDT 1.0 million with LBFL was successfully paid within due time.

Fashion Bangla wants the fund to manufacture the new products for the upcoming season. It is needed to mention that Jahangir Hossen Khan is LBFL'S repeat client for 4th time.

After availing LBFL loan, the business has increased stock, sales and revenue.



Mr. Monir Hossain: 'M/S. New Bismillah Chira and Monir Mills'

Mr. Monir Hossain is the proprietor of 'M/S. New Bismillah Chira and Monir Mills' and he is a symbol of true entrepreneurial spirit. He has been doing the business since 2003 at Torkery Bazar, Narsingdi Sadar, and Narsingdi. It is a manufacturing business of Chira & Muri items. The concern procures the raw products (rice) locally and in other districts & his major suppliers are Akota Khado Vander, Al Amin Food, Marun Nahar Auto Rice Mills. He manufactures the goods as per market demand in his own factory. The factory area is measuring 3000 sqft with well-equipped machineries.

The concern generates last one year sales of BDT 125.12 million to target customers in Narsingdi & others district and its bank transaction BDT 86.89 million with Islami Bank, Meghna bank limited.

The business is currently enjoying the credit facility of BDT 5.00 million CC hypo and 2.00 million time loan from Meghna Bank Limited & BDT 5.00 million term loans from LBFL with regular repayment history.

Customers want the fund to manufacture the new products for the upcoming season. Mentionable that he is our 2nd time customer.

After availing LBFL loan, the concern has increased stock, sales and revenue.

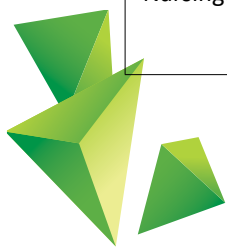


CORPORATE INFORMATION

Registered Name of the Company		LankaBangla Finance Limited
Legal Form		Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh on November 5, 1996 under Companies Act, 1994
Company Registration Number		C-31702 (823)/96
Bangladesh Bank License No.		FID(L) - 1053/41-1088
Corporate Office		Safura Tower (Level 11) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 58810998
Company E-mail		info@lankabangla.com
Company Website		www.lankabangla.com
Business Divisions	Corporate Financial Services Personal Financial Services & SME Financial Services	Assurance Nazir Tower, (Level-9), 65/B Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 8810998 Email: info@lankabangla.com
Card Centre		Tropical Mollah Tower (Level 11), Sha 15/1-15/4 Bir Uttam Rafiqul Islam Ave., Badda, Dhaka 1212 Phone: (880-2) 55035243-55 E-mail: cards@lankabangla.com
Contact Centre		Tropical Mollah Tower (Level 11), Sha 15/1-15/4 Bir Uttam Rafiqul Islam Ave., Badda, Dhaka 1212, Bangladesh Contact Centre Number: Local-16325, Overseas-0961101632 E-mail: myrequest@lankabangla.com
Operations Division		Assurance Nazir Tower, 65/B Kemal Ataturk Avenue (Level-3), Banani, Dhaka- 1213, Bangladesh Phone: (880-2) 55034079-90 E-mail: banani@lankabangla.com
Tax Consultant		Adil & Associates 50, Purana Paltan Line (3rd floor), Dhaka-1000, Bangladesh
Legal Advisors		Sadat Sarwat & Associates House # 28, Road # 23 Gulshan-1, Dhaka-1212
Auditors		S F Ahmed & Co. Chartered Accountants House # 51 (2nd & 3rd floor), Road # 09, Block # F, Dhaka-1213, Bangladesh Phone: (880-2) 9894258, 9871018, 9870619 Fax: (880-2) 8825135 E-mail: sfaco@sfahmedco.org Web: www.sfahmedco.org
Credit Rating Agency		Credit Rating Agency of Bangladesh (CRAB) D H Tower, 6 Panthapath, Level 15, Dhaka 1215, Bangladesh Phone: (880-2) 55013678, 55013681-84, Fax: (880-2) 55013679 E-mail: info@crab.com.bd Web: www.crab.com.bd

BRANCHES AND SUBSIDIARIES OF LANKABANGLA FINANCE LIMITED

Branches of LankaBangla Finance Limited Branches	
Banani Branch	Assurance Nazir Tower, 65/B Kemal Ataturk Avenue (Level-3), Banani, Dhaka- 1213, Bangladesh Phone: (880-2) 55034079-90 E-mail: banani@lankabangla.com
Dhanmondi Branch	MIDAS Centre (8th Floor, North Side) House No # 05, Road No # 16 (New), 27 (Old) Dhanmondi-1209, Dhaka, Bangladesh Phone: (880-2) 9114460, 9114451, 9114648, 9114574 E-mail: dhanmondi@lankabangla.com
Uttara Branch	Uttara Tower (4th Floor), Plot # 1, Jasimuddin Avenue, Sector # 03, Uttara C/A Uttara Model Town, Dhaka- 1230, Bangladesh Phone: (880-2) 7914230, 8931412-3 E-mail: uttara@lankabangla.com
Mirpur Branch	Northern Khan Height Tower (Level 3) Plot No # 34, Road No # 03, Block # D Section # 11, Mirpur, Dhaka-1216, Bangladesh Phone: (880-2) 9037841, 9037842-8, 9037851-2 Fax: (880-2) 9037848 E-mail: mirpur@lankabangla.com
Motijheel Branch	Peoples Insurance Bhaban (10th Floor) 36 Dilkusha C/A, Dhaka- 1000, Bangladesh Phone: (880-2) 9514570-2, 9513714-16, 9514767-8 E-mail: motijheel@lankabangla.com
Agrabad Branch	Hal's Aster Anwer (14th Floor), 1728 Sheikh Mujib Road, Agrabad, Chittagong 4100, Bangladesh E-mail: agrabad@lankabangla.com
CDA Avenue Branch	Yunusco City Centre (8th Floor) 807/1056, CDA Avenue, OR Nizam Road Khulshi, Chittagong 4000, Bangladesh Phone: (880-31) 2868901-3 E-mail: cdaavenue@lankabangla.com
Sylhet Branch	Khoirun Bhaban (Level 3) Holding No # 118, Azadi, Mirboxtula, Sylhet 3100, Bangladesh Phone: (880-821) 728420 E-mail: sylhet@lankabangla.com
Cumilla Branch	Garden City (2nd Floor) Holding- 203/187, Jhawtala, Police Line, Cumilla, Bangladesh Phone: (880-81) 73371-2 E-mail: comilla@lankabangla.com
Narsingdi Branch	Sonali Tower (2nd Floor) Anondi More, College Road, Madhabdi, Narsingdi, Bangladesh Phone: (880-2) 9446730-31 E-mail: narsingdi@lankabangla.com



Jashore Branch	Mohashin Super Market (2nd Floor) 10 R. N. Road, Jashore 7400, Bangladesh Phone: (880-421) 71146-47 E-mail: jessore@lankabangla.com
Barisal Branch	Yunus Plaza (1st Floor), 444 K.B. Hemayet Uddin Road Barisal 8200, Bangladesh Phone: (880-431) 61884, 65030, 61225 E-mail: barisal@lankabangla.com
Bogra Branch	Bogra Trade Center (Level-4), Dotto Bari, Borogola Bogra 5800, Bangladesh Phone: (880-51) 71031-35 E-mail: bogra@lankabangla.com
Mymensingh Branch	Sabit Sharif Bhaban (2nd Floor), 55/A BoroBazer Mymensingh 2200, Bangladesh Phone: (880-91) 62901-2
Khulna Branch	Tribune Tower (2nd floor), 2/A KDA Avenue Khulna 9200, Bangladesh Phone: (880-041) 731480, 731513
Rajshahi Branch	Ahmed Plaza (2nd floor), 182-Alo Patti, Ghoramara Boalia, Rajshahi, Bangladesh Phone: (880-0721) 771216, 771035-6
Narayangonj Branch	Akter Square-1 (3rd floor) 68, B.B. Road, Narayangonj, Bangladesh Phone: (880-0671) 7631342-3
Chowmuhani Branch	Morshed Alam Complex (3rd floor), South west corner, Karimpur Road, Begumgonj, Chowmuhani, Noakhali, Bangladesh Phone: (880-0321) 54411-6
Bangshal Branch	5 Old Bangshal Lane, 57 New shahid Sayed Nazrul Islam Sharani (Level-3), Dhaka- 1100, Bangladesh Phone: (880-2) 9586007-9, 9513822, Fax: (880-2) 7112904 E-mail: bangshal@lankabangla.com
Faridpur Branch	Rangolal Plaza (Level - 3), 103 Goalchamot Mouza, Holding No. 30, North Faridpur, Faridpur-7800, Bangladesh
Board Bazar Branch, Gazipur	Omar Ali Plaza (Level - 3), Holding No. 309, Ward No. 30, Mymensingh Road, Kolomeshor, National University, Board Bazar, Gazipur, Dhaka - 1704, Bangladesh
Savar Branch	MK Tower (Level - 4), B16/1, Jaleshwar, Shimultola, Savar, Dhaka 1340, Bangladesh
Dinajpur Branch	Northen Plaza (Level - 4), Goneshtola, Dinajpur-5200, Bangladesh
Keraniganj Branch	Hazi alimullah complex (level -3), aganagar, south keraniganj, keraniganj, Dhaka – 1310, Bangladesh
Gulshan Branch	The Glass House (4th Floor-West), Plot No. 02, Block -SE (B) 38, Gulshan Avenue, Gulshan-1, Dhaka
Habiganj Branch	Syed Bari Tower (2nd Floor), Holding No.3885-1, Habiganj Sadar, Habiganj-3300
Kushtia Branch	Bashar Tower (2nd Floor), Holding – 72, N.S Road, Kushtia Sadar, Kushtia

Branches of LankaBangla Securities Limited	
LankaBangla Securities Limited (Subsidiary of LankaBangla Finance Limited)	A. A. Bhaban (Level 5) 23, Motijheel Commercial Area, Dhaka-1000, Bangladesh Tel: (88 02) 9563901-5, Fax: (88 02) 9563902 Web: www.lankabangla.com
Principal Branch, Motijheel	City Centre (Level 13) 90/1 Motijheel C/A Dhaka 1000. Phone: +880-2-55110940-3 Fax: +880-2-55110944 E-mail: riyadh@lbsbd.com ANNEX: 1 DSE Annex Building (1st Floor) 9/E, Motijheel C/A, Dhaka-1000 Phone: (88 02) 9561868, Fax: (88 02) 9562207 E-mail: syed.rezaul@lbsbd.com ANNEX: 2 Eunoos Trade Center (15th Floor) 52-53, Dilkusha, Dhaka-1000 Phone: (88 02) 9581629, 9581630 E-mail: zobayer.mohsin@lbsbd.com
Banani Branch	Assurance Nazir Tower (Level-6) 65/B, Kemal Ataturk Avenue, Banani, Dhaka-1213 Phone: (88 02) 55035306-8, Fax: (88 02) 55035309 E-mail: aziz@lbsbd.com
Dhanmondhi Branch	MIDAS Centre (8th floor) House No: 05, Road No: 16(New) 27 (Old) Dhanmondhi, Dhaka-1209 Phone :+880-2-9112650, +880-2-9112648, Fax : +880-2-9112648 Mobile: +88-01730322453 E-mail: elahi@lbsbd.com
Uttara Branch	Uttara Tower (4th Floor), Plot-1, Jasimuddin Avenue, Sector-03, Uttara C/A Uttara Model Town, Dhaka-1230 Phone: (88 02) 48951658, 48958575, Fax: (88 02) 8959286 Cell: +88-01730073811 E-mail: mosharef@lbsbd.com
Narayangonj Branch	Haji Plaza (2nd Floor), 53/1, S.M. Maleh Road Tan Bazar, Narayangonj Phone: (88 02) 7632352, 7630582, Fax: (88 02) 7630560 E-mail: mokhles@lbsbd.com
Agrabad Branch	HAL'S ASTER ANWAR, 13th floor 1398(Old), 1728(New), Sk.Mujib Road Agrabad, Chittagong Phone: (880-31) 2525836-8, Fax: (880-31) 2525839 E-mail: amir@lbsbd.com, sowkat@lbsbd.com
Khatungonj Branch	Asma Chamber, 1016 (Old) Ram Joy Mohajan Lane, Khatungonj, Chittagong Phone: (880 31) 630011, 632276, 626709, Fax: (880 31) 627312 E-mail: nazim@lbsbd.com





Nasirabad Branch	Rahima Center (5th Floor) 1839, CDA Avenue, Nasirabad, Chittagong Phone: (880 31) 2554171-3, Fax: (880 31) 2554174 E-mail: munir@lbsbd.com
Sylhet Branch	J.R. Tower (3rd Floor), Holding No. 1469, Jail Road, Sylhet-3100 Phone : (880-821) 711143,711752,711912 Fax: (880-821) 711918 E-mail: Shamsuddin@lbsbd.com
Cumilla Branch	Nahar Plaza (1st Floor) 67/58, Nazrul Islam Avenue, Kandirpar, Cumilla Phone: (88 081) 62117, 62109, 61768, Fax: (88 081) 62116 E-mail: nazir@lbsbd.com
Barisal Branch	LankaBangla Securities Information Center Yunus Plaza (1st floor) 444 KB Hemayet Uddin Road, Barisal-8200 Phone : 0431-63105,61641

LankaBangla Investments Limited

LankaBangla Investments Limited (Subsidiary of LankaBangla Finance Limited)	Assurance Nazir Tower, 65/B Kemal Ataturk Avenue (Level-6), Banani, Dhaka- 1213, Bangladesh Phone: (880-2) 9512621, 55110910-16, Fax: (880-2) 9561107 E-mail: info@lankabangla-investments.com Web: www.lankabangla-investments.com
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LankaBangla Asset Management Company Limited

LankaBangla Asset Management Company Limited (Subsidiary of LankaBangla Finance Limited)	Praasad Trade Centre, 4th Floor, 6 Kemal Ataturk Avenue Banani C/A, Dhaka-1213, Bangladesh E-mail: amcl@lankabangla.com Web: www.lankabangla.com
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LankaBangla Information Systems Limited

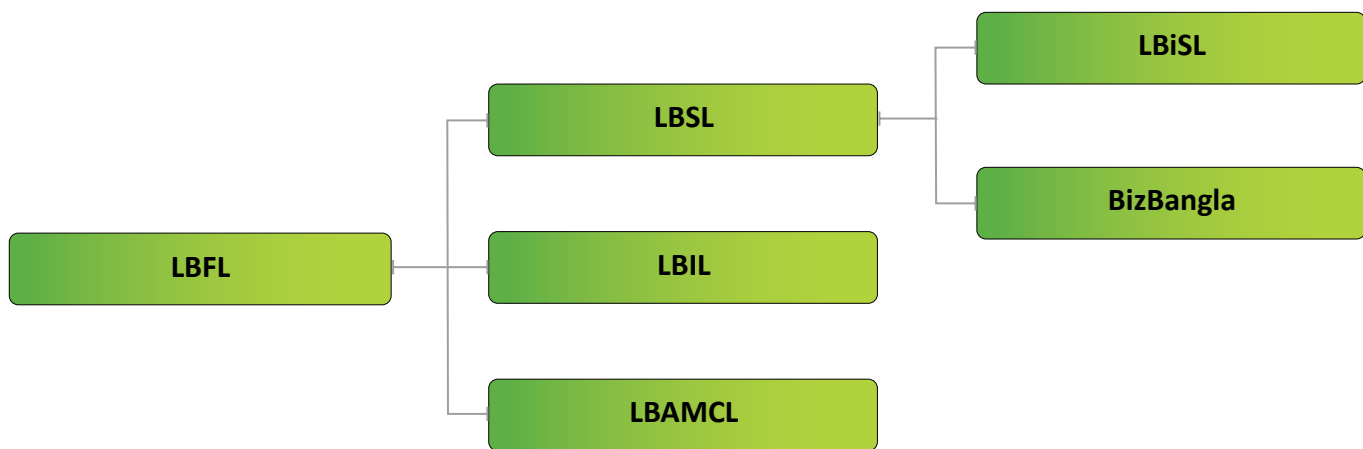
LankaBangla Information Systems Limited (Subsidiary of LankaBanglaSecurities Limited)	20, Kemal Ataturk Avenue, Level-11, Banani, Dhaka-1213
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BizBangla Media Limited

BizBangla Media Limited (Subsidiary of LankaBanglaSecurities Limited)	12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level-17), Kawran Bazar, Dhaka-1215
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GROUP STRUCTURE

The Group consists of a total of six companies including the Parent LankaBangla Finance Limited (LBFL). LBFL has direct holding on three companies LankaBangla Securities Limited (LBSL), LankaBangla Investment Limited (LBIL) and LankaBangla Asset Management Company Limited (LBAMCL). LBFL has indirect holding on two companies LankaBangla Information System Limited (LBiSL) and BizBangla Media Limited.



The table below shows the Group Shareholding Structure of LankaBangla Finance Ltd.

Sl.	Name	Place of business	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1	LankaBangla Securities Limited	Bangladesh	90.9091767%	5.7394296%	96.6486063%
2	LankaBangla Investments Limited	Bangladesh	99.9999972%	-	99.9999972%
3	LankaBangla Asset Management Company Limited	Bangladesh	99.9998939%	-	99.9998939%
4	LankaBangla Information System Limited	Bangladesh	-	96.4553091%	96.4553091%
5	BizBangla Media Limited	Bangladesh	-	93.1552832%	93.1552832%



BUSINESS DIVISIONS OF LANKABANGLA FINANCE

Corporate Financial Services Division

There are very few who can provide the full spectrum of corporate finance advice to large and middle market businesses in both the public and private sectors – LBFL team can.

Through the credit crunch, depressed commodity prices, and global economic turmoil, CFSD never left the side of the Businesses and Corporate Houses who've made LBFL an economic powerhouse. CFSD continue to provide customized financial solutions to help our clients do what they do best—lead. In-depth knowledge and experience in LBFL is in part what makes it different and gives us the strength to stay the course with our clients. CFSD is proud to offer a wide range of custom-built capital, cash management, and financial market solutions in order to help our clients succeed.

The value we deliver is demonstrated through our unique relationship model, industry expertise, and local market advantage through the units as mentioned below:

- ▶ Large Corporate
- ▶ Emerging Corporate
- ▶ Supply Chain Finance
- ▶ Project Structured & Sustainable Finance
- ▶ Corporate Liability

Large Corporate

Bangladesh has seen rapid growth in the recent years and considered amongst the emerging economies of the world. This has generated opportunity for the large corporate houses and group of companies to thrive and expand like never before. To accommodate the needs of this group of entrepreneurs and industrialists Large Corporate Unit has been operated with full financial solutions.

Large Corporate provides a diverse array of solutions for the corporate houses to expand their business and realize their vision. Our experienced team members can provide customized financial solutions which align with the overall business strategy of corporate clients so that their growth is truly sustainable. We aspire not just to become another one stop financial solution provider but a growth partner to all of our clients, so that we may Growing Together.

Already Large Corporate Unit has exposure with a number of corporate houses in sectors like Steel, Plastic, Cables, Light Engineering, Real Estate, Cement, Food, RMG, Footwear, etc. allowing it to have a strong market presence. However, we are continuously looking to improve our team and incorporate new technological advances to better our service so that we can hold our esteem position in the market. Being a part of such a revered institution, Large Corporate actively takes part in refinancing schemes provided by Bangladesh Bank and other foreign finance provided by ADB, JICA, ICD, etc. for Sustainable Financing, Lead Certified Building, ETP Plantation, Green Financing, etc.

The followings are the products offered by Large Corporate Unit:

- ▶ Term Finance
- ▶ Short Term Finance
- ▶ Revolving Finance
- ▶ Lease Finance
- ▶ Loan against TDR
- ▶ Work Order Finance
- ▶ Club Finance
- ▶ Bridge Finance
- ▶ Project Finance

Emerging Corporate

Emerging Corporate Unit offers comprehensive suite of products & services to cater the growing needs of emerging corporate customers from various business segments. Being a relatively new Unit, Emerging Corporate of LBFL started its operation on a full-fledged basis from 2019 and since then, it has been evolved as one of the most preferred financial partner of the emerging corporate customers.

Emerging Corporate have following leverage to provide the best corporate experience through a team of expert and dedicated relationship managers to identify business requirement and provide solutions through diversified products and services. The Unit has the vision to use the wide network throughout the country to identify remote most corporate customers and provide them with tailor made financial solutions.

At LBFL we see our customer as our partners and offer superior customer service to gain the highest mind share. Our Emerging Corporate team is ready to provide best in class corporate financial services to become your most preferred Financial Institution.

Emerging Corporate Financing product suite consists of wide range of products and services to cater customer requirements under various industries. This includes tailored products for emerging manufacturing industries, service entities, MNCs, EPZ & EZ customers, DOs, project developers, supply chain concerns etc. Over the period of doing business, the Emerging Corporate Team has gained the necessary experiences and expertise to serve complex financial deals with convenient solutions.

Major product & services under Emerging Corporate unit are as follows:

- ▶ Term Finance
- ▶ Short Term Finance
- ▶ Revolving Finance
- ▶ Lease Finance
- ▶ Loan against TDR
- ▶ Work Order Finance
- ▶ Club Finance
- ▶ Bridge Finance

Project, Structured & Sustainable Finance

Project, Structured and Sustainable Finance is one of the key focus unit of LBFL. The Project, Structured and Sustainable Finance unit has institutionalized capabilities to successfully manage the unique and multidimensional process of project finance transactions led by customized product offering approach.

We are typically engaged from the very early stages of implementing projects. Thus, we are able to analyze the viability of projects from different perspectives and ensure cohesive and comprehensive project development that takes all aspects into consideration from day one. Specifically, we review alternate financing solutions and risk-mitigation concepts for the project.

LBFL devises solutions that balance the requirements of customers, suppliers and capital providers. We greatly benefit from our well and long-established relationships with members of financial community of the country. Thus we can offer competitive rates in order to implement the projects. We are here to assess your financial need, design the most cost effective mode of finance for

your business and give you a complete solution to share the joy of success while Growing Together.

Major product & services under Project, Structured and Sustainable Finance unit are as follows:

- ▶ Project Finance
- ▶ Structured Finance
- ▶ Green/Sustainable Finance
- ▶ Islamic Shariah Compliant Financing Solutions
- ▶ Corporate Advisory Services

Supply Chain Finance

At LBFL, we understand the importance of adequate cash flow working as a blood circulation for live-running of a business. With this objective in mind, the Supply Chain Finance Unit of LBFL constantly strives to provide innovative financial solutions to meet working capital needs of businesses. The unit helps to manage cash flow for effective cash management of business. To overcome the challenges of cash constraints in everyday business, the Supply Chain Finance Unit offers working capital solutions to give business a positive cash flow boost – freeing up working capital, giving the financial freedom and flexibility to grow business. These are uniquely structured working capital solutions against receivables, lifting orders, confirmed payables, credit advisory, collections, etc. The procedure is relatively kept simple for the convenience of the clients. Through the products/services offered by this unit, LBFL intends to be an active partner in the management of the client's supply/delivery chain.

The followings are the products offered by Supply Chain Finance.

- ▶ Factoring Finance
- ▶ Distributor Finance
- ▶ Reverse Factoring

Corporate Liability

LBFL welcomes the opportunity to establish relationship with corporate clients willing to keep their funds with the company. Over the years we have received large deposits from various corporate houses which benefited us to enrich our portfolio. We understand that our corporate clients seek qualified and committed financial partners for investment of their funds. Our endeavor to reduce dependencies on bank borrowing has been facilitated by collection of corporate deposits. In this regard, we have formed a separate corporate TDR team with professional Relationship Officers who are concentrating solely on providing RM based services to corporate houses through Head Office Priority Unit. A bunch of enthusiastic and energetic relationship managers has been deployed for marketing the services across the country who are tagged under different branches.

The followings are the products offered by Corporate Liability Unit:

- ▶ Actual Days Deposit
- ▶ Corporate Classic TDR
- ▶ Shahoj Sanchay
- ▶ Periodic Return
- ▶ Earn First
- ▶ Double Money Deposit
- ▶ Triple Money Deposit
- ▶ Money Builder

Retail Financial Services Division

The Retail Financial Service Division offers a variety of special financial services to fulfill the needs of individuals. By providing innovative, customized solutions and services, the Retail Division of LankaBangla Finance is one of the leader in the market of retail financial services. The division currently provides services through 3 (three) different sectors namely Loan Unit, Card Center and Deposit. The division delivers services through 6 (six) units namely Auto Loan, Home and Mortgage Loan, Personal Loan, Credit Card, Retail Liability and Alternative Business Delivery Channel (ABDC).

Auto Loan

The Auto Loan Unit specializes in car financing for individuals and institutions alike. It deals with all sales, marketing, business promotional activities, as well as relationship management with individuals, corporate customers and auto dealers. It also engages in customer service activities including planning, budgeting, target setting & allocation, and also execution, monitoring & evaluation of sales deal, customer service quality, etc. The unit has also started providing Motor Cycle loan to individual professional and corporate houses. The loan facilities are at competitive rates with convenient repayment options. LankaBangla has the following differentiate features for Auto Loan:

- ▶ Loan facility up to 90% of vehicle price but not exceeding BDT 15.00 Mn for individual client
- ▶ Up to 100% loan facility for Institution/Organization
- ▶ 100% loan facility for the individual customer under secured by full or partial TDR/ FDR and for the employee of specialized corporate
- ▶ Three (3) months grace/moratorium period facility for salaried individual
- ▶ Loan tenure from 12 to 72 months
- ▶ Loan facility for both individual and institution/ organizational name
- ▶ Early settlement & partial pre-payment facility

Home & Mortgage Loan

With a host of Home Loan options, the Home & Mortgage Unit aims to meet the individual needs for housing solutions. The activities of Home & Mortgage Loan Unit include sales, marketing, business promotions, and relationship management with customers and developers. The unit provides customer service management like planning, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Home loan serves the following purpose:

- ▶ To buy a new or used apartment or ready home & commercial space
- ▶ To renovate existing apartment & home & commercial space
- ▶ To construct apartment or home
- ▶ Existing loan pay off/ loan takeover

Proposed property and/or any property acceptable to LankaBangla may be taken as collateral. Property is required to be Registered Mortgage through TPA (Tripartite Agreement) or Registered Mortgage as per Law prevailing in Bangladesh. The following features differentiate Home Loan from that of the competitors:

- ▶ Highest loan ceiling of BDT 100 million
- ▶ Loan term up to 25 years including maximum 12 months moratorium period



- ▶ EMI calculation on Monthly Reducing Balance Method
- ▶ Partial Prepayment or Early Settlement options at any time on outstanding principal amount.
- ▶ Approval of home loan before purchase of apartment for high net worth customer
- ▶ Loan disbursement during the construction stage
- ▶ Disburse against tripartite agreement or registered mortgage
- ▶ Top up facility
- ▶ Loan takeover facility
- ▶ Semi Fixed and Variable interest rate – anyone can choose
- ▶ Loan facilities for Non-Resident Bangladeshis

Personal Loan

The Personal Loan Unit offers any purpose loans for personal exigencies. The unit deals with all sales, marketing, business promotional activities, as well as relationship management with corporate houses, and other customer service activities such as planning, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Doctors Loan, Travelling loan, Marriage loan and Loan for Land lord/ lady are offered under this unit. Short term loan against lien of deposits, shares of listed companies, savings instruments etc. are also offered under this unit for any purpose. The following features make the personal loan of LankaBangla a leading financial product in the market:

- ▶ Highest loan ceiling of BDT 2.50 Mn
- ▶ Highest loan tenure up to 60 months
- ▶ Top up loan facility
- ▶ Partial disbursement options
- ▶ Partial prepayment option

Credit Card

LankaBangla is the lone Financial Institution that offers cards through its owned CMS. Card Centre deals with issuing of MasterCard and VISA credit cards. LankaBangla VISA & Mastercard come with an ever growing range of benefits with an acceptance at all VISA & Mastercard POS, ATMs & e-commerce websites nationwide. There are mainly three categories of MasterCard-Titanium, Gold and Classic and three categories of VISA Card- Platinum, Gold and Classic for individual and corporate clients.

Sl.	Name	Place of business	Valid in	Limit Range
1	Master Titanium	BDT	Bangladesh	BDT 150,000 – BDT 1,000,000
2	Master Gold	BDT	Bangladesh	BDT 60,000 – BDT 149,999
3	Master Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999
4	VISA Platinum	BDT	Bangladesh	BDT 150,000 – BDT 1,000,000
5	VISA Gold	BDT	Bangladesh	BDT 60,000 – BDT 149,999
6	VISA Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999

The basic features of LankaBangla Credit Card are as follows:

- ▶ Unsecured & revolving credit line
- ▶ Safer substitute to cash
- ▶ Monthly billing on purchases & cash withdrawals

- ▶ Minimum required payment per month: 5% or BDT 500 whichever is higher
- ▶ Interest free periods – Minimum of 15 days or Maximum 45 days
- ▶ Cash Withdrawal Facility – 50% of Credit Limit, No Interest Free period on Cash Advance
- ▶ Credit Shield Insurance Coverage up to BDT 500,000
- ▶ Secured EMV enabled chip card & contactless payment (NFC) facility
- ▶ Above 1500 discount merchant
- ▶ ezipay Installment Facility @ 0% interest at above 500 merchants
- ▶ 3(three) times complimentary access to Balaka Executive Lounge at Hazrat Shahjalal International Airport or Modhumoti Executive Lounge at Shah Amanat International Airport for Titanium & Platinum Cardmembers in a year
- ▶ Unlimited Complimentary Meet & Greet Service at Hazrat Shahjalal International Airport for Mastercard Titanium & VISA Platinum Cardmembers

Retail Liability

The core objective of Retail Liability unit is to focus on retail deposits. Different Liability products are being designed & offered to customers to cater their requirements. Considering the nature of retail clients and to provide the best customer service through strong relationships, various retail deposit teams consisting of a large pool of product marketing officers have been deployed throughout the branches of all over Bangladesh.

Retail Liability unit offers the following product and services:

Classic TDR:

It is the one of the prominent deposit product of LankaBangla, the product is designed with the tenure flexibility where the customer will receive the interest at maturity.

Shohoj Sanchoy:

Under this scheme customer will have the flexibility to choose their own tenure from 4 months to 18 months.

Earn First:

Under this scheme customer can draw interest upfront BDT 100,000 for deposited amount BDT 1,100,000 or reinvest the interest amount into our other attractive Deposit Schemes.

Periodic Return Term Deposit:

Term Deposit schemes- where customers of all segments are eligible to earn interest on a monthly/quarterly/half-yearly basis.

Money Builder:

LankaBangla's own DPS facility called "Money Builder" is an installment based saving deposit scheme under which you can deposit your money on monthly basis.

Flexi Deposit:

An Initial deposit amount is fixed for this product and thereafter client can deposit any amount and will enjoy a certain percentage of interest, which will be entertained on daily basis.

Double Money:

"Double Money" can be the best solution for long term deposit plan. The deposited amount will be double at the time of maturity.

Triple Money:

"Triple Money" can be another solution for long term future plan,

where deposited amount will be triple at the time of maturity.

Quick Sanchoy:

“Quick Sanchoy” is the one of specially tailored deposit product of LankaBangla Finance which is similar to Money Builder. This is a monthly savings scheme having an initial deposit which will be double or triple at maturity.

Protiva Deposit:

“Protiva” – “Money Builder (DPS) for new generation to explore new horizon. It is a specialized deposit scheme with life insurance coverage at free of cost. The minor account holder under this scheme will be eligible to get the full maturity value in case of death or permanent disability (accidental) of the legal guardian at any time for any reason.

LankaBangla also offer below specialized products for woman with privileged rate of interest:

Shikha Ichhe (Classic and Shohoj Sanchoy), Shikha Obirot (Periodic Return Term Deposit), Sikha Projolon (Double and Triple Money), Shikha Sonchoy (Money Builder).

Alternative Delivery Channels (ADC)

Alternative Delivery Channels (ADC) is a digital transformation department that accommodate the demand for access to our services anytime, anywhere and anyhow. LankaBangla Finance has launched Alternative Delivery Channels (ADC) department on 01 November 2016. The main objective of ADC department is to create, develop & manage an integrated, customer focused, alternative way of customer service, branding, business promotion and development. ADC is entrusted with the responsibilities of supervising, monitoring of LankaBangla website, social media (like facebook page, LinkedIn page & Youtube), online leads management. It helps to improve operational efficiency and cost-effective business.

The responsibilities of ADC are given below:

- ▶ Manage eCRM (electronic Customer Relationship Management) Leads. ADC maintains the MIS of all Leads generated through website and social media (Facebook, LinkedIn, FinSmart App) and contact center
- ▶ Follow up and update eCRM panel & update MIS accordingly, Initiate Cross Sell & generate monthly Business Review Report
- ▶ Update information in LBF website. Review, manage, update and follow up website banners, pop-up of promotional offers, regular events and regulatory issues. Highlights updates of CSR & Green Banking issues
- ▶ Coordinate, communicate and resolve all complains and service requests received from customers in social media and website in consultation with concerned departments and conclude the issue with customers.
- ▶ Managing and executing day to day promotional offers and activities
- ▶ FinSmart mobile app management such as leads identification, address all customers, collect details, provide feedback and follow up till approval/decline. Besides, managing FinSmart Feedback, meet up statement & chequebook requests received from customers and solving FinSmart related queries/complain received through “My Request” as well
- ▶ Update information on FinSmart app (Promotional offer, products, SMS, rate change etc. of all products & branch information)

- ▶ Generate significant business/sales or conversion from identified prospective leads received from all sources of social media portals
- ▶ Boost up LBF digital platform through providing structure and leadership on the development and management of the digital innovation roadmap as well as the day to day operations of related activities

SME Financial Services Division

Small and medium enterprises (SMEs) are acknowledged worldwide as lifeblood of local trade, commerce and industry. With lower energy supply, lesser infrastructure facilities and minor environmental risk, SMEs contribute notably to alleviation of poverty, creation of employment opportunities, women empowerment and equitable distribution of income as well as diversification of industrial sector in Bangladesh. A strong, vibrant financial sector can play a significant role in the growth and development of Small and Medium Enterprises by providing credit support to potential entrepreneurs. LankaBangla Finance Ltd., with the belief of ‘Growing Together’, has focused in SME business and performed well so far. Through the SME Financial Services division, the company offers various SME products based on the needs of the business. The value created by this unit is demonstrated through the unique relationship model, industry expertise, and local market advantage. The SME division deals with all sorts of activities-sales, marketing, business promotions, relationship management, customer service, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deals.

Some of the value addition activities of the SME Financial Service division are as follows:

- ▶ Flexible Collateral norms based on client’s financials, business and nature of Collateral.
- ▶ No hidden costs on loan sanction.
- ▶ Working capital limits to support growth plans and enhancements based on the client’s further requirements - ranging from BDT 0.3 million to BDT 200 million.
- ▶ E-mail & Mobile alert supports to existing client.
- ▶ Choice of fixed tenure for repayment (12 months to 60 months).

SME Division of LankaBangla has created a sound footprint in the year 2015 and it enjoyed higher growth in every parameter than that of previous year and is expecting to excel further. The division is working on new product introduction, cluster analysis and finding out prospective sectors. The focus on SME growth is reflected by various campaign arrangements, SME Fair, etc. A dedicated team for each branch is working to develop woman entrepreneurship in Bangladesh. LBFL is providing SME finance facilities to different types of sector with increased focus on women. By availing the refinancing facility through Bangladesh Bank, LBFL is able to offer attractive rates for prospective women entrepreneurs of Bangladesh.

The services offered by the SME Financial Division can be summarized as following:

- ▶ Limits offered to Small Enterprise: loan amount from BDT 0.3 million to BDT 30 million
- ▶ Limits offered to Medium Enterprise: loan amount from BDT 30 million to BDT 200 million
- ▶ Collaterals: Funding against commercial, industrial, residential property & liquid securities





- ▶ Facilities offered: Term Loan, Short Term Loan, Revolving loan, Structured Finance
- ▶ Management Services
- ▶ Fast processing and quick availability of loans
- ▶ Best suited for: Retailers, Traders, Manufacturers, Wholesalers, Distributors, Importers, Exporters, and Dealers
- ▶ Pre-requisites: Minimum two years business experience

The following are the products offered by SME Financial Service segment:

Small Business

- ▶ Ahona (Unsecured loan)
- ▶ Biswas (Partial Secured Loan)
- ▶ Anonnya (Women Entrepreneur)
- ▶ Abash (Loan for Construction Mess)
- ▶ Durbar (Commercial Vehicle Finance)
- ▶ Somporko (Startup Finance)
- ▶ Astha (Fully Secured)
- ▶ Swarnali (Agro Processing Industry Finance)
- ▶ Ejara (Lease Finance)

Emerging and Medium Business

- ▶ Term Loan Financing
- ▶ Lease/Asset Backed Financing
- ▶ Working Capital Solution

SME Liability SME Liability Unit is a newly launched unit and operates under SME Financial Services. The main objective of this unit is to mobilize deposits from SME segments and cater superior client experience from LankaBangla Finance Limited. Different liability products are being offered to clients with attractive features named SME Biswash, SME Shaccholata, SME Shacchando, SME Agro, SME Monermoto Sanchoy, SME Sommidhi, SME Dìgun Munafa and SME Tingun Munafa. A bunch of enthusiastic and energetic relationship managers has been deployed for marketing the services across the country who are tagged under different branches.

Treasury & FI Division

Treasury is the “Financial Hub” which operates as a financial clearing house for all the parts of an organization. Traditionally, fund management is the key function of Treasury that ensures availability of funds at the Right Time, Right Place at the possible Minimum Cost.

Treasury function also encompasses the Balance Sheet management and looks after the inherent treasury risk elements of the organization including mismatches of Assets and Liabilities. Managing maturity schedules of deposits and credit lines coincide with the demand for loans while ensuring adequate liquidity is the most crucial aspect of treasury division. In LankaBangla Finance, Treasury & FI division is internally structured in three major units, namely – Balance Sheet Management Unit, Money Market, Financial Institutions & Central Bank Dealings Unit and Capital Markets & Agency Service Unit. Treasury performs its responsibility under two broad heads:

Treasury front office & Treasury mid office. The core functions of Treasury & FI's are as follows:

Treasury Front Office

- ▶ Significant interactions with various counterparties & market participants
- ▶ Money Market Operation, i.e. Dealings with Overnight/ Placement/Treasury Line etc.
- ▶ Maintenance of CRR & SLR
- ▶ Dealings with Govt. fixed income securities
- ▶ Investment in commercial paper and other money market instrument to generate revenue
- ▶ Striking of deals (trading) and ensuring profits from arbitrage dealing
- ▶ Credit relationship with Banks & FI's
- ▶ Seeking the alternate source of fund, e.g. issuing of debt instrument, foreign currency loan etc.
- ▶ Liquidity Management by prudent Cash Management
- ▶ Repo & Reverse Repo dealings i.e. ALS/LS, Repo & Special Repo with Central Bank, Interbank repo

Treasury Mid Office

- ▶ Set up Treasury policies and strategies
- ▶ Monitoring, measurement, analysis and reporting of risks namely
 - ▶ Interest rate risks
 - ▶ Liquidity risk
 - ▶ Asset Liability Management (ALM)

Capital Market

Capital Market Unit at LankaBangla is responsible for formulating equity and fixed income investment strategies, trading at proprietary fund and effectively managing risks thereon. The portfolio is managed following a rigorous top down-bottom up investment process driven by economic, sector and company fundamental research and technical quantitative analysis.

SUBSIDIARIES OF LANKABANGLA FINANCE

LankaBangla Securities Limited

LankaBangla Securities Limited (LBSL) is committed to providing top notch brokerage services and leading the industry with cutting edge trading, top rated research and customer service. LankaBangla Securities began as Vanik Bangladesh Securities Ltd in 1997 with their activities confined only within the Chittagong Stock Exchange (CSE) Ltd. A year later, they made a step ahead and introduced themselves to the Dhaka Stock Exchange (DSE). It rebranded to LankaBangla Securities Ltd. in 2005 following a restructuring of the company. The company is 90.91% owned subsidiary of LankaBangla Finance Limited (LBFL) which is one of the leading listed non-banking financial institutions in Bangladesh engaged in Leasing, Credit Card Services, Corporate Financing, and Financial Consultancy. LBFL is owned, by a group of highly successful local business entrepreneurs of Bangladesh, Sampath Bank Limited of Sri Lanka, One Bank Limited of Bangladesh, and the general public. With all these on the back, our house LBSL is undoubtedly a global one which knows clients' preferences, acts on their choice, and guarantees the most comfortable investment environment while investing in Bangladesh. LankaBangla Securities Ltd. is the leader in customer transactions. The ability to meet the demands considering every client's time horizon, goals, and risk tolerance have made the company settle relations with thousands of retail and institutional clients all over the globe. This is reflected in the fact that the brokerage house is crowned as the largest in terms of transaction value for the 14th consecutive time in DSE and CSE. At LBSL, people specialize in developing the country's most efficient stock brokerage workforce with unmatched skills and consummate perfectionism. Also, in whichever corner of the country the customers are, LBSL gets them covered with their 10 branches spread in the leading cities and towns. Quality, convenience, and reliability are some things that LBSL provides the customers at the highest level and which the customers can expect from their brokers. This is the key as LBSL has a strong network of key clients all over the world. Furthermore, the local and international recognitions from financial institutions, custodian banks, corporations, international fund managers, and other fellow brokers for its professionalism has laid the foundation of strength and further success. Apart from NITA trading, LankaBangla Securities Ltd. (LBSL) is offering trading facilities to foreign institutional clients comprising of different funds, international brokers, banks, etc. who are interested in trading Bangladeshi securities. Throughout the world, any client of an international broker can trade in the Bangladesh Capital Market through LBSL. To make it better, LBSL foreign trade execution team has a Bloomberg terminal on its dedicated foreign trade desk which connects the team with every fund manager around the globe assuring 100% compliant trading for the foreign clients. Possessing a strong equity base, LBSL focuses on the diversification strategy following which LBSL has made an equity participation in BizBangla Media Limited which is publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Besides, LankaBangla Securities Limited is one of the directors of MIDAS Financing Limited, a renowned financial institution. LBSL has already initiated establishing an independent IT subsidiary LankaBangla Information Systems Limited.

Brokerage Services

LBSL provides "Trade Execution Service" for its clients in Dhaka and Chittagong Stock Exchange. They trade in the portfolio accounts maintained with LankaBangla Investments Limited and IDLC Investments Ltd. as well as they provide custodial services to clients for safe custody of securities. In addition, they provide extended credit facilities through their margin trading services.

Trading Facility through NITA (Non Resident Investor's Taka Account)

LBSL has been successfully providing services of NITA Trading through which Non-Resident Bangladeshis (NRBs) are able to transact under Non-Resident Investor's Taka Account (NITA). The company is also dedicated to use extensive recourses to offer new products and services to the existing clients and also to attract new clients. The choice of an object oriented approach and using the latest technology has given them the flexibility to extend their product and service range as well as ensuring performance, security and scalability.

CDBL Services

LBSL operates as a Full Service DP at both DSE and CSE. Apart from their BO Account Opening and Maintenance services, they provide their clientele with Dematerialization and Rematerialization services. They offer safe transfers and transmission through CDBL as well as they provide their customers with customized services related to pledging, Un-pledging and Confiscation of Securities.

Research Services

LBSL firmly believes in the knowledge-based investment in the capital market to keep pace with the advanced market and sophisticated clients. Apart from efficient and effective brokerage services, LBSL is backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation. One of the important functions of LBSL is to carry out capital market research for themselves and their valued customers. Their Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. The Capital Market Research Department is continually generating knowledge based reports on the overall capital market, the macroeconomy, and the individual companies listed on the stock exchanges. The team puts its effort to analyze the capital market along with the fundamental and technical indicators of listed securities of DSE and CSE. The approach is to understand the psychology and trend history of the market, and most importantly the actions of investors. The flagship magazine "Market Pulse" published from the Publication Department has continued drawing attention and appreciation from readers here and outside the country.

Internet-based Services

LBSL has adopted internet trading facilities for its distance clients for trade execution. LBSL's step toward internet trading is not only enriching the door of potential clientele but also ensuring the company's participation in the overall development of Bangladesh Capital Market. The company has been successfully



running the Order Management System (OMS) with Chittagong Stock Exchange through API to provide DMA (Direct Market Access) facility to the Dealers as well as investors. This is the first time in Bangladesh to provide DMA through Broker House instead of exchange provided application. It offers multi-channel e-trading to its customers (web, mobile, client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management. It has ability to create interfaces to other systems such as accounting systems, banking solutions and depository systems; and real time access charting with strategies, indicators and patterns. The Algo trading (VWAP, TAWP, POV, IS, etc.) and STP-Gate/FIX protocol supported system is the advanced option for the futuristic capital market. It requires Ultra low latency bandwidth and configurable network architecture for Broker and Investors. The LBSL OMS is the open platform to integrate with other stock exchange trading engine. It is the new milestone for the capital market in Bangladesh. Dealers and inventors can place the order based on conditions and strategies using real time technical analysis and risk management.



Our web portal acts as a hub of information of the capital market, with abundant sources of information of the capital market and macro-economic insights for the investor, entrepreneur, academician and policy makers.

Our Internet Trading Department is mainly responsible for providing online based trading facilities to the clients of LBSL on both Chittagong Stock Exchange and Dhaka Stock Exchange platform. There are two online based platforms for the two exchanges which are given as follows:



This is the internet trading platform which is capable of trading in multi exchanges simultaneously. Currently, it is connected to Chittagong Stock Exchange only. The platform could be used by clients in desktops and all mobile devices. The trading orders could be placed any time and the validity is for 24 hours. The platform is also available for download in both Google and Apple application stores.



The platform is owned by Dhaka Stock Exchange and is provided to all the stock brokerage houses in Bangladesh to facilitate online trading in Dhaka Stock exchange. LBSL also facilitates its clients by providing DSE mobile services. The platform is also available for download in Google and Apple application store.

Under the wing of our portal services we have introduced other services like



This is referred to as the online back office for LBSL clients so that they can use iBroker for the following purposes:

- ▶ Online IPO application
- ▶ Access portfolio statements and client ledger details
- ▶ Fund requisition requests online



The Virtual Trading Platform is the online/virtual trading game simulator which allows an individual to enjoy the real time trading in CSE virtually. This application has been launched for the beginner investor for experiencing and learning real time stock market trading. The trading could be conducted through the virtual money provided by LBSL to the user.

i-frame/investor relationship Service:

Investor Relation Service is built on the cutting edge technology for listed companies complying the requirement of Dhaka Stock Exchange (Listing) Regulations, 2015 as well as mitigating the BSEC compliance. The services run through i-frame technology which is very easy to integrate on the specific company website and the theme is also designed to match with particular website theme. The i-frame service is available for listed companies, newspapers and for TV display.

The information is not only useful for the investors but also creditors and other important stakeholders of an organization. We have partnered with few reputed listed companies, committed to improve the investor relationship through convenience and accurate information. Our service easily integrates with websites without any sorts of complication.

LankaBangla Investments Limited (LBIL)

LankaBangla Investments Limited is a premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance Limited, one of the leading Non-Banking Financial Institutions in Bangladesh. LBIL was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF), vide registration no. C 83568/10 dated 29 March 2010 as a Private Limited Company under the Companies Act, 1994. LBIL inherited its merchant banking operation from its parent company, LankaBangla Finance Limited, which was the first merchant bank to offer discretionary portfolio management services back in 1997. The Company obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Securities and Exchange Commission on 2 January 2011 and spun off its merchant banking operation as a separate company. Later on the company converted itself into a public limited company with effect from 12 June 2013. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services and Portfolio Management Services.

LBIL has competent human resources with a combination of experience, diversified knowledge, and knowledge on regulations, which makes LBIL a major force in investment banking business of Bangladesh. Our human resources are well capable of providing optimum financial solutions for our clients. LBIL values on long term sustainable business operation and relationship with clients. We provide tailored financial solution for client with in-depth analysis.

Services of LankaBangla Investments Limited

LBIL offers a wide selection of Investment Banking Services for institutional clients seeking to raise finances for business development, to merge with or acquire another business, to re-structure for better performance, or to grow business by exploring new territories.

Corporate Advisory

The pursuit of a long term financial goal begins with a Corporate Advisor who can help you reach it. Armed with a deep understanding of your distinctive needs, LBIL as Corporate Advisor can plan and execute strategies from the products and services of Investment Banking suite.

Bond Issuance

LankaBangla Investments Limited combines expertise on debt origination and structuring with established distribution capabilities to a large base of investors. The origination team works directly with issuers, including corporations, banks and other entities that seek funding. LBIL advises these clients on debt financing strategies from a wide range of Bond Structures.

Alternative financing

LBIL provides Issue Management and Subscription Arrangement in case of Preference Share issuance, Commercial Paper issuance and Equity arrangement through Private Placement. With the market insight and expertise LBIL provides best possible services to its clients.

Mergers and Acquisitions

LankaBangla Investments Limited acts as the financial advisor for all transactions related to Merger or Acquisitions, whether the client is the bidder or the target. Our service starts from designing the scheme to Post-merger compliance.

Joint Advisory Services

LBIL provides Advisory services for the Joint Venture projects. Regular services under this segment includes aligning both local and foreign investors, assisting in legal and regulatory compliances, research support for both the investors, designing the financial structure of the joint venture etc. Notable achievements of the Investment Banking Services (IBS) of LankaBangla Investment Ltd. are as follows:

- ▶ Successfully issued and arranged fund of BDT 400 million through preference share issuance for Doreen Power House & Technologies Limited (DPHTL). BSEC accorded consent for raising capital through preference share issuance of DPHTL in 2015. The Investment Banking team acted as the Lead arranger of the issue and successfully completed the

Financial Closing in 2016

- ▶ The Investment Banking team prepared the Feasibility Report on PowerPac Economic Zone under Corporate Advisory Services provided to PowerPac Holdings Limited. This feasibility report was first ever feasibility report for an Economic Zone under PPP model completed by any investment banks in Bangladesh
- ▶ SSD-TECH operates in VAS and ISP Business and is considered as one of the leading VAS providers. IBS team prepared the valuation report on SSD-TECH under Corporate Advisory Services. It was a completely new experience for LBIL to complete a valuation report of a company operating in VAS industry
- ▶ Ajinomoto Bangladesh Limited is foreign entity operating in Bangladesh. The IBS team provided Corporate Advisory Services for BDT 210 Million Foreign Equity arrangement of Ajinomoto Bangladesh Limited

Primary Market Services

LBIL provides assistance to institutional clients seeking to raise funds through Issue Management, Capital raising & Private Placement business. The Primary Market Services Team has wide range of experiences in managing different types of issues across various industries, leading to obtaining of indepth knowledge of the regulatory framework and processes.

Capital Raising for Private & Public Ltd. Companies

Services include Transaction feasibility analysis, Capital Raising, Pricing & Valuation, Negotiating with Investors, and Effective Project Management to successful closing.

Issue Management

LBIL assists companies with good growth potential and excellent business ideas to raise fund through initial public offering. With the finest issue management services LBIL not only aids clients to increase the value of their companies but also assists in increasing the supply of quality shares in the capital market. LBIL acts as issue manager for Private Placement, Initial Public Offering (IPO), Direct Listing, Rights Offering and Repeat Public Offering (RPO).

Corporate Advisory Services

Our Corporate Advisory Services in this segment include:

- ▶ Capital Restructuring: Our expert team of professionals is adept in rebuilding the existing capital structure of client's Company which will derive optimum value in changing business conditions. Our methods are especially focused on improving the operational efficiency of the client
- ▶ Financial Consultancy: We provide in-depth and complete financial solutions which include advice, guidance and service to the issuer especially in ensuring compliance related to financial disclosure requirements
- ▶ Feasibility of IPO: We determine the feasibility of an IPO given the company's fundamentals including business model and management capability, growth potential and market size, financial track record, shareholders' objectives etc.
- ▶ Post Issue Services: The transformation from a private company to a public enterprise is a life-changing process for any organization and it will continue long after the actual IPO



transaction. Our Post Issue Services ease the activities of the company that has gone public

- ▶ **Company Valuation:** In the quest for discovering the economic value of an owner's interest in business, we conduct business valuation, where we consider the relevant industry and business aspects along with historical performance and future growth of the business entity
- ▶ **Corporate Governance Structuring:** We assist companies to adapt its internal structure to meet the requirements of the Corporate Governance framework guideline authorized by the regulators

Underwriting

LBIL provides underwriting services for public issues to create efficiencies in the capital markets and reduce risk for Public Issues, Repeat Offering and Rights Issue. LBIL has underwritten a large number of issues in various industries.

Value Added Services

We offer value added services which are unique, 1st time in Bangladesh and Global Standard. It includes:

- ▶ Compliance Guideline
- ▶ IPO Readiness
- ▶ Customized Equity Financing Strategy

Since the beginning from 2015, Primary Market Service department of LBIL have successfully completed a number of landmark transactions worth around BDT 7,650 million including 4 Initial Public Offer and 2 Rights Offer for reputed conglomerates in diversified sectors.

Portfolio Management Services

Portfolio management refers to investment in diversified types of assets such as different equity securities and bond securities. Two types of accounts are available in LankaBangla Investments Ltd. One of them is discretionary portfolio account, "AlphaPlus" (managed by Investment Team of LBIL) and other one is Non-Discretionary portfolio account (Managed by clients). In the portfolio management services, LBIL do vast research and maintain proper combinations of securities that gives maximum return with minimum risk for LBIL discretionary clients. LBIL's portfolio management service is designed to provide personalized, secure and simple financial solutions for a wide range of investors, who wish to enhance their opportunities while minimizing their administrative burden. With an objective of introducing new investment avenue for potential investors under the Discretionary Portfolio Management Services, Investment Banking Services of LBIL developed new Product named "LankaBangla Nishchinto" in end 2015. This product is designed to facilitate the investment in capital market, through a monthly investment scheme like DPS. This new product has added strength to the discretionary product portfolio of LBIL.

Discretionary Portfolio Management

In the ever changing capital market, managing investment has become an increasingly complex and time consuming process for a company or an individual to handle in isolation. For effective investment, one has to go through the hassle of following tons of financial data and market information continuously. LBIL

provides Discretionary Portfolio Management Services which relieves the investors from the hassles and burden of following market information as well as investment management. LBIL offers three Discretionary products for its clients.

AlphaPlus (Investments Best Managed)

Discretionary Portfolio Management Service offers a number of benefits to clients. It frees them from the burden of making day-to-day investment decisions, which may be better made by a qualified portfolio manager who is attuned to the vagaries of the market. Delegating the investing process to a competent manager leaves the client free to focus on his/her priorities. Efficient trade execution by LBIL team also ensures optimum benefit for the client.

AlphaPlus INITIAL

Some potential investors having small savings left for investment, faces problem in making investments, as their investment amount in most cases is too small for investment in secondary market and little opportunity is available to invest that small amount in fixed income securities. Moreover, the potential return from investment in fixed income securities is very low. On a condition like this, AlphaPlus INITIAL will pave the way of investment in primary market with least hassle for those investors and reducing risks arising out from secondary markets.

LankaBangla Nishchinto

LankaBangla Nishchinto is a monthly savings instrument with monthly fixed deposit for 3 years, which will be invested in selected Blue Chip stocks, Mutual Funds and Fixed Income instruments. Any individual can start LankaBangla Nishchinto by depositing minimum BDT 5,000 each month for three years. Profit along with the invested amount will be distributed to the client after maturity.

Non-Discretionary Portfolio (IPA Scheme)

LankaBangla Investments provides comprehensive nondiscretionary services including trade execution and margin loan under its Investors Portfolio account called 'IPA Scheme'. We are capable of executing proper and efficient trades through our designated sister concern 'LankaBangla Securities Limited', the largest stock broker of the country.

LankaBangla Asset Management Company Limited (LBAMCL)

Established in 2007, LankaBangla Asset Management Company Limited is a 99.99% owned subsidiary of LankaBangla Finance Limited, one of the leading NBFIs in Bangladesh. It received its license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 to operate as a full-fledged asset management company. LBAMCL is the official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. Backed by the group's strong operating history and strong footprint in the financial sector LBAMCL makes continual investments in the asset management and client service platform, resulting in a client-focused, solutions-driven orientation. LBAMCL values original thinking, due diligence, first

hand research and investment discipline. By keeping the target investors in focus, it opts to become one of the leading asset management companies in Bangladesh very soon.

The mission of LBAMCL is to provide a diverse array of investment choices and the best possible investment management service to investors and institutions.

LBAMCL is focused to meet the professional investment management demand of a wide range of Investors. It will undertake management of funds of institutional investors like banks, insurance companies, other financial institutions, and other corporate bodies as well as funds of the high net worth individuals. With LBAMCL, a client can stay focused on what matters to long term success. Smart decisions are ensured by providing the information and perspectives to the clients, thereby increasing the chances of success. LBAMCL has utmost dedication towards superior service, outstanding performance, low costs, and commitment to integrity, loyalty, and respect for the investors. It ensures that the investment principles and the strict investment processes that are followed are in the best interest of the clients.

The investment approach of LBAMCL is founded on the belief that both fundamental and technical analyses are related to returns. Special attention is given to minimize downside volatility while evaluating the risk embedded in portfolio construction. LBAMCL takes benefits of the tactical asset allocation in the short or midterm but maintains the strategic asset allocation in the long term.

Products and Services of LBAMCL

LBAMCL offers various investment choices, including mutual funds, discretionary portfolio management, provident fund management etc. Followings are the financial products offered by LBAMCL:

Closed-end Mutual Fund

A closed-end fund is a publicly traded fund that raises a fixed amount of capital from sponsors, institutional investors and from initial public offering (IPO). The fund comes with a fixed number of units and the units can only be purchased and sold in the market. LBAMCL manages different closed-end mutual funds with different investment strategies like current income, balanced growth capital appreciation etc. Extensive research and fundamental analysis is undertaken to achieve the investment objectives of the funds.

Unit Fund

In the unit fund, the investors can buy or sell as much amount as they want. The fund has virtually no limit of units. The buying or selling price of a unit is always tied to the Net Asset Value (NAV) of that unit. It is not traded in the stock exchanges but can be bought or sold very easily from selling agents. LBAMCL's management of open end mutual funds is also based on specific strategies as per the demand of different type of investors. Units can be bought or sold in any working day from a list of easily available selling agents.

Discretionary Portfolio Management

LBAMCL offers the service of discretionary portfolio management

where experienced and seasoned portfolio managers take investment decisions to manage clients' money. Risk-return profiles of the investors are carefully extracted. The investment policy statement (IPS) are then prepared, and the fund managed according to the investor specific IPS. LBAMCL also builds portfolio according to different investment style and investors can put funds in any style specific portfolio. The fund management fee structure of LBAMCL is very competitive.

Islamic Shariah based Products

There is a heavily growing demand of Islamic Shariah (IS) based products. Keeping this in mind LBAMCL offers a full range of IS based products for both institutional and individual investors. LBAMCL's IS based products and services range from mutual funds of both closed-end and open end types to discretionary portfolio, provident fund, and investment advisory services. An independent Shariah council provides and updates approved IS based securities to best serve the clients' needs and demand.

Provident Fund, Pension Fund, and Gratuity Fund Management

Employees are the key to building a successful organization. To attract and retain employees for the long term, an organization offers contributory provident fund and gratuity fund to employees. On behalf of the organization and the employees LBAMCL offers provident fund, pension fund and gratuity fund management services. LBAMCL have the size, scope and expertise to meet the clients' specific requirements, which include liability matching, accounting solutions and growing assets for meeting obligations well into the future. LBAMCL helps to minimize the clients' funding volatility while systematically improving the funding positions of their portfolios, and providing research tailored to the specific needs of the organizations. It also help an organization build such fund for the first time, and to look after the regulatory affairs like taking permission of NBR for a recognized provident fund or pension fund.

Financial Planning Services

Different individuals have different investment bases and different liquidity needs. Different organizations have different asset-liability structures. With this in mind, LBAMCL offers financial planning services for both individual and institutional clients. It provides advice on appropriate asset allocation strategies on the basis of risk return profile and different constraints of the investors.

LankaBangla Information System Limited (LBIS)

LankaBangla Information System is a leading information technology service provider in the country. LBIS started its journey on May, 2013. LBIS's strong base of expertise and technical know-how is built on the firm belief that "Technology Serves the Business". This belief enables us to deliver IT services that match and grow with clients requirements as they evolve. LankaBangla Information System is an IT Management Services outsourcing and consulting company providing IT solutions, project management and comprehensive infrastructure support and monitoring. With well understanding of the communications industry, access to current and emerging technologies, mature development processes, global resources and a proven track record, LBIS creates complete solutions to help clients succeed.



In today's world, organizations will have to quickly reengineer themselves and be more responsive to changing customer demands. LBIS is well positioned to be a partner and coinovator to businesses in their transformation journey, identify new growth opportunities and facilitate their venture into new sectors. The value is in the unification of proven experiences, skilled expertise and defined thought leadership.

Products and Services of LankaBangla Information System

Virtual Office Dynamics

ERP is an enterprise re-engineering solution that uses new business computing paradigms to integrate IT processes across company divisions and departments. LBIS has developed a web based ERP (HR, Payroll, Fixed Asset etc.) solution namely Virtual Office Dynamic (VOD) which is currently running in LankaBangla Finance Limited, LankaBangla Securities Limited, LankaBangla Investment Limited and LankaBangla Asset Management Company Limited.

Market Data Service

This is a FIX protocol based server side engine. This disseminates DSE market data to subscribed FIX clients and clients can feed it to its simulation engines to demonstrate the market. This is a new concept and LBIS is the first to implement it in Bangladesh. In other words, LBIS is the pioneer in this arena. This is a complete solution and it is delivered to Vienna Stock Exchange to meet the requirement of Swiss Pro Invest.

Project Management

LankaBangla Information System focuses on helping small and mid-sized businesses to manage their IT infrastructures and software implementations. It has a well reputation of working with clients to maximize their returns on IT investment. All LBIS team members are trained in professional IT project management tools and techniques. This ensures that the clients are working with a team of experienced and knowledgeable Engineers who have experience working with a broad range of IT systems. LBIS team members assist clients in every aspect of IT planning, procurement, implementation and operation. The team of expert consultants can help with all of the following IT issues:

- ▶ Information Technology
- ▶ IT Project Management
- ▶ Systems Analysis and Design
- ▶ Market Data Service

Consultancy

LankaBangla Information System Consulting can give you the business analyses you need and follow through with implementation. LBIS can deliver a depth of resources unsurpassed by other firms. We have the flexibility to deliver solutions quickly and cost-effectively. Our confidence in our ability to think ahead makes us willing to be measured against any business outcomes. This means that with LankaBangla Information System Consulting, you get the advantage of future thinking - along with the advantage of being your partner or future endeavours. LBIS Consulting provides services through

following practices:

- ▶ Project Management
- ▶ IT Audit
- ▶ IT Services
- ▶ Software Procurement

Cloud Services

In this constant and rapidly evolving cloud market, the battle for dominance is raging. Infrastructure, Platform and Software as Service providers are all locked in an increasingly competitive fight for service superiority and market share. The scalability and rapid deployment characteristics of a cloud environment can be the perfect solution for many of clients' applications. To determine exactly where, when and how cloud infrastructure should be implemented, however, thorough analysis of the level of security, control, customization and support of the customers' applications is required. LBIS also provides physical and logical space at state of art data center to share server/data to its clients. LBIS cloud service includes Software as a service (Saas), Platform as a service (Paas), Infrastructure as a service (Iaas), Data as a service (Daas) and Backup as a service (Bass). Server Management and Storage as a service is also a part of LBIS cloud service.

Outsourcing

Information Technology outsourcing has become a popular trend since the beginning of the millennium. Due to better cost incentives and high availability of skilled resources, outsourcing has gained momentum to a scale that it has become a global standard in software development. LBIS provides solutions to its clients in time and in budget, helping them to quickly adapt to changing needs of their businesses. With technologies changing at rapid speed, LBIS continues to remodel its applications through migrations, integration and development services. Within the outsourcing model, offshore web application, software development, and custom application development services are provided to clients. LBIS prides in being the best IT outsourcing companies in Bangladesh on custom application & software product development.

Mobile Application Development

Mobile technology has progressed significantly since the advent of Apple iPhone and iOS platform. All users whether enterprises or others want to be connected all the time. Businesses are now looking to build competitive advantages by expanding the reach of essential business and consumer information to the fingertips of the users. LankaBangla Information System has a good understanding of the mobile application development processes. We have focused our efforts in the three most popular operating systems and platforms - Apple iOS, Google Android, and Microsoft Windows Phone OS.

BizBangla Media Limited

BizBangla Media Limited is an 92.5% owned subsidiary of LankaBangla Securities Limited, a leading brokerage service company in Bangladesh. BizBangla Media Ltd. is committed to publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Since 2011, Bonik Barta (BB) has been ensuring

sustainable growth in quality business reporting and large clientele base, thereby leading to a strong market positioning in the market. Today this highly regarded business daily has an extensive network of circulation across the major operation i.e. business hubs/outlets across the country. In the recent years with a consolidated effort and prudent Management leadership, BizBangla has attempted to position itself within the top performing (Bengali) business newspapers in Bangladesh. This has resulted to emergence as one of the major Department of Film & Publications (DFP) compliant organizations. This rating by the DFP provides a very important indication of the integrity and strength of the organization and the concerned Newspaper and is particularly relevant to its ultimate readers/ consumers and other stakeholders such as the strategic partners, shareholders and lenders. Value adding activities for BizBangla Media are as follows:

- ▶ Placing the trade & commerce sector's interest and satisfaction as first priority by providing updated, full proof, scrutinized information
- ▶ Adding value to the stakeholders through attaining excellence in daily operation
- ▶ Maintaining high ethical standard and transparency in publication
- ▶ Being a compliant institution through adhering to all regulatory requirements
- ▶ Contributing significantly to the betterment of the society

A commitment to be a partner to the growth of the nation strong and reliable partnership with the trade and commerce community, the Government Sector, the MNCs has led to a broader opportunity to serve the market. Through the extensive level of news coverage network, focus on Generalized News, Telecom & Technology, the Editorial, International Trade, the Global Business, the Commerce & Industry and the Financial Institutions Industry, Life Style, Talkies, the Commodities Market, the Stock Market, Sports and the Domestic Market, BizBangla Media Ltd. offers a smooth service across all the major operating hubs wherever there is a bureau present. All this is seamlessly done by the efficient employees of the company.

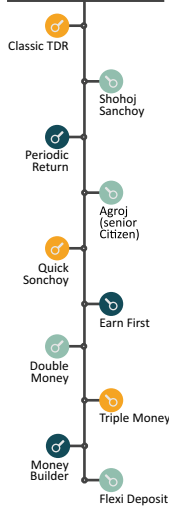


PRODUCT PORTFOLIO OF LANKABANGLA FINANCE

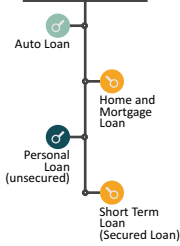
PRODUCT PORTFOLIO

Personal Financial Services

Retail Deposit Schemes



Loan

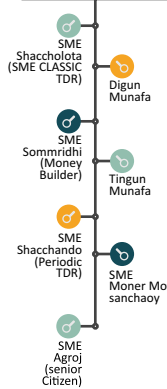


Credit Cards

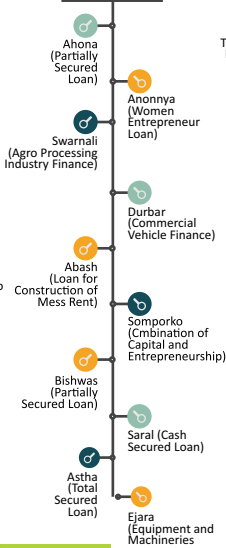


SME Financial Services

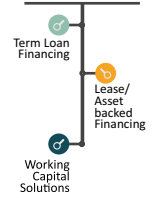
SME Deposit Schemes



Small Business

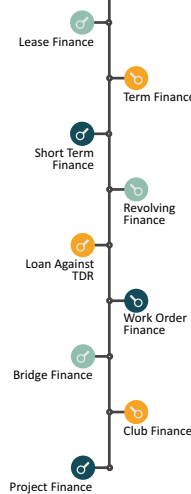


Medium & Emerging Business

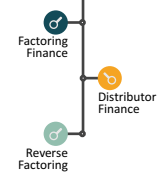


Corporate Financial Services

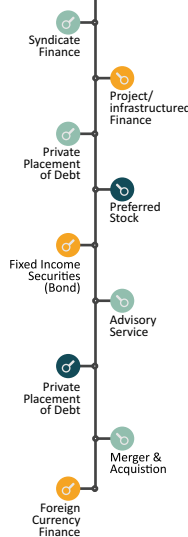
Corporate & Institutions Finance



Emerging Commercial Business Finance



Project & Structured Finance

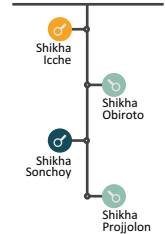


Corporate Deposit Schemes

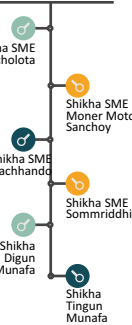


SHIKHA Financial Services

Shikha Retail Deposit Schemes



Shikha SME Deposit



Shikha SME Loan



Shikha Credit Cards



AN EVENTFUL YEAR FOR LANKABANGLA



22nd AGM of LankaBangla Finance Limited



The Directors of LankaBangla Finance on Board Meeting



The Directors of LankaBangla Securities on Board Meeting



The Directors of LankaBangla Investments Limited on Board Meeting



The Directors of LankaBangla Asset Management Company on Board Meeting



Town Hall March 2019



Town Hall September 2019



SAFA BPA Award Giving Ceremony



AN EVENTFUL YEAR FOR LANKABANGLA



ICAB National Award Giving Ceremony



Pohela Baishakh Art Competition Dhaka 2019



Pohela Baishakh Art Competition Chattogram 2019



Shikha Launching Program



LankaBangla VISA Card Launching Program



LankaBangla Mastercard Launching Program



LankaBangla Finance received the Award for Excellence in Mastercard Credit Business (Domestic)



LankaBangla Presents Pconprodigy 5.0 at NSU

AWARDS AND RECOGNITIONS

This is undoubtedly an igning accomplishment that will work as an inspiration for us to reach the summit of success. It is a reflection of our ethical practices, true compliance and a great team work.



SAFA Best Presented Annual Report and SAARC Anniversary Award 2018



ICAB Integrated Report Award 2018



ICAB National Awarded for Best Presented Annual Report 2018



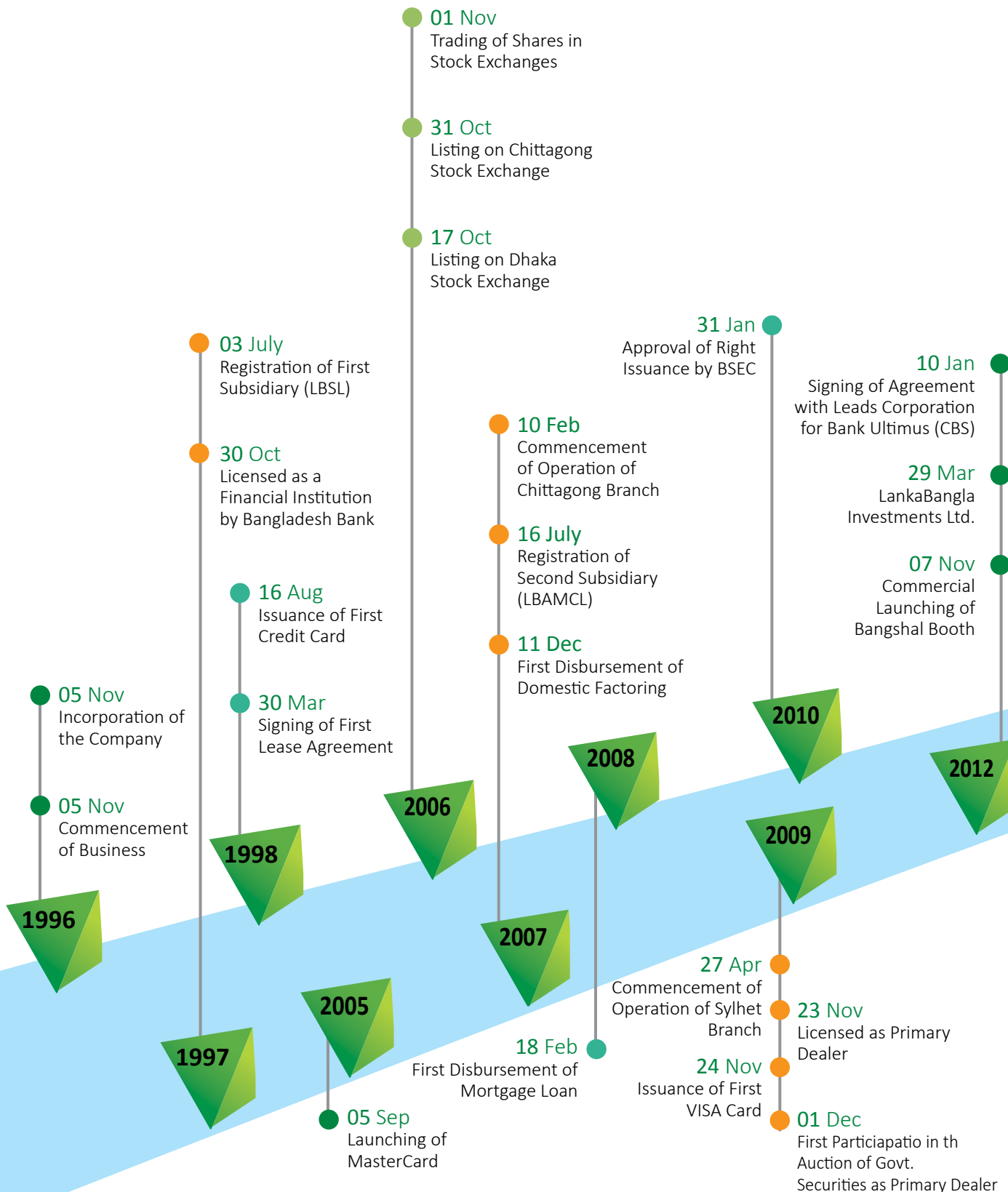
LankaBangla Finance has been awarded by Bangladesh Bank for their contribution in CMSME sector for the development of women entrepreneurs



MILESTONES

Our Journey so far

23 years of achieving and sustaining excellence





CORPORATE GOVERNANCE



Our practice to remain within the guideline for strategic and steady journey towards progress is being governed by our percipient leaders harmonized by our Board of Directors and the Chairman. This practice ensures transparent and winning corporate governance for LankaBangla.

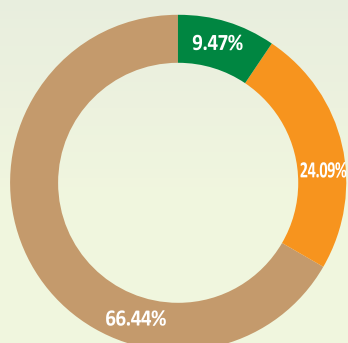
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SHAREHOLDING STRUCTURE

As on December 31, 2019

Authorised Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	1,000,000,000	10,000,000,000
Paid up Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	513,179,641	5,131,796,410
Details of shareholding structure is as under:		
Sponsors and/or directors	Total Holding (No. of Share)	% of Shareholding
a) Foreign Institution:		
Sampath Bank PLC (Sri Lanka)	48,606,291	9.47%
Sub-Total	48,606,291	9.47%
b) Local Institution:		
ONE Bank Limited	19,393,083	3.78%
Sub-Total	19,393,083	3.78%
c) Individuals:		
Mr. Mohammad A Moyeen	21,754,807	4.24%
Mrs. Aneesha Mahial Kundanmal	39,527,471	7.70%
Mr. Mahbubul Anam	22,855,945	4.45%
Mr. Tahsinul Huque	19,994,004	3.90%
Mrs. Jasmine Sultana	74,175	0.01%
Sub-Total	104,206,402	20.31%
Sponsors and/or directors Total	172,205,776	33.56%
General Shareholders	340,973,865	66.44%
Grand Total	513,179,641	100.00%



- Foreign Sponsors and/or directors
- Local Sponsors and/or directors
- General Shareholders

PROFILES OF THE DIRECTORS OF THE BOARD



MR. MOHAMMAD A. MOYEEEN
Chairman

Nationality:	Bangladeshi
Board Committee(s):	Chairman of Board Executive Committee
Academic / Professional Qualification(s):	Bachelor of Architecture degree from Bangladesh University of Engineering and Technology
Present Directorship(s):	Airline Cargo Resources Limited, Arrow Aviation Limited, Anyeshan Limited, AVS Cargo Management Services Limited, APS Logistics International Limited, BizBangla Media Limited, Bengal Meat Processing Industries Limited, Colloid Enterprises Limited, Cross Freight Lines Limited, Datafort Limited, Expo Express Services Limited, Expo Holdings (BD) Limited, Freight Options Limited, Freight Care Aviation Services Limited, First Forwarding Limited, Global Aviation Services Limited, Global Ground Services Limited, Interairsea Limited, Innoweb Limited, Infosapex Limited, Joules Power Limited, LankaBangla Securities Limited, LankaBangla Investments Limited, LankaBangla Information System Limited, Orchid Aviation Limited, S. G. Logistics (Pvt.) Limited, Standard Paper Products Limited, STS Educational Group Limited, STS Holdings Limited, Swift Logistics Services Limited, The M & M Limited, Tropica Garments Limited, Technaf Solartech Energy Limited, Uniworld Logistics Limited, Voytech Limited, WAC Logistics Limited, Wings Express Limited, Wings Logistics Limited, Wings Ocean Freight Limited, Wings Aviation Limited, Wings Spence Aviation Limited, Wings Tours & Travels Limited, Wings Classic Tours & Travels Limited



MR. I. W. SENANAYAKE
Director (Representing Sampath Bank PLC)

Nationality:	Sri Lankan
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Graduated in Technical Engineering
Present Directorship(s):	LankaBangla Securities Limited, American President Lines (Lanka) Agencies Limited, IWS Holdings (Pvt.) Limited, APL Lanka (Private) Limited



MR. NANDA FERNANDO

Director (Representing Sampath Bank PLC)

Nationality:	Sri Lankan
Board Committee(s):	Member of Board Audit Committee
Academic / Professional Qualification(s):	Associate member and a Senior Fellow member of Institute of Bankers of Sri Lanka and holds Masters of Business Administration degree specializing in Marketing from Sikkim Manipal University, India
Present Directorship(s):	Managing Director of Sampath Bank PLC, Director of Lanka Financial Services Bureau Limited, a Governing Board Director of the Institute of Bankers of Sri Lanka and a Director of Lanka Clear (Pvt.) Limited



MR. MAHBUBUL ANAM

Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Executive Committee & Board Audit Committee
Academic / Professional Qualification(s):	B.Sc. in Mechanical Engineering from Bangladesh University of Engineering and Technology (BUET)
Present Directorship(s):	Allied Aviation Bangladesh Limited, Airline Cargo Resources Limited, Airlines Services Limited, Aramex Dhaka Limited, Aeroness International, Arrow Aviation Limited, Anyeshan Limited, Aristeus Agriculture Limited, BizBangla Media Limited, Bengal Meat Processing Industries Limited, Bollore Logistics Bangladesh Limited, BAY Cargo Centre Limited, Cargo Center Limited, Colloid Enterprises Limited, Cross Freight Lines Limited, Cross Freight Limited, Datafort Limited, Expo Freight Limited, Expo Express Services Limited, Expo Holdings (BD) Limited, Freight Care Aviation Services Limited, First Forwarding Limited, Global Aviation Services Limited, Innoweb Limited, Infosapex Limited, Joules Power Limited, LankaBangla Securities Limited, LankaBangla Information System Limited, Masco International Limited, Orchid Aviation Limited, S. G. Logistics (Pvt.) Limited, Standard Paper Products Limited, STS Educational Group Limited, STS Holdings Limited, The M & M Limited, Tropica Garments Limited, Technaf Solartech Energy Limited, Voyager Aviation Services Limited, Voytech Limited, Wings Spence Aviation Limited, Wings Classic Tours & Travels Limited, Wings Express Limited, Wings Ocean Freight Limited



MR. M. FAKHRUL ALAM

Director (Representing ONE Bank Limited)

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Executive Committee & Board Audit Committee
Academic / Professional Qualification(s):	MBA from the Institute of Business Administration (IBA), University of Dhaka
Present Directorship(s):	N/A



MR. TAHNINUL HUQUE

Director

Nationality:	British (Original Nationality-Bangladeshi)
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Graduated from Williams College, Massachusetts, USA with major in Economics and Political Science
Present Directorship(s):	N/A



MRS. ANEESHA MAHIAL KUNDANMAL
Director

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	BA (Honors) in Public Administration from University of Dhaka
Present Directorship(s):	Royal Park Residence Hotel



MRS. ZAITUN SAYEF
Independent Director

Nationality:	Bangladeshi
Board Committee(s):	Chairperson of Board Audit Committee & Member of Board Executive Committee
Academic / Professional Qualification(s):	MBA from Institute of Business Administration (IBA) of Dhaka University
Present Directorship(s):	N/A



MR. ABDUL MALEK SHAMSHER
Independent Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Audit Committee
Academic / Professional Qualification(s):	Passed Higher Secondary Certificate (First Division) in 1966 from Faujdharhat Cadet College and completed part-1 of the Institute of Banker's Examination, Karachi in 1969, has a total of 40 years of banking experience, out of which 10 years in international banking
Present Directorship(s):	Chairman of LankaBangla Asset Management Company Limited, Independent Director of LankaBangla Securities Limited & LankaBangla Investments Limited



MR. KHWAJA SHAHRIAR
Managing Director & CEO

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	BA (Honors) and MA in English from University of Dhaka, Bachelor of Business in Banking and Finance from Monash University, Melbourne and Master of Business Administration in Finance from Victoria University, Melbourne, Australia
Present Directorship(s):	Director of LankaBangla Securities Limited, LankaBangla Investments Limited and LankaBangla Asset Management Company Limited

BOARD COMMITTEES

Executive Committee

Sl. No.	Name	Status in the Organization	Status in the Committee
1	Mr. Mohammad A. Moyeen	Chairman	Chairman
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	Member
3	Mr. Mahbubul Anam	Director	Member
4	Mrs. Zaitun Sayef	Independent Director	Member

Audit Committee

Sl. No.	Name	Status in the Organization	Status in the Committee
1	Mrs. Zaitun Sayef	Independent Director	Chairperson
2	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	Member
3	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	Member
4	Mr. Mahbubul Anam	Director	Member
5	Mr. Abdul Malek Shamsher	Independent Director	Member

MANAGEMENT COMMITTEE (MANCOM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & Financial Institutions	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Mostafa Kamal	Group Company Secretary	Member Secretary
7	Mohammad Shoaib	Head of Corporate Financial Services	Member
8	Shamim Al Mamun	Chief Financial Officer	Member
9	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
10	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
11	Sheik Mohammad Fuad	Head of ICT	Member
12	Mohammad Nazmul Hasan Tipu	Chief Credit Officer	Member
13	Mohammad Hafiz Al Ahad	Head of Human Resources	Member
14	Ummay Habiba Sharmin	Head of Legal	Member
15	Muhammad Habib Haider	Head of GIS	Member



PROFILES OF THE MANAGEMENT TEAM



01

01. Khwaja Shahriar

Managing Director & CEO

Mr. Khwaja Shahriar joined LankaBangla Finance as Managing Director on May 21, 2017. Prior to that he was the Deputy Managing Director and Head of Business of LankaBangla Finance since June 2012. Before joining LankaBangla Mr. Shahriar worked in various Banks and Financial Institutions for almost two decades. He served BRAC Bank Limited for almost a decade in different positions and capacity including Head of Corporate Banking, Head of Cash Management and Head of Probashi Banking. He also served in various positions in both GSP Finance Company Limited and Bangladesh Finance & Investment Company Limited. Mr. Shahriar also worked for Uttara Bank Limited, AB Bank Limited and Green Delta Insurance Company.

Mr. Shahriar attended a good number of trainings, workshops and seminars at home and abroad including USA, UK, Dubai, Hong Kong, India during his long professional career.

He obtained his Bachelor of Business in Banking & Finance from Monash University, Melbourne and Master of Business Administration in Finance from Victoria University, Melbourne, Australia. He also completed his BA (Hons') and MA in English from University of Dhaka.



02

02. A. K. M. Kamruzzaman, FCMA

Head of Operations

Mr. A. K. M. Kamruzzaman, FCMA, is working as the Senior Executive Vice President & Head of Operations, with the responsibility of Asset Operations, Liability Operations, Treasury Operations, Asset Monitoring, Collection & Recovery, Special Asset Management (SAM), Asset Accounts Maintenance, Closing & Clearance and MIS & Regulatory Reporting. During his long Seventeen and half years' tenure with LankaBangla, he has got the rare opportunity to work in almost all the functional areas of the company in different capacities as head of Credit & Investment, Head of Business, Head of Credit Administration, Head of Accounts, Head of Administration & Company Secretary. He is a nominated Director in the Board of LankaBangla Asset Management Company Limited and MIDAS Financing Limited representing LankaBangla. Prior to LankaBangla, he served Opex Group, Prime Group, Babylon Group and some other leading companies in manufacturing and service industries. He also served time to time as part-time and guest faculty in the Institute of Cost & Management Accountants of Bangladesh (ICMAB), the Institute of Business Administration (IBA), University of Dhaka, and as a guest trainer in Bangladesh Institute of Bank Management (BIBM) and Bangladesh Leasing & Finance Companies' Association (BLFCA). Currently he is a National Council Member and of the Institute of Cost & Management accountants of Bangladesh (ICMAB). Earlier, he served as the Chairman of Dhaka Branch Council (DBC) of ICMAB. Mr. Kamruzzaman is a post graduate in Accounting from the University of Dhaka. He is also an MBA from the IBA, University of Dhaka and a Fellow Member (FCMA) of ICMAB. For personal and professional development, he has travelled India, SriLanka, Thailand, Malaysia, Indonesia, Singapore, Germany, France, Switzerland & Italy.



Management Committees

MC	Management Committee (MANCOM)
RMC	Risk Management Committee
MCC	Management Credit Committee
ALMC	Asset Liability Management Committee (ALMC)
BRM	Business Review Management Committee

ITDC	IT Development Committee
HRC	Human Resource Committee
Inv.C	Innovation Committee
PC	Purchase Committee
LMRC	Loan Monitoring & Recovery Committee

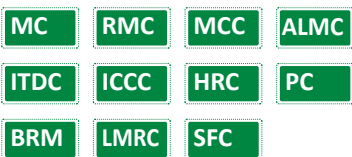
ICCC	Internal Control and Compliance Committee
CMOC	Capital Market Operations Committee
SFC	Sustainable Finance Committee
IC	Integrity Committee



03. Khurshed Alam
Head of Retail Financial Services

Khurshed Alam, Senior Executive Vice President joined the then Vanik Bangladesh Limited in July 1998. He is currently looking after the Retail Financial Services Division. As a long term serving employee, he worked in various departments of the Company including Finance, Administration, HR, Credit Card, Home Loan, SME Finance, Auto Loan, Personal Loan, Retail Liability and Secured Loan.

Mr. Khurshed started his career in 1992 as Probationary Officer-Finance & Accounts in Rupali General Insurance Company Limited. He obtained his Honors and Masters in Management from the University of Dhaka. He also got his Post Graduate Diploma in Personnel Management (DPM) from Bangladesh Institute of Management (BIM) and on The Corporate Management for Bangladesh (BCDM) in HIDA, Japan. He has attended a good number of training, workshop and seminar in home and abroad.



04. Quamrul Islam
Head of Treasury & FI

Quamrul Islam, Senior Executive Vice President joined erstwhile Vanik Bangladesh Limited on October 7, 1997 which was later renamed as LankaBangla Finance Limited. During his tenure of office, he held different positions and looked after the functions of Finance and Treasury. Mr. Quamrul eventually went on to assume the role of Chief Financial Officer of the company for the period from 2007 to 2012.

Currently he is discharging the responsibility as Head of Treasury & Financial Institutions by proving his forte in the areas of money market, balance sheet management, capital market and relationship management with global & local financial institutions including DFIs. He has done an extensive work to implement the integrated treasury management solution for the company.

Mr. Quamrul obtained his graduation with Honors and post-graduation in Accounting from the Faculty of Business Studies of Dhaka University. He started his career with "PRAN Group" one of the largest conglomerates of the country as a Management Trainee Officer. Mr. Quamrul is the Joint Secretary of Bangladesh Money Market Dealers' Association (BAMDA). He attended a good number of professional trainings, workshops and seminars at home and abroad.



05. Mohammed Kamrul Hasan, FCA
Chief Risk Officer

Mohammed Kamrul Hasan, Executive Vice President and Chief Risk Officer heads the Risk Management Division which is responsible for managing the Enterprise Risk at LankaBangla and its subsidiaries. Mr. Hasan was appointed as Vice President in February 2007. He possesses extensive experience in Accounting, Auditing and Finance.

Mr. Hasan holds a Bachelor Degree in Accounting from the National University of Bangladesh. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).



Management Committees

- MC** Management Committee (MANCOM)
- RMC** Risk Management Committee
- MCC** Management Credit Committee
- ALMC** Asset Liability Management Committee (ALMC)
- BRM** Business Review Management Committee

- ITDC** IT Development Committee
- HRC** Human Resource Committee
- Inv.C** Innovation Committee
- PC** Purchase Committee
- LMRC** Loan Monitoring & Recovery Committee

- ICCC** Internal Control and Compliance Committee
- CMOC** Capital Market Operations Committee
- SFC** Sustainable Finance Committee
- IC** Integrity Committee



06. Mostafa Kamal, FCA

Group Company Secretary

Mostafa Kamal, Executive Vice President, joined LankaBangla in February 2009. Currently, he is working as the Group Company Secretary of LankaBangla Finance Limited and its subsidiaries. In addition to his current role, he also worked in the company as Head of HR and Administration. Mr. Kamal completed his B.Com. (Hons.) and M.Com. in Accounting from University of Dhaka. He is a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Prior to joining in LankaBangla he was the Head of ICC of IPDC Finance Limited and also served Rahman Rahman Huq, Chartered Accountants, (Member Firm of KPMG International) as Manager, Audit and Advisory Services from September 2003 to June 2006.

Mr. Kamal held the position of the Chairman of Dhaka Regional Committee of ICAB for the year 2010-2011. He was a Council Member of ICAB for the term 2016- 2018. He held the position of the Vice President (Education & Training) of ICAB for the year 2017. Mr. Kamal played a very vital role in opening Dhaka Chapter of Information System Audit and Control Association (ISACA) of USA. He is the Founder Director, Communication and Ex-Director, Academic Relations of ISACA Dhaka Chapter. Mr. Kamal is also a Founder Member and the General Secretary of Vision Care Foundation (a non-profit organization). He is the Executive Director and a member of Policy Advisory Committee of Bashundhara Eye Hospital and Research Institute, a non-profit and most modern Eye Hospital in Bangladesh. During the years 2017-2019, Mr. Kamal was a Government nominated Board Member in two state owned organizations namely Bangladesh Cable Shilpa Limited and Telephone Shilpa Sangstha Limited.

MC



07. Mohammad Shoaib

Head of Corporate Financial Services

Mohammad Shoaib, Executive Vice President, joined LankaBangla Finance as Assistant Vice President in May 2007. He is currently working as the Head of Corporate Financial Services Division looking after the Corporate Asset & Liability Portfolio. Mr. Shoaib has around 16 years of financial services experience and held various senior management positions in credit & investment, corporate finance, retail finance, SME finance, credit administration and corporate liability. Prior to joining LankaBangla, he was the Branch In-charge of Chittagong Branch of Prime Finance & Investment Limited. He is a Bachelor in Business Administration with Honors in Accounting and a Master's in Business Administration in Accounting & Information Systems from the University of Dhaka. He has attended a good number of trainings, seminars and workshops both in home and abroad.

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SFC

LMRC

Management Committees

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Management Committee (MANCOM)

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Asset Liability Management Committee (ALMC)

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PC

Purchase Committee

LMRC

Loan Monitoring & Recovery Committee

ICCC

Internal Control and Compliance Committee

CMOC

Capital Market Operations Committee

SFC

Sustainable Finance Committee

IC

Integrity Committee



08. Shamim Al Mamun, FCA
Chief Financial Officer

Shamim Al Mamun, FCA brings 10 years of professional experience in various institution. He is working as Chief Financial Officer of LankaBangla Finance since April 2013. Before joining this Company, he was the CFO & Company Secretary of Fareast Stocks & Bonds Limited. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

He obtained his Bachelor degree in Computer Science from American International University of Bangladesh (AIUB). He is also an ex-cadet and completed his secondary education from Sylhet Cadet College. Mr. Shamim possesses extensive competencies and experiences in Strategic Planning & Forecasting, Process design and Productivity improvement, Financial Governance & Modelling, Financial Reporting and Financial Management. He is also a resource person of ICAB in the capacity of providing training to students and in the process of educational development.

- MC
- RMC
- ALMC
- ITDC
- HRC
- ICCC
- PC
- CMOC
- SFC
- BRM



09. Mohammad Faruk Ahmed Bhuya
Head of Asset Operations

Mohammad Faruk Ahmed Bhuya joined LankaBangla Finance Limited on April 01, 2013. He is currently working as Head of Asset operations and responsible to take care of Loan Documentation, Disbursement, Credit Card Operation, Post Dated Cheques (PDC) and Un-dated Cheque (UDC) management. Prior to this, he was working as manager at BASIC Bank limited in different branches and divisions as well as at Head Office from June 2000 to March 31, 2013. He started his banking career in 1999 with Prime Bank Limited as a Management Trainee Officer (MTO). Mr. Bhuya is a post graduate in Management from the University of Dhaka.

He brings with him 17 years of long and diversified banking experience in Credit, Trade Finance and General Banking. Mr. Bhuya attended a number of professional Training, workshops and seminars at home and abroad. He is a Diplomaed Associate of the Institute of Bankers, Bangladesh (DAIBB). Mr. Bhuya is a widely travelled person.

- MC
- LMRC
- MCC
- ITDC
- SFC



10. Md. Kamruzzaman Khan
Head of SME Financial Services

Md. Kamruzzaman Khan, Senior Vice President, joined LankaBangla Finance Limited as a Head of SME in the Financial Services Division in 2013. Mr. Khan has over 17 years of Banking and Financial Services experience. Before joining LankaBangla Finance Limited, he served in BRAC Bank Limited under SME Division in different capacities. Mr. Khan has obtained an M. Com degree in Accounting and also obtained an MBA from the State University of Bangladesh with Major in Finance & Banking. He participated in the advanced training program on Financing SMEs in the National Institute of Bank Management (NIBM), Pune (India) organized jointly by Frankfurt School of Finance and Management, Germany. Mr. Khan also participated in the Strategic Planning & Thinking program on SME financing in SIM (Singapore). He has extensive knowledge and experience in business development, risk governance, organizational transformation and driving sustainable business growth. He also attended many training, seminars, and workshops both in home and abroad.

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- SFC

Management Committees

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11

11. Sheik Mohammad Fuad

Head of ICT

Sheik Mohammad Fuad, Head of Information & Communication Technology Division, has been working in LankaBangla Finance Limited since 1999 and has been serving current role as Head of Information and Communication Technology (ICT) Division since November 2011. He has more than 20 years of experience in IT Operations, IT Project Management, IT Governance and IT Risk Management. As the Head of ICT, Mr. Fuad is responsible for enabling various business requirements through development and successful deployment Information Technology features. He also contributes to the strategic planning of the organization as a member of the Management Committee. Here in LankaBangla Mr. Fuad is leading a team of highly professional personnel experienced in various wing of Information & Communication Technology such as Infrastructure & Network, ICT Security & Risk, Application & Database Management, Project Management. He has attained professional certifications such as CDCP, CPISI, COBIT®5, PRINCE2® & ITIL.

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PC



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12. Mohammad Nazmul Hasan Tipu, CFA

Chief Credit Officer

Mohammad Nazmul Hasan Tipu, Senior Vice President & Chief Credit Officer is responsible for Credit Risk Management Division of LankaBangla Finance Limited. He joined LankaBangla Finance Limited as AVP at Credit Risk Management Division in May 2013 with around 9 years of banking experience with exposure in loans and advances both at Branch (Relationship Management) and Head Office level (Industrial Credit Division). He successfully served around 5 years as Unit Head, Corporate Credit, CRM and eventually he has been promoted to the role of Chief Credit Officer in April 2018. Since then he has been successfully leading a highly competent credit team with diverse skill sets in the area of Corporate, SME and Retail credit. Mr. Nazmul obtained B.Sc. in Chemical Engineering from Bangladesh University of Engineering and Technology (BUET) and Masters in Business Administration (MBA) from Institute of Business Administration (IBA), University of Dhaka. In 2018, he obtained coveted Chartered Financial Analyst (CFA) charter reflecting his commitment to harnessing enriched skill sets of international standard and thus demonstrating professional excellence in his area of expertise. He attended a number of trainings, seminars and workshops on Strategy, Leadership and Advanced Credit Analysis among others both in home and abroad.

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LMRC

Loan Monitoring & Recovery Committee

ICCC

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Capital Market Operations Committee

SFC

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IC

Integrity Committee



13. Mohammad Hafiz Al Ahad

Head of Human Resources

Mohammad Hafiz Al Ahad, Head of Human Resources & Senior Vice President, joined LankaBangla Finance Limited on April 16, 2019. He is responsible to take care of human resources and overall strategic directions that will help LankaBangla to anticipate the change initiatives and promote people productivity, organizational efficiency and cost effectiveness.

Prior to this, Mr. Ahad worked as the Head of Human Resources at Rahimafrooz Superstores Limited. He was the Chief People Officer (CPO) in Unique Group. He also served as Head of Human Resource for IBPL (SBU of The Coca-Cola Company) and Philip Morris International, Bangladesh and Pakistan. He started his career with the American Express Bank in HR Department back in June 2000. He also worked in Nokia India Private Limited and in SABINCO. He has more than 16 years of diversified professional experiences with international exposure in the field of HR.

Mr. Ahad completed his Masters of Business Administration (MBA) from Oxford Brookes University Business School, Oxford, UK. He also completed his MA and BA (Honours) from the University of Dhaka, Bangladesh.

- MCC
- HRC
- ICCC
- BRM
- IC



14. Ummay Habiba Sharmin

Head of Legal Affairs

Ms. Sharmin joined LankaBangla family as Head of Legal back in 2009. Since then she has been overseeing the legal issues of not only LankaBangla Finance but also LankaBangla group as well. Ms. Sharmin possesses comprehensive knowledge on legal issues including documentation, acquisition, due diligence, trust-agency transactions, commercial issues, labour law issues, litigation etc. Prior to joining LankaBangla, she was a practicing lawyer at a very renowned corporate law firm namely Lee, Khan & Partners. She has the exposure of plentiful large project financing of various modalities.

Ms. Sharmin is a post-graduate in law from University of Chittagong and is an enrolled advocate at the Supreme Court of Bangladesh with around 14 years of experience in the legal profession. She is currently attending an executive Master's Program on Business Administration at BRAC University.

- MC
- ITDC
- LMRC



15. Muhammad Habib Haider

Head of GIS

Muhammad Habib Haider, Head of GIS, is responsible for General & Infrastructure Services Division of LankaBangla Finance Limited. He has joined LankaBangla Finance in February 2015. Prior to joining LankaBangla Finance Limited, he served in BRAC Bank Limited under GIS Division in different roles. He has over 10 years' experiences in Banking and Financial Institution sector with exposure in supply chain, logistics, and projects. He obtained his Honors degree from University of Dhaka and MBA from Southeast University. He has attended a number of trainings and workshops both in home and abroad.

- MC
- PC
- RMC
- ITDC

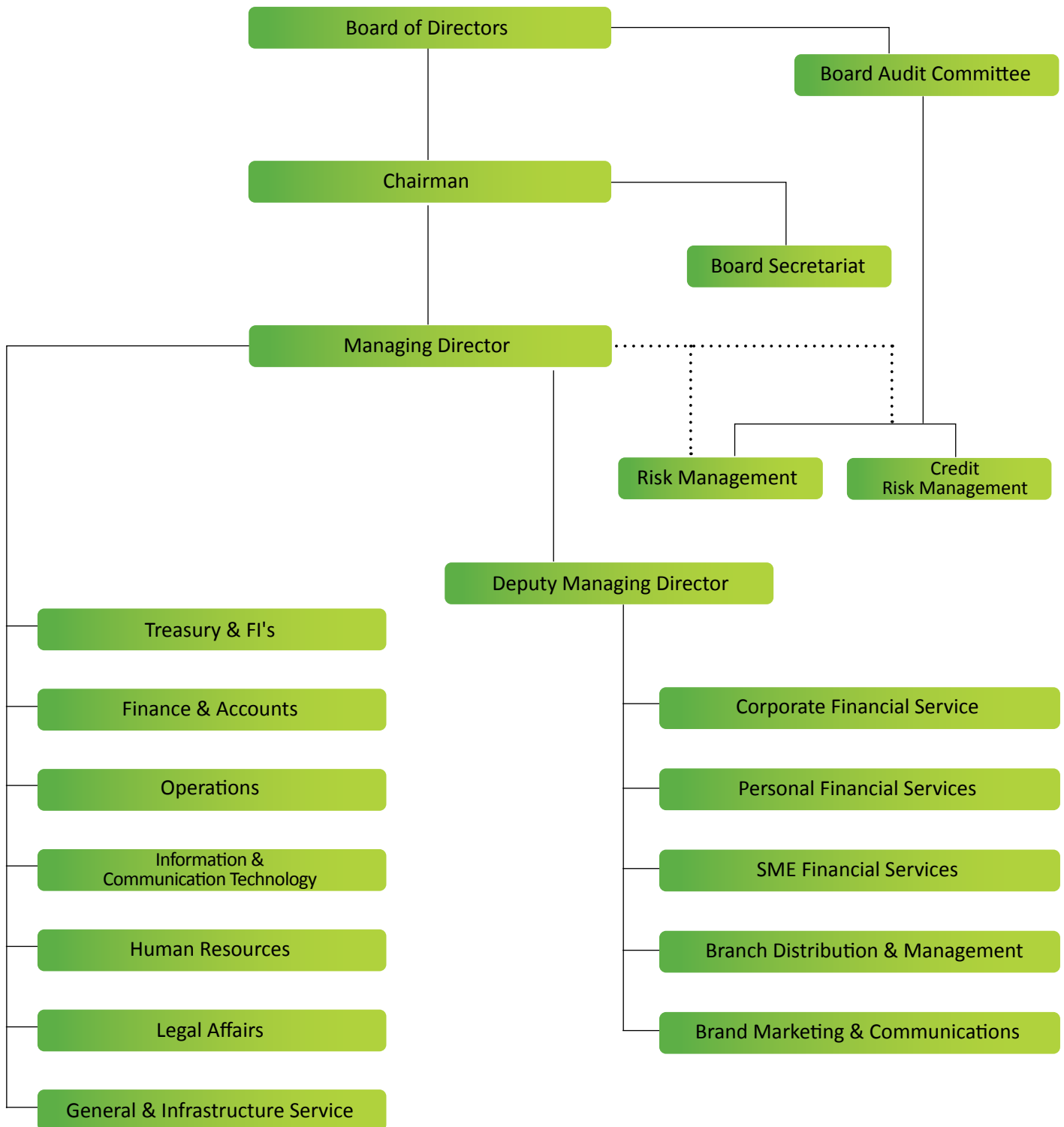
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ORGANOGRAM OF LANKABANGLA FINANCE



MANCOM MEMBERS

LankaBangla is a value driven organization with strict adherence to principles even if the situation sometimes provides temporary benefit to the company. The guiding principles are set with the objective of upholding the company's reputation and dignity and treating it as absolutely priceless. The company's affairs get the utmost priority of all the employees



Sitting

- 01 Ummay Habiba Sharmin**
Head of Legal Affairs
- 02 Khwaja Shahriar**
Managing Director & CEO
- 03 A. K. M. Kamruzzaman, FCMA**
Head of Operations

Standing from the left

- 04 Muhammad Habib Haider**
Head of GIS
- 05 Mohammad Faruk Ahmed Bhuya**
Head of Asset Operations
- 06 Sheik Mohammad Fuad**
Head of Information & Communication Technology
- 07 Khurshed Alam**
Head of Personal Financial Services

- 08 Quamrul Islam**
Head of Treasury & FI
- 09 Mohammed Kamrul Hasan, FCA**
Chief Risk Officer
- 10 Shamim Al Mamun, FCA**
Chief Financial Officer
- 11 Mohammad Nazmul Hasan Tipu, CFA**
Chief Credit Office

- 12 Kamruzzaman Khan**
Head of SME Financial Services
- 13 Mohammad Shoab**
Head of Corporate Financial Services
- 14 Mohammad Hafiz Al Ahad**
Head of Human Resources
- 15 Mostafa Kamal, FCA**
Group Company Secretary

MESSAGE FROM THE CHAIRMAN



Dear Fellow Shareholders,

As we endure through the unprecedented health catastrophe during the COVID-19 pandemic, we pledge our solidarity with solemn gratitude to the doctors, nurses, police officers, financial service community, individuals taking a courageous step as the first responder to the crisis and those who are risking their lives fighting it.

As for the future unfolds, in the short run we have no other way to prioritize the containment measures to protect our people and resources from this healthcare emergency and an eventual economic slowdown. On the pre-pandemic basis, we already have been maintaining a superior capital adequacy ratio (CAR) of 16.75% on a group-wide basis thanks to one of the most diversified core lending portfolios in the industry, a strong liquidity position, a reduced marketable and mutual funds exposure in our proprietary investment portfolio and alternative funding source through subordinate debt. Altogether, all those strategies are expected to moderate the shock of the economic slowdown for LankaBangla Group comparing to the competing NBFIs that are not that well-diversified. In this backdrop, I am glad to present the annual report for LankaBangla Group for the year ended 31 December 2019 and warmly invite you all to the 23rd Annual General Meeting of LankaBangla Finance Limited.

I am happy to convey that we have achieved net profit growth

both on a group and a solo basis as a direct result of the revenue diversification strategy implemented over the years. Despite the double-digit revenue growth of LankaBangla Finance Limited on a solo basis, the consolidated revenue growth has been flattened due to weak revenue streams from capital market operations. The underperformance of the capital market is owing to the drastic fall of price indexes and turnover in both of the stock exchanges influenced mostly by weak financial sector liquidity, the lucrative yield on risk-free securities/instruments and eroded investor's confidence. In contrast, we have achieved net interest earnings growth by 16.4% on a constrained core lending portfolio amid subdued private sector financing opportunities; this impressive performance is largely credited to the efficacy of timely balance sheet restructuring through opportunistic growth in credit card and SME loan portfolio.

The weak private credit growth has impacted the cash flow and liquidity of our business customers whether it is large or small. The impact is more severe for legacy corporates and SME segment borrowers which has contributed to increase in our non-performing loan (NPL) ratio. Although the industrywide NPL ratio is trending upward with a double-digit number, LBFL's target hygiene standard for asset quality is considerably stringent from that of the industry average. We have focused extensively on the collection and monitoring; to accommodate

that a grassroots collection measures, significant management and process restructuring have been implemented. We have set aside a significant amount from this year's net operating income as provision due to severe underperformance of capital market and stress on core lending portfolio. Despite that development, we have achieved Earning Per Share (EPS) of BDT 1.43 on a solo basis and BDT 0.98 on a consolidated basis; an improvement comparing to FY 2018 earning. The board of directors has recommended 7% cash and 5% stock dividend per share of BDT 10 each for our valued shareholders.

Navigating through COVID-19 fallout

The fallout from the COVID-19 pandemic has put the whole world in a stressful situation where general economic activity has been suspended partially. No doubt, interest income from the core lending portfolio, proprietary investment income and commission earnings from brokerage will take a considerable shock in the short term which may extend to medium term. On the other hand, the eventual reversal is contingent upon the trajectory of the recovery which is linked to factors such as the level of success in containing the spread of the virus, discovery of therapeutic medicine and vaccinations, appropriate policy response and global supply chain restoration, etc. In response, the LankaBangla group will maintain the legacy of a diversified quality balance sheet, uphold the highest ethical standards and a culture of innovation in this rapidly changing business environment. In terms of tackling this extraordinary situation we already have taken adequate measures that will safeguard our capital, protect depositors' trust and wellbeing of all our stakeholders.

- ▶ The Health and safety of our employees, customers and broader stakeholders is the top priority ever. We have implemented work from home in swiping fast fashion and ensured bare minimum physical footprint in our offices to minimize the possibility of the spread of the virus maintaining operational continuity. Customers are encouraged to take services through our state of the art and round the clock call center.
 - ▶ We are committed to going on extraordinary length to help our customers - consumers, SMEs, mid and large businesses to cope up with this pandemic on the path to eventual recovery. Our ethos of growing together is founded on the premise that sharing the prosperity of our customers in good times comes with the burden of responsibility in collaborating for a better future in hard times.
 - ▶ Taken vigorous approach in maintaining liquidity in the back-drop of risk-off market sentiment.
 - ▶ Intensified the monitoring of the core lending portfolio and appropriate human resources re-structuring has been done to align with this renewed focus area. Besides, we are working out the suitable structuring of existing loan contracts that best handle the cash flow slacks and catalyze for the economic recovery of the borrowers to achieve debt sustainability.
- We have streamlined productivity metrics, taken steps to

reduce operational leverage and integrated technology operation to overcome operational bottlenecks.

Structuring a business model that ensures safety and stability

No doubt the NBF sector in Bangladesh is going through a challenging time; besides the COVID-19 pandemic, the rising default rates, decreasing interest rate spread, rising cost to income ratio, weak governance and stiff liquidity space being the major ones. Like other NBFs, the success of LBFL depends on dealing with those challenges where the financial markets are shared by hyper-competitive non-banking and banking entities. While a general downtrend in interest spread is observed all over the financial service industry, the NBFs, in general, have a lower spread compared to the banks which get worse in a stressed financial market situation. To cope up with the constraints, LankaBangla has taken considerable exposures in those segments that have a relatively higher interest rate spread adjusted of the management cost and normalized default rate. Diversified consumer (including credit card) and SME customer base will make us competitive against decreasing spread. The retail and SME portfolio already have gained significant momentum in terms of operational efficiency and market penetration. The credit card, supply chain finance and SMEs have a high potential of fee-based earnings. Besides, the dominant market share in brokerage business preserves the upside potential in terms of commission earnings when markets recover. LankaBangla has recalibrated its efficiency metrics through better training of employees, competency alignment for each job role, process restructuring and access to proper digital infrastructures.

Independence and objectivity in everyday decision making fortify the foundation of governance at LankaBangla Group. We have a strong board representation that is instrumental in exerting prudential oversight over every strategic decision of LankaBangla Group. Here, the decision making is not concentrated, rather it is delegated to competent management positions for a timely and informed response to the job; also with a robust escalation mechanism in tandem with the importance of the decision or exception handling capacity. We have focused on product innovation across the board including all lending, liability, brokerage, investment banking and wealth management products and services. We have taken a coordinated approach in customer segmentation of retail and SME products for better business planning that yields a lucrative return. All these initiatives are complemented with the right mix of asset allocation decisions, strong risk management practices and robust control mechanisms.

Prioritizing long term growth potential in the asset allocation decision

Since the inception of LankaBangla Finance Limited, we always have prioritized the sectors that present a growth potential on a long term basis. We are the only non-bank based issuer of credit cards (Both Master card and Visa) competing against the bank based players with a strong market position, the largest



brokerage house in the country in terms of turnover and have one of the most diversified core lending portfolios amongst all the NBFIs.

Historically, LankaBangla Group was tilted towards capital market operation as the major revenue source that exposed the group to capital market swings. After the stock market crisis in 2011, considerable effort has been given and as a result, not only we have successfully diversified our revenue base but also able to maintain the top position in capital market operations till now. Early corporate portfolio concentration has been reduced greatly to a more symmetrical distribution amongst corporate, retail and SME product portfolio. LankaBangla Finance Limited has diversified its loan portfolio by increasing exposure to the CMSME sector vigorously over the last 5 years; By the end of December 2019, SME Comprises of 29% of LBFL's core lending portfolio, corporate comprises 30% and retail holds the majority of the pie at 41 %. Moreover, we are continuously reducing our negative equity on margin loan which has improved our performance and increased sustainability.

These extraordinary maneuverings on a large scale are the testimony of our implementation and change management capacity. We make the changes that create economics of scale and ensures impeccable operational excellence. As a group, we have structured our balance sheet based on our unique competencies and competitive edge. The strategic changes to asset allocation are transitioned in a gradual manner resulting in a well-diversified balance that seems effortless but very complex in terms of execution. At Lankabangla Group, our priority is to maintain our balance sheet in a way that gives the highest security to our depositors and creditors supplemented with a competitive return, stable risk-adjusted return to our shareholders and equitable payoff to all our stakeholders.

Technology-driven business solution

The digital transformation has enabled the financial service industry to thrive using a superior informational advantage. At LBFL, we already have taken substantial measures to align the skillset of our employees and enabling them with proper access to digital infrastructure. The approach to the technology-driven business solution is aimed to take advantage of business scalability with a low-cost structure. We are moving towards a paradigm where our technology-driven business solutions powered by a cultural environment that prioritizes efficiency and highest ethical standards will better position us in a highly competitive financial service industry. The symbiotic relationship of people, products, process and technology platforms will create a better business environment for all our stakeholders.

LankaBangla Finance Limited has launched a full range of financial services for women under a "Shikha" platform. This platform will be instrumental in offering superior services to our women customers and broader stakeholders in a fresh new approach to celebrate the economic emancipation of women. LankaBangla Finance Limited is committed to making a positive impact on society from both a financial performance

standpoint and excelling in environmental, social and corporate governance (ESG) standards. Besides our extensive preparation for COVID-19 pandemic to safeguard our broader stakeholders, LankaBangla Finance Limited has donated BDT 20 million to the Prime Minister's Relief and Welfare Fund as part of its effort to combat Covid-19. LankaBanga Finance Limited received Best Presented Annual Report Awards for 2018 both from the South Asian Federation of Accountants (SAFA) and from The Institute of Chartered Accountants of Bangladesh (ICAB) in NBF category.

As the chairman, I am proud of the LankaBangla Brand and greatly thankful to our sponsor and independent directors for their prudent board oversight and guidance in making what we are today. I am also indebted to the management and employees of the group for their dedication, managerial leadership and unwavering commitment to make LankaBangla such an excellent place to work. I reiterate that our capital, competency, intellectual rigor and operational fundamentals remain strong to attract capital and capacity to lend and invest, unfolding a future that all the stakeholders can depend on. We will continue to innovate; adopt appropriate strategies to protect our capital, depositor's trust to keep ourselves strongly relevant in this competitive and changing business scenario.

Despite the plausibility of a short to medium term slack in the economic activity, we believe our resources will endure thorough COVID-19 pandemic fallout only to rise stronger; the credit standing of our borrowers would recover and the effective collaboration will yield better future for all our stakeholders. In the coming days, our diversified balance sheet will safeguard our investments, greater efficiency drive will generate more productivity and innovation and investment in technology will prepare ourselves for digital evolution. I strongly believe, the competitive edge, the prudence and resilience of our Company will reflect in the attractive long term return from our efficiently allocated assets in the days to come.



Mohammad A. Moyeen
Chairman
08 June, 2020

DIRECTORS' REPORT

Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 23rd Annual General Meeting of the Company.

The Board of Directors of LankaBangla Finance Limited have pleasure in presenting their Annual Report for the year ended 31st December 2019 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 8 June 2020.

With a good penetration in loan products, LankaBangla made profit growth in 2019. We are pleased to report that during the year 2019, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 508.23 million, meeting or exceeding all financial and operational objectives. In each quarter of 2019, we have achieved consistent result and had good performance ensuring strong organic growth and increasing contributions. This has consistently proven to be very beneficial throughout the challenging global economic conditions. These results continue to demonstrate that we have the right strategy and we are executing it well.

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 Stock Exchange 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 2 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, 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 other 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	The principal activities of the company include: <ul style="list-style-type: none"> ▶ 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. ▶ Float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being. ▶ 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.
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 2019

4.1 World Economy

The global economy is in a synchronized slowdown with growth for 2019 downgraded to 3 percent—its slowest pace since the global financial crisis. Global growth is projected at 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½% points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s.

As with the April 2020 WEO projections, there is a higher-than-usual degree of uncertainty around this forecast. The baseline projection rests on key assumptions about the fallout from the pandemic. In economies with declining infection rates, the slower recovery path in the updated forecast reflects persistent social distancing into the second half of 2020; greater scarring (damage to supply potential) from the larger-than-anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. Moreover, the forecast assumes that financial conditions—which have eased following the release of the April 2020 WEO—will remain broadly at current levels. Alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving. The extent of the recent rebound in financial market sentiment appears disconnected from shifts in underlying economic prospects—as the June 2020 Global Financial Stability Report (GFSR) update discusses—raising the possibility that financial conditions may tighten more than assumed in the baseline.

All countries—including those that have seemingly passed peaks in infections—should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channelling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. Where lockdowns are required, economic policy should continue to cushion household income losses with sizable, well-targeted measures as well as provide support to firms suffering the consequences of mandated restrictions on activity. Where economies are reopening, targeted support should be gradually unwound as the recovery gets underway, and policies should provide stimulus to lift demand and ease and incentivize the reallocation of resources away from sectors likely to emerge persistently smaller after the pandemic.

Strong multilateral cooperation remains essential on multiple fronts. Liquidity assistance is urgently needed for countries confronting health crises and external funding shortfalls, including through debt relief and financing through the global financial safety net. Beyond the pandemic, policymakers

must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis.

COVID-19 has a deeper hit to activity in the first half of the year than anticipated, with signs of voluntary distancing even before lockdowns were imposed. This also suggests a more gradual recovery in the second half as fear of contagion is likely to continue. Synchronized deep downturns are foreseen in the United States (–8.0 percent); Japan (–5.8 percent); the United Kingdom (–10.2 percent); Germany (–7.8 percent); France (–12.5 percent); Italy and Spain (–12.8 percent). In 2021 the advanced economy growth rate is projected to strengthen to 4.8 percent, leaving 2021 GDP for the group about 4 percent below its 2019 level. Among emerging market and developing economies, the hit to activity from domestic disruptions is projected closer to the downside scenario envisaged in April, more than offsetting the improvement in financial market sentiment. The downgrade also reflects larger spill overs from weaker external demand. The downward revision to growth prospects for emerging market and developing economies over 2020–21 (2.8 percentage points) exceeds the revision for advanced economies (1.8 percentage points). Excluding China, the downward revision for emerging market and developing economies over 2020–21 is 3.6 percentage points. Overall, growth in the group of emerging market and developing economies is forecast at –3.0 percent in 2020. There are, however, substantial differences across individual economies, reflecting the evolution of the pandemic and the effectiveness of containment strategies; variation in economic structure (for example, dependence on severely affected sectors, such as tourism and oil); reliance on external financial flows, including remittances; and precise growth trends. In China, where the recovery from the sharp contraction in the first quarter is underway, growth is projected at 1.0 percent in 2020, supported in part by policy stimulus. India's economy is projected to contract by 4.5 percent following a longer period of lockdown and slower recovery than anticipated in April. In Latin America, where most countries are still struggling to contain infections, the two largest economies, Brazil and Mexico, are projected to contract by 9.1 and 10.5 percent, respectively, in 2020.

The international community needs to vastly step up efforts to support national initiatives, including completing the removal of trade restrictions on essential medical supplies; sharing information on the pandemic widely and transparently; providing financial assistance and expertise to countries with limited health care capacity, including via support for international organizations; and channelling funding to scale up vaccine production facilities as trials advance so that adequate, affordable doses are quickly available to all countries.

(Source: World Economic Outlook, June 2020, International Monetary Fund)

4.2 Regional Economy

As COVID-19 spreads across the region, South Asia's economic outlook is dire. The region will likely experience its worst economic performance in the last 40 years, with temporary contractions in all eight countries. According to the latest Global Economic Prospects, GDP in the region is projected to contract by 2.7 percent in 2020 as pandemic mitigation measures hinder consumption and services activity and uncertainty

about the course of the pandemic chills private investment. In India, growth is estimated to have slowed to 4.2 percent in FY 2019/20, which ended in March 2020. Output is projected to contract by 3.2 percent in FY 2020/21, when the impact of the pandemic will largely hit. Pakistan (-2.6 percent in FY 2019/20) and Afghanistan (-5.5 percent) are both projected to experience contractions, as mitigation measures are anticipated to weigh heavily on activity. Growth in Nepal (1.8 percent in FY 2019/20) is expected to decelerate markedly due to pandemic-related disruptions including mitigation measures and sharp falls in exports and remittance inflows.

Countries in South Asia are each dealing with their own structural challenges, they share a number of external and domestic downside risks that could cloud their economic outlook. External factors include ongoing trade disputes, geopolitical uncertainty and the increasing impact of climate change—all failures of global coordination that could severely jeopardize prospects for continued growth in the region. Although domestic factors are more diverse, there are again several common issues. Prospects for some countries in the region are dampened by political uncertainty and growing security concerns—and their negative impact on investment and consumer sentiment. A reallocation of government spending will likely be necessary to address evolving needs and any crises that may emerge within this context; however, this will limit the fiscal space to address barriers to structural transformation, in particular infrastructure bottlenecks, low productivity and persistent inequalities. An overdependence on domestic consumption or exports to drive economic growth has left many countries in the region vulnerable to shocks. Resource price fluctuations can put pressure on inflation, limiting economic activity and increasing the burden on policymakers to address short-term shocks.

(Source: South Asia Regional Update, April 2020)

4.3 World Commodity Price

Almost all major commodity price indexes fell in 2019 amid mounting concerns about slowing global growth. Trade tensions and weakness in global trade, manufacturing and output growth are weighing on commodity demand. Commodity markets have been buffeted by the COVID-19 pandemic, which has already caused a historical sudden stop in economic activity. The pandemic has affected both the demand and supply of commodities through the impact of mitigation measures on activity and supply chains. The prices of most commodities have fallen since January, especially those that are related to the transportation industry. Energy prices fell 18.4 percent (q/q) in 2020 Q1, with a marked deterioration throughout the quarter as the severity of COVID-19 became increasingly apparent. Crude oil prices averaged \$32/bbl in March, a decline of 50 percent compared with January. Prices reached a historic low in April with some benchmarks trading at negative levels. Demand for oil has collapsed as a result of COVID-19 mitigation measures which have sharply curtailed travel and transport, which account for around two-thirds of oil demand. The fall in prices was exacerbated by the breakdown of the production agreement between OPEC and its partners in early March, and prices failed to rally when a new agreement to reduce production by 9.7mb/d disappointed markets in April. While natural gas prices have also seen sizeable declines, albeit

less than for crude oil, coal prices have seen smaller declines partly because demand for heating and electricity has been somewhat less affected by mitigation measures. Most non-energy prices also fell in 2020 Q1, but by less than energy prices. The metals and minerals price index fell 5 percent on the quarter, but with significant variation among its components. Copper and zinc prices declined by around 15 percent relative to their January peak, reflecting their close relationship with global economic activity. In contrast, iron ore prices have fallen just 7 percent, with weakening demand partly balanced by supply disruptions. Among precious metals, gold prices rose modestly amid heightened uncertainty and safe-haven flows, while platinum prices dropped by 23 percent reflecting their heavy use in the production of catalytic converters in the transportation industry. With some exceptions, agricultural commodity prices saw minor declines during the first quarter reflecting their indirect relationship to economic growth. However, natural rubber prices fell 25 percent from their January peak largely because two-thirds of the crop is used in the manufacture of tires. Prices of maize and some edible oils fell as well due to the collapse of biofuel demand.

(Source: World Bank Report, April 2020)

4.4 Bangladesh Economy

The economy of Bangladesh is a developing market economy. It's the 39th largest in the world in nominal terms and 29th largest by purchasing power parity. It is classified among the next eleven emerging market middle income economies and a frontier market. In the first quarter of 2019, Bangladesh's was the world's seventh fastest growing economy with a rate of 7.3% real GDP annual growth. Bangladesh's economy expanded at a striking 8.15% rate in fiscal year 2018-19. The unprecedented Covid-19 pandemic has caused disruptions to global trade, business, and education. Bangladesh is equally affected by this contagion. The economic consequences of the Covid-19 outbreak are tough to handle as the entire of the global supply chain has been interrupted due to worldwide transportation shutdown. Bangladesh readymade garments (RMG) industry has received work order cancellations of nearly \$3 billion due to COVID 19. Around 2 million workers in the industries will be affected by this. Around 4 million people are directly engaged with the RMG sector e.g. backward linkage industries, accessories and packaging factories and transportation sector. The import and export-oriented companies are also at risk. The foreign remittance will come down and thus it will hit the foreign reserves of the country. Bangladesh will fall into a really difficult situation if the country remains locked down for a longer period. Here, a huge number of people live from hand to mouth. Consistent high growth has been unable to create sufficient jobs in the economy. Due to inequality of income and asset distribution, the advantages of higher GDP growth is not evident in society. The banking sector is the key player of the economic activities of any countries. Banking sector has already been suffering heavily due to NPLs and unfortunately the outbreak may increase the level of NPLs in coming days. Therefore, a new sets of BB guidelines need to be initiated addressing the facts. According to the 7th Five Year Plan, it has been targeted to reduce poverty rate at 18.6 percent by 2020. Robust economic growth of approximately 6 percent annually for two decades has been driven by a rapid increase in private



consumption and fixed investment. Nevertheless, Bangladesh still grapples with poor infrastructure, endemic corruption, insufficient power supplies, and slow implementation of economic reforms. (Source: Wikipedia)

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 2019-2020 is BDT 5,231.90 billion (around USD 62 billion) which is 12.61% higher compared to previous fiscal year's budget. The FY20 budget has a revenue target of BDT 3,778.10 billion, which is 19.3% higher than the target of BDT 3,166.13 billion in the revised FY19 budget. The targeted revenue growth rate for FY20 is lower than that for previous budgets. The percentage of revenue to come from NBR has decreased from 87.30% in FY19 to 86.18% in FY20. The government allocated BDT 439.19 billion in FY20 for fast-track megaprojects, which represented 21.7% of the total ADP. The allocation towards megaprojects in the FY19 budget was BDT 288.49 billion, which comprised 17% of the total ADP for FY19. The pace of work on megaprojects is projected to pick up pace as there will be no election-related political uncertainty in FY20 unlike FY19. Among all the projects, Padma Multipurpose Bridge Construction project progressed most with 59.30% completed till February 2019. The Cost of this project reached to BDT 301.93 billion. The FY20 budget a projected deficit of BDT 1,453.80 billion, which is 27.8% of the total budget expenditure and 5.0% of GDP. The budget deficit of Bangladesh is at a moderate 5.0% of GDP, which is higher than China and India, whose deficits are 2.8% and 3.4% of GDP respectively, but lower than Sri Lanka (5.3%) and Pakistan (7.2%).

4.4.2 Current Account Balance

The current account balance recorded a lower deficit of US\$ 1,097 million during July-November 2019 as compared to a deficit of US\$ 2,425 million during the same period of the last fiscal year. Lower deficit in current account emerged from a smaller deficit in service account as well as larger inflows of remittances. Supported by a surplus in financial account balance as well as lower deficit in current account balance overall balance in BOP (balance of payment) recorded a smaller deficit during July-November 2019. However, foreign exchange reserves of Bangladesh Bank marginally increased by US\$ 0.41 billion and stood at US\$ 32.69 billion as on 30 December 2019 from US\$ 32.28 billion as on 15 December 2019.

4.4.3 Import

Bangladesh's total Imports recorded 2.5 USD billion in May 2020, compared with a value of 2.5 USD billion in the previous month. Bangladesh's Total Imports dropped 48.9 % YoY in May 2020. Custom based import during July-May, FY20 fell by USD 6.06 billion or 10.81 percent and stood at USD 49.98 billion against USD 56.03 billion of July-May, FY19. Settlement of import LCs during July-April, FY 20 decreased by 4.53 percent and stood at USD 43.72 billion against USD 45.79 billion of July-April, FY19. Fresh opening of import LCs during July-April, FY20 decreased by 8.08 percent and stood at USD 44.99 billion compared to USD 48.95 billion of July-April, FY19. Bangladesh

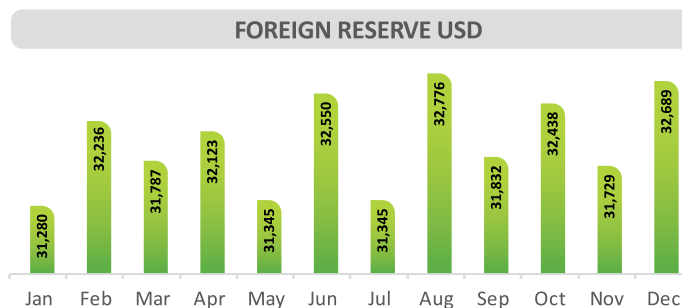
suffered a drop in imports, leading the trade deficit to widen to US \$5.62 billion in the first four months of 2019. The drop in imports means entrepreneurs were investing less in industries. Capital machinery imports dropped by 10 percent, fuel oil 15 percent and industrial raw materials around 20 percent.

4.4.4 Remittance Inflow

The Bangladeshis living abroad have continued to contribute to the economy by remitting foreign currencies. Strong remittance in flow during the period under review has cushioned the fall of export earnings. Inflow of remittance jumped around 23 percent in the first four months of the year 2019. Remittance earnings stood at \$20 billion at the end of 2019 being boosted by depreciation of Taka and cash incentives given at the rate of 2.0 percent of remitted amount. Though some migrant workers had to return from Saudi Arabia this did not make much of a dent in the remittance inflow as over 600 thousand (6.0 lakh) new migrant workers went abroad far outweighing the number of returning migrant workers.

4.4.5 Foreign Exchange Reserve

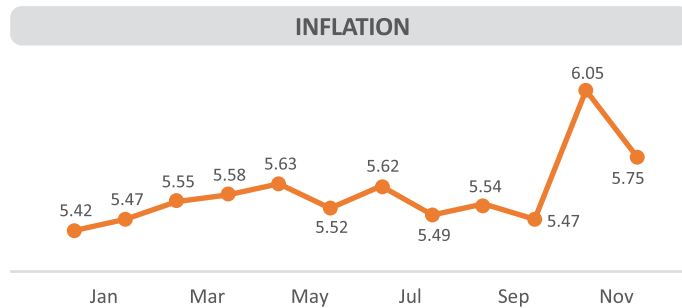
Bangladesh's Foreign Exchange Reserves was measured at 32.69 USD billion in December 2019 compared to USD 32.02 billion at the same month of previous year. Bangladesh Bank maintained stability in retaining foreign exchange reserves. The highest USD 33.68 billion reserves were recorded on September 05, 2017. The country's foreign exchange reserves have come under pressure after higher external payments against import of oil and construction materials for mega projects. Bangladesh Bank has sold more than USD 2.00 billion from the reserves directly to the commercial banks as liquidity support helping them settle their import payment obligations in the year 2019.



4.4.6 Inflation

The average inflation rate has increased by 0.04 percentage points for the 12 months in the year 2019 to 5.59 percent due to some volatility in commodity markets in the country. According to the Bangladesh Bureau of Statistics (BBS) data, the average inflation rate was 5.59 percent in 2019 as against 5.55 percent for the previous calendar year 2018. For the fiscal year (FY), 2019-20, the government has projected the inflation rate at 5.50 percent. The spike in prices of onion has driven inflation as well, raising the rate on a point-to-point basis to 6.5 percent in November from 5.37 percent in the same month of last year. According to the BBS data, the food inflation in December across the country on point-to-point basis dropped slightly by 0.53 percentage points to 5.88 per cent from 6.41 per cent in the

previous month. However, the non-food inflation rate increased by 0.08 percentage points to 5.55 per cent in December from 5.47 per cent in the previous month, the BBS data showed.



4.4.7 Money Market

Bangladesh money market has been volatile due to the deepening problems in the banking sector. Liquidity crisis, non-performing loans, growing gap between lending and deposit growth, widening current account deficit, a distortion in the interest rate market and a lack of skilled manpower. Upward pressure on USD has also led to a critical scenario for retaining strong liquidity of BDT. Bangladesh Bank have been more proactive in bringing back stability in the banking sector. Towards the end of 2018 the liquidity situation of the majority of the banks started to deteriorate, which continue to affect the beginning of the year 2019. In the FY2018-19, both stock markets (Dhaka Stock Exchange and Chattogram Stock Exchange) noticed some unrest but overall both the price index and market capitalisation increased. For ensuring stable and smooth operation of the capital market and restoring the confidence of general investors several restructuring activities were carried out during the year 2019.

5. Industry Outlook

In the year 2019, Non-Bank Financial Institutions (NBFIs) experienced slow growth in loans & advances, deposit collections and huge fall in operating earnings. All these affected overall business performances of NBFIs. Above half of the listed NBFIs (out of 34 NBFIs) have reported lower earnings per share (EPS) for the first nine months (January-September) of the year 2019, compared to the same period of last year. Irregularities in loan disbursement, fund crisis, scams & public distrust in financial institutions resulted distress in business performances. At present there are 34 NBFIs and more are getting permission to open their business. As per BB stress test report, 13 were in the red zone, 17 in the yellow zone and four in the green zone. Bangladesh Bank has already issued number policies to support NBFIs for strengthening their position in the market.

FIs in Bangladesh should take some serious initiatives to deliver short term results as well as long term vision while preparing for the coming changes. It is important to build detection, assessment and mitigation of risk. New instrument may introduce which will be emerged as an important tool and added a new dimension in the financial market.

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 2019 are contained in the Chairman's Message pages 54-56,

the Managing Director's Review pages 129-132, and the CFO's Reviews pages 133-139. 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. One new branch was opened in Kushtia during the year 2019 and further few branches are set to be opened in the upcoming year. Further an overview of the future development of LBFL and the Group is given in the Chairman's Message pages 54-56, the Managing Director's Review pages 129-132, and the CFO's Reviews pages 133-139. These reports form an integral part of the Annual Report of the Board of Directors.

8. Financial Statements

The Financial Statements of LBFL and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 31st December 2019 duly signed by the Company secretary, Managing Director, the Chairman of the Audit Committee and the Chairman of the Board are given on pages from 211-387 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 211-387 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 97 and forms an integral part of the report of the Board of Directors.

10. Auditors' Report

The Auditors of LBFL, 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 2019 and their report on those Financial Statements, as required by the Companies Act 1994 have been issued on 08 June 2020.

11. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 231 to 251 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 2019. Total asset of the group decreased by 04.01% from BDT 87.89 billion in 2018 to BDT 84.36 billion in 2019. Significant amounts of disbursements were made in Corporate, Retail and SME business. Furthermore, cautious investment in capital market and correct on time decisions have led to an overall success for the company. Due to liquidity crisis in whole of the year, cost of borrowing has slightly increased in 2019 compared to 2018.

Total Asset disbursement of LankaBangla Finance for the year 2019 reduced by 13.1% compared to 2018, due to liquidity crisis in the whole of year. Total disbursed amount in 2019 was BDT 33,666 million compared to BDT 38,754 million in 2018. On the deposit side, our total deposits reduced by 12.21% from BDT 53,252.42 million in 2018 to BDT 46,750.81 million in 2019. The company's investment portfolio reached BDT 73,763 million in 2019 compared to BDT 75,939 million in 2018. NPL showed a negative picture as the percentage of classified loans for the company increased to 5.59% in 2019 compared to 3.60% in 2018.

13. Core Business Review

13.1 Corporate Financial Services

LankaBangla focus on extending its Corporate Business portfolio has continued throughout 2019. A total of BDT 16,094 million of corporate lending has been disbursed for the year 2019 compared to BDT 21,052 million of 2018. Disbursement in Corporate Business has decreased due to the less emphasis on Corporate Business because of low margin. Disbursement in 2019 was driven mostly by Term Loan and Factoring.

13.2 Retail Financial Services

During the year 2019, the Company has continued to concentrate more on this segment by expanding several branches and increasing manpower in retail financial activities. Total BDT 13,680 million was disbursed during 2019 under retail financial services in the form of auto loan, home loan, personal loan, credit card and staff loan.

13.2.1 Home Loan

Total Home Loan disbursement in 2019 was BDT 825 million comprising of Mortgage Loan and Staff Home Loan. Home Loan portfolio decreased by 5.3% in 2019. At the end of 2019, Home Loan portfolio stood at BDT 12,457 million which was BDT 13,159 million in 2018.

13.2.2 Auto Loan

In 2019, BDT 993 million has been disbursed as auto loan compared to 1,210 million in 2018 resulting an 17.9% reduced in disbursement. Also the auto loan portfolio reduced by 37% in 2019 from BDT 5,473 million in 2018 to BDT 3,478 million at the end of 2019.

13.2.3 Personal Loan

Disbursement of Personal Loan has been in 2019 with a total figure of BDT 1,872 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2019 was BDT 4,590 million, which reduced by 13.5% from BDT 5,309 million in 2018.

13.2.4 Credit Card

During 2019, a total of 35,103 new credit cards were issued by LankaBangla. The card portfolio grew by 14.1% in 2019 to BDT 4,118 million from BDT 3,609 million in 2018. Number of active credit card users has increased from 99,271 in 2018 to 109,972 in 2019 resulting in a growth of 10.8%. This was the highest number of active card users in the industry. Monthly average spending by all credit card users has significantly increased in 2019 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 2019 has increased to BDT 9,990 million from BDT 8,228 million in 2018 resulting in a growth of 21.4%.

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 2019, SME loan disbursement of BDT 3,892 million has been made compared to BDT 4,495 million in 2018, thereby resulting in an 13.4% reduction. At the end of 2019, SME portfolio stood at BDT 17,847 million compared to BDT 17,514 million in 2018 resulting in 2% increment 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.

13.4 Liability Management

Total TDR portfolio in 2019 was BDT 46,750.81 million from BDT 53,252.42 million in 2018. TDR portfolio reduced by 12.2% due to liquidity crisis. In this regard, the Retail, Corporate and SME Liability units played an important role. In 2019, total retail, SME and corporate TDR stood at BDT 37,861 million.

13.4.1 Retail Liability Management

Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 22,260 million at the end of 2019 which shows a growth of 18.7% from 2018 portfolio. Retail liability mobilization for the year was BDT 11,498 million compared to 2019 figure of BDT 13,539 million in 2018. This is made possible due to strong personnel of product marketing officers.

13.4.2 SME Liability Management

SME Liability's core focus on SME deposits has resulted in a portfolio of BDT 2,792 million at the end of 2019 which shows a growth of 52.8% from 2018 portfolio. Retail liability mobilization for the year was BDT 2,321 million in 2019. This is made possible due to strong personnel of product marketing officers.

13.4.3 Corporate Liability Management

Corporate Liability portfolio consists of a diverse deposit portfolio of corporate clients. The value of the portfolio stands at BDT 12,809 million at the end of 2019 decreasing by 34.1% from 2018. Corporate liability mobilization for the year was BDT 5,225 million compared to BDT 10,425 million of 2019. Mobilization decrease as the company made more focus on decentralized fund sourced from retail and SME market during the year.

13.5 Treasury Operations

Treasury Department of LankaBangla Finance Ltd. plays a crucial role with regards to understanding the market, taking advantage of arbitrage opportunities, and fund management. Treasury investments cover deposits with other banks and financial institutions, investments in capital markets and commercial papers. It strengthened its creditworthiness to counterparties in 2019, and thereby ensuring strong dominance in the market. Treasury investment portfolio at the end of 2019 was BDT 2,393.87 million which contracted by 0.64% during the period.

Treasury relentlessly catered to the demands of business despite high volatility in deposit mobilization. Cash management has played a very pivotal role in channelling all the cash flows of the company in a very effective and an efficient way, so that optimum utilization of fund is achieved throughout the year. It has continued to play an important role in managing cost of fund of the company. During 2018, the overall cost of fund has been reduced mainly due to Treasury's adherence to proactive policy of bringing down the cost of fund by seeking cheaper borrowing sources. Utilization of maximum exposure in money market and reduced deposit rate in the market has contributed to the reduction of cost of fund. All of these contributed to higher earnings and lower fund cost, and ultimately had a positive impact on profit. Dynamic approach to matching investments taken by treasury's dealing room has also contributed to profit in 2019.

14. Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 30 September 2019 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2018 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 2019 was BDT 11,757.69 million registering a 6.30% growth over 11,061.16 million of 2018. Total revenue of LBFL for the year 2019 was BDT 10,333.88 million which was 11.92% higher than the previous year's BDT 9,232.98 million. An analysis of the revenue is given in pages from 136 to 137 of the annual report.

15.2 Profitability

The Group has recorded increase of net profit after tax of 14.35% and a reduction in operating profit of 4.50% in 2019. LBFL's operating profit and net profit after tax increased by 23.36% and 3.06% respectively in 2019. Consolidated net profit after tax for the year 2019 was BDT 508.23 million which was BDT 444.44 million in previous year. LBFL's net profit after tax for the year 2019 was BDT 736.01 million compared to BDT 714.16 million in 2018.

Particulars	Consolidated		LBFL	
	2019	2018	2019	2018
Total Revenue	11,757.69	11,061.16	10,333.88	9,232.98
Total Expenses	10,148.13	9,375.75	8,738.58	7,939.76
Operating Profit	1,609.56	1,685.41	1,595.30	1,293.22
Provisions	884.81	976.34	739.01	477.48
Profit before Tax	724.76	709.07	856.29	815.73
Tax	216.53	264.63	120.28	101.58
Profit after Tax	508.23	444.44	736.01	714.16

15.3 Appropriation

Particulars	in million BDT
Net Profit After Tax for the year 2019	736.01
Retained Earnings brought forward	1,527.71
Profit available for appropriation	2,263.72
Less: Statutory Reserve	147.20
Amount available for declaration of dividend	2,116.52
Less: Dividend (Proposed 7.00% Cash and 5.00% Stock)	615.82
Retained Earnings carried forward	1,500.70

15.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended 7.00% Cash Dividend i.e. BDT 0.70 per share BDT 10.00 each and 5.00% Stock Dividend i.e. 5 shares per 100 shares held for the year 2019. 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 2019. Further details on liquidity position is given in page number 230 of this report.

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

16. Reserves

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

Particulars	Consolidated		LBFL	
	2019	2018	2019	2018
Share premium	1,090.89	1090.88	-	-
Statutory reserve	1,762.64	1,615.43	1,762.64	1,615.43
General reserve	49.92	53.05	-	-
Revaluation Reserve	-	-	1,006.98	1,292.22
Retained earnings	1,447.09	1,932.05	2,116.52	2,297.48
Total reserves	4,350.53	4,691.41	4,886.14	5,205.13

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 140 to 145.

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 2019 amounted to BDT 326.22 million and BDT 278.51 million respectively which were BDT 815.52 million and BDT 407.31 million respectively for the year 2018. 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 40 (g) of the financial statements.

21. Property, Plant & Equipment (PPE)

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

22. Financial results deteriorate after Public Issue

There was no such event happened during the reporting period.

23. Significant deviations from last year operating results

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

24. Share Capital and Bonds

24.1 Equity Capital

Paid-up Capital of LankaBangla Finance Limited as at 31 December 2019 amounted to BDT 5,131.79 million consisting of 513,179,641

ordinary shares as against BDT 5,131.79 million consisting of 513,179,641 ordinary shares as at 31 December 2018.

Details about share in issue are given in note number 13 of the financial statements.

24.2 Debt Capital

Foreign term loan-ICD

On 13 January 2019, LankaBangla Finance Limited received USD 19,984,730 equivalent to BDT 1,675,719,611 at the exchange rate of 83.85 against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. The tenure of the foreign currency loan is 40 months. Payments will be made in 14 (fourteen) quarterly instalments starting from the end of the three months from the receipts of the loan. The mark-up rate is of the facility 5.53%.

Syndicated Term Loan

In 2019, LankaBangla Finance Limited availed a long-term syndicated loan led by Standard Chartered Bank amounting to BDT 2,600 million. The full loan amount of BDT 2,600 million has been drawn down in multiple tranches, the repayment of this loan will be made in 10 equal quarterly instalments (EQIs).

Subordinate bond

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.

Zero Coupon Bond

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.

25. Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Financial Highlights on pages 140 to 145. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 39.

26. Shareholding

There were 21,813 nos. of registered ordinary shareholders as at 31st December 2019 (2018: 23,677). Information on distribution of shareholding and the respective percentages are given on pages from 269-271 of the Annual Report.

Details of shareholder's composition and percentage holding of the public are given in the Investor Information section on page 39.

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.

27. Equitable Treatments to Shareholders

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

28. The Board of Directors

The Board of Directors of LBFL consists of nine Directors with wide knowledge and experience. The names of the Directors of LankaBangla during the period 1st January 2019 to 31st December 2019 are mentioned in Report on Corporate Governance page 70

and their brief profiles are given on pages 40 to 44 of the Annual Report.

29. Reappointment of Independent Director

Mrs. Zaitun Sayef has been appointed as an Independent Director of the Company on July 31, 2020. The tenure of her office as independent director has expired on July 30, 2020. The Company has re-appointed her as Independent Director of LankaBangla Finance Limited for a further period of three years which will be placed in the 23rd Annual General Meeting of the Company for approval of the shareholders.

30. 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	Independent Director
	6) Mr. Abdul Malek Shamsheer	Independent Director
	7) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	8) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	9) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Finance Limited)	Director
	10) Mr. Khandoker Saffat Reza (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Investments Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. B. W. Kundanmal (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Al-Mamoon Md. Sanaul Huq	Independent Director
	4) Mr. Abdullah Al Karim	Director
	5) Mr. Abdul Malek Shamsheer	Independent Director
	6) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	7) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Asset Management Company Limited	1) Mr. Abdul Malek Shamsheer	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Independent 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
	1) 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



31. 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 2019 were as follows:

31.1 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.

31.2 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.

32. 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 92 to 93 of the Annual Integrated Report.

33. 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.

34. Directors' Interest in Ordinary Shares

The shareholdings of Directors are as follows:

Sl. No.	Name of Director	Number of shares as on 31 December 2019	Number of shares as on 31 December 2018
1	Mr. Mohammad A. Moyeen	21,754,807	21,754,807
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	48,606,291	48,606,291
3	Mr. Nanda Fernando (Nominated by Sampath Bank PLC)		
4	Mr. M. Fakhru Alam (Nominated by ONE Bank Limited)	19,393,083	19,393,083
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	39,527,471	39,527,471
6	Mr. Mahbubul Anam	22,855,945	22,855,945
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque-Alternate Director)	19,994,004	19,994,004
8	Mrs. Zaitun Sayef	Nil	Nil
9	Mr. Abdul Malek Shamsher	Nil	Nil

35. 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 sponsors shareholders as on December 31, 2019 is given in page 39 of this report.

36. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2019

LankaBangla Securities Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2019	Shares held on 31-Dec.-2018
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.-2019	Shares held on 31-Dec.-2018
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.-2019	Shares held on 31-Dec.-2018
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.-2019	Shares held on 31-Dec.-2018
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

37. Directors' Remuneration

Details of directors' emoluments paid during the year are given in note number 28 to the financial statements.

38. Management discussion and analysis

Management discussion & analysis has been highlighted in the Managing Director's statement pages 129-132 & in Directors' Report.

39. Declaration by the CEO and the CFO

Declaration by the Managing Director and Chief Financial Officer has been given on page 79.

40. 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 2019, the number of employees on the payroll of LankaBangla was 923 which was 896 in previous year.

Details disclosed related to human resource are given pages 185 to 190 of this report which form an integral part of the Annual Report of the Board of Directors.

41. 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 confirm that to the best of their knowledge and belief LankaBangla has complied with the relevant environmental laws and regulations.

42. 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 209 of this Annual Report.

43. Outstanding Litigations

In the opinion of the Directors and in consultation with the LBF'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.

44. 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 40 (e) to the Financial Statements.

45. 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 127 of the Annual Report.



46. Risk Management and Internal Control

46.1 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 109 to 116. The Directors, on a regular basis review the above mentioned process.

46.2 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.

47. 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 109 to 116 of this Annual Report.

48. 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 given on pages 70 to 78.

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.

49. 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.

50. Audit Information

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.

51. Auditors

The Board in its 121st meeting held on 8 June 2020 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 24th 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.

52. 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 2016
- ▶ ICAB Best Presented Annual Report 2015
- ▶ ICAB Best Presented Annual Report 2014
- ▶ 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
- ▶ SAFA Best Presented Annual Report 2018
- ▶ ICAB Integrated Report Award 2018
- ▶ ICAB Best Presented Annual Report 2018

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive fourteen years from 2006 to 2019 by Dhaka Stock Exchange (DSE) & for consecutive fourteen years from 2005 to 2018 and 2nd in 2019 by the Chittagong Stock Exchange (CSE).

53. Notice of Meeting

Due to general holidays declared by the Government for the COVID 19 pandemic and other relevant issues, LBFL was not able to hold the AGM within 15 months, which elapsed on June 30, 2020. With the permission of Registrar of Joint Stock Companies and Firms (RJSC) the 23rd Annual General Meeting of LankaBangla Finance Limited will be held on 7 September 2020 through digital platform.

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.

54. Acknowledgement

The Board of Directors takes this opportunity of expressing its heartfelt 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) 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 2019 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



STATEMENT ON CORPORATE GOVERNANCE

1. Overview

Corporate Governance is the system by which a Company is directed, controlled and managed. In LankaBangla Finance Limited (LBFL), the Corporate Governance Framework guides our drives towards progress by way of developing and implementing appropriate corporate strategies. The approach to governance is predicated on the belief that there is a link between high-quality governance and the creation of long-term stakeholder value. In pursuing the Corporate Objectives, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and mutual respect. The Board of Directors, led by the Chairman, is responsible for the governance of LBFL, and developing effective Governance Framework to meet challenges, both in the short and long term. The Board is committed to reviewing and improving our systems to provide transparency and accountability, and initiate transformational changes whenever necessary to ensure best practices are maintained and enhanced according to the principles of Corporate Governance.

We continually review our systems and procedures to provide transparency and accountability, and update our Corporate Governance policies to keep in line with the stipulated guidelines.

2. Framework and Regulations Applied

LankaBangla has incorporated in its Governance Framework the guidelines prescribed in the Code of Best Practice on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (BSEC), Bangladesh and the Bangladesh Bank on Corporate Governance for Financial Institutions in Bangladesh.

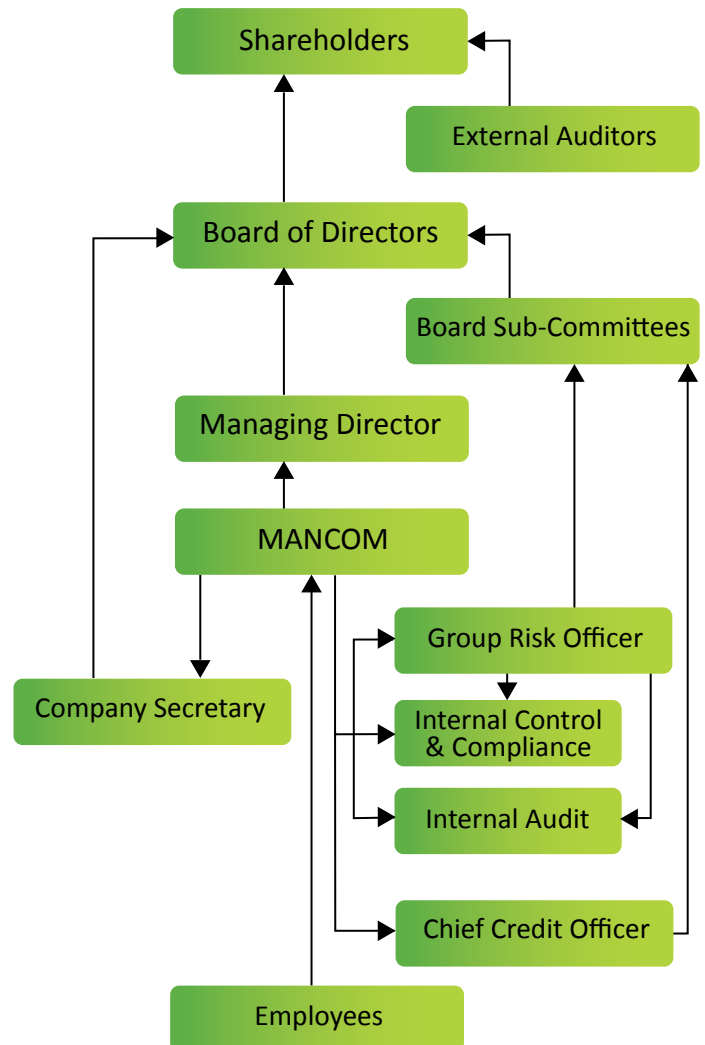
The following Acts, Regulations and Circulars have been used:

Sl. No.	Particulars
1	The Companies Act, 1994
2	The Financial Institutions Act, 1993
3	The Code of the best Practice on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (SEC) vide Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018.
4	Bangladesh Bank circular DFIM Circular No. 07, dated; 25 September, 2007.
5	Listing Regulations of Dhaka Stock Exchange and Chittagong Stock Exchange

The following internal principles and guidelines have been followed;

Sl. No.	Particulars
1	Vision and Values
2	Articles of Association
3	Code of Conduct
4	Code of Ethics
5	Board and Board Sub Committee Charters
6	Policies, Procedures, Directives

3. Corporate Governance Structure



4. Governance Systems



5. Key Activities of the Board in 2019

5.1 Strategy

Having considered the outlook for global, Asian and Bangladesh economies, market perceptions and expectations, the board approved the Budget and Annual strategy for LankaBangla as a whole, together with the decisions required to implement the strategy.

5.2 Operational and Financial Performance

- ▶ Considered strategic and operational updates from the Managing Director, as well as matters highlighted for the board's attention at board meetings.
- ▶ Reviewed quarterly financial Statements against the group's budget.
- ▶ Approval of the group's annual report and financial results, and agreed dividend payments.
- ▶ Appointment of Two Non-Executive Independent Director in compliance with the SEC Notification No. BSEC/CMRRC/2006-158/207/Admin/80 Dated June 3, 2018.
- ▶ Re-Constitutions of the Board Audit Committee and Board Executive Committee.
- ▶ Strengthening the process of business operations through rearrangement of Corporate Organogram.
- ▶ Revision of the Credit Policy and incorporation of Environment Risk Management Procedure (following guidelines of Bangladesh Bank) by the Board Audit Committee and Board of Directors.
- ▶ Approval of ICT Policy of the Company by the Board of Directors.
- ▶ Approval of Green Banking Policy.
- ▶ Review of the Product Program Guidelines (PPG) on Home Loan, Auto Loan, Credit Cards, SME Loan, Personal Loan.
- ▶ Strengthening the process of identification, recording and disclosure of Related Party Transactions.
- ▶ Expansion of geographical presence to cover more customer base by opening new Branches countrywide.

5.3 Governance and Risk

- ▶ Re-Constitutions of the Board Audit Committee and Board Executive Committee.
- ▶ Reviewed Anti-Money Laundering Policy & Guidelines and Business Continuity Plan.
- ▶ Reviewed risk reports and the preparation of the financial statements on a going concern basis.
- ▶ Reviewed the Internal Audit Committee Report forwarded to the Board by Board Audit Committee.

6. Functioning of the Board and its Governance Processes

6.1 Board Composition and Frequency

The present Board comprises of nine non-executive directors of whom four are nominee directors and two are independent directors. This number is appropriate for the current scope of the company's operations. The Board meets not less than four times in any given calendar year, with at least one meeting per quarter. The Board sets its agenda for Board meetings well in advance with items proposed by the Managing Director and senior management,

so that each member has time to be conversant with the issues by timely dissemination of meeting papers, presentations and reports. The Company Secretary and the Chief Financial Officer attend all Board meetings and ensure that all relevant regulations and established procedures regarding the conduct of the Board are complied with.

The Board also delegates its authority and powers to specialized committees to undertake detailed monitoring, advisory and oversight of tasks, such as financial audit, risk management, Internal Controls, credit controls and approvals, compensation and management development for leadership. These committees confer greater quality on the stewardship and fiduciary responsibilities of the Board.

In addition, the Board constantly places emphasis that not only the Board, but the Company and its employees operate with professionalism, integrity and ethics.

6.2 Selection and Term of Appointment of New Director

The Board of Directors has the following duties and responsibilities in connection with the selection and appointment of new directors; -

- ▶ Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- ▶ Identify any competencies not adequately represented and determine the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;
- ▶ The Directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by board in accordance with the stipulation of the Companies Act 1994 and the Articles of Association of LankaBangla Finance Limited.
- ▶ Any change in the members of the Board requires intimation to the Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges

Directors usually serve three year terms, which the Board considers an appropriate length of time for directors to immerse themselves fully in the Company's affairs and gain sufficient understanding of the Company's operations so as to make an effective contribution as a director.

6.3 Independence of Directors

Pursuant to the Notification No. BSEC/CMRRC/2006-158/207/Admin/80 Dated June 3, 2018, in LankaBangla, the Board comprises of ten non-executive members, of which two are totally independent, being 1/5th of total number of Director. The purpose of appointing non-executive and independent directors is first to provide the Board with knowledge, objectivity, and judgment and balance which may not be available if the Board consists only of full time executives; and secondly to ensure that the performance of the non-executive directors and the management of the Company are up to the standards required. Independent directors of LankaBangla bring their special expertise and knowledge to bear on the strategy and enterprise of the company. They each bring an independent judgement on





issues of conformance and performance.

6.4 Role and Responsibilities of the Board

Surrounded in the principles of corporate governance is that the Board has a fiduciary role responsible for setting the strategic direction and long-term goals of the company. As elected representatives of the shareholders, the Board is expected to use its integrity and capability to vet corporate strategies, policies, plans and major decisions, and to oversee and monitor management in the interests of the shareholders of LankaBangla. Key to good governance in LankaBangla is an informed and well-functioning Board of Directors.

Broadly, the responsibilities of the Board includes the following:

- ▶ Reviewing and approving overall business strategy, as well as organization structure, developed and recommended by management;
- ▶ Ensuring that decisions and investments are consistent with long-term strategic goals;
- ▶ Ensuring that LankaBangla is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- ▶ Overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems
- ▶ Providing oversight in ensuring that LankaBangla's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- ▶ Overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
- ▶ Reviewing any transaction for the acquisition or disposal of material assets.
- ▶ Ensuring that the necessary human resources are in place to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- ▶ Reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- ▶ Establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- ▶ Providing a balanced and understandable assessment of LBFL's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ▶ Ensuring that obligations to shareholders and others are understood and met; and

- ▶ Maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken

Statement on Directors' responsibilities is presented on page 97 of this Report.

6.5 Chairman of the Board of Directors

The Chairman of the Board is elected by the directors. The Board considers that the Chairman is independent.

6.6 Role of the Chairman

The Chairman leads the Board. The Chairman serves as the primary link between the Board and management, and works with the Managing Director and the Company Secretary to set the agenda for Board meetings. It is the Chairman's responsibility to provide leadership to the board and ensure that the Board works effectively and discharges its responsibility as directors of the Company.

6.7 Separation of the role of Chairman and the Managing Director

At LankaBangla, in accordance with the DFIM Circular No. 07, dated 25-09-2007, a clear division of responsibilities between The Chairman and The Managing Director, allows the Chairman to assume the formal role of an independent leader that chairs all Board meetings and lead the Board in its oversight of management. At annual general meetings and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management. Any questions from shareholders are attended to and addressed at such shareholder meetings.

6.7.1 The Chairman's responsibilities include

- ▶ Leading the board and ensuring its effective functioning.
- ▶ Setting the ethical tone for the board and company
- ▶ Setting the board's the agenda, in consultation with the Managing Director and the Group Company Secretary.
- ▶ ensuring that the board observes the highest standard of integrity and good governance
- ▶ Conveying feedback in a balanced and accurate manner between the board and Managing Director.

6.7.2 The Managing Director's responsibilities include

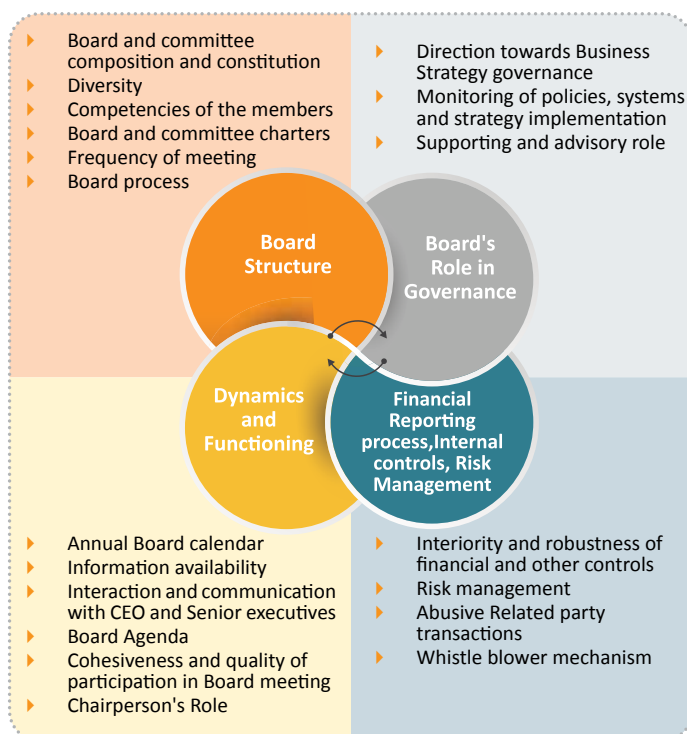
- ▶ Appointing the executive team and ensuring proper succession planning and performance appraisals
- ▶ Developing the company's strategy for consideration and approval by the board
- ▶ Developing and recommending budgets to the board that support the group's long-term strategy
- ▶ Monitoring and reporting to the board the performance of the group and its conformance with compliance laws
- ▶ Establishing an organisational structure for the group which is appropriate for the execution of its strategy
- ▶ Setting the tone for ethical leadership and creating an

ethical environment

- ▶ Ensuring that the group complies with all relevant laws and corporate governance principles.

6.8 Appraisal of Performance of the Board

The Board performs three major roles in LankaBangla- it provides direction (i.e. sets the strategic direction of the company), it controls (i.e. monitors the management), and provide support and advice. Board evaluation examines these roles of the Board and the entailing of responsibilities, and how effectively these are fulfilled by the Board. Appraisal of the performance of the Board is conducted considering the following parameters:



6.9 Annual Evaluation of Managing Director by the Board

Assessing the performance of the Managing Director is the responsibility of the entire Board. At LankaBangla, Managing Director's performance is monitored and constructive feedback is given by the Chair (after consultation with the board) on an on-going basis rather than once or twice a year only. The Board believes that this alerts him to potential issues or problem arising and provides opportunities for the Board and the Managing director to overcome them before they escalate.

6.10 Learning and Development Program of Directors

Each and every Directors are expected to make important contributions based on industry knowledge, understanding of the Business model of the company and the key challenges faced by the Group as a whole.

The Chairman ensures that all Directors receive a complete formal induction on joining the Board, facilitated by the MANCOM members which includes:

- ▶ A detailed overview of LBFL and its subsidiaries, its strategies, operational structure and core business activities
- ▶ General and statutory duties and responsibilities of a Director
- ▶ Comprehensive discussion with senior executives and business heads of the company
- ▶ Detailed induction program on risk profile and risk appetite of the Company and the Group.
- ▶ Directors are provided with the Code of Conduct for the Board members on general aspects of their Directorship and industry-specific matters.
- ▶ In case of any new rules, regulations or changes in existing regulations the Board is immediately informed of.
- ▶ In order to assist them, the Board is always kept updated on any development and changes in the business environment, risk and industry outlook.

6.11 Financial and Accounting Knowledge, Management Skills, Experience and Diversity of Directors

The board members' collective experience provides a balanced mix of attributes to fulfil its duties and responsibilities. The board's breadth of experience includes retail and investment banking, risk management, legal and regulatory, finance and accounting, marketing, public sector, remuneration and overall business. Four out of ten directors are current or former CEO or MD of different Banks and Financial Institutions at home and abroad.

One of the Board members is a Fellow Member of Chartered Institute of Management Accountant of United Kingdom. Among others, one of the Board Members worked as Controller General of Accounts, Ministry of Finance, Government of People's Republic of Bangladesh.

6.12 Retirement and Re-election of Directors

The Articles of Association requires one-third of the Board (being the longest in office) to retire from office every year at the annual general meeting. Therefore, by rotation, every director is required to submit themselves for re-nomination and re-election by shareholders at regular intervals of at least once every three years. A retiring Director shall be eligible for re-election.

6.13 Directors' Remuneration

Other than attending the meeting of the Board and its sub-committees Directors are not entitled to any remuneration to be paid by the company.

With reference to the Bangladesh Bank's DFIM Circular No. 13 dated November 30, 2015 each Director of LankaBangla Finance Limited is entitled to receive BDT 8,000 for attending each meeting of the Board and its Committees.

The details of the attendance along with the amount of the remuneration paid to the Directors for the meetings of the Board and its committees are given in the later segment of this report.

6.14 Directors' Report on Preparation and Presentation of Financial Statements and Corporate Governance

The Companies Act, 1994, requires the Directors to prepare financial statements for each accounting year. The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/ or other irregularities, selecting suitable accounting policies and applying those policies consistently and making reasonable and prudent judgments and estimates where necessary.

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on page 97 and 70 of this Annual Report.

6.15 IT Governance

Information Technology Governance forms an integral part of the NBFI's Corporate Governance. It deals primarily with optimizing the linkage between Strategic Direction and Information Systems Management of the Company. In this regard, implementation of the organizational structure with well-defined roles for the responsibility of information, business processes, applications, infrastructure, etc. generates value for our stakeholders while mitigating the risks associated with incorrect deployment and use of Information Technology.

6.16 Ethics and Compliance

LankaBangla has adopted more stringent policies than the prescribed guidelines issued by BSEC and has a policy against insider trading. LankaBangla employees are prohibited from dealing in securities of LankaBangla during the period commencing from two months before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the LankaBangla's stock broking subsidiary. The Board is committed to ensure highest level of Ethics and Compliance by itself and by the employees of LankaBangla. Statement on Ethics and Compliance is provided on page 103 of this Annual Integrated Report.

6.17 Human Capital

LankaBangla has always been very passionate about human capital management. Description about Human Resource policies and procedures are provided as Human Resource and Remuneration Committee Report from pages 100 to 101. Quantifiable information about Human resource and Human Capital is portrayed in details on pages 185 to 190 Human Resource Accounting and page 191 Human Capital.

Organizational Chart is given on page 52.

6.18 Whistle Blowing Policy

LBFL has a Whistle Blowing Policy in place, which serves as a channel for early identification of corporate fraud or risk by

ensuring that employees reporting legitimate concerns on potential wrongdoings occurring within the organization are guaranteed complete confidentiality. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Chairman of the Board Audit Committee. The procedure is made available through the intranet to ensure awareness by all employees.

6.19 Communication and Relationship with Stakeholders

LankaBangla strongly believes that all stakeholders of the company should have reasonable access to complete information on its activities, performance and product initiatives.

LankaBangla maintains an active dialogue with shareholders. It holds in-person briefing sessions or telephone conference calls with the media and analysts when quarterly results are released. All press statements and quarterly financial statements are published on the national Daily Newspapers and DSE & CSE websites. A dedicated investor relations team supports the Company's CEO, Chief Financial Officer (CFO) and Company Secretary in maintaining a close dialogue with institutional investors.

The Company embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts.

6.19.1 Communication through Quarterly Reports

LBFL reports to the shareholders four times a year through quarterly and half yearly report and a detailed Annual Report

6.19.2 Communication through Annual General Meeting (AGM)

The shareholders are always encouraged to attend the AGM and, in case of their inability to attend the meeting, to appoint proxies. LBFL believes that all shareholders have the right to attend the AGM where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest.

6.19.3 Communication through Digital Media

The company's website www.lankabangla.com is a robust website which displays details information about its general business activities, Annual Reports, Half-yearly Reports, Quarterly Reports, product offerings, recent announcements and event updates.

Disclosures required by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and listing regulations of Dhaka and Chittagong Stock Exchange are made promptly and adequately.

6.20 Environment and Social Obligation

At LankaBangla, we believe in concept of sustainable business, one that integrates good governance, environmental issues and social awareness with our business strategies to maximize value for stakeholders.

Accordingly, we has aligned our CSR initiatives to deliver on this

commitment and aid community empowerment and sustainable environment management in a suitable manner.

Details about Environmental and Social Obligation and Performance is portrayed on Sustainability Report pages 192-198 Green Banking pages 199-201 and statement on Corporate Social Responsibility pages 202-204.

7. LBFL's Vision, Mission and Strategies

7.1 Board approved Vision and Mission statements of the Company

The Board of Directors clearly sets the Vision, Mission and the Core Values of the Company, which is periodically reviewed by the Board.

LBFL's vision, mission and Core values are portrayed on page 01 of this Annual Integrated report

7.2 Strategies to achieve Company's Business Objectives

Aligned with our vision of maximising stakeholders' value and thus Growing Together our Strategic Focus areas are described on pages 182 to 184 of this Report.

8. Board and Board Committees

8.1 Board

8.1.1 Members and 2019 Meeting Attendances

Members and 2019 Meeting Attendances

Sl. No.	Name	Position	Appointment Date	No. of meeting held	Entitlement to attend	Attended
1	Mr. Mohammad A. Moyeen	Chairman	November 5, 1996	6	6	6
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	November 27, 2008	6	6	6
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	February 13, 2018	6	6	5
4	Mr. B. W. Kundanma (Alternate of Mrs. Aneesha Mahial Kundanmal)	Alternate Director	November 5, 1996	6	6	6
5	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	July 30, 2013	6	6	6
6	Mr. Mahbubul Anam	Director	November 5, 1996	6	6	3
7	Mr. Dr. M. Mahbubul Huque (Alternate of Mr. Tahsinul Huque)	Alternate Director	November 5, 1996	6	6	6
8	Mrs. Zaitun Sayef	Independent Director	July 31, 2016	6	6	4
9	Mr. Abdul Malek Shamsher	Independent Director	March 29, 2018	6	6	5

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mrs. Zaitun Sayef has expired on July 30, 2020 and subsequently reappointed for further three years.

8.1.2 Summary of Key Terms of Reference

- ▶ Provides effective leadership based on an ethical foundation
- ▶ Approves the strategy and ensures that the group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders
- ▶ Reviews the corporate governance and risk and capital management processes, and ensures that there is an effective risk management process throughout the group
- ▶ Delegate relevant authority to the Managing Director
- ▶ Determines the terms of reference and procedures of all board committees
- ▶ Reviews the board and committees' performance annually
- ▶ Reviews reports and minutes of board and committee meetings
- ▶ Ensures that the Group Audit Committee is effective and independent
- ▶ Considers and approves the audited annual financial statements and the annual integrated report, interim financial results, dividend announcements and notice to shareholders
- ▶ Monitors stakeholder relations
- ▶ Approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances
- ▶ Assumes ultimate responsibility for financial and IT governance, operational and internal systems of control, and ensures adequate reporting on these by the respective committees.



8.2 Audit Committee

8.2.1 Appointment of members and composition of the Audit Committee

LBFL's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC notification(s) and international best practices on corporate governance.

Composition of the Audit Committee consisting of an Independent Director and Non-Executive Directors.

In compliance with the DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and Corporate Governance guidelines of BSEC, the Committee consists of five (5) non-executive members of the Board including an Independent Director who is the Chairman of the Committee. The quorum of the meeting shall not be filled until and unless the Independent Director attends the meeting. The Company Secretary acts as the secretary of the Audit Committee.

Head of Internal Audit has direct access to the Audit Committee which can be ensured by our Corporate Organogram portrayed on page 52 Of this Report.

8.2.2 Members and 2019 Meeting Attendances

Sl. No.	Name	Position	No. of meeting held	Entitlement to attend	Attended
1	Mrs. Zaitun Sayef (Independent Director)	Chairperson	4	4	4
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	4	4	4
3	Mr. Mahbubul Anam	Director	4	4	3
4	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	4	4	1
5	Mr. Abdul Malek Shamsher (Independent Director)	Director	4	4	3

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mrs. Zaitun Sayef has expired on July 30, 2020 and subsequently reappointed for further three years.

8.2.3 Qualification of the members including the Chairman:

All the members of the Audit Committee including the Chairman vastly experienced with strong professional background. Details profile of Audit Committee members are provided on note 40 of the financial statements.

8.2.4 Summary of key terms of reference:

8.2.4.1 External audit

- ▶ Assesses the independence and effectiveness of the external auditors on an annual basis
- ▶ Oversees the appointment of external auditors, their terms of engagement and fees
- ▶ Reviews significant differences of opinion between external auditors and management
- ▶ Reviews the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensures that management takes appropriate action to satisfactorily resolve any issues
- ▶ Annually reviews and approves the policy setting out the nature and extent for using external auditors for non-audit work.

8.2.4.2 Internal Audit and Financial Crime

- ▶ Reviews, approves and monitors the internal audit plan
- ▶ Reviews and approves the internal audit charter as per the board's delegated authority
- ▶ Considers and reviews the internal auditors' significant findings and management's response
- ▶ Annually re-evaluates the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system
- ▶ Reviews the reports and activities of the financial crime to ensure the mitigation and control of fraud and related risks.

8.2.4.3 Compliance

- ▶ Reviews, approves and monitors the group's compliance plan
- ▶ Monitors compliance with the Companies Act, Financial Institutions Act, the BSEC Rules and Listings Requirements, and all other applicable legislation and governance codes.

8.2.4.4 Financial Reporting and Financial Controls

- ▶ Reviews the group's audited annual financial statements, interim financial results, summarised financial information, dividend announcements and all financial information in the annual report and recommends them to the board for approval
- ▶ Evaluates the adequacy and effectiveness of the group's accounting policies and all proposed changes in accounting policies and practices
- ▶ Reviews the basis for determination as a going concern
- ▶ Reviews the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced including financial reporting risks and internal financial controls
- ▶ Reviews the impact of new financial systems, tax and litigation matters on financial reporting
- ▶ Monitors the maintenance of proper and adequate accounting records, and the overall financial and operational environment

8.2.4.5 Risk Management

- ▶ Reviews the quarterly risk management report noting all significant financial and non-financial risks that may have an impact on the group.
- ▶ Considers any significant matters raised at RMC meetings.

8.2.4.6 Information Technology

- ▶ Considers the auditors' use of relevant technology and techniques to improve audit coverage and audit efficiency
- ▶ Considers the impact of IT on financial controls.

8.2.5 Summary of Key Focus Areas in 2019

- ▶ Reviewed the financial information published by the group, including the content of the annual report and all other financial reports such as the annual financial statements and interim reports, and recommended them to the board for approval
- ▶ Evaluated financial accounting and reporting issues that affected the group
- ▶ Reviewed, approved and monitored the external audit, internal audit and compliance plans
- ▶ Considered tax matters, including current and upcoming tax legislation
- ▶ Considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required
- ▶ Considered the group's external auditors' annual assessment of internal audit against the International Standards on Auditing, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of the external audit
- ▶ Considered the routine independent quality assurance review of audit execution, the results of which confirmed that internal audit had generally conformed with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing
- ▶ Considered the requirements of the Companies Act in terms of assessing the independence of external auditors
- ▶ Approved the audit committee report for publication in the financial statements

8.2.6 Board Audit Committee Report

Board Audit Committee Report is given in pages 94-96.

8.3 Executive Committee

8.3.1 Members and 2019 Meeting Attendances

Sl. No.	Name	Position	No. of meeting held	Entitlement to attend	Attended
1	Mr. Mohammad A. Moyeen	Chairman	5	5	3
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Member	5	5	5
3	Mr. Mahbubul Anam	Member	5	5	4
4	Mrs. Zaitun Sayef (Independent Director)	Member	5	5	3

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.
- ▶ The tenure of office of Independent Director, Mrs. Zaitun Sayef has expired on July 30, 2020 and subsequently reappointed for further three years.



8.3.2 Summary of Key Terms of Reference

The primary responsibility of the Board Executive Committee is to provide advice and support the Chief Executive Officer and the Senior Management of the Company on strategic and business decision making within the guidelines of the Board and the regulatory authorities. Delegated authority to the Board Executive Committee (BEC) includes the followings:

- ▶ To review and give approval of lease/loan proposal of the management, if deemed appropriate.
- ▶ To give approval on fixation of interest rate against the facilities.
- ▶ To review and monitor the recovery process particularly classified loan/leases.
- ▶ To address the issues that may be assigned by the Board.

If in the Committee's opinion, any matter arises in the course of exercising the delegated authority that warrants the attention of the Board, the Committee will refer that to the Board for its direction or resolution.

The Company Secretary of LankaBangla Finance Limited shall act as Secretary to the Committee and ensure the followings:

- ▶ Maintenance of the records of the Committee including the Terms of Reference as approved by the Board of the Company together with any variation to those Terms of Reference from time to time.
- ▶ Preparation of minutes of the meeting of the Committee and place the same to the following meeting of the Board on regular basis.

8.3.3 Summary of Key Focus Areas in 2019

Approval of Loans and advances amounted up to One Hundred Crore.

Annexure-A
[As per condition No. 1(5)(xxvi)]

June 07, 2020

The Board of Directors
LankaBangla Finance Limited
Safura Tower (Level-11),
20 Kemal Ataturk Avenue,
Dhaka 1213.

Subject: Declaration on Financial Statements for the year ended on December 31, 2019

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 3, 2018 under section 2CC of the Bangladesh Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of LankaBangla Finance Limited for the year ended on December 31, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concerns basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:-

- (i) We have reviewed the financial statements for the year ended on December 31, 2019 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



Khwaja Shahriar
Managing Director and CEO



Shamim Al Mamun FCA
Chief Financial Officer





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Mohakhali, Dhaka-1206, Bangladesh
Ph : +88-02-9885210
E-mail : info@amc-bd.com
www.amc-bd.com

Annexure-B

[Certificate as per condition No. 1(5)(xxvii)]

Report to the Shareholders of LankaBangla Finance Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by LankaBangla Finance Limited for the year ended on December 31, 2019 This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is satisfactory.

Place: Dhaka
Dated: June 08, 2020

Ahsan Manzur & Co.
Chartered Accountants



House: 373 (2nd Floor), Road: 28, DOHS
Mohakhali, Dhaka-1206, Bangladesh
Ph : +88-02-9885210
E-mail : info@amc-bd.com
www.amc-bd.com

Annexure-C [As per condition No. 1(5)(xxvii)]

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	Board of Directors			
1(1)	Board's size shall not be less than 5 and more than 20 (twenty)	✓		
1(2)	Independent Directors			
1(2) (a)	Independent director: At least 1/5th of the total number of directors	✓		
1(2)(b)	Independent Director means			
1(2)(b)(i)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company	✓		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years	✓		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market	✓		
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code	✓		
1(2)(b)(viii)	Who is not independent director in more than 5 (five) listed companies	✓		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude	✓		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM)			
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	✓		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only	✓		
1(3)	Qualification of Independent Director			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company	✓		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law	✓		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	✓		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification	✓		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)	✓		
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission			N/A
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals	✓		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company	✓		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company	✓		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer	✓		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes	✓		
1(5)	The Directors' Report to Shareholders shall include			
1(5)(i)	An industry outlook and possible future developments in the industry	✓		
1(5)(ii)	The segment-wise or product-wise performance	✓		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any	✓		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1(5)(v)	Discussion on continuity of any extraordinary activities and their implications (gain or loss)			N/A
1(5)(vi)	Discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions	✓		
1(5)(vii)	Utilization of proceeds raised through public issues, rights issues and/or any other instruments			N/A
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights share Offer, Direct Listing, etc.			N/A
1(5)(ix)	If significant variance that occurs between Quarterly Financial performances and Annual Financial Statements			N/A
1(5)(x)	Remuneration paid to the directors including independent directors	✓		
1(5)(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
1(5)(xii)	Proper books of account of the issuer company have been maintained	✓		



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	✓		
1(5)(xiv)	International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed	✓		
1(5)(xv)	The system of internal control is sound in design and has been effectively implemented and monitored	✓		
1(5)(xvi)	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	✓		
1(5)(xvii)	There is no significant doubt upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed	✓		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained	✓		
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year			N/A
1(5)(xxi)	Board's statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend	✓		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director	✓		
1(5)(xxiii)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details) held by	✓		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details)	✓		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details)	✓		
1(5)(xxiii)(c)	Executives (top 5 (five)) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance	✓		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details)			N/A
1(5)(xxiv)	Appointment or reappointment of a director, a disclosure on the following information to the shareholders:			
1(5)(xxiv)(a)	Brief resume of the director	✓		
1(5)(xxiv)(b)	Nature of his or her expertise in specific functional areas	✓		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board	✓		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes.	✓		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof	✓		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe	✓		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;	✓		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM	✓		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	✓		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C	✓		
1(6)	Meetings of the Board of Directors			
1(6)	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code	✓		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company	Please refer to the note given below:		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency			
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company	✓		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company	✓		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company	✓		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC)	✓		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals	✓		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time	✓		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS	✓		

Note: As explained in note under condition number 6, since no NRC was formed code of conduct for the Chairperson of the Board, other board members and Chief Executive Officer of the company remained pending.



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s)	✓		
3(2)	Requirement to attend Board of Directors' Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board	✓		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members	✓		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report	✓		
4	Board of Directors' Committee			
	For ensuring good governance in the company, the Board shall have at least following sub- committees:			
4(i)	Audit Committee	✓		
4(ii)	Nomination and Remuneration Committee			Please refer to the note given under condition number 6
5	Audit Committee:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board	✓		
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing	✓		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members	✓		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director	✓		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience	✓		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee	✓		
5(2)(e)	The company secretary shall act as the secretary of the Committee	✓		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓		
5(3)	Chairperson of the Audit Committee			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes	✓		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM)	✓		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year	✓		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must	✓		
5(5)	Role of Audit Committee			
5(5)(a)	Oversee the financial reporting process	✓		
5(5)(b)	Monitor choice of accounting policies and principles	✓		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report	✓		
5(5)(d)	Oversee hiring and performance of external auditors	✓		
5(5)(e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption	✓		
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval	✓		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval	✓		
5(5)(h)	Review the adequacy of internal audit function	✓		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report	✓		
5(5)(j)	Review statement of all related party transactions submitted by the management	✓		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors	✓		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;	✓		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission. Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.	✓		
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a) (i)	The Audit Committee shall report on its activities to the Board	✓		
5(6)(a) (ii)	The Audit Committee shall immediately report to the Board on the following findings, if any:			
5(6)(a) (ii) (a)	Conflicts of interests			N/A
5(6)(a) (ii) (b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements			N/A



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		Complied	Not Complied	
5(6)(a) (ii) (c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations			N/A
5(6)(a) (ii) (d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately			N/A
5(6)(b)	Reporting to the Authorities If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier			N/A
5(7)	Reporting to the Shareholders and General Investors Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.			N/A
6	Nomination and Remuneration Committee (NRC)	Please refer to the note given below:		
6(1)	Responsibility to the Board of Directors			
6(1) (a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;			
6(1) (b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			
6(1) (c)	The Terms of Reference (TOR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b)			
6(2)	Constitution of the NRC			
6(2) (a)	The Committee shall comprise of at least three members including an independent director			
6(2) (b)	All members of the Committee shall be non-executive directors			
6(2) (c)	Members of the Committee shall be nominated and appointed by the Board			
6(2) (d)	The Board shall have authority to remove and appoint any member of the Committee			
6(2) (e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee			
6(2) (f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee			
6(2) (g)	The company secretary shall act as the secretary of the Committee			
6(2) (h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director			
6(2) (i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company			

Note: As per DFIM Circular number 18 dated October 26, 2011 no Non-Banking Financial Institution can constitute any permanent or temporary or any sub-committee of the Board except the Executive Committee and Audit Committee. Since there is clear contradiction between the regulations of Bangladesh Bank and Bangladesh Securities & Exchange Commission, LankaBangla Finance Limited kept formation of Nomination and Remuneration Committee pending.



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(3)	Chairperson of the NRC			
6(3) (a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director			
6(3) (b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes			
6(3) (c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the annual general meeting (AGM) for answering the shareholder's queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM			
6(4)	Meeting of the NRC			
6(4) (a)	The NRC shall conduct at least one meeting in a financial year			
6(4) (b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC			
6(4) (c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h)			
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders			
6(5) (b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board			
6(5) (b) (i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following			
6(5) (b) (i) (a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully			
6(5) (b) (i) (b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks			
6(5) (b) (i) (c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals			
6(5) (b) (ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality			
6(5) (b) (iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board			
6(5) (b) (iv)	Formulating the criteria for evaluation of performance of independent directors and the Board			
6(5) (b) (v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria			
6(5) (b) (vi)	Developing, recommending and reviewing annually the company's human resources and training policies			
6(5) (c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report			



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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
7	External or Statutory Auditors :			
7 (1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:			
7 (1) (i)	Appraisal or valuation services or fairness opinions;	✓		
7 (1) (ii)	Financial information systems design and implementation;	✓		
7 (1) (iii)	Book-keeping or other services related to the accounting records or financial statements;	✓		
7 (1) (v)	Actuarial services;	✓		
7 (1) (vi)	Internal audit services or special audit services	✓		
7 (1) (vii)	Any service that the Audit Committee determines	✓		
7 (1) (viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	✓		
7 (1) (ix)	any other service that creates conflict of interest.	✓		
7 (2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company	✓		
7 (3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders	✓		
8	Maintaining a website by the Company –			
8 (1)	The company shall have an official website linked with the website of the stock exchange.	✓		
8 (2)	The company shall keep the website functional from the date of listing	✓		
8 (3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s)	✓		
9	Reporting and Compliance of Corporate Governance:			
9 (1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report	✓		
9 (2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	✓		
9 (3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	✓		





Statement of compliance on the Good Governance guideline issued by the Bangladesh Bank, vide the DFIM Circular No. 7 dated 25 September 2007, Bangladesh Bank issued a policy on responsibility & accountability of Board of Directors, Chairman & Chief Executive of the financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines and implemented the same.

Sl. No.	Particulars	Compliance Status
1.	Responsibilities and authorities of the Board of Directors:	
	(ka) Work-planning and strategic management:	
	(1) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
	(2) The Board shall have its analytical review incorporated in the Annual report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies.	Complied
	(3) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
	(kha) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off , rescheduling etc.) arisen from the regular business activities.	Complied
	(Ga) Financial management:	
	(1) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(2) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
	(3) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	Complied
	(4) The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(Gha) Management of loan/lease/investments:	
	(1) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(2) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(3) Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
	(Uma) Risk management:	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(Ca) Internal control and compliance management:	



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Sl. No.	Particulars	Compliance Status
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied
	(Cha) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(Ja) Appointment of CEO:	
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
	(Jha) Benefits offer to the Chairman:	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
2.	Responsibilities of the Chairman of the Board of Directors:	
	(Ka) Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(Kha) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(Ga) Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
03.	Responsibilities of Managing Director:	
	(Ka) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(kha) For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(Ga) All recruitment/promotion/training, except those of DMD, GM and equivalent positions shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the company;	Complied
	(Gha) Managing Director may re-schedule job responsibilities of employees;	Complied
	(Uma) Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary actions shall be vested to the Managing Director:	Complied
	(Cha) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied



COMPLIANCE REPORT ON BSEC'S NOTIFICATION

1. Compliance of section 1.5 (xxii)

Board of Directors meeting held during the year 2019 and attendance by each Director:

Sl. No.	Composition of the Board		No. of meeting held	Entitlement to attend	Attended
	Name	Position			
1	Mr. Mohammad A. Moyeen	Chairman	6	6	6
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	6	6	6
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	6	6	5
4	Mr. B. W. Kundanma (Alternate of Mrs. Aneesha Mahial Kundanmal)	Alternate Director	6	6	6
5	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	6	6	6
6	Mr. Mahbubul Anam	Director	6	6	3
7	Mr. Dr. M. Mahbubul Huque (Alternate of Mr. Tahsinul Huque)	Alternate Director	6	6	6
8	Mrs. Zaitun Sayef	Independent Director	6	6	4
9	Mr. Abdul Malek Shamsher	Independent Director	6	6	5

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.

Board of Executive Committee meeting held during the year 2019 and attendance by each Director:

Sl. No.	Composition of the Committee		No. of meeting held	Entitlement to attend	Attended
	Name	Position			
1	Mr. Mohammad A. Moyeen	Chairman	5	5	3
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Member	5	5	5
3	Mr. Mahbubul Anam	Member	5	5	4
4	Mrs. Zaitun Sayef (Independent Director)	Member	5	5	3

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.

Board of Audit Committee meeting held during the year 2019 and attendance by each Director:

Sl. No.	Composition of the Committee		No. of meeting held	Entitlement to attend	Attended
	Name	Position			
1	Mrs. Zaitun Sayef (Independent Director)	Chairperson	4	4	4
2	Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director	4	4	4
3	Mr. Mahbubul Anam	Director	4	4	3
4	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	4	4	1
5	Mr. Abdul Malek Shamsher (Independent Director)	Director	4	4	3



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www.amc-bd.com

Notes:

- ▶ Directors who could not attend meetings were granted leave of absence by the Board.

2. Compliance of Section 1.5(xxi)**The Pattern of Shareholding**

a) Parent/Subsidiary/Associated Companies and other related party

Sl. No.	Name	Relation	Shares Held
1	Sampath Bank PLC	Related Party	48,606,291

b) Directors, Chief Executive Officer/Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:

Sl. No.	Name	Designation	Shares Held
1	Mr. Mohammad A. Moyeen	Chairman	21,754,807
2	Mr. I.W. Senanayake	Representative of Sampath Bank PLC	48,606,291
3	Mr. Nanda Fernando		
4	Mr. M. Fakhru Alam	Representative of ONE Bank Limited	19,393,083
5	Mr. Mahbubul Anam	Director	22,855,945
6	Mrs. Aneesha Mahial Kundanmal	Director	39,527,471
7	Mr. Tahsinul Huque	Director	19,994,004
8	Mrs. Zaitun Sayef	Independent Director	Nil
9	Mr. Abdul Malek Shamsher	Independent Director	Nil
10	Mr. Khwaja Shahriar	Managing Director	Nil
11	Mr. Mostafa Kamal FCA	Company Secretary	Nil
12	Mr. Mohammed Kamrul Hasan FCA	Head of Internal Audit	Nil
13	Mr. Shamim Al Mamun FCA	Chief Financial Officer	Nil

c) Executives (top five salaried employees of the company, other than Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance)

Sl. No.	Name	Designation	Shares Held
1	Mr. AKM Kamruzzaman FCMA	Senior Executive Vice President	Nil
2	Mr. Khurshed Alam	Senior Executive Vice President	Nil
3	Mr. Quamrul Islam	Senior Executive Vice President	Nil
4	Mr. Mohammad Shoaib	Executive Vice President	13,061
5	Mr. Mohammad Faruk Ahmed Bhuya	Senior Vice President	4,945

d) Shareholding ten percent (10%) or more voting interest in the company: None



BOARD AUDIT COMMITTEE REPORT

1. The Composition of the Committee

In accordance with the currently accepted Best Practice and Corporate Governance Guidelines, the Board appointed Audit Committee comprising of the following Directors of the Company:

- ▶ Mrs. Zaitun Sayef, Independent Director (Chairperson)
- ▶ Mr. Mahbubul Anam
- ▶ Mr. M. Fakhru Alam
- ▶ Mr. Nanda Fernando
- ▶ Mr. Abdul Malek Shamsheer, Independent Director

The Chairperson of the Committee was Deputy Managing Director of a Scheduled Commercial Bank in Bangladesh and possesses considerable experience in the field of business, credit and financial management of banking sector. The Portfolios of the members are given in pages 40 to 44.

The Committee is responsible and reports to the Board of Directors. The Managing Director and the Chief Financial Officer attend committee meetings by invitation. The Board Secretary functions as the Secretary of the Committee.

2. The Charter of the Audit Committee

The Audit Committee charter is periodically reviewed and revised with approval of the Board of Directors. The Terms of Reference of Audit Committee is clearly defined in the Charter of the Audit Committee. The process ensures that new developments and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activity regularly. The functions of the committee are geared to assist the Board in its general oversight on financial reporting, internal audit, governance, internal controls, risk management and external audit.

Bangladesh Bank's DFIM Circular No. 13, dated; 26/10/2011, on formation of Audit Committee and its subsequent amendments and The "Corporate Governance Code" issued by Bangladesh Securities and Exchange Commission (BSEC) vide notification no. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June, 2018, for listed companies further regulate the compositions, roles and functions of the Audit Committee.

3. Terms of Reference

The Terms of Reference of the Audit Committee clearly defines the roles and responsibility of the Audit Committee. The Terms of Reference is periodically reviewed and revised with the concurrence of the Board of Directors. The Audit is responsible to and reports to the Board of Directors. The Role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the "Corporate Governance Code" issued by the Bangladesh Securities and Exchange Commission (BSEC) and Guidelines on Corporate Governance & Responsibilities of Audit Committee issued by Bangladesh Bank.

4. Roles and responsibilities of the Audit Committee

The role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the Guidelines of Bangladesh Bank on 'Corporate Governance for NBFIs in Bangladesh' and also "Corporate Governance Code" by the Bangladesh Securities and Exchange Commission. The main objective of the Audit Committee is to assist the Board

of Directors to effectively carry on its responsibilities relating to financial and other connected affairs of LankaBangla. The Committee is empowering to monitor, review and examine:

- ▶ The integrity of the financial statements of LBFL and all subsidiaries;
- ▶ The Company's external auditors' qualifications and independence, the performance and effectiveness of the Company's internal and external audits, internal controls and the measurement of operational risk, and the compliance by the Company with legal and regulatory requirements.
- ▶ Examine any matter relating to the financial and other connected to the company.
- ▶ Monitor all internal and external audit and Bangladesh Bank's inspection program.
- ▶ Review the efficiency of Internal Control systems and procedures, in place.
- ▶ Review the quality of Accounting Policies and their adherence to Statutory and Regulatory Compliance.
- ▶ Review the Company's Annual Report and Accounts and Interim Financial Statements prepared for disclosure, before submission to the Board.
- ▶ Ensure that a well-managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
- ▶ Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

5. Meetings

The Committee held on four (4) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 76. Members of the senior management of the company were invited to participate at meetings as and when required. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors. On invitation of the Committee, the Engagement Partner of Company's external auditors, S F Ahmed & Co, Chartered Accountants attended two (2) Committee meetings during the year. The Committee continued guiding the management with the selection of the new Accounting Policies which is required under the aforesaid new Accounting Standards and implementing same.

6. Activities

The Committee carried out the following activities during the year 2019:

6.1 Financial Reporting

The Committee supports the Board of Directors to discharge their responsibility for the preparation of Financial Statements that reflect a true and fair view of the financial performance and financial position based on the Company's accounting records and in terms of the Bangladesh Accounting Standards, by:

- ▶ Reviewing the systems and procedures to ensure that all transactions are completely and accurately recorded in the books of account.
- ▶ Reviewing the effectiveness of the financial reporting system

in place to ensure reliability of the information provided to the stakeholders.

- ▶ Reviewing the Accounting Policies and to determine the most appropriate accounting policies after consideration of all choices available.
- ▶ Strict adherence and compliance with the Bangladesh Accounting Standards and recommended best accounting practices.
- ▶ Reviewing the Annual Report and Accounts and the Interim Financial Statements prepared for publication, prior to submission to the Board.

Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position is well monitored.

6.2 Regulatory Compliance

The Company's procedures in place to ensure Compliance with Mandatory Bangladesh Bank's instructions and statutory requirements were under close scrutiny. The Committee monitors the due compliance with all requirements through the quarterly statements submitted by the Internal Audit Department. The Committee monitors the due compliance with all requirements through the quarterly statements submitted by the Internal Audit Department. The Committee monitors due compliance with all relevant Laws, Regulations and timely settlements of Statutory dues.

6.3 Identification of Risk and Control measures

In view the fact LankaBangla has adopted a risk-based audit approach, the effectiveness of internal control procedures in place to identify and manage all significant risks are being reviewed by the Committee throughout the Company and other Group entities. The Risk Management was invited to make presentations on Risk Management measures adopted in their areas of responsibility. Risk rating guidelines with an appropriate Risk Grading Matrix has been formulated for assessing and measuring the operational risks identified during inspections. The Committee seeks and obtains the required assurances from the Business Units on the remedial action in respect of the identified risks in order to maintain the effectiveness of internal control procedures in place.

6.4 Corporate Governance Report

As required by the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/207/Admin/80, dated; 03 June 2018 Corporate Governance for Licensed Financial Institutions in Bangladesh, Annual Corporate Governance Report for 2019 is provided on pages 70 to 78. The external auditors have performed procedures set out by the Bangladesh Securities and Exchange Commission (BSEC), to meet the compliance requirement of the Corporate Governance directive. Their findings presented in their report, addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on pages 80 to 93.

6.5 Internal Audit Function

The Audit Committee approves the terms of reference of internal

audit and reviews the effectiveness of the internal audit function. In line with leading practice, it to provide independent and reasonable, but not absolute, assurance that the LankaBangla system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Internal Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Internal Audit has implemented risk-based audit processes. Audit work is prioritized and scoped according to an assessment of risk exposures, including not only financial risks, but operational, compliance and strategic risks as well.

The work undertaken by Internal Audit includes the audit of the Company's system of internal controls over its key operations, review of security and access controls for the Company's computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Internal Audit also participates in major new system developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Company complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies. The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Internal Audit reports functionally to the Audit Committee and administratively to the Managing Director, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. The Audit Committee approves the appointment and removal of the Head of Internal Audit.

6.6 External Audit

The Committee met with the Auditors prior to commencement and at the conclusion of the Annual Audit to discuss the audit scope, approach and methodology to be adopted and the findings of the audit. The Committee subsequently reviewed the external auditor's findings in order to be satisfied that appropriate action is being taken. Non-Executive Directors had separate meetings with Auditors to ensure they had no cause to compromise on their independence. Auditors' Management Letter together with the Management's response thereto and the Audited Financial Statements were reviewed with the Auditors. The Committee reviewed the non-audit services provided by the Auditors to ensure that such services do not fall within the restricted services and provision of such services does not impair the External Auditors independence and objectivity.

6.7 Internal Controls

The Board believes, with the concurrence of the Audit Committee, that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Company's



management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment. The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

6.8 Ethics and Good Governance

Highest standards in Corporate Good Governance and strict adherence to the requirements of LBFL's Code of Ethics are ensured through close monitoring. Through the Code of Ethics all levels of staff have been educated and encouraged to resort to whistle blowing, when they suspect wrong doings or other improprieties. The Committee also ensures that appropriate procedures are in place to conduct independent investigations into all such incidents.

6.9 International Accounting Standards

The Committee continued to monitor the progress of the mandatory implementation of Bangladesh Accounting Standards (BAS) with converged with International Financial Reporting Standards (IFRS). Committee reviewed the revised policy

decisions relating to adoption of new and revised BAS applicable to the Financial Institutions and made recommendations to the Board.

6.10 Appointment of the External Auditor

The Audit Committee has recommended to the Board of Directors that M/s. S. F. Ahmed & Co., Chartered Accountants, may be appointed for the financial year ending 31 December 2020, subject to the approval of shareholders at the next Annual General Meeting.

7. Evaluation of the Committee

An evaluation on the effectiveness of the Committee was carried out by the other Members of the Board of Directors and the Committee has been found to be effective.



Zaitun Sayef
Chairman – Audit Committee

Dhaka
22 March, 2020

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The statement sets out the responsibility of the Directors, in relation to the Financial Statements of LankaBangla Finance Limited (The Company) and the Consolidated Financial Statements of the Company and its subsidiaries (Group). The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Auditors' Report" given on page 211.

In terms of sections 181, 183, 185, 186, 187 and 189 of the Companies Act, 1994 (Act XVIII of 1994), the Directors of the Company are responsible for ensuring that the Group and the Company keep proper books of accounts of all transactions and prepare Financial Statements that gives a true and fair view of the financial positions of the Company and the Group for each financial year and place those before a general meeting. The Financial Statements comprises of the Balance Sheets as on 31 December 2019, Profit and Loss Accounts, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and notes thereto.

Accordingly, the Directors confirms that the Financial Statements of the Company and the Group give a true and fair view of:

- ▶ The financial position of the Company and the Group as on 31 December 2019; and
- ▶ The financial performance of the Company and the Group for the financial year then ended.

Compliance Report

The Board of Directors also confirms that:

- ▶ Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 231 to 251 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substances of transactions are properly reflected and material departures, if any, have been disclosed and clarified;
- ▶ The Financial Statements for the year 2019, prepared and presented in this annual report have been prepared based on the International Accounting Standards (IAS) are in agreement with the underlying books of account and are in conformity with the requirements of the International Financial Reporting Standards (IFRS), the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws & regulations;
- ▶ These Financial Statements comply with the prescribed format issued by the Bangladesh Bank vide DFIM Circular No. 11, dated; 23/11/2009 for the preparation of annual Financial Statements of financial institutions;
- ▶ Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by section 181 of the Companies Act, 1994 to determine at any point of time the Company's financial position, in accordance with the Act to facilitate proper audit of the Financial Statements;
- ▶ The Directors have taken appropriate steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the report of the Audit Committee is given in pages 94 to 96. The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee;
- ▶ The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;

- ▶ The Directors also have taken reasonable measures to safeguard the assets of the Company and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of financial institution in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The Directors' Statement on Internal Control is given in page 98 of this Annual Report;
- ▶ To the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the reporting date have been paid or, where relevant, provided for ;
- ▶ As required by Sections 183(2) of the Companies Act, 1994, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholders of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy of the Annual Report within the stipulated period of time as required by the Clause 22 of the Listing Regulations 2015 of Dhaka and Chittagong Stock Exchanges;
- ▶ That all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- ▶ That after considering the financial positions, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Corporate Governance" issued separately by Bangladesh Securities and Exchange Commission and Bangladesh Bank for the financial institutions, the Directors have a reasonable expectation that the Company and its Subsidiaries possess adequate resources to continue its operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements;
- ▶ The Financial Statements of the Company and the Group have been signed by two Directors, the Managing Director and the Company Secretary of the Company on 08 June, 2020 as required by Section 189(1) of the Companies Act, 1994 and other regulatory requirements;
- ▶ The Company's External Auditors, S. F. Ahmed & Co. who were appointed in terms of Section 210 of the Companies Act, 1994 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears on page 211.

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

By Order of the Board



Mostafa Kamal, FCA
Group Company Secretary

Dhaka, 08 June 2020

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

As per the Bangladesh Bank's DFIM Circular No. 07, dated; 25-09-2007, DFIM Circular Letter No. 09, dated; 08-10-2007, DFIM Circular Letter No. 18, dated; 26-10-2011 and DFIM Circular Letter No. 06, dated; 17-06-2012, which clearly define the Responsibility of the Board of Directors on Internal Control of the Company.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of internal controls of LankaBangla Finance Limited (LBFL). However, such a system is designed to manage the LBFL's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes in business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of FIs in accordance with DFIM Circulars on Internal Control issued by Bangladesh Bank. As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key risk areas of the Company.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation and monitoring of suitable internal controls to mitigate and control those risks. The Board is of the view that the system of internal controls in place are sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Significant Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- ▶ The Board Sub Committees are established to assist the Board in ensuring:
 - the effectiveness of the LBFL's daily operations.
 - that LBFL's operations are in accordance with the corporate objectives and strategies.
 - that the operations of the Company are in line with the annual budget as well as the policies and business directions that have been approved by the Board.
- ▶ The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on majority of units and branches, the frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.

- ▶ The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of the same. The minutes of the Audit Committee meetings are tabled for the information to the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 94 to 96.
- ▶ The Risk Management Forum (RMF) is established to assist the Board to oversee the overall management of principal areas of risk of the Company. The Risk Management Forum which includes representation from all key business and operating units of the Company, assists the Board with the implementation of policies advocated at the Board Audit Committee.
- ▶ Board Executive Committees have also been established with appropriate empowerment to ensure effective management and supervision of LBFL's core areas of business operations and investments.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an ongoing basis.

The Company adopted the International Accounting Standards comprising IAS & IFRS. Since adoption of such International Accounting Standards, progressive improvements on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made whilst, further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures. They also recognized the need to introduce an automated financial reporting process to more effectively comply with the requirements of recognition, measurement, classification and disclosures of financial instruments. The assessment did not include subsidiaries of the Company. The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement those.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Bangladesh Accounting Standards and regulatory requirements of the Bangladesh Bank and Bangladesh Securities and Exchange Commission.



Mohammad A Moyeen
Chairman

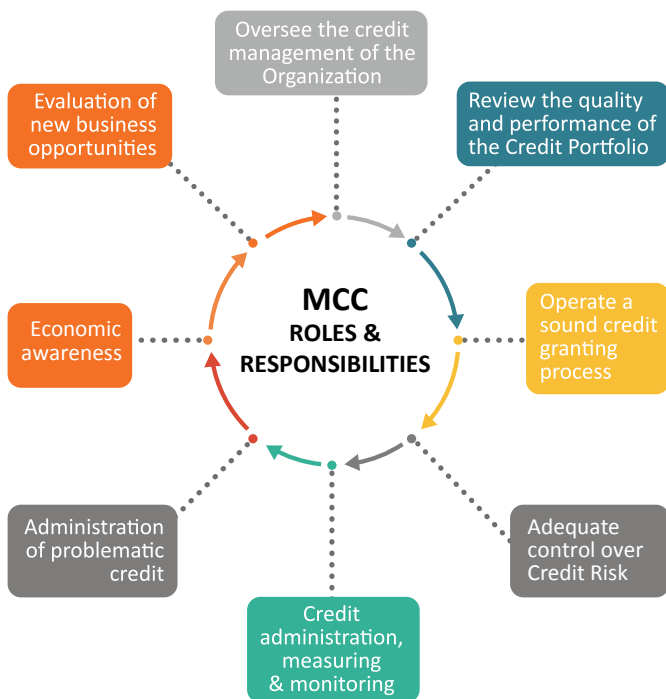
Dhaka, 08 June 2020

MANAGEMENT CREDIT COMMITTEE REPORT

Composition of the Management Credit Committee (MCC)

The following members who serve on the Committee are:

Sl.	Name	Designation	Position in the Committee
1	Khwaja Shahriar	Managing Director	Member
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Service	Member
4	Mohammad Nazmul Hasan Tipu, CFA	Chief Credit Officer	Member Secretary
5	Mohammad Shoab	Head of Corporate Financial Service	Member
6	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member



Duties and responsibilities:

The purpose of the Committee is to oversee the credit and lending decisions & strategies. This includes:

- Overseeing the credit management, including reviewing internal Credit Policies/PPGs, Delegation of Credit Approval authority and establishing portfolio limits.
- Recommending credit related proposals to the Board Executive Committee/Board for approval.
- Reviewing the quality and performance of the credit portfolio.

In addition, the Committee is responsible for any other matters delegated to it by the Board. Hence, it is the responsibility of the Committee to:

1. Operate a sound credit granting process

- Review and approve credit proposals in accordance with Board approved credit policies and standards. Where required, submit credit requests beyond the Committee's scope to the Board Executive Committee/Board for a decision.

- Review credit policy changes including Delegation of Credit Approval Authority initiated by the management of the FI and recommend them to the Board of Directors for its approval.
- Ensure compliance by the FI's credit policies with the statutory requirements prescribed by the regulatory/supervisory authorities.
- Request rapid portfolio reviews or sector/industry reviews, where deemed appropriate.

2. Maintain adequate controls over credit risk

- Monitor capital allocation and define limits in line with risk appetite.
- Ensure credit risk exposure is kept within acceptable limits to maximise the FI's risk adjusted rate of return.

3. Maintain appropriate credit administration, measuring and monitoring process

- Review credit approval framework and assign credit delegated limits in line with the FI's policy.
- Review and recommend to the Board, facilities that they believe should have Board approval.

4. Identification and Administration of problem credits

- Monitor on an ongoing basis the FI's credit quality, review periodic credit portfolio reports and assess portfolio performance.
- Ensure post-credit monitoring and postmortem reviews are performed, where deemed appropriate.

5. Aware of the cyclical aspects of the economy (both internal and external)

- Monitor the resulting shifts in the composition and quality of the loan portfolio.

6. Ensure all new credit risk related products are reviewed from a credit risk management perspective.

Review of the committee

Members of the Committee work closely with the Board of Directors to maintain proper credit standards for the FI. The Board undertakes a review of the Committee's performance, objectives and responsibilities according to its terms of reference to ensure that it is operating effectively.

HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

1. Overview

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla guards with care the great resource of intelligent, experienced, disciplined, clear-thinking and energetic people who continuously drive growth and innovation, within clear risk boundaries. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are major forces that help it to achieve sustainable results.

2. Composition of the Committee

The Human Resources & Remuneration Committee (the Committee), appointed by and responsible to the Board of Directors comprises the HR & Remuneration Committee of LankaBangla Finance Limited:

Sl.	Name	Designation
1	Khwaja Shahriar	Managing Director
2	A. K. M. Kamruzzaman	Head of Operations
3	Khurshed Alam	Head of Personal Financial Services
4	Quamrul Islam	Head of Treasury
5	Shamim Al Mamun	Chief Financial Officer
6	Mohammad Nazmul Hasan Tipu	Chief Credit Officer
7	Mohammad Hafiz Al Ahad	Head of Human Resources

The Head of Human Resources functions as the Secretary to the Committee.

3. Policy

LankaBangla's remuneration policy aims to attract, motivate and retain employees in a competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives. It is the focus of the Committee to ensure that the total remuneration package is sufficiently competitive to attract the best available talent to LankaBangla.

4. Scope

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors on any matter that may affect the human resource management of LankaBangla within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board. It reviews all significant Human Resource policies and initiatives, salary structures and terms and conditions relating to staff at senior management level. In this process, necessary information and recommendations are obtained from the Head of Human Resource. The Committee deliberates upon and recommends to the Board of directors the

remuneration packages, annual increments and bonuses of all the employees having evaluated their performance against the set goals and targets.

The organizational structure is also reviewed periodically and adjustments are made according to the focus of the Strategic Plan. An ongoing priority is to ensure proper succession for key posts. In doing so, the aspirations for career progression of Management are taken into account. Recruitments and promotions of staff at management level are also considered and approved based on proposals submitted by the Head of Human Resource following a formal process of evaluation and thereafter recommended to the Board for ratification.

5. Meetings

The Committee met four (04) times during 2019. Other Board Members may attend meetings on invitation.

6. Major Task Done By the HR and Remuneration Committee

Organization wide the role of HR and Recruitment Committee is clearly visible. The committee is more focused on employee engagement activities that make the basic essence of LankaBangla which is "Growing Together". The major task done by the committee can be divided in below segments:

- ▶ **Employee Development:** We consider our human resources as our asset. For the development of our asset, we provide various in-house, external & foreign trainings. In 2019, we have provided 68 numbers of training.
- ▶ **Employee Recognition:** We are a performance driven organization. Promoting the best performer is our motto. To encourage our employees to excel in their area of work, we have developed several recognition programs such as "HEROS@WORK" for our FTEs & HRCs, "DINE WITH MD" for PMOs and "Icon BM" for best Branch Manager. On top of that, we also organize town-hall meeting twice in a year for our staffs and the best performers are also rewarded by our honourable Chairman and Managing Director. Crests, gift hampers, cash incentives and certificates are awarded in this program. All these efforts are taken only to boost the morale of our employees and to motivate them to perform at their best.
- ▶ **Employee Engagement:** LankaBangla is like home out of home as we spend most of our time here. So we celebrate different occasions together like Women's Day, Pohela Boishakh, Kids' Art Competition to enhance the bonding with our colleagues and with LankaBangla.
- ▶ **Health & Refreshment:** To get rid of our monotonous daily life, we arrange different sports among our subsidiaries such as table tennis, football, badminton. We also participate in corporate football program and have been awarded as the "Emerging Team of the Tournament". Beside this, we have organized in-house health check-up program for our employees.
- ▶ **Insurance Coverage:** LankaBangla also provide health & life insurance to its employees. Health insurance covers employee, spouse and their kids. The premium is borne

by the company. HR Division manages all administrative activities for any insurance claim. Even HR arranges direct payment facility for its employees. We also have parent's insurance coverage facility for our employees. This is one of a mile stone achievement in the industry. The premium of parents' insurance is borne by the employee itself but parents can avail similar facility as the employee is getting from the insurance company.

- ▶ **Participation in Career Fairs:** HR team has participated in 15 career fairs such as at University of Dhaka, IBA (DU), Khulna University, Chittagong University, BRAC University, Jahangirnagar University, NSU, IUB, East West University, Ahasanullah University of Science & Technology and BYLC Career Fair etc. We have recruited a significant number of employees from career fair.
- ▶ **Development in ERP:** As a part of automation and reducing man hour, the committee has always given a significant effort in the development of ERP. A major achievement was creating online recruitment portal. Through this we have done our MTO recruitment without any manual intervention within shortest possible time. In 2019, we have migrated from our existing ERP to a new ERP solution which is IFS. Now all HR Operational activities are one through IFS which has reduced our turnaround time significantly.

7. Developing and Managing Talent at Lankabangla

Against the backdrop of strategic repositioning and the challenges ahead, LankaBangla has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within the organization, while bringing in the necessary capabilities that will help position LankaBangla for long-term sustainable performance.

7.1 Internal Recruitment:

In 2019, LankaBangla continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. Total 66 employees have been internally recruited during the year.

7.2 Building New Talent

Another key aspect of LankaBangla's hiring strategy is to ensure a steady pipeline of junior talent, including permanent hires and investment in this area will continue. The year 2019 saw more than 232 graduates hired, 16% of whom are female. There has also been a particular strategic focus on integrating Management Trainee Program to build a broader and more flexible talent pool for the future. Additionally, LankaBangla continued to expand its presence and engagement on social media platforms to ensure it is accessing the relevant target groups through the channels they use to explore career and employment opportunities. LankaBangla is also strengthened its governance, ensuring that consistent, structured, merit-based hiring practices for all target groups are in place.

8. Developing Employees and Creating Future Leaders

LankaBangla's business performance relies, first and foremost, on its employees. LankaBangla seeks to build the capabilities of managers and staff to help them develop both professionally

and personally and to position the organization for future success. Talent and development activities are aligned to three priorities: building leadership capabilities and developing future leaders; fostering an environment that supports sustainable performance; and promoting continual professional and personal development for all employees.

9. Aligning the Reward System to Evolving Requirements

Compensation plays an integral role in the successful delivery of LankaBangla's strategic objectives. Attracting and retaining the most capable employees is central to the LankaBangla's compensation strategy. The corner stone of this concept is pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values. As the organization seeks to align compensation evolving external and internal expectations, reward structures are regularly reviewed and changed as needed.

LankaBangla historically established a close link between employees' compensation and their performance and behaviour at all levels and across all divisions of the organization. This takes into consideration a host of factors including, but not limited to, the Company's performance, divisional performance and the employee's individual performance.

10. Succession Planning

As companies move through various stages in their life cycle and build growth strategies to deal with changing business environments, the issue of leadership becomes critical and with it, the related issue of succession. In view of that, LankaBangla implements succession planning for its management. This requires forecasting and planning appropriately to ensure that there is continuity and the right kind of leadership in the business.

11. Grievance Management and Counseling

LankaBangla Finance Limited (LBFL) is committed to provide the best possible working conditions for its employees and associated members. LBFL strives to ensure fair and honest treatment for all employees. Head of the Divisions, Managers, Supervisors and Employees are expected to treat each other with mutual respect.

Part of this commitment, LBFL does encourage an open and frank atmosphere in which any grievance may be shared with management to get it resolved. LBFL does believe that most of the work related problems can be resolved through mutual understanding and discussion without initiating formal grievance procedure.



RESPONSIBILITY STATEMENT OF MD AND CFO

The financial statements of Lankabangla Finance Limited (LBFL) and the consolidated financial statements of LBFL and its subsidiaries as at 31 December 2019 are prepared and presented in compliance with the requirements of the following:

- ▶ International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- ▶ Companies Act 1994;
- ▶ Income Tax Ordinance 1984;
- ▶ Financial Institution Act 1993 (as amended);
- ▶ Bangladesh Securities and Exchange Rules 1987;
- ▶ Listing Rules of the Dhaka Stock Exchange;
- ▶ Bangladesh bank guidelines.

The formats used in the preparation of the financial statements and disclosures made comply with the formats prescribed by the Bangladesh Bank, the Central Bank of Bangladesh.

The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption except for as mentioned in note number 2.5 of the Audited Financial Statements pages 234 to 236. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and external auditors.

The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis; in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that LBFL's state of affairs is reasonably presented. To ensure this, LBFL has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. It is confirmed that LBFL has adequate resources to continue its operations in the foreseeable future. Therefore, LBFL will continue to adopt the 'going concern' basis in preparing these financial statements.

Our internal auditor has conducted periodic audits to provide reasonable assurance that the established policies and procedures of LBFL were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

Directors' Report on page 57 report on Internal Control over Financial Reporting. In addition, report on Directors' Responsibility on Financial Reporting and Internal Control is provided on pages 97 and 98. LBFL's External Auditors, Messrs S. F Ahmed & Co., Chartered Accountants have audited the effectiveness of the LBFL's Internal Controls Over Financial Reporting.

The Financial Statements of LBFL were audited by S. F Ahmed & Co., Chartered Accountants, the independent External Auditors.

Their report is given on page 211 of this Annual Report. The Board Audit Committee of LBFL meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on page 94 The Board Audit Committee approves the audit and non-audit services provided by Messrs S. F Ahmed & Co., in order to ensure that the provision of such services does not impair Messrs S. F Ahmed & Co.'s independence.

We confirm that,

- ▶ LBFL and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- ▶ There are no material non compliances;
- ▶ There are no material litigations that are pending against the Group.
- ▶ Required and adequate provision has been made for the overdue loans and advances, marketable and non-marketable shares as per the Bangladesh Bank regulation and IFRS.



Khwaja Shahriar
Managing Director & CEO



Shamim Al Mamun, FCA
Chief Financial Officer

STATEMENT ON ETHICS AND COMPLIANCE

Acknowledgement

The Board of Directors (the 'Board') is committed to the LBFL's values of dependability, openness to different ideas and cultures, and connection with customers, communities, regulators and each other. The Board ensures that each employee is aware of the obligation to ensure that his or her conduct consistently matches LBFL's values so as to serve positively the customers who entrust their financial needs to LBFL. The Board is proud of the fact that LBFL and its subsidiaries (the 'group') has a solid corporate governance framework and code of conduct for employees and directors that is built around the principles of control and accountability. This culture stems from a philosophy that puts the protection of investors and the interest of customers at the forefront.

The Chairman exercises independent judgement even though he is appointed by the majority shareholder. He leads the Board, sets the agenda and ensures that the Directors receive precise, timely and objective information and at the same time ensures effective communication with shareholders. The Chief Executive Officer/MD develops, drives and delivers performance within strategic goals, commercial objectives and business plans agreed by the Board. He effectively leads the senior management in the day-to-day running of the Company, ensures compliance with appropriate policies and procedures and maintains an effective framework of internal controls over risk in relation to the business. He is also responsible for the recruitment and appointment of senior management, after consultation with the Board. The Board develops the bank's strategy, policies and business plans. The Board of Directors monitors effectively the implementation of strategy and policy by management within the parameters of all relevant laws, regulations and codes of best practice. The Board ensures that a balance is maintained between enterprise and control. The Board ensures that the bank has appropriate policies and procedures in place that guarantee that the bank and its employees adhere to the highest standards of corporate conduct and comply with the applicable laws, regulations, business and ethical standards

Approach

We believe that the integrity with which we conduct ourselves and our business is key to our ability to running a successful, innovative business and maintaining our reputation. We expect our directors, executives and employees to conduct themselves with the highest degree of integrity, ethics and honesty.

LankaBangla pays close attention to the moral concerns in order to make the right ethical decisions on a day-to-day basis over and above observing the law, one of the basic professional requirements for the NBFIs. We at LankaBangla believe that the upholding of an ethical culture in financial sector is of critical interest to the customers, employees, regulators alike and to the NFI itself as a secured, reliable and efficient financial sector system in one of the pillars of economic stability of any country. Hence, nurturing an ethical culture is of utmost importance for financial institutions, like any other organization. Our core ethical values include honesty, integrity, fairness, responsible citizenship, and accountability.

Enforcing a corporate code of ethics requires understanding

and active participation by everyone in LankaBangla since the Code spells out the expected standards of behavior and sets the operating principles to be followed. Every official should ensure that the company at all times maintains high ethical standards and adequate internal control measures are in place guarding against unethical practices and irregularities.

Code of Ethics & Principles of Conduct

True spirit of ethical practices is at the core of what LankaBangla secures in the course of business. We fondly believe that our achievement can only be sustained by creating effective corporate governance, professionalism among its staff and strictly adhering to rules and regulations designed in high ethical standard. Principles of conduct at LankaBangla govern each employee to act ethically in daily activities. Our employee Code of Ethics & Principles of Conduct applies to everyone who works at LankaBangla, including employees (both permanent and contractual), contractors and consultants. The Code is supported by a number of more detailed policies that form part of the Conduct and Ethics Policy Framework. These cover issues such as anti-bribery, fraud and corruption, equal opportunity, bullying and harassment, conflicts of interest and work expenses. Our ethical acts eventually turns to the commitments we make to our stakeholders.

Our codes do not permit engaging in transactions or activities that are a conflict of interest. When entering purchase requisitions, employees must certify that they don't have a conflict of interest. To better protect the company and our shareholders, we regularly review our codes and related policies to ensure that they provide clear guidance to our directors, executives and employees.

We have established a corporate hotline and dedicated email to allow any employee or other stakeholders to confidentially and anonymously lodge a complaint about any accounting, internal control, auditing or other matter of concern. Employees are encouraged to report suspected conflicts of interest to their manager or human resources representative or through the hotline. We have a strict "no retaliation" policy regarding reports of activities that run counter to our ethical expectations. If an employee is found to have violated either the Code of Conduct or any policy, rules and regulations applicable to the Company, we take appropriate actions up to and including termination of employment.

Effectiveness of Code, Efforts of the Company

- ▶ To apply core values and principles embodies consistently
- ▶ For management to display the fullest support to the Code and serve as role models for compliance
- ▶ To ensure that all personnel strictly comply the code
- ▶ To fair rewarding and punishment be effective under a transparent system
- ▶ To communicate the contents to all employees and even make the Code available to those outside the Company
- ▶ To review and revise regularly



Additionally,

- ▶ Establishing the relevant facts and indentifying the ethical issue
- ▶ Taking stock of all stakeholders or parties involved
- ▶ Having an objective assessment of each stakeholder's position
- ▶ Identifying viable alternatives and their efforts on stakeholders
- ▶ Comparing and evaluating the likely consequences of each alternatives with reference to the standards expected
- ▶ Selecting the most appropriate course of action In a nutshell, our business ethics means, "Choosing the good over the bad, the right over the wrong, the fair over the unfair and the truth over the untruth". Strict compliance, confidentiality, avoidance of conflicts of interest, encouraging the reporting by the Officers of the Company on illegal and unethical behavior is also amongst the guiding principles of the Company's Code of Ethics.

Monitoring Compliance

Compliance with our Code of Conduct and Ethics is embedded in our employment contracts, recruitment and performance management activities. We have set explicit targets for compliance, commencing at executive management level. All employees are required to comply with our Code of Conduct and Ethics and report conduct that may be in breach of the law, the Code or policy. Advice on LankaBangla policies, practices and management systems is available via our Human Resources department. Any employee, contractor or consultant can confidentially report concerns about conduct, practices or issues to our HR department.

To help our employees in applying the principles of our Code of Conduct and Ethics and the Conduct and Ethics Policy Framework, we have developed a training course regularly for the newly appointed employees, Case studies are provided to assist staff in translating the Code and related policies into real-life situations. All employees are required to complete this training course each year. Declarations within the course require each employee to confirm whether they understand

the Code's principles, have complied with them over the previous 12 months and agree to comply with them in the future. Compliance is a Key Result Area examined as part of our Performance Management Process and failure to complete required compliance training can be a factor in determining the employee's entitlement to performance-based remuneration and could lead to termination of employment in serious cases.

Additionally, employees are required to undertake issue-specific training for topics such as money laundering, counter terrorist activity, fraud, corruption and privacy.

Our 'HR Manual' covers our Code of Conduct and Ethics, standards and behaviours, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy. All Management Cadres must complete an annual attestation that they have read and understood these ground rules and failure to complete this may result in a 'flag' being raised in an individual's performance review.

Reporting Compliance

We have reported breaches of our Code of Conduct and Ethics framework yearly. Breaches of operational, regulatory and compliance requirements are tracked and case management, with corrective action closely monitored until 'closed'. All breaches of the Code are reported annually to our Management Committee and form part of regular risk reporting to the Management Credit Committee.

Compliance with our Code of Conduct and Ethics is monitored by Internal Audit, who ensures processes are in place to appropriately investigate alleged breaches of the Code. We also conduct annual testing of the controls that support our Code of Conduct and Ethics, which forms part of our financial reporting governance program and the results are made available to External Auditors in connection with their external audit of the Group's consolidated financial statements.

CORPORATE GOVERNANCE DISCLOSURE CHECKLIST

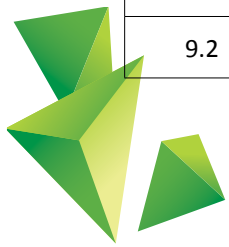
Particulars	Pg. & Seg. Ref.
1. BOARD OF DIRECTORS, CHAIRMAN AND CEO	
1.1 Company's policy on appointment of directors disclosed.	71 (6.2)
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	71 (6.3)
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	71 (6.3)
1.4 Chairman to be independent of CEO	72 (6.7)
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	72(6.7.1), 71 (6.3)
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	73 (6.8)
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	73 (6.9)
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	73 (6.10)
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	73 (6.11)
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	75 (8.1.1)
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	79-93
2. VISION / MISSION AND STRATEGY	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	01, 75 (7.1)
2.2 Identification of business objectives and areas of business focus disclosed	75 (7.2)
2.3 General description of strategies to achieve the company's business objectives	179-184





Particulars	Pg. & Seg. Ref.
3. AUDIT COMMITTEES	
3.1 Appointment and Composition	
3.1.1 Whether the Audit Committee Chairman is an independent Non – Executive Director and Professionally Qualified	76 (8.2.1)
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	76 (8.2.4)
3.1.3 More than two thirds of the members are to be Non Executive Directors	76 (8.2)
3.1.4 All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting.	76 (8.2.3)
3.1.5 Head of internal audit to have direct access to audit committee	76 (8.2.1)
3.1.6 The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.	76 (8.2.2)
3.2 Objectives & Activities	
3.2.2 Statement on Audit Committee’s review to ensure that internal controls are well conceived properly administered and satisfactorily monitored	94
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	103
3.2.4 Statement of Audit committee involvement in the review of the external audit function <ul style="list-style-type: none"> ▶ Ensure effective coordination of external audit function ▶ Ensure independence of external auditors ▶ To review the external auditors findings in order to be satisfied that appropriate action is being taken ▶ Review and approve any non-audit work assigned to the external auditor and ensure that such such work does not compromise the independence of the external auditors. ▶ Recommend external auditor for appointment / re-appointment 	76 (8.2.4.1)
3.2.5 Statement on Audit Committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	
3.2.6 Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases	77 (8.2.4.4)
3.2.7 Reliability of the management information used for such computation	

Particulars	Pg. & Seg. Ref.
4. INTERNAL CONTROL & RISK MANAGEMENT	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	97
4.2 Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.	
4.3 Statement that the Director's have reviewed the adequacy of the system of internal controls	
4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	113-116
4.5 Disclosure of the strategies adopted to manage and mitigate the risks	
5. Ethics and Compliance	
5.1 Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.	103-104
5.2 Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	
5.3 Board's statement on its commitment to establishing high level of ethics and compliance within the organization	
5.4 Establishing effective anti-fraud programs and controls, including effective protection of whistle blowers, establishing a hot line reporting of irregularities etc.	
6. REMUNERATION COMMITTEE	
6.1 Disclosure of the charter (role and responsibilities) of the committee	100 (4)
6.2 Disclosure of the composition of the committee	100 (2)
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	100 (3)
6.4 Disclosure of number of meetings and work performed	100 (5,6), 101
6.5 Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	92, 275, 288
7. HUMAN CAPITAL	
7.1 Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counseling.	185-190
7.2 Organizational Chart	52
8. Communication to Shareholders & Stakeholders	
8.1 Disclosure of the Company's policy / strategy to facilitate effective communication with shareholders and other stake holders	163-170, 394
8.2 Ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	5
9. Environmental and Social Obligatoin	
9.1 Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	193-198
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	202-204



RISK MANAGEMENT



LankaBangla's overall approach to risk management is supported by a well-defined risk appetite, comprehensive policy framework, effective governance structures and appropriate tools and techniques to identify, measure and manage risk.

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STATEMENT ON RISK MANAGEMENT

1. Introduction:

Strong risk management capabilities are vital to the success of a well-managed financial institution. The Risk Management function is the central resource for driving such capabilities in LankaBangla, and complements the risk and control activities of other functions including Internal Audit and Legal & Compliance.

The key components of LBFL’s risk management approach are: strong risk governance; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of capital adequacy relative to risks and a rigorous system of internal control reviews involving internal and external auditors.

2. Risk Management in LankaBangla

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

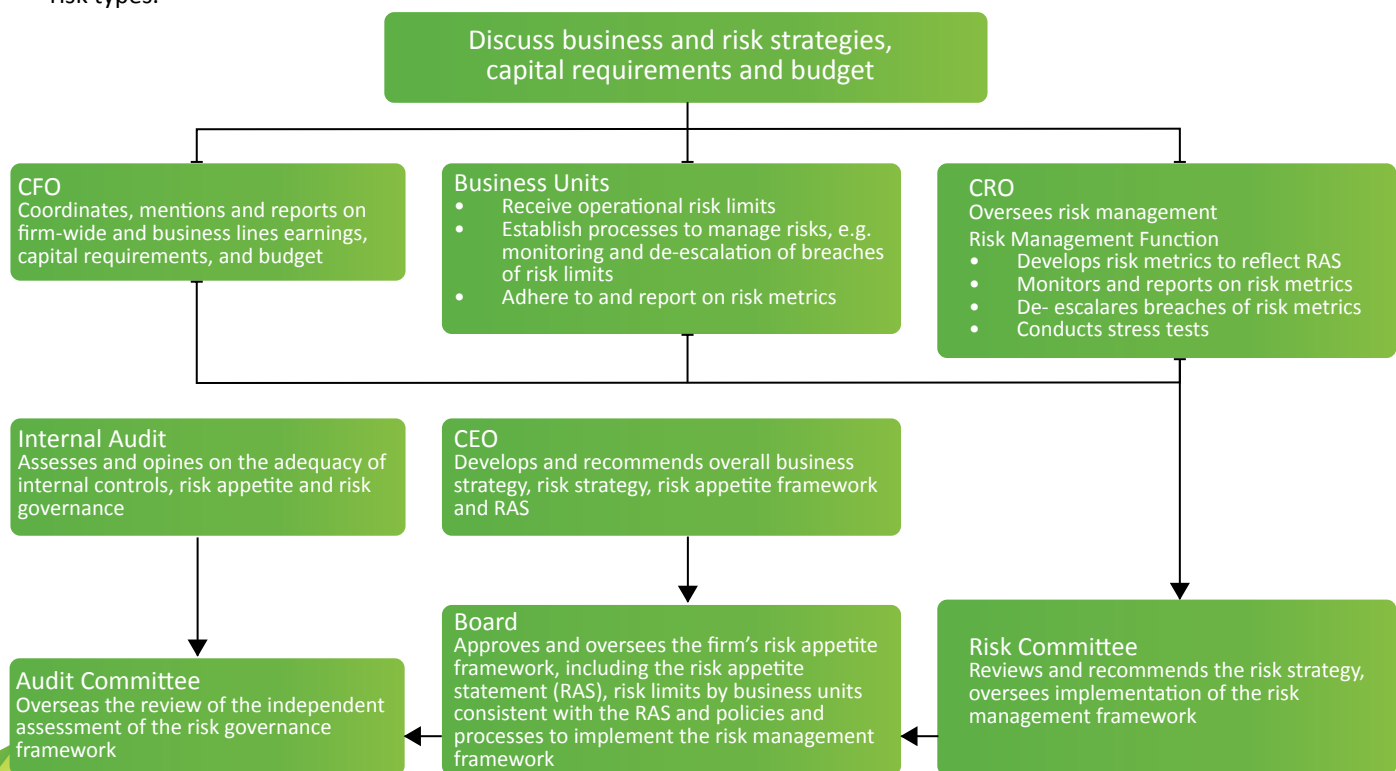
- ▶ Risk appetite – The Board of Directors approves the Company’s risk appetite, and risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- ▶ Risk frameworks – The Company’s risk management frameworks for all risk types are documented, comprehensive, and consistent.
- ▶ Holistic risk management – Risks are managed holistically, with a view to understand the potential interactions among risk types.

- ▶ Qualitative and quantitative evaluations – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

The Board of Directors and senior management provide the direction to the Company’s effective risk management that emphasizes well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, regular review and enhancement of risk management policies and procedures for consistent application, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Internal Audit also provides independent assurance that the Company’s risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analysis identify possible events or market conditions that could adversely affect the Company. These results are taken into account in the Company’s capital adequacy assessment.

3. Risk Governance and Organisation

The Board of Directors establishes the Company’s risk appetite and risk principles. The Board Audit Committee is the principal Board committee that oversees the Company’s risk management. It reviews and approves the Company’s overall risk management philosophy; risk management frameworks, major risk policies, and risk models. The Board Audit Committee also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Company’s



various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for discussion and appropriate action.

The Board Audit Committee is supported by Risk Management Division, which has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Within the division, risk officers are dedicated to establishing Company-wide policies, risk measurement and methodology, as well as monitoring the Company's risk profiles and portfolio concentrations. The Company's risk management and reporting systems are designed to ensure that risks are comprehensively captured in order to support well-considered decision making, and that the relevant risk information is effectively conveyed to the appropriate senior management executives for those risks to be addressed and risk response strategies to be formulated. To ensure the objectivity of the risk management functions, compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains competitive with market levels.

Credit officers are involved in transaction approvals, and personal approval authority limits are set based on the relevant experience of the officers and portfolio coverage. Representatives from the division also provide expertise during the design and approval process for new products offered by the Group. This ensures that new or emerging risks from new products are adequately identified, measured, and managed within existing risk systems and processes.

4. Risk Management Forum at LankaBangla

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

- ▶ The Risk Management Forum members will parameterize the Internal Environment of the Company including risk appetite, integrity and ethical values and the environment in which is operated.
- ▶ The MANCOM must form the objectives so that they can identify potential events affecting the achievement unenthusiastically and consistent with its risk appetite.
- ▶ The management will identify the internal and external events affecting company's achievement and distinguish between risks and opportunities.
- ▶ It is the management responsibility to assess and measure the potential risks.
- ▶ The management selects risk responses-- avoiding, accepting, reducing or sharing risk-- developing a set of actions to align risks with the company's risk tolerances and risk appetite.
- ▶ The management will take policies and procedures and implement it to help ensure the risk responses are effectively carried out.
- ▶ The managerial authority will identify, generate and communicate the relevant information in a form and timeframe that enable people to carry out their responsibilities.
- ▶ The entirety of enterprise risk management will be monitored and it will be accomplished through ongoing management activities.

- ▶ Ensure roles and responsibilities are agreed and clearly understood by all management levels.
- ▶ Ensure all staff, in business and support functions, are aware of their responsibilities for company's overall Risk management.
- ▶ Ensure there are structured processes at each department level to report control failures to designated individuals and escalate material issues to RMF.
- ▶ Establish workable Business Continuity Plans (including Disaster Recovery and Crisis).
- ▶ Management procedures to minimize the impact of unplanned events on business operations and customer service.

5. Risk Analysis Unit (RAU) at LankaBangla

Broadly, Risk Analysis Unit (RAU) will be responsible solely to identify and analyze all sorts of risks appropriately and timely. It (RAU) will act as the secretariat of Risk Management Forum. In compliance with the Bangladesh Bank guidelines RAU works independently from all other units/divisions of the FI, e. g. no member of this unit will be involved in any sort of ratings of transactions, or setting/working to achieve any target imposed by the FI. S/He will not also be involved in the process of determining any standard or threshold ranges for risk management goals.

Risk Analysis unit will be responsible only for the followings:

- ▶ Promote broader understanding of risk and work closely with risk management to ensure risk management initiatives are in place for risk controlled LBFL practices.
- ▶ Work as an active risk associate by identifying departmental risk issues and perform analysis.
- ▶ Escalate respective risk issues to risk management unit in a monthly basis for discussion and enforce mitigation in monthly risk associates' forum.
- ▶ Assist RMF to plan and reduce operational surprises and losses by recommending risk mitigation strategies.
- ▶ Finalize enterprise level risk issues to RMF meeting for management evaluation and resolutions.
- ▶ Implement RMF resolutions and monitor the risk mitigation process within the given deadline & update status to RMF.
- ▶ Interact with all the relevant stakeholders of LBFL to create risk awareness and encourage control of risk at enterprise level.
- ▶ Business and Support functions risk associates will escalate risks to this forum under supervision of Chief Risk Officer (CRO).

Other Risk management committees have been established for active senior management oversight, understanding, and dialogue on policies, profiles, and activities pertaining to the relevant risk types. These include the the Management Credit Committee, the Asset and Liability Management Committee, the Steering Committee for BASEL-II Implementation, Central Compliance Unit for Anti-Money Laundering and the ICT Committee. Both risk-taking and risk control units are represented on these committees, emphasizing shared risk management responsibilities. LBFL Internal Audit conducts regular independent reviews of loan portfolios and business processes to ensure compliance with the Company's risk management frameworks, policies, processes, and methodologies.

6. BASEL II

LankaBangla has implemented Bangladesh Bank's Guidelines (Basel Accord for Financial Institutions) on Risk Based Capital Adequacy Requirements for FIs incorporated in Bangladesh with effect from 1 January 2011. Bangladesh Bank adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of Capital Measurement and Capital Standards," commonly referred

to as BASEL II. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by FIs to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. Enhanced public disclosures on risk profile and capital adequacy are required under the mentioned guidelines.

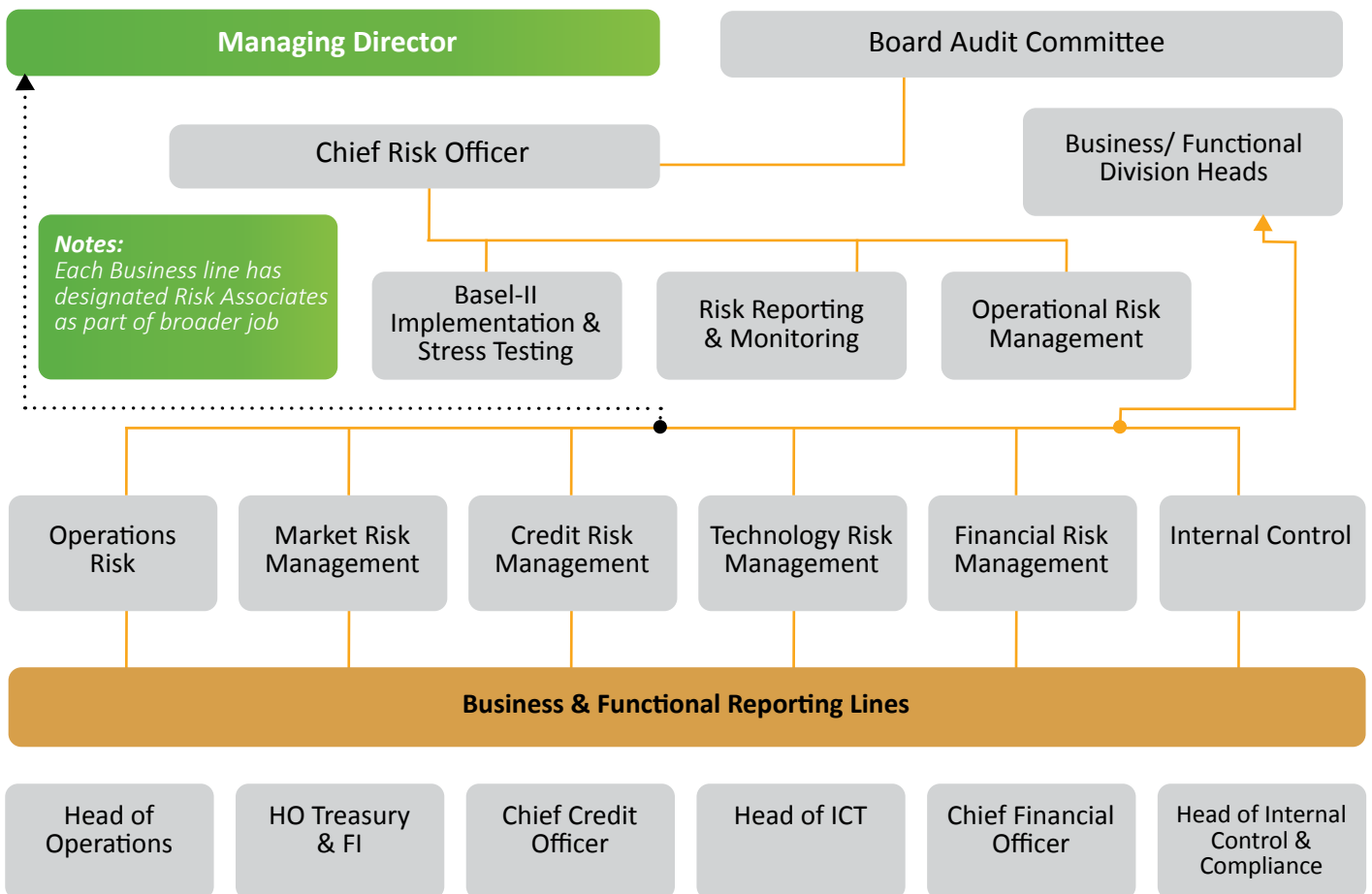
7. Stress Testing

Stress testing is a simulation technique, which are used to determine the reactions of different financial institutions under a set of exceptional, but plausible assumptions through a series of battery tests. At institutional level, stress testing techniques provide a way to quantify the impact of changes in a number of risk factors on the assets and liabilities portfolio of the institution. Therefore as a part of risk management unit we prepare stress testing report at each quarter to check out four major shocks (interest rate risk, credit risk, equity price risk, liquidity risk) under different magnitude level to ensure optimum allocation of capital across its risk profile.

The Company has adopted the standardized approaches for market risk and operational risk. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move toward Internal Model Approach for market risk. Capital adequacy assessments and Plans, incorporating stress test results, are submitted quarterly to Bangladesh Bank. Implementing the Basel II framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Company management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and new standards established in the Basel II Framework published in December 2010. We are constantly reviewing to further improve and refine our businesses and risk management capabilities as well as engaging in dialogue with industry peers and regulators to position ourselves for the far-reaching consequences of these reforms.

8. Risk Management Structure

Risk Management Structure



9. Credit Risk

9.1 Definition

LBFL defines credit risk as the risk of losses arising because counterparties fail to meet all or part of their payment obligations to the Group.

9.2 Policy

The Board of Directors sets the overall policies for the LBFL's credit risk exposure. The LBFL's risk appetite framework is determined in accordance with these policies. The LBFL's aim is to build long-term relationships with its customers. For the vast majority of products, credit is granted on the basis of the customer's financial circumstances and specific individual assessments. Ongoing follow-up on developments in the customer's financial situation enables to assess whether the basis for the credit facility has changed. The credit facilities should match the customer's credit worthiness, capital position and assets. Further and in order to increase the mitigation of credit risk, LBFL as a general rule requires collateral. LBFL aims to assume risks only within the limits of applicable legislation and other rules, including rules on best practices for financial undertakings.

9.3 Credit process

In order to ensure a consistent, coordinated credit granting process of a high quality all credit applications are handled according to a pre-defined procedure that provides a consistent, high credit processing quality:

Branches: All branch managers process all credit applications and then the applications are submitted to the Credit Risk.

9.4 Credit Profile

9.4.1 Sector wise Credit concentration with sectoral NPL

Figures in BDT Million

Sector	2019			2018		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Garments and Knitwear	2,524	210	8.32%	2,139	173	8.09%
Textile	1,767	7	0.40%	1,821	75	4.13%
Food Production and Processing Industries	209	-	0.00%	4,009	108	2.69%
Jute and Jute-Products	3,912	235	6.00%	184	-	0.00%
Leather and Leather-Goods	754	33	4.34%	522	-	0.00%
Iron, Steel and Engineering	283	-	0.00%	2,101	92	4.36%
Pharmaceuticals and Chemicals	1,952	92	4.72%	934	1	0.10%
Cement and Allied Industry	1,224	-	0.00%	1,526	27	1.80%
Telecommunication and IT	1,638	418	25.53%	972	-	0.00%
Paper, Printing and Packaging	862	-	0.00%	601	11	1.88%
Ship Manufacturing Industry	603	246	40.77%	-	-	-
Glass, Glassware and Ceramic Industries	12	12	100.00%	441	14	3.18%
Power, Gas, Water & Sanitary Service	-	-	0.00%	853	22	2.54%
Transport and Aviation	737	-	0.00%	1,050	103	9.78%
Trade and Commerce	6,183	782	12.65%	9,514	415	4.36%
Agriculture	681	13	1.95%	831	47	5.69%

Management Division through the respective Business Division along with a credit recommendation.

The Credit Risk Management (CRM) Division: All credit applications are submitted to the CRM Division for approval. The CRM division approves the credit proposal within the limit set by the Board of Directors. Other application those exceeds the limit, CRM division coordinates and prepares credit recommendations to The Management Credit Committee (MCC), the Board Executive Committee and to the Board of Directors.

The Management Credit Committee (MCC): The MCC reviews all applications beyond the Credit Department's credit line. The MCC conducts credit meetings on a weekly basis. The purpose of the Credit Committee is to:

- ▶ Process credit applications exceeding the credit line of the Credit Department;
- ▶ Process and provide recommendations for all credit applications to be submitted to the Board of Directors;
- ▶ Implement the guidelines for the credit area as approved by the Board of Directors; and
- ▶ Supervise the overall credit granting procedure.

Board of Directors: The Board of Directors reviews all applications that are beyond the MCC's credit line.

Credit processing must be conducted on the basis of extensive knowledge of the risks inherent to each individual exposure for the purpose of striking a balance between risk and earnings opportunities and in compliance with the overall goals defined by the Board of Directors and Bangladesh Bank.

Figures in BDT Million

Sector	2019			2018		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Housing	12,824	461	3.59%	13,197	457	3.46%
Brokerage & Securities	3,403	-	0.00%	3,719	-	0.00%
Others Loan	17,817	839	4.71%	19,374	753	3.89%
Total	60,662	3,388	5.59%	63,784.58	2,298.45	3.60%

9.4.2 Ten Large Credit as a % of Total Exposure

	2019	2018
Ten large credit as a % of exposure	11.35%	10.17%
Ten large credit	6,886	6,487
Total exposure	60,662	63,784

9.4.3 Classification Status of Loans and Advances

	2019	2018
Performing Loans	57,274	61,486
Unclassified	55,919	59,088
SMA	1,355	2,398
Non-Performing Loans	3,388	2,298
SS	646	667
DF	1,204	344
BL	1,537	1,286
Total Outstanding	60,662	63,784

9.5 Credit Risk Mitigation

From forward looking perspective borrower selection process is the most important credit risk identification measure employing fundamental analysis of credit including purpose and utilization of loan, company analysis including cash flow, industry analysis, credit rating, credit risk grading, entrepreneurial track record, repayment performance including CIB status among others. Identifying the extent of credit risk eventually determines the scope of credit risk mitigation measure. However following credit risk mitigation measures are typical employed by lenders

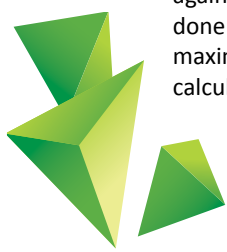
- ▶ **Collateral coverage:** Collateral coverage may be in the form of land and building, financial instrument such as TDR, Marketable securities etc. In the event of downside, value from liquidation of collateral securities may provide some degree of protection against credit risk. Valuation of land and building is usually done third party surveyor. Cash security by default provides maximum protection against credit risk and exposure is usually calculated net-off cash security.

- ▶ **Hypothecation:** Leased assets are primary security which inherently provide some degree of protection against credit risk. Hypothecated capital machinery and stock of goods is a usual primary security measures whereas marketability and control of the asset is important in credit risk mitigation.
- ▶ **Guarantee:** Guarantee of high net worth individuals/directors and corporate guarantee with good business standing usually provides credit enhancement. Cross default option plays a vital role because due to guarantee of an entity favoring a borrowing concern is also reflected in CIB report. Bank guarantee is also a prolific credit enhancement instrument.
- ▶ **Risk transfer:** Comprehensive Insurance against assets covering loan amount is a usual risk mitigation measure in the event of unforeseen event that may occur in future.
- ▶ **Exposure management:** Single borrower exposure limit and sectoral exposure limit are both used as risk management tools and in the credit policy both issues are addressed complying regulatory stipulations.
- ▶ **Risk-based pricing:** Risk based pricing method is being used for the customers where there is a probability that the borrower will default on the loan. A risk premium is added to the base price considering the risk profile. Different factors like Credit risk grading score, credit history, property use, property type, loan amount, loan purpose, income, and asset amounts, as well as documentation levels, property location, and others, are common risk based factors currently used.

Besides diversifying credit risk through extending small sized loan to numerous borrowers across different customer segments who are essentially unrelated with each other may be considered policy level credit risk diversification strategy.

9.6 Credit Monitoring and Portfolio Management

The Board and senior management get timely and appropriate information on the condition of the LBFL's asset portfolio, including classification of assets and the level of provisions and reserves. The information includes, at minimum, summary results of the portfolio review, comparative trends in the overall quality of problem assets, and measurements of existing or anticipated deterioration in asset quality and losses expected to be incurred on the portfolios. Significant concentration risk is also reported to the Board and senior management for review and deliberation. Stress tests is conducted regularly to assess the risk in a particular market segment under adverse conditions. Appropriate measures have been taken to mitigate undue concentration risks such as pricing for additional risk, unwinding of positions, increasing capital or reserves, securitisation etc.



10. Market Risk

LBFL defines market risk as the risks taken in relation to price fluctuations in the financial markets. Several types of risks may arise and LBFL manages and monitors these risks carefully.

Market risk arises when the fair value or future cash flows of financial instruments of the Company fluctuate due to changes in market variables, mainly interest rates and equity prices. The risk of exchange rate movements does not impact LBFL directly because as a NBFI, LBFL cannot deal with foreign currency. Interest rate risk, being a significant risk factor for the industry, is managed closely by the Company, to ensure there are no erosion of spreads and no impact to final profitability. Equity risk remains the other main market risk, considering the Company has an equity portfolio in excess of Taka 1 billion. This is managed at individual investment level, as well as on a portfolio basis, based on whether the portfolio is trading or non-trading or strategic investment. These two main market risks are discussed separately below:

10.1 Interest Rate Risk

Interest rate risk arises when changes in interest rates have an impact to the future cash flows of financial instruments' fair values. This remained a potential concern for the finance industry, as market interest rates continued to fall during the period. As LBFL deals in a number of interest bearing financial assets that are mainly grouped under loans and advances there was close focus on safeguarding core business interest spreads.

Downward movements in interest rates were continued both for lending and borrowing to be influenced by monetary policy changes whereas the decrease in lending rates remained at a relatively faster pace and resulting decreases in interest income too then the decrease in the borrowing rates. Apart from the resulting pressure exerted on our core margins, interest rate fluctuations continued to also influence;

- ▶ our ability to canvass deposits
- ▶ the fair values of financial assets and liabilities and
- ▶ Average duration of mortgage backed lease portfolios and other interest earning assets. To stay competitive, LBFL had to revise deposit rates during various times of the year through the ALCO committee.

ALCO is the main committee that regularly oversees the interest rate risk of the Company and initiate appropriate action to minimise overall interest risk exposure within the Company's risk appetite limits. Treasury division is responsible to manage funding and the market rates on an ongoing basis and uphold the optimal interest rate structure of all products of LBFL.

In maintaining an optimal level of return for our core business, average yield levels and cost of funding is monitored on a monthly basis and presented at ALCO meetings to decide on pricing matters. The ALCO evaluates any potential adverse effects that may arise from situations when the cost of funding rises at a relatively higher pace than the yield earned on lending and other investments. ALCO reviews current interest rate environment and monitors the movement of key interest rate indices and interest sensitive assets and liabilities maturity gap analysis. ALCO reviewed impact of interest rate change on the bottom line by carrying out sensitivity analysis/rate shock analysis taking

note of the continued decline in rates observed. LBFL by having a strict monitoring system maintains its interest rate risk at moderate levels despite volatility in rates in the market.

The Treasury Division was able to pursue cheaper sources of funding to bring down overall weighted average cost in the year under review. The division was able to seek optimal funding with the advice of ALCO, maintaining monthly overall-weighted average cost of funds at low levels throughout as depicted.

10.2 Equity Risk

It's the potential loss due to an adverse change in the stock price. NBFI can accept equity as collateral for loans and purchase ownership stakes in other companies as investments from free or investible cash. Any negative change in stock price either leads to a loss or diminution in investments' value.

LBFL needs to be cognisant of equity price risk as Company holds Taka 4.2 billion in trading and held-to-maturity share portfolios as at the balance sheet date. The Company's accounting policies ensure that we reflect share investments at fair value recognising any realised gains/losses through the profit and loss.

11. Operational Risk

Operational risk could arise from inadequate or failed internal processes, people and systems or risks arising from external events, leading to financial losses. LBFL has instilled various internal controls to detect possible human errors, fraud, faulty internal processes and systems, non-adherence to procedures and non-compliance to regulations. A company-wide effective internal control system is in place, requiring all staff to adhere to set policies and procedures. To ensure clarity in required practices, the Company has developed a comprehensive procedure manual, covering all key functions. Failure to manage operational risk can often result in other risks emerging such as reputational losses, which may also cause brand erosion and would raise regulatory penalties.

Operational risk management techniques adopted directly linked to people including segregation of staff duties, job rotation, staff training and development, employee operations, while inbuilt ICT controls, maintaining of documentation and keeping backup of documents and systems remain other forms of measures.

12. Liquidity Risk

Liquidity risk arises when a Company encounters difficulty in meeting its obligations associated with financial liabilities that require to be settled either through cash or any other financial asset. The sector assets and liability portfolio is such that there is a general vulnerability to liquidity problems resulting from assets and liability mismatches. Therefore, purpose of liquidity risk management is to assess the necessity of funds to meet financial obligations on time and to ensure adequacy of funding to fulfil short-term and long-term financial needs appropriately even under stressed conditions. LBFL has in place a comprehensive in-built liquidity monitoring process that has been enhanced in the past few years by embracing stringent liquidity review and safeguard measures imposed by regulator on the sector.

To strengthen liquidity management we have formed a Board approved Asset and Liability Management Committee (ALCO) to overlook the liquidity status of the Company. ALCO being the overall supervisory in managing liquidity risk of LBFL meets monthly to oversee adequacy of overall liquidity aspects from other obligations. The impact arising from all strategic and medium term decisions taken by the Board and the corporate management on liquidity is also ascertained by this high level committee comprising key divisional heads.

LBFL is a financially sound institution that has been strong in liquidity right-throughout. In meeting liquidity requirements, the Company resorts to an array of diversified funding sources in addition to its core deposit mobilisation business. Similarly, LBFL adopts a strict policy of managing its assets keeping liquidity as a vital focus and therefore monitors liquidity on a daily basis.

13. Other Risks



13.1 Legal Risk

Legal risk can arise due to several reasons such as

- ▶ A defective transaction or;
- ▶ A claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the Company or other loss (for example, as a result of a termination of a contract) or;
- ▶ Failing to take appropriate measures to protect assets (for example, intellectual property) owned by the Company or;
- ▶ Changes in law.

LBFL deals in financial transactions with higher scrutiny in a highly regulated finance industry. We understand that regulatory changes may result in additional cost of compliance, may limit the type of financial services and products that could be offered in the market and in certain instances increase chances of competitors capitalising on their own offerings. It is therefore essential that legal risk be managed appropriately to avoid undue impact to business financially and to avoid damage to reputation that could lead to loss of confidence.

13.2 ICT Risk

Risks arising due to system breakdown, non-availability of systems, errors and disruptions or not keeping pace with the technological changes. There was continuous monitoring of employees and users of ICT systems to ensure strict adherence to information security policies, pertaining to safeguard confidentiality of information and to secure accuracy of information. Company's ICT Division conducted a comprehensive staff training program on information system security awareness to all users.

Future technological needs of the Company were reviewed and identified as part of the strategic plan development process for next three financial years. ICT Division reviewed policies in relation to, hardware and software procurement and maintenance procedures, business contingency plan on ICT, system licensing procedures etc. Updates were done in accordance with best practices in the industry. Risk review of the ICT systems has already been done by the independent consultant KPMG and contingency plans incorporated as a part of the BCP for key ICT dependent processes in order to successfully face any unpredictable technological contingencies.

13.3 Reputation Risk

It is a threat or danger to the good name or standing of a business or entity. As an institution of financial services sector, it is key to maintain sound reputation for long-term organisational survival and success. Public is highly receptive to negative factors considering past experiences.

LBFL has implemented required corporate governance practices, risk assessment measures, departmental procedure manuals and carried out due compliance checking to ensure business is conducted in a professional, ethical and prudent manner. Suggestion boxes have been placed in all branches and customer survey carried out to obtain customer feedback to enhance customer relationship. Regardless of corporate hierarchy, all the employees are expected to live by core values of the Company. Deviation to LBFL's strict policies and procedure guidelines and rules result in strict disciplinary action for employees.

In sustaining company's vision providing a deep sense of social responsibility, a number of worthy projects were initiated for the benefit of the society and the environment as explained in the section on sustainability.

13.4 Human Resource Related Risk

Being a service organisation, there is high dependency on our human capital in driving our business forward and in meeting anticipated service standards. Lot depends on the performance of our workforce in the achievement of organisational objectives and other aspirations to remain successful. Hence attracting and retaining high calibre staff, who possesses the necessary experience and skills to perform duties is integral if LBFL is to continue on its path to success. This of course has become a challenge especially since the job market is flooded with numerous job opportunities for capable individuals both within and outside our sector. This risk is relevant especially because most of our staff have been with us for at least five years or more, who have gained enormous experience in their related fields. Losing services of these experienced personnel hence at any point in time can create a vacuum in meeting anticipated standards and



may disrupt smooth running of operations at least temporarily. We are mindful of the fact that finding suitable replacements in the short-term would not be easy. A proper employee succession plan is in place to mitigate the risk of loss key people.

13.5 Strategic Risk

Strategic risk is defined as the risk associated with existing strategy, future business plans and strategies, including plans on entering new business lines, expanding existing services through organic business growth, mergers and acquisitions or exposure loss resulting from a strategy that turned out to be defective or inappropriate. Management reviews performance against expected targets periodically, referring to devised strategies and success of their implementation.

13.6 Competitor Risk

Financing being a popular method of sufficing funding needs of people and institutions has gained momentum, with a large

number of institutions competing aggressively to secure relative market share. NBFIs cater to a wide customer audience through a broad product range that has expanded from mere financing and deposit taking to tailor-made product offerings that meet varying customer needs. It is therefore vital to be receptive to customer needs in a highly competitive market like ours if the organisation is to thrive and succeed. Number of finance companies were introduced during this financial year. Banking and NBFIs sector margins have narrowed while the market is set to widen exponentially with enhanced public perception towards the sector. Owing to the plethora of other investments and borrowing options available to customers in the market, competition remained high for the sector players. Our style of management attempts to secure employee morale and motivation most of the time as means of sustaining optimal productivity levels in all our operations. In meeting future challenges, we are fortunate to possess a strong capital structure that gives us the opportunity and the needed flexibility to make broad strategic decisions.

As one of the leading financial institutions in Bangladesh, managing risk is integral to our everyday activities. In 2019, the risk function played a vital role in working with the Group's businesses to navigate an extremely complex environment and manage the associated risks. This was done in a manner that balanced the interests of clients and other key stakeholders with protecting the safety and soundness of the Group. Key to LBFL's long-term sustainable growth and profitability is to manage risk on a consistent basis across the Group, and to ensure our risk appetite is clear and aligned to our strategy.

DISCLOSURE ON MARKET DISCIPLINE UNDER PILLAR-III OF BASEL-II

Background: These disclosures under Pillar III of Basel II are made following “Prudential Guidelines on Capital Adequacy and Market Discipline” (CAMD) for Financial Institutions (FIs) issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2011. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and Supervisory Review Process (SRP) under Pillar II of Basel II. The purpose of these disclosures is to present relevant information on adequacy of capital in relation to overall risk exposures of the FI so that the market participants can assess the position and direction of the FI in making economic decisions.

Consistency and Validation: The quantitative disclosures are made on the basis of consolidated audited financial statements of LankaBangla Finance Limited (LBFL) and its Subsidiaries as at and for the year ended 31 December 2019 prepared under relevant international accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time.

Information presented in the ‘Quantitative Disclosures’ section can easily be verified and validated with corresponding information presented in the consolidated audited financial statements for 2019 of LBFL and its Subsidiaries along with separate audited financial statements for 2019 of the FI available on the website of the Bank (www.lankabangla.com).

A. Scope of application

Qualitative Disclosures

(a) The framework applies to LankaBangla Finance Limited (LBFL) on ‘Consolidated Basis’ as there were three subsidiaries of the FI as on the reporting date i.e. 31 December 2019. However, ‘Solo Basis’ information has been presented beside those of ‘Consolidated Basis’ to facilitate comparison.

(b) The FI has three subsidiaries; all of them have been operational on the reporting date. These are LankaBangla Securities Limited (LBSL), LankaBangla Investments Limited (LBIL) and LankaBangla Asset Management Company Limited (LBAMCL).

LankaBangla Securities Ltd.: LankaBangla Securities Limited (LBSL) is a public limited company. As a member of Dhaka Stock Exchanges Ltd. and Chittagong Stock Exchange Ltd. the principal activities of the Company are buying, selling and settlement of securities on behalf of investors and in its own portfolio. LBFL holds 90.90% shares of LBSL. LBSL has two subsidiaries which were fully consolidated in the financial statements of LBSL. The subsidiaries are as under:

LankaBangla Information System Limited (LBISL): It is a private limited Company incorporated in May 2013. LBSL holds 99.8% shares of (LBISL).

BizBangla Media Limited: It is a private limited company incorporated in January 2011. The main objectives of the company are to carry on business of printing, publishing of newspaper, journals, magazines, periodicals, books, pamphlets and other literary and nonliterary works and undertakings, radio, television broadcastings. LBSL holds 92.50% shares of the Company.

LankaBangla Investments Ltd (LBIL): It is public limited Company although it was incorporated as private limited company in 2010. It obtained required license from BSEC in 2011 and started full-fledged operations of merchant banking, portfolio management, underwriting, etc. It is a fully owned subsidiary of LBFL.

LankaBangla Asset Management Company Ltd. (LBAMCL): It is incorporated as private limited company in 2007. It got license from BSEC in 2012 as an asset management company. It also received registration certificate from BSEC in 2016 to act as an Alternative Investment Fund Manager. It is a fully owned subsidiary of LBFL. The financials of all subsidiaries are fully consolidated and all intercompany transactions and balances are eliminated.

The rules and regulations of DFIM of Bangladesh Bank that govern ‘Single Borrower Exposure Limit’ for the customers are equally applicable for the LBFL in financing its own subsidiaries. LBFL is following latest Bangladesh Bank circular in determining maximum amount of finance to the subsidiaries of the Company.

Quantitative Disclosures

Not Applicable.

B. Capital Structure

Qualitative Disclosures

As per Basel II guidelines, regulatory capital consists of Tier-1 (Core) capital and Tier 2 (supplementary) capital. Core capital comprises of highest quality capital elements and supplementary capital represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of an FI.

Conditions for maintaining regulatory capital: The FI complied with all the required conditions for maintaining regulatory capital as stipulated in the Basel II guidelines as per the following details:

Particulars	Status of Compliance
The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital	Complied
50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities eligible for Tier 2 capital.	Complied
Revaluation reserve for equity instruments up to 10%	Complied
General provision up to a limit of 1.25% of risk weighted asset for credit risk may be included in Tier 2 capital	Complied
Subordinated bond in Tier 2 capital can be maximum 30% of Tier 1 Capital	Complied
Minimum capital to RWA Ratio (CAR) will be 10%	Complied



Figures in BDT Million

Particulars	2019		2018	
	Solo	Consolidated	Solo	Consolidated
Fully paid up Capital	5,132	5,132	5,132	5,132
Statutory Reserve	1,763	1,763	1,615	1,615
Non-repayable share premium account	-	1,091	-	1,091
General reserve	-	50	-	53
Retained earnings	2,116	1,447	2,298	1,932
Minority interest in subsidiaries	-	173	-	111
Share money deposit (for right share)	-	-	-	-
Less: Book value of Goodwill	-	(234)	-	(234)
Tier 2 Capital (2018 restated)	8,808	9,421	8,718	9,700
Total Eligible Capital (2018 restated)	2,079	2,162	2,179	2,376
Total Eligible Capital	10,887	11,582	10,897	12,076

C. Capital Adequacy

Qualitative Disclosures

Assessing regulatory capital in relation to overall risk exposures of an FI is an integrated and comprehensive process. LBFL follows the risk weighted asset-based approach (standardized Approach for credit risk & Market Risk and Basic Indicator Approach for Operational Risk) in assessing the adequacy of capital to support current and projected business activities. The LBFL focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. LBFL has been generating most of its incremental capital from retained profit (stock dividend and statutory reserve transfer etc.) and occasional issue of right shares to support incremental growth of Risk Weighted Assets (RWA). Besides meeting regulatory capital requirement, the FI maintains adequate capital to absorb material risks foreseen. Therefore, the Capital to Risk Weighted Assets Ratio (CRAR) remains consistently within the comfort zone during 2019. The surplus capital maintained by LBFL will act as buffer to absorb all material risks and to support the future activities. To ensure the adequacy of capital to support the future activities, the FI assesses capital requirements periodically considering future business growth. Risk Management Division (RMD) under guidance of the SRP team/RMC (Risk Management Committee), is taking active measures to identify, quantify, manage and monitor all risks to which the FI is exposed to.

Quantitative Disclosures as on 31st December

Figures in BDT Million

Particulars	2019		2018	
	Solo	Consolidated	Solo	Consolidated
Capital requirement for Credit Risk Risk (2018 restated)	5,812	5,466	6,267	5,928
Capital requirement for Market Risk	383	832	396	1,025
Capital requirement for Operational Risk	441	617	374	511
Minimum capital requirement (MCR) (2018 restated)	6,637	6,915	7,037	7,464

Particulars	2019		2018	
	Solo	Consolidated	Solo	Consolidated
Core capital maintained	8,808	9,421	8,718	9,700
Supplementary Capital Maintained (2018 restated)	2,079	2,162	2,179	2,376
Total Risk Weighted Asset (2018 restated)	66,367	69,148	70,368	74,639
Common Equity Tier-1 Capital Ratio	13.27%	13.62%	12.39%	13.00%
Tier-2 Capital Ratio (2018 restated)	3.13%	3.13%	3.10%	3.18%
Capital Adequacy Ratio (2018 restated)	16.40%	16.75%	15.49%	16.18%

D. Credit Risk

Qualitative Disclosures

Credit risk is defined as the probability of failure of counterparty to meet its obligation as per agreed terms. FIs are very much prone to credit risk due to its core activities i.e. lending to corporate, Consumer, SME, another bank/FI. The main objective of credit risk management is to minimize negative impact through adopting proper mitigates and to limit credit risk exposures within acceptable limit.

Credit risk management has been independent of origination of business functions to establish better control and to reduce conflicts of interest. The Head of Credit Risk Management (Chief Credit Officer or CCO) has well-defined responsibility for management of credit risk. Final authority and responsibility for all activities that expose the FI to credit risk rests with the

Board of Directors. The Board however delegated authority to the Managing Director and CEO or other officers of the credit risk management division.

The Board of Directors (BoD) sets credit policies and delegates authority to the management for setting procedures, which together has structured the credit risk management framework in the FI. The Credit Policy Manual contains the core principles for identifying, measuring, approving, and managing credit risk in the FI and is designed to meet the organizational requirements that exist today as well as to provide flexibility for future. These policies represent the minimum standards for credit extension by the FI and are not a substitute of experience and good judgment.

Definitions of past due and impaired credit:

To define past due and impairment through classification and provisioning, the FI follows Bangladesh Bank Circulars and Guidelines. General provisions ranging from 0.25% to 5% on unclassified loans (standard/SMA) and specific provisions on classified loans (20% for substandard, 50% for doubtful and 100% for bad-loss) are made on the basis of quarter-end review by the management and instructions contained in DFIM Circular. Provisions and interest suspense are separately shown under other liabilities as per Fir DFIM Circular instead offsetting with loans.

Specific provisions for classified loans and general provisions for unclassified loans are measured following BB prescribed provisioning rates as mentioned below:

Particulars	Rates of provision
General provision on:	
Unclassified standard loans and advances (except SME)	1.00%
Unclassified standard loans to small and medium enterprises	0.25%
Unclassified SMA loans and advances	5.00%
Specific provision on:	
Substandard loans and advances	20.00%
Doubtful loans and advances	50.00%
Bad & loss loans and advances	100.00%

Quantitative Disclosures as on 31st December:

Total gross credit risk (risk weighted) exposures:

Figures in BDT Million

Particulars	2019		2018	
	Solo	Consolidated	Solo	Consolidated
Cash and cash equivalents	0	0	0	0
Claims on Bangladesh Govt. & Bangladesh Bank	0	0	0	0
Claims on NBFI and Banks	1,562	1,826	1,378	1,723
Claims on corporate (including OBS exposures)	21,192	21,192	23,923	23,923
Claims on Retail and SME (Including OBS exposures)	3,118	3,118	3,860	3,860
Consumer Finance	10,659	10,524	11,955	11,955
Claims fully secured by residential & Commercial Property	6,093	6,093	6,199	6,199
Past due claims	2,390	2,390	1,787	1,787
All other assets (2018 restated)	13,108	9,513	13,565	9,835
Total (2018 restated)	58,122	54,656	62,667	59,282

Geographical distribution of exposures (without netting eligible financial collateral) as on 31st December 2019:

Figures in BDT Million

Location	Solo	Consolidated
Dhaka	44,914	48,531
Chittagong	9,363	9,881
Sylhet	616	702
Jessore	1,251	1,251
Narshindi	316	430
Comilla	439	457
Bogra	796	796

Barisal	303	303
Khulna	401	489
Mymensingh	867	867
Others	1,397	1,410
Total	60,662	65,117

Industry or counterparty type distribution of exposure and NPL (without netting eligible financial collateral): Solo Basis:

Figures in BDT Million

Particulars	31 Dec 2019	Mix (%)	NPL	NPL % of Total Portfolio
Garments and Knitwear	2,523.89	4.16%	210.01	0.35%
Textile	1,767.34	2.91%	7.07	0.01%
Food Production and Processing Industries	3,912.05	6.45%	234.88	0.39%
Jute and Jute-Products	209.36	0.35%	0	0.00%
Leather and Leather-Goods	282.61	0.47%	0	0.00%
Iron, Steel and Engineering	1,952.18	3.22%	92.12	0.15%
Pharmaceuticals and Chemicals	1,224.09	2.02%	0	0.00%
Cement and Allied Industry	1,638.39	2.70%	418.22	0.69%
Telecommunication and IT	862.35	1.42%	0	0.00%
Paper, Printing and Packaging	602.97	0.99%	245.83	0.41%
Ship Manufacturing Industry	0	0.00%	0	0.00%
Glass, Glassware and Ceramic Industries	11.71	0.02%	11.71	0.02%
Power, Gas, Water & Sanitary Service	834.05	1.37%	0	0.00%
Transport and Aviation	2,442.51	4.03%	40.66	0.07%
Trade and Commerce	6,182.58	10.19%	781.94	1.29%
Agriculture	680.72	1.12%	13.28	0.02%

Particulars	31 Dec 2019	Mix (%)	NPL	NPL % of Total Portfolio
Housing	12,457.27	20.54%	402.10	0.66%
Brokerage & Securities	3,403.09	5.61%	0	0.00%
Others Loan	19,675.29	32.43%	930.37	1.53%
Total	60,662.46	100.00%	3,388.22	5.59%

Residual contractual maturity of credit exposure (without netting eligible financial collateral) as on 31st December 2019:

Figures in BDT Million

Particulars	Solo	Consolidated
On demand	4,481	4,550
In not more than three months	11,452	11,562
In more than three months but not more than one year	27,065	28,318
In more than one year but not more than five years	12,948	14,250
In more than five years	4,718	6,438
Total	60,662	65,117

Gross Non-Performing Assets (NPAs): Solo

On the reporting date i.e. 31 December 2019, Gross Non-Performing Assets stood at BDT 3,388.22 million.

Non-Performing Assets (NPAs) to Outstanding Loans & advances: Solo

On the reporting date i.e. 31 December 2019, Non-Performing Assets (NPAs) to Outstanding Loans & advances was 5.59%.

Movement of Non-Performing Assets (NPAs): Solo

Figures in BDT Million

Particulars	2019
Opening balance	2,298
Additions during the year	1,397
Reductions during the year	308
Closing balance	3,388

Movement of Specific Provisions for NPAs (Provisions for classified loans)

Figures in BDT Million

Particulars	2019
Opening balance	783
On fully provided debt written off during the year	35
Write back of excess provisions	-
Specific provision for the year	522
Provision held at the end of the year	1,270

E. Equities: Banking Book Positions**Qualitative Disclosures**

Investment in equity securities by LBFL is broadly categorized into two types: Quoted securities (Ordinary shares, Mutual Funds) and Un-quoted securities. Unquoted securities are categorized as banking book exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future (i.e. held to maturity) and securities that are acquired under private placement or IPO or strategically held for a longer term and are going to be traded in the secondary market after completing required formalities or meeting some requirements.

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book:

Investment in Marketable securities: Investment in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where market price is less than cost) as guided by Bangladesh Bank. Unrealized gains are not recognized in the profit and loss account.

Investment in Non-Marketable securities: Investment in unlisted securities are reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Investment in subsidiaries: In 2019 Investments in subsidiaries are accounted for under the fair value method of accounting in the Company's separate financial statements in accordance with IFRS 9 and position in 2018 is also restated. Para 4.1 of IFRS 9 permits investment in subsidiary to be recognized and subsequently measured at fair value. As the Company has the intentions to hold these subsidiaries for long term, the management has decided to designate these assets irrevocably at fair value through other comprehensive income (FVTOCI). This means, any change in fair value will be shown in other comprehensive income and in a separate reserve account in the balance sheet other than retained earnings. However, as per Bangladesh Bank guidelines, the Company cannot present "Other Comprehensive Income" and thus any change in fair value will directly be recognized in Revaluation Reserve under Equity in the balance sheet.

- ▶ Provision for shares against unrealized loss (gain net off) has been made according to Bangladesh Bank (BB) circular.

Quantitative Disclosures as on 31st December 2019:

Figures in BDT Million

Particulars	Solo		Consolidated	
	At Cost	At Market Value	At Cost	At Market Value
Value of Quoted securities	1,470	1,236	4,357	3,480
Value of Unquoted securities	124	124	236	236

Particulars	Solo	Consolidated
The cumulative realized gains (losses) arising from sales and liquidations in the reporting period/ Net gain/(loss) on sale of quoted securities	113.98	164.70
Total unrealized gains (losses) / Provision for re-valuation of shares (net)	(260)	(524)
Total latent revaluation gains (losses)	-	-
Revaluation Reserve for Investment in Subsidiaries	1,007	-
Any amount of the above included in Tier 2 capital (10% of revaluation reserve for investment in subsidiaries)	100.7	-
Capital charge required for quoted securities:	247.2	696
Specific risk	123.6	348
General market risk	123.6	348

F. Interest rate risk in the banking book (IRRBB)**Qualitative Disclosures****(a) General Disclosure**

Interest Rate Risk is the risk which affects the FI's financial condition due to changes of market interest rates. Changes in interest rates affect both the current earnings (earnings perspective) and also the net worth of the FI (economic value perspective). FI assesses the interest rate risk both in earning and economic value perspective.

The process of interest rate risk management by the FI involves determination of the business objectives, expectation about future macro-economic variables and understanding the money markets and debt market in which it operates. Interest rate risk management also includes quantifying the appetite for market risk to which FI is comfortable.

The FI uses the following approach to manage interest rate risks inherent in the Balance sheet:

Simple Gap Analysis: Traditional Gap analysis of on-balance sheet Asset Liability Management (ALM) involves careful allocations of assets and liabilities according to re-pricing/maturity buckets. This



approach quantifies the potential change in net interest income using a specified shift in interest rates, e.g. 100 or 200 basis points, or a simulated future path of interest rates.

Assumptions: For Gap analysis, FI considers the following:

- ▶ For fixed-rate contract, remaining maturity is considered.
- ▶ For contracts with provision of re-pricing, time remaining for next re-pricing is considered.
- ▶ For assets and liabilities which lack definitive re-pricing interval or for which there is no stated maturity, FI determines the core and volatile portion. For assets, volatile portion is bucketed till 3 months using historical repayment behavior and stable portion is bucketed in 6-12 months' bucket. For liabilities, volatile portion is bucketed till 1 year using historical withdrawal behavior and stable portion is bucketed in over 1-year segment.

Also, following assumptions are met:

- ▶ The main assumption of gap analysis is that interest rate moves on a parallel fashion. In reality however, interest rate does not move parallelly.
- ▶ Contractual repayment schedule is met.
- ▶ Re-pricing of assets and liabilities takes place in the midpoint of time bucket.
- ▶ The expectation that loan payment will occur in schedule.

Quantitative Disclosures

Funding Gap Analysis:

Funding GAP Analysis attempts to determine the potential impact on net interest income (NII) due to changes in interest rate.

Result of Funding Gap analysis as on December 31, 2019:

Particulars	3 months	6 months
For 1% increase/decrease in interest rate, impact on NII	BDT ± 4.84 Million	BDT ± 7.46 Million
For 2% increase/decrease in interest rate, impact on NII	BDT ± 9.69 Million	BDT ± 14.91 Million

Duration GAP Analysis:

The focus of the Duration Analysis is to measure the level of a FI's exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements. Duration Gap can be used to evaluate the impact on the Market Value of Equity of the FI under different interest rate scenarios. ALCO monitors the Leveraged Liability Duration and duration gap of the total FI balance sheet on a quarterly basis to assess the impact of parallel shift of the assumed yield curve.

Particulars	31 December 2019
Duration of Asset	4.29
Duration of Liabilities	2.79
Duration Gap	1.50
Changes in equity for change in interest rate (1%)	1.36%
Changes in equity for change in interest rate (2%)	2.73%

G. Market Risk

Qualitative Disclosures

Market Risk: Market Risk is defined as the possibility of loss due to changes in the market variables. It is the risk that the value of on/off-balance sheet positions will be adversely affected by movements in equity price, interest rate and currency exchange rates. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements. The primary sources of market risk for the company are:

Interest rate risk: Arising from changes in yield curves, credit spreads and implied volatilities on interest rate options.

Equity price risk: Arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Company has a comprehensive Treasury Manual, Asset-Liability Management Policy, Investment Policy approved by the BoD to assess, monitor and manage all the above market risks. Various internal limits have been set to monitor market risk and capital requirement is assessed as per standardized approach of Basel II.

Methods used to measure Market Risk: FI applies maturity method in measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk exposure is computed under the standardized approach using the maturity method and in accordance with the guideline issued by Bangladesh Bank.

Market Risk Management System: To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Of the ratios, the key ratios that ALCO regularly monitors are Liquidity Coverage Ratio (LCR) and Maximum Cumulative Outflow (MCO), Liquid asset to total assets, Volatile liability dependency ratio, Snap liquidity ratio and Short term borrowing to Liquid assets ratio. ALCO also regularly monitors the interest rate sensitive gap and duration gap of total portfolio.

Quantitative Disclosures as on December 31:

Capital charge (Solo basis) for market risk:

Figures in BDT Million

Particulars	2019	2018
Interest rate risk	-	-
Equities	247.2	395.5
Foreign exchange risk	136.1	0.01
Commodity risk	-	-
Total	383.3	395.6

H. Operational Risk

Qualitative Disclosures

Operational Risk: Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. We seek to minimize exposure to operational risk, subject to cost benefit trade-

offs. The FI captures some identified risk events associated with all functional departments of the FI through standard reporting format.

Views of Board on system to reduce Operational Risk: The policy for measuring and managing operational risks is approved by the Board in line with the relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Risk Management Division (Audit & Inspection Unit, Internal Control & Compliance Unit, Enterprise Risk Management Unit) to protect against all operational risks. As a part of continued surveillance, the management committee (MANCOM), Risk Management Committee and Risk Management Division regularly review different aspects of operational risks and suggest formulating appropriate policies, tools & techniques for mitigation of operational risk.

Performance gap of executives and staffs: LBFL is an equal opportunity employer. It recognizes the importance of having the right people at right positions to achieve organizational goals. Our recruitment and selection are governed by the philosophy of fairness, transparency and diversity. Understanding what is working well and what requires further improvement is essential to our performance management system. The performance management process aims to clarify what is expected from employees as well as how it is to be achieved.

Our learning and development strategy puts special focus on continuous professional development to strengthen individuals' skill set by removing weaknesses to perform the assigned job with perfection. We have a wide range of internal and external training programs to enhance capabilities as well as minimize performance gap that will contribute more to bottom line.

Peoples' performance is assessed on the basis of performance objectives and key performance indicators (KPI) set at the beginning of each year. Decisions related to rewards and recognitions for the employees are taken on the basis of how well the assigned KPIs are met.

Potential external events: The overall environment within which an FI operates creates certain externalities which could affect business performance directly such as:

Fraud Risk is the risk of incurring losses as a result of an intentional act or omission by a third party involving dishonesty, for personal and/or business gain, to avoid personal and/or business loss, or to conceal improper or unauthorized activity. This includes facilitation, misrepresentation, money laundering, terrorist financing, theft, forgery and cyber-crime.

Business Continuity Risk is the risk of incurring losses resulting from the interruption of normal business activities, i.e. interruptions to our infrastructure as well as to the infrastructure that supports our businesses.

Information Security Risk is the risk of an event which could result in the compromise of organizational assets, including, but not limited to, unauthorized use, loss, damage, disclosure or modification of organization assets. It includes the risk of cyber threats on the organization.

Regulatory Compliance Risk is the risk of incurring regulatory sanctions (including restrictions on business activities, fines or enhanced reporting requirements), financial and/or reputational damage arising from our failure to comply with applicable laws, rules and regulations.

Vendor Risk arises from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor and other impacts to the vendor itself.

Policies and processes to mitigate operational risk: Enterprise Risk Management Unit is primarily responsible for risk identification, measurement, monitoring, control, and reporting of operational risk. This unit identifies risk issues primarily through review of Departmental Control Function Check List (DCFCL) and reports to Head of ICCD (Internal Control and Compliance Division). DCFCL is a self-assessment process for detecting 'high' risk areas and finding mitigation of those risks. The committee titled 'Risk Management Committee (BRMC)' also oversees the operational risk issues.

Approach for calculating capital charge for operational risk: The FI applies 'Basic Indicator Approach' of Basel II as prescribed by BB. Under this approach, FIs have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. Gross Income is the sum of 'Net Interest Income' and 'Net non-interest income' of a year or 'Total Operating Income' of the FI with some adjustments as noted below. Gross Income (GI) shall:

- ▶ Be gross of any provision (e.g. for unpaid interest),
- ▶ Be gross of operating expenses, including fees paid to outsourcing service providers,
- ▶ Include lost interest i.e. interest suspense on classified loans (SS, DF, BL).

Quantitative Disclosures as on 31st December:

Figures in BDT Million

Particulars	2019		2018	
	Solo	Consolidated	Solo	Consolidated
Capital charge for operational risk	441.20	617.1	374.5	510.7

STATEMENT ON NPL MANAGEMENT

1. Introduction

Non-Performing Loan (NPL) is a debt obligation where the borrower has not paid previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments. Therefore, managing NPL to keep it at the lowest possible level is at the core of our business priorities. We have embedded the essence of asset quality in our business values, therefore, instituted the best local as well as international industry practices throughout our business processes.

2. Business Processes and Structures to Facilitate NPL Management:

NPL management is one of the topmost priorities of the management. At LankaBangla, NPL management starts from the very beginning of our business process. Step by step NPL management flow is as under:

- ▶ We have developed credit policies in line with the best practices which are the guiding principles for sales and relationship teams which drive their business efforts towards quality business through systematic management of any potential risk of NPL.
- ▶ Credit Risk Management (CRM) division independently reviews the credit proposals, approves (as per approved delegated authority) or recommends for onward approval those cases which are screened off of potential risks ensuring adequate protection against any potential NPL. The reporting authority of CRM division is also independent of reporting line of business division.
- ▶ The credit proposals recommended by CRM are reviewed by Management Credit Committee (MCC) consisting of the Managing Director, Deputy Managing Director and Heads of business divisions, operations division and CRM division, who put into a wide variety of inputs from different aspects ensuring the least possibility of NPL.
- ▶ Thereafter, credit proposals recommended by MCC are reviewed and if found acceptable, approved by the concerned authority which may be the Managing Director, the Board Executive Committee (BEC) or the Board of Directors (BOD) independently.
- ▶ Even after approval of credit facilities, the post approval activities like credit facility documentations and executions are carried out by separate department namely Asset Operations Department and vetting of credit facility and collateral documentations are taken care of by separate department namely Legal Affairs Department under centralized Operations Division which are independent of reporting line of business departments and divisions to avoid conflict of interests.
- ▶ For post disbursement activities like monitoring, collection, early alerts, etc. sales and relationship teams hold prima-facie responsibility to ensure their accountability towards quality asset portfolio, However, to put into more and rigorous monitoring, separate department namely Asset Recovery & Monitoring Department continuously thrives for protection before assets turn into NPLs. Regular due date and overdue status reminders through SMS, e-mails, letters, telecommunications, meetings, discussions, visits, etc with the clients are consistently carried out by the department which facilitates managing NPL at the lowest possible level.
- ▶ For managing NPL cases arising out even after all the efforts as mentioned above, a dedicated department namely SAM (Special Asset Management) Department is in place to directly monitor, put into action and intensify recovery and settlement drives through dedicated internal recovery officers and also third party collection service providers, where necessary. Litigation Unit of Legal Affairs Department is well organized with the assistance of leading law firms of the country to ensure all out legal actions for collection.
- ▶ Risk Management Division and its Internal Control & Compliance (ICC) Unit, Enterprise Risk Management (ERM) Unit and Audit & Inspection (AI) Unit are consistently reviewing and monitoring the implementation and execution of the policies, procedures, and systems; blowing whistles where necessary; updating with approval of competent authority the policies, procedures, and systems with the assistance of the Information Technology (IT) Division and other stake-holding divisions;
- ▶ The senior management is vigilant to monitor and review all the relevant aspects; provides necessary directions and guidance time to time; all to ensure asset quality maintaining the NPL ratio towards its desired goals outperforming the industry ratio.
- ▶ On top of all, the Board of Directors periodically monitors and reviews the NPL movements and performance of the management in arresting NPL; provides necessary directions and guidance, thereby ensures highest quality of assets of the company to ensure a quality asset portfolio thereby maximize business and profitability growth.

3. Strategies for NPL Management

The recovery strategies are formulated based on analysis carried out through the following three sub-functions:

- ▶ Classification of loan portfolio
- ▶ Trend analysis of the overdue installments
- ▶ Processes of recovery

3.1 Classification of Loan Portfolio

Loans are classified into the following categories:

- ▶ Regular payees
- ▶ One monthly installment overdue
- ▶ Two monthly installment overdue
- ▶ Three monthly installment overdue
- ▶ Four monthly installment overdue
- ▶ Five monthly installment overdue
- ▶ Six monthly installment overdue
- ▶ Suspended account (Special Asset)

The above mentioned classification is based on the age of the loan portfolio. The strategy of recovery is based on the age of overdue of the loan facility.

3.2 Trend Analysis of the Overdue Loans

The data of the outstanding loan portfolio is analyzed in two respects, namely, Sector-wise Age Analysis and Client-wise Age Analysis. From each of these two reports a trend analysis is carried out. The details are given below. External data are utilized to do the analysis:

3.2.1 Sector-wise Age Analysis

This report provides information on the sectorial default level of the loan portfolio. If the default happens to be random in nature for a particular sector, the client-wise age analysis is emphasized. If any sectorial default is evident the following further analysis is carried out.

3.2.1.1 Industry Sales Analysis

This analysis is carried out by collecting data from the external sources to find the causes of the sectorial sales decline. The nature of the causes (temporary or permanent) is also analyzed.

3.2.1.2 Industry Profitability Analysis

This analysis is carried out in order to find out the fluctuation of the profit margin of the sectors. The causes of the fluctuations are also analyzed to uncover the nature of the fluctuations (temporary or permanent).

3.2.1.3 Industry Liquidity Analysis

This analysis is carried out in the context of national economic activity, monetary condition to find out the immediate liquidity situation of the industry and be prepared to face the reality of the business.

3.2.1.4 Industry Change Analysis

This analysis is carried out to find out changes in the industry in terms of technology, investment, development of substitute product, etc. The objectives of the sector-wise age analysis are following:

- ▶ Take immediate action to realize the default outstanding by way of rescheduling, suspending or terminating the agreement.
- ▶ Provide investment advices to the client to help them recovering from turmoil.
- ▶ Adopt alternate strategies with respect to loan finance to the sector.
- ▶ Adopt new criteria for future reference in appraisal procedure.

3.2.2 Client-wise Age Analysis

This analysis is carried out to discover the clients' integrity and sincerity to pay the loan installments, their business profitability, and affectivity of their business strategy in the context of present business situation. The objective is to adopt correct strategy to recover the investment.

4. Recovery Processes

The various recovery actions in order of intensity is given below:

- ▶ Phone Call/ SMS
- ▶ Letter/ E-mail
- ▶ Visit
- ▶ Reminder
- ▶ 2nd Reminder
- ▶ Visit conducted by higher level employee/s

- ▶ Letter to guarantor/s
- ▶ Final/ call up letter for legal notice
- ▶ Legal Notice
- ▶ Report to Central Bank and to other agencies
- ▶ Terminate the loan
- ▶ Ask the guarantor of payment/ encashment of security
- ▶ Litigation

The application of the above mentioned options are contingent upon the age of the overdue installments, causes of the overdue, etc. Few of the application are as follows:

- ▶ Immediately after overdue of one installment, telephonic communication/ SMS is initiated by monitoring officer. Upon failing to obtain positive result default letter is issued to the client after closure of the due month. If the letter does not bring in result an official visit is made by a collection officer to resolve the matter.
- ▶ If two installments are overdue, the case is analysed and necessary corrective action is taken by sending an overdue status and a claim letter; simultaneously telephone calls and/ or visits are made to give the continuous reminder.
- ▶ If the above actions fail a second reminder is given to the client through letter along with telephonic conversation.
- ▶ If consecutively three installments are overdue the client is taken as problem case. In this case a higher level management meeting is conducted, to take corrective action with respect to rescheduling, early realisation, etc.
- ▶ If the above measures fail a letter showing the details of overdue and a list of already taken corrective actions is sent to the client with C.C. to the guarantor and security provider.
- ▶ After six monthly installments overdue, or the account is overdue for six months, the case is taken as suspended case and legal notice, reporting to central bank, termination of loan, security encashment, final provisioning, litigation etc. are carried out chronologically.

5. NPL Status as on December 31, 2019:

During the year 2019, the NPL ratio of the Company increased to 5.59% from previous year's 3.60%. The absolute figures show the increase in classified portfolio from BDT 2,298.45 million in 2018 to BDT 3,388.22 million in 2019. The increase is mainly due to stresses on the borrowers arising out of rate increases in one hand and on the other hand, stresses on cash flows and working capital arising out of prolonged liquidity stresses in the financial sector and economy. Special efforts were made during the course of the year, which were further intensified during last quarter of the year and it helped minimize the adversity considering very stressful financial sector and impacted economy.

The movement in NPL accounts during the year 2019 has been depicted in following table:

Particulars	BDT Million
Opening Balance as on January 1, 2019	2,298.45
Add: Addition During the Year	1,397.34
Less: Collection During the Year	272.97
Less: Write-offs	34.60
Closing Balance as on December 31, 2019	3,388.22

* The collections from NPL accounts figure is only from opening NPL accounts; total collections from all NPL accounts including those which were regularized/ settled during the year is BDT 424.53 million.

6. Write offs

During the year 2019, the movement in write-offs accounts is as under:

Particulars	BDT million
Opening Balance as on January 1, 2019	901.49
Add: Addition During the Year	34.60
Less: Collection During the Year	2.34
Closing Balance as on December 31, 2019	933.75

7. Sector-wise NPL Status

Following table shows sector-wise exposure vis-à-vis sector-wise NPL of LankaBangla.

Sl.	Particulars	Total Credit Portfolio (in BDT mn)	Credit Portfolio (in %)	NPL Portfolio (in BDT mn)	NPL % of Total Portfolio
1.	Trade and commerce	6,182.58	10.19%	781.94	12.65%
2.	Industry				
a)	Garments and knitwear	2,523.89	4.16%	210.01	8.32%
b)	Textile	1,767.34	2.91%	7.07	0.40%
c)	Jute and jute -products	209.36	0.35%	-	0.00%
d)	Food production and processing industry	3,912.05	6.45%	234.88	6.00%
e)	Plastic industry	754.21	1.24%	32.70	4.34%
f)	Leather and leather goods	282.61	0.47%	-	0.00%
g)	Iron, steel and engineering	1,952.18	3.22%	92.12	4.72%
h)	Pharmaceuticals and chemicals	1,224.09	2.02%	-	0.00%
i)	Cement and allied industry	1,638.39	2.70%	418.22	25.53%
J)	Telecommunication and IT	862.35	1.42%	-	0.00%
k)	Paper, printing and packaging	602.97	0.99%	245.83	40.77%
l)	Glass, glassware and ceramic industry	11.71	0.02%	11.71	100.00%
m)	Ship manufacturing industry	-	0.00%	-	0.00%
n)	Electronics and electrical products	737.42	1.22%	-	0.00%
o)	Power, gas, water and sanitary service	834.05	1.37%	-	0.00%
p)	Transport and aviation	2,442.51	4.03%	40.66	1.66%
	Industry Total	19,755.16	32.57%	1,293.21	6.55%
3.	Agriculture	680.72	1.12%	13.28	1.95%
4.	Housing	12,823.74	21.14%	460.72	3.59%
5.	Others				
a)	Merchant Banking (Loan to LankaBangla Investments Limited)	1,756.60	2.90%	-	0.00%
b)	Margin Loan	1,646.49	2.71%	-	0.00%
c)	Others	17,817.18	29.37%	839.06	4.71%
	Others Total	21,220.26	34.98%	839.06	3.95%
	Grand Total	60,662.46	100.00%	3,388.22	5.59%

In order to arrest NPL our focus is not only reducing existing NPL portfolio, but also avoiding further NPL. In line with that we have strengthened our recovery & monitoring teams, deployed external sources where found suitable, strengthened our legal team, thereby intensified recovery drive which brought in defaulting clients under negotiation. On the other hand, in order to check any further significant NPL, we have extensively reorganized our Organogram, engaged business division, CRM division, Operations

division, strengthened pool of qualified human resources in the departments, enhanced lawyers' panel incorporating leading law firms, strengthened Risk management division, reengineered business and operational processes putting into a strong risk management framework in place which is expected to result in sizable improvement in year 2020.

REPORT ON GOING CONCERN

The Board of Directors of LankaBangla has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. This assessment involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to Company's continuance as a going concern for the foreseeable future.

Financial Indications

Performance Growth

2019 was challenging year for financial sector. In this period the overall sector faces a liquidity crisis. Even in this period LankaBangla manages to attain progresses in several areas which indicates its excellence in operating performance. Consolidated Operating Revenue shows a growth of 6.3% from last year; it amounted to BDT 11,758 Million in 2019 from BDT 11,061 Million in 2018. Consolidated Net Interest, which is one of the major performance indicators, amounted to BDT 2,897 Million for the year 2019 compared to BDT 2,490 Million of 2018, a growth of 16% in net interest income. Net profit has been increased both in group and stand-alone level. Consolidated PAT stands at BDT 508 million in 2019 against BDT 444 million in 2018, an increase by 14%. Stand alone PAT stands at 736 million in 2019 against 714 million in 2018, up by, up by 3%.

Credibility in Payment Obligations

LankaBangla has strong credibility in terms of payment of its obligations to the lenders and suppliers. The Company is very particular in fulfilling the terms of payment or repayment agreements without any exception. This has resultant from our effective liquidity management plan. Even amidst this tightening liquidity scenario, we have not failed to pay any obligation on time.

Cash Flow Analysis

LankaBangla's cash flow analysis represents its strengths about its ability to repay its obligations, ability to adapt in changing circumstances and generate sufficient cash and cash equivalents which will lead the organization to a sustainable future growth.

Consolidated Operating Cash Flow before changes in operating assets and liabilities generated in 2019 was BDT 2,009 Million. However, Net Operating Cash Flow after changes in operating assets and liabilities shows inflow of BDT (1,363) Million.

Expansion of Business

LankaBangla continues to expand its segment geographically by opening new branches in different places considering the economic significance. In 2019 LankaBangla opened 1 new branch and initiatives have been taken to open few new branches in 2020 at different places across Bangladesh. As on 31 December 2019 LankaBangla has 27 Branches.

Consistent Payment of Dividends

LankaBangla has been paying consistent dividend to its shareholders over many years, which reflects company's long term vision and firm commitment to its shareholders.

Corporate Environment and Employees' Satisfaction

LankaBangla is an excellent work place with a friendly working environment. Communication among the employees is admirable. The organization endeavours to be honest and practices fair treatment to all employees which ensures healthy corporate environment. The company pays a very competitive compensation

package and there are a good number of employee benefits like provident fund, gratuity fund, Home and personal loan for employees at a reduced rate, employees' health insurance, incentive bonus, transport facility to the eligible employees. Pay scale are frequently revised to give effect of inflation as well as to align with the industry level. These factors are instrumental for employee satisfaction.

Maintenance of Sufficient Capital

As per BASEL-II, an NBFi should maintain total capital of at least 10 percent of Risk Weighted Asset (RWA). LankaBangla maintains its capital well above the required level consistently even though growth of RWA is significant. As on 31 December 2019 Consolidated Capital Adequacy Ratio (CAR) is 16.75% and Separate Capital Adequacy Ratio (CAR) 16.4% which was in 2018 16.18% and 15.49% respectively.

Other Indications

Satisfactory Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company in 2019 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2018 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.

Foreign Fund

LankaBangla managed to close a deal with Islamic Corporation for The Development (ICD) of The Private Sector for a Foreign Loan of 20 Million Euro. The company passes through all the feasibility testing of ICD during the year 2018 and successfully got the Fund on 13 January 2019. The Fund will certainly strengthen the funding position of LankaBangla and will be a gateway for more foreign funds in future.

Changes in Government Policy

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

Based on the above mentioned indications, Directors feel it is appropriate to adopt going concern assumptions. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing the financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS



The primary role of LankaBangla is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value.

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REVIEW FROM THE MANAGING DIRECTOR & CEO

We have efficaciously managed our liquidity in 2019 amidst the mid-term liquidity dearth industrywide by coalescing foreign source of fund with domestic sources, collaborated with financial partners including individual depositors, strengthen capital base further to support future expansion, restructured business processes, made prudent loan disbursement by trading off liquidity vs. business, brought out creative initiatives to maintain asset quality, optimized costs, made mentionable investment in IT infrastructure, taken endeavours to keep the image of a customer centric organization and provide full range of financial services despite the year possessed unprecedented challenges from industry competitiveness, adverse liquidity situation, negative image of the industry and bearish capital market.



Khwaja Shahriar

Managing Director & CEO



Dear Stakeholders,

We have passed another challenging year of prolonged liquidity dearth, rise of countrywide NPL, negative image of the NBFIs industry due to failure of liquidity management of several NBFIs, sheer underperformance of capital market, exhilarating competition, reduction of net interest margin because of increase in cost of fund. LBFL has overcome these challenges with impressive and solid team work, successful implementation of the right strategies, diversified fund sourcing including foreign fund and local subordinated debt raising, restructured business processes, cautious and focused loan disbursement, effective cost management and by impressive progression in using of latest IT solutions. Results of these initiatives are increase in bottom line to some extent both stand-alone basis and as group.

We were hopeful in the beginning of 2020 that we would do much better in 2020 by overcoming all of the recognized challenges. Then COVID 19 shakes the world along with Bangladesh in first quarter of 2020 and changes the game plan entirely. We are now in a mystifying uncertainty in terms of global and country economy. Accordingly, we have to revise our strategies and action plan by considering the possible impact of COVID-19. The possible impact of this on us and how we will overcome this uncalculated challenge is outlined in Note # 42 (e) to the financial statements in page 289.

In a nutshell, COVID -19 will affect our Company in many folds: it will hamper cash inflow from installments which will increase SMA and NPL resulting higher provision (unless regulator give any exceptional exemption), incremental business will be jeopardized

as cash outflow may be more from high amount of deposit encashment than cash inflow from loan installments and as fresh deposit mobilization and borrowing from bank & other sources will be significantly low and all earnings from capital market operations including brokerage commission, fees for professional services, dividend and capital gain will be significantly reduced. As a result, cost to income ratio will be increased which will affect bottom line. To combat against these adverse effects, we have taken new strategies and action plans that will be discussed later in this review.

In 2019, we emphasized on maintenance of asset quality, improvement in profitability, reduction of exposure in capital market, maintenance of hefty amount of subordinated debt which contributed to a strong balance sheet which in turn improves Capital Adequacy Ratio (CAR) of LBFL by 0.9% and takes it to 16.40% in 2019 from 15.49% of 2018 and also increase CAR of LBFL group to 16.75% in 2019 from 16.18% of 2018.

Credit Rating Agency of Bangladesh (CRAB) has been rated LBFL "AA3" for long term and "ST-2" for short. Achieving SAFA, ICAB, ICMAB Award for best presented Annual Report and Corporate Governance for last few consecutive years proved our consistent accountability to stakeholders in terms of transparency and integrity. It is noteworthy to mention that we became First in SAFA for best presented annual report for 2018.

Year-end Highlights-2019

As on December 2019, our SME portfolio stood at BDT 17,847



million, showing a growth of 2% from last year. In order to exploit the huge opportunities in SME sector, we deployed different strategies aimed to grow and achieve a diversified portfolio. These strategies are aligned with our endeavour of increasing geographical footprint. We are planning to ensure our presence in the major SME business hubs all over the country.

In 2019, we focused heavily on both SME and personal financial services specially credit card. Total retail asset disbursement was 13,680 million which is 4% higher than that of 2018. Our credit card portfolio continued to show significant growth to reach BDT 4,118 million in 2019 with its client base growing sharply. That portfolio increased by BDT 510 million in 2019 which is 14.12% higher than BDT 3,609 million of 2018. Annual card usage stands at 9,990 million which was 21.4% higher than usages of 2018. In 2019 we disbursed total BDT 16,094 million corporate loan with increasing our exposure to Transport and Aviation, Electronic, Pharmaceutical and Chemical industry along with Garments and Jute industry significantly as part of our prudent corporate investment strategy.

One of our major strategies for 2019 was to ensure that branches play a bigger role in promoting retail and SME lending and driving medium term business goals. We have achieved that by empowering branches more and more. Now branches can work independently and act as a single touchpoint for all sort of customer services from product acquisition to delivery to closing procedures.

At the very beginning of 2019, we have borrowed USD 19.98 million equivalent to BDT 1,675.72 million against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. This is the first time ICD has lent to any FI of Bangladesh.

During this toughest time of liquidity management, we aim to maintain reliable and consistent relation with bank and financial institutions that helps us to maintain year-end consolidated borrowing balance of BDT 18,672 million out of which BDT 9,317 million were unsecured. Separat balance of borrowing from bank and financial institutions stood at BDT 15,613 million at the end of 2019 which is 24% higher than that of 2018. All these implies our capacity to retain strong liquidity position and prospective growth.

We have served around 152,111 number of clients in 2019 which was 130,130 in 2018, an increase by 17%.

Financial Highlights

We have been able to keep the confidence of our stakeholders with strong balance sheet and profitability despite we have dealt with various obstacles such as reducing spread, bearish capital market, liquidity crisis, increasing cost to income ratio etc. Our standalone net profit increased to BDT 736 million in 2019 which is BDT 22 million higher than net profit of 2018 thus return on asset stood to 0.91% in 2019 which was 0.89% in 2018.

Our endeavour reflected in the growth of returns. Consolidated Return on Asset and Return on Equity was 0.59% and 5.27% in 2019 which was 0.51% and 4.90% in 2018 respectively. We have ended the year with standalone EPS of BDT 1.43 and consolidated EPS of BDT 0.98 which was BDT 1.40 and BDT 0.85 respectively in 2018.

Separate NAV was 19.52 while Consolidated NAV was 18.48 in 2019. Though non-earning assets increased during the year, we have managed to keep NPL at 5.59% against the industry average of 9.5%

as on December 31, 2019. Even in severely dehydrated market, we were capable to disburse BDT 33,666 million loan and advances.

Other major highlights are shown below

Revenue

Consolidated revenue for 2019 has been BDT 11,757 million which shows a growth rate of 6.3% from the previous year, of which 87% was from interest earning products, 3% from investment income, 4% from commission & brokerage income and rest 7% from other income sources. Standalone revenue grows to BDT 10,333 million which is 11.92% higher than revenue of 2018.

Profitability

The Company shows impressive profitability with higher interest margin. Consolidated net profit after tax increased to BDT 508 million in 2019 which is 14.35% more than that of 2018. Standalone net profit after tax stood at BDT 736 million which is 3.06% higher than last year profit of BDT 714 million.

Portfolio

As the market experienced dryness throughout the year, our standalone asset portfolio little bit decreased by 5% to stood BDT 60,662 million at the end of the year 2019 which was BDT 63,785 million in 2018. Our SME portfolio increased to BDT 17,847 million in 2019 which is 2% higher than BDT 17,514 million of 2018. Our corporate portfolio decreased by BDT 549 million in 2019 to stood at BDT 18,172 million at the end of 2019 which is 3% lower than BDT 18,721 million of 2018. Card portfolio impressively increased to BDT 4,118 million which is BDT 510 million higher than 2018. That is 14.1% higher than BDT 3,609 million of card portfolio of 2018 while overall retail portfolio decreased to BDT 24,643 million which is 11% lower than last year.

Consolidated portfolio reduced to BDT 65,117 million in 2019 which was BDT 68,676 million in 2018 decreased by 5%. We have reduced our margin loan exposure by 26% in 2019 to keep in BDT 1,144 million which was BDT 1,538 million in 2018.

Liquidity and Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) for 2019 stood at 16.40% on separate basis and 16.75% on consolidated basis against 10% requirement as per BASEL II which was 14.49% and 16.18% respectively in 2018. This shows the strength of Capital and the level of compliance of LankaBangla with the regulatory requirements with regards to a sustainable growth.

Share Performance

Market price of our share had shown fluctuation throughout the year from BDT 14 to BDT 29.7 which finally settled at BDT 18 in the end of 2019.

ROA

For the year 2019, our Consolidated Return on Assets (ROA) was 0.59% compared to 0.51% of 2018. Separate Return on Assets (ROA) was 0.91% compared to 0.89% of 2018.

ROE

LBFL's individual Return on Equity (ROE) was 7.23% in 2019. Consolidated Return on Equity (ROE) for the year 2019 was 5.27% which was 4.90% in 2018 and its five-years cumulative average growth rate was 10.90%.

EPS

Consolidated Earnings per Share (EPS) for 2019 stood at BDT 0.98 compared to BDT 0.85 in 2018. Standalone Earnings per Share (EPS) for 2019 stood at BDT 1.43 compared to BDT 1.40 in 2018. 2.12% growth in EPS implies our commitment to enhance shareholders' wealth.

Fund Under Management

Due to dry market reduced asset disbursement, our Fund Under Management decreased to BDT 139,105 million in 2019 which was 145,890 million in 2018.

Activities of Subsidiaries

With the launching of fund management service through LankaBangla Asset Management Company Limited, LankaBangla befitted the pioneer financial institution in Bangladesh to operate at full capacity in capital market of Bangladesh.

LankaBangla Securities Limited (LBSL) maintained its leadership in both of the exchanges (DSE & CSE) in terms of transaction value for the last 14 years.

LankaBangla Investments Limited (LBIL) kept its leading position in Corporate Advisory Services through Primary Market Services (PMS) and Investment Banking Services (IBS) throughout the year 2019. In extreme bearish capital market LBIL successfully arranged BDT 920 million for Kushiara Power Company Limited through preference share, completed merger of six companies of Confidence Group, besides IPO, right issue and advisory services to its clients. Gradually this merchant banking wing of LankaBangla Finance Limited is focusing on non-funded earning sources more than fund based earning sources. In the middle of the year, LBFL restructured its loan facility to LBIL amounting BDT 1,865 million which has counted as most vital support for LBIL's financial health.

LankaBangla Asset Management Company Limited (LBAMCL) has passed another challenging year which is its third year in the Asset Management industry with wealth management products gaining increasing popularity amongst the investor community. With the declining broad market index by ~18% its two Unit Fund showed sluggish performance in 2019. Still, LBAMCL launched the country's first private equity (PE) fund, LankaBangla 1st PE Fund, with fund size of BDT 250 mn and a tenure of 10 years. It managed to receive registration certificate for launching new unit fund, "LB Gratuity Opportunities Fund" with an initial fund size of BDT 200 millions, successfully launched discretionary corporate fund management services under "Maximizer" and "Prudent" with an

initial AUM of BDT 314 million.

In 2020 LBAMCL expected to launch another unit fund, "LB Gratuity Wealth Builder Fund" with initial fund size of BDT 100mn and bring in sizable funds under corporate fund management services. As part of diversifying its product offerings, LBAMCL will also introduce a new wealth management service dedicated to High Net Worth Individuals (HNIs) of Bangladesh.

Advancement in utilization of technology

As we are ambitious to provide optimum customer service with the help of latest technology, we have been continuing to upgrade our IT backbone in 2019. We have started to exploit fully implemented Tranzware Project for credit card operation. Our card holder now can make online local transaction with LankaBangla credit card. For better internal control, faster transaction recording process, on time and accurate reporting, we have made IFS (ERP) project to Go Live in first quarter of 2019.

Economic Outlook and Competitive Challenges for 2020

Before COVID 19 pandemic, the economic outlook was very challenging. Public borrowing from bank shortened money available for credit to the private sector. This along with high rate of NPLs (almost double digit) reduced private sector investment growth which was 23.5% in 2019. That corroborated declined of private sector credit which recorded 11.3% growth in 2018-19 which is significantly lower than 16.9% of last year.

Foreign remittance reduced current account deficit of Bangladesh in 2019. Still for massive public borrowing the competition in collecting fund rises in financial industry, borrowing cost rose gradually in 2019 which may reduce in 2020. Political condition is expected to be stable in 2020 like 2019 as we passed national election in late 2018.

COVID 19 has worsen the situation much as the entire economy has started to feel the vibe. Export from RMG has decreased significantly from the mid of 1st quarter of 2020, economic activities were almost stopped for 2 months other than some emergency sectors including agriculture and pharmaceuticals. Growth projections of global economy for 2020 is (-) 3.0% plummeted from (+) 2.9% in 2019. Most of the economists of western countries opined that economic recovery from COVID 19 will be "U" shaped (slow recovery) rather than "V" shape (quick recovery). Also those economists did not rule out "W" shaped recovery (quick recovery, again fall and again quick recovery) or "L" shaped recovery (longer recovery) if COVID- 19 makes an outbreak again in next winter or if there is significant delay in inventing the relevant vaccine to neutralize this virus. IMF and World Bank both projected that Bangladesh will have a GDP growth of 2% to 3% for 2020 fiscal year although Government of Bangladesh said it would be around 6% instead of budgeted GDP growth of more than 8%.

Government has announced more than BDT 1 trillion economic stimulus package which is mostly bank loan dependent. Also Government has announced its budget for the fiscal year of 2021 where there is a huge deficit mostly to be financed from domestic banking system. This means that pressure on liquidity in banking sector will be more and there will be less chance of high private credit growth in coming year.





LBFL's strategy in Changed Economic Scenario

LBFL is seeing this pandemic as an opportunity to rethink and redesign the business in such a way that will ensure more productivity, effectiveness, efficiency and sustainability. The Company will endeavour to transform its current business model to a fintech based business model and interacts with customers from business sourcing to after sales service through digitally as much as possible. The Company will work in 2020 in order to achieve such a goal. Some of these efforts will involve adoption and exploitation of artificial intelligence, block chain technology, cloud technology, machine learning systems, digital wallet etc.

We will continue to search new and cheap source of fund, would remain cautious in lending by keeping in mind possible impacts of COVID -19 on the potential borrower and by prioritizing areas where Government has declared stimulus package.

While we will invest more on technology to ensure seamless operations and customer service and to be a fintech based organization, cost optimization will be one of our top strategies in 2020. We will review our space requirement both in head office and branches across the country and reduce or relocate offices or re-negotiate with existing land owner to save rental expenses to a great extent.

Instead of opening traditional branches, we will prefer to expand our geographical reach through successful implementation of hub and spoke model. Through this model, we will create many spokes across the country which will be served by a hub. Existing all branches will be converted either in hub or spoke depending on the location and more hubs will be created to support the spokes. This strategy will not only support huge business growth but also helps the Company to reduce cost to income ratio significantly which will ultimately increase the bottom line.

We will also optimize our costs in every possible single head by balancing well trade-off of efficiency vs. productivity. Priorities will be given to reduce discretionary costs that are normal in usual environment but abnormal during overall slowdown of macroeconomic and industry specific environment. HR strength will be well maintained as employees are our most precious assets by keeping them safe from the pandemic by adoption of remote office concept, taking full preventive arrangement for those who will do physical office, keeping employees engaged and developed through e-learning systems, delegation of authorities and responsibilities to enable them to help the Company to combat against the adverse consequences of the pandemic.

Beside all these, we will give our all-out efforts for mundane but quite important job of collection and recovery of overdue. This is the most important tasks in the changed scenario as most of the businesses including SME and corporate will face severe cash flow problem which will ultimately result in overdue. Also, we will continue our well maintained relationships with all of our funding partners including banks, large corporate houses, lender of bond, foreign lender etc. to manage cash in a manner that will help the Company to avoid any liquidity shock.

Appreciations

Synergy of unswerving contributions from all of our stakeholders puts us to the path of durable growth making us even more confident in achieving long sustainable and superior return. I

sincerely thank the Board of Directors, members of Management Committee and all members of our staff for their contribution.

Finally, none of this would have been possible without our investors, loyal customers and all other stakeholders who have pledged their confidence constantly in LankaBangla brand. We look forward to continue our journey towards mutual growth and prosperity and hoping that we can overcome the adverse consequence of COVID 19 together.

Thank you!

Khwaja Shahriar
Managing Director & CEO

CFO's STATEMENT ON PERFORMANCE

Excessive public borrowings for government mega projects, current and balance of payment deficits, collapse of share market with 17.32% decrease of general index in DSE, unprecedented liquidity crisis amid deteriorated asset quality of the industry offer extreme challenge to the Group of LankaBangla as it has exposure to comprehensive financial industry. Coping with defies, putting creative steps to keep asset quality, maintaining foreign and local diversified fund sources, prudently responding to capital market, controlling cost efficiently, in 2019, we have managed to poster improved consolidated and separate profitability and EPS , strong balance sheet with 16.75% adequately surplus consolidate Capital (CAR), diversified portfolio, increased total number of customers' coverage, all of which showcased our strength to adapt rapidly changing environment thus to grab better future.



Shamim Al Mamun, FCA
Chief Financial Officer



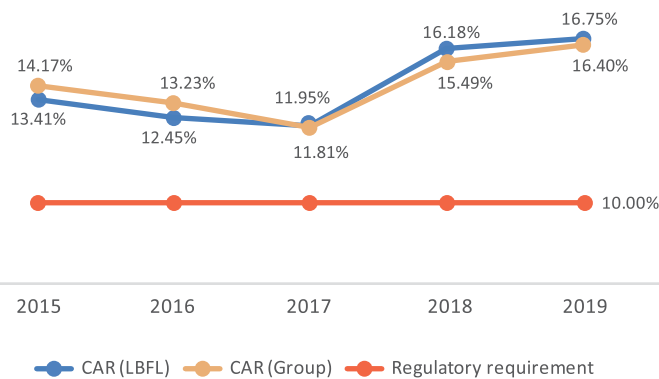
Financial position

Capital

In a dehydrated industry, increasing threat to asset quality, low poised capital market, LankaBangla Group managed to be remained well capitalized, as capital adequacy ratio remains well above the Basel II minimum regulatory capital requirements. Group's Capital Adequacy Ratio reached to 16.75% in 2019 from 16.18% in 2018 and LankaBangla Finance Limited (LBFL)'s CAR reached to 16.40% in 2019 from 15.49% in 2018. Moreover, LankaBangla Finance on solo basis exceeds its equity base over 1,000 crore marks. This high level of equity will give the Company an extra edge to combat against any unforeseen losses arises due to adverse impact of COVID -19 pandemic. At LankaBangla, Capital Management policy sets out the principles and guidelines for effective and prudent capital planning, usage and management. Tier I Core Capital of LBFL Group and LBFL as at 2019 were BDT 9,421 million and BDT 8,809 million respectively. Paying 15% cash dividend in 2019 though poster company's liquidity strength, reduced group equity balance at the end 2019 to BDT 9,482 Million which was BDT 9,823 Million in 2018.

We were consistent to repay dues of subordinated bond on time that instigated reduction of Tier II Supplementary capital of both the Group and LBFL which also comprises of General Provision for leases and loans. Supplementary capital of the Group reduced to BDT 2,162 million in 2019 from BDT 2,375 million of 2018 and supplementary capital of LBFL reduced to BDT 2,079 million from BDT 2,179 Million of 2018.

Total eligible capital of the group stood at BDT 11,583 million in 2019 which was BDT 12,076 million in last year. LBFL's total eligible capital stood BDT 10,887 million in 2019 compared to BDT 10,897 million of 2018.



Compared to 2018, consolidated risk weighted assets reduced by 7% in 2019 and so does our capital requirement. In consequence we not only maintained the required level of capital, we had a good surplus. The surplus eligible capital of the Group and the Company at the close of business on 31 December 2019 were BDT 4,668 million and BDT 4,250 million respectively.

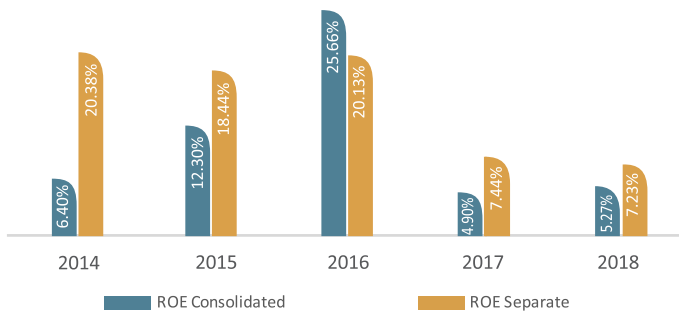
Our strong capital base created opportunity for us to cope with mutable challenges from post COVID19 scenario in coming days.



Return on Capital:

The Company showed impressive profitability in 2019 with better return on capital as its standalone and consolidated ROE was 7.23% and 5.27% respectively which were 7.44% and 4.90% respectively in 2018. Its five-years cumulative consolidated average growth rate of ROE was 10.90%. The historical ROE of core operation of LankaBangla Finance Ltd. was less variable in nature. Over the years, we have been building our balance sheet in such a way so that the earning volatility is reduced and risk diversified.

Return on Equity (ROE)



Loans and Advances

Due to liquidity crunch, low private sector investment growth which declined of private sector credit in 2019, Leases, Loans and Advances portfolio of the group reduced 5.18% to BDT 65,117 million in 2019 from BDT 68,676 in 2018. Our standalone asset portfolio decreased by 5% to stood BDT 60,663 Million at the end of the year 2019 which was BDT 63,785 million in 2018.

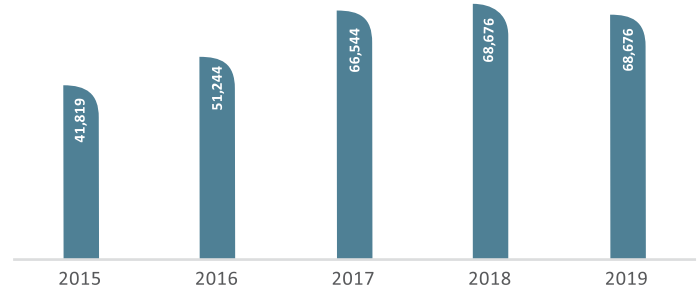
Corporate portfolio contributed 25% of total outstanding portfolio of the Group. For LBFL that portfolio decreased by BDT 549 million in 2019 to stood at BDT 18,172 million at the end of 2019 which is 3% lower than BDT 18,721 Million of 2018. Besides, Term loans LBFL offers factoring, syndicated financing arrangements and short term financing also to accomplish the motive of providing corporate bodies need based services.

Retail loans and advances contributed 38% of total consolidated portfolio half of which came from Home Loan. Credit Card is one

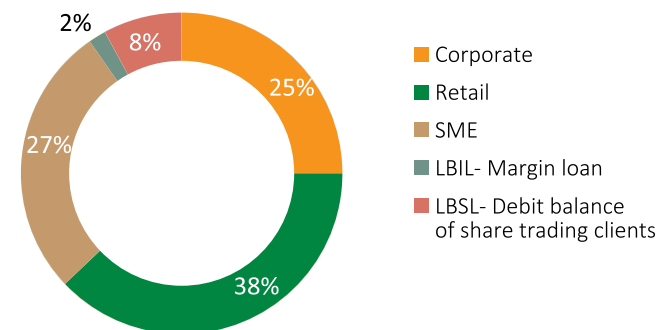
BDT Billion

Loans and Advances (Portfolio of Group)	2019	2018	Y-O-Y Growth	
			Amount	%
Corporate Financial Services	16,292.46	16,537.85	(245.39)	-1%
Retail Financial Services	24,671.20	27,591.91	(2,920.71)	-11%
Auto Loan	3,498.51	5,508.87	(2,010.36)	-36%
Home Loan	12,457.27	13,159.05	(701.78)	-5%
Personal Loan	4,597.20	5,315.38	(718.18)	-14%
Credit Card	4,118.22	3,608.61	509.61	14%
SME Financial Services	17,847.20	17,513.71	333.49	2%
LBIL- Margin loan to share trading clients	1,144.01	1,538.26	(394.25)	-26%
LBSL- Debit balance of share trading clients	5,162.21	5,494.30	(332.08)	-6%
Total portfolio	65,117.08	68,676.03	(3,558.95)	-5.18%

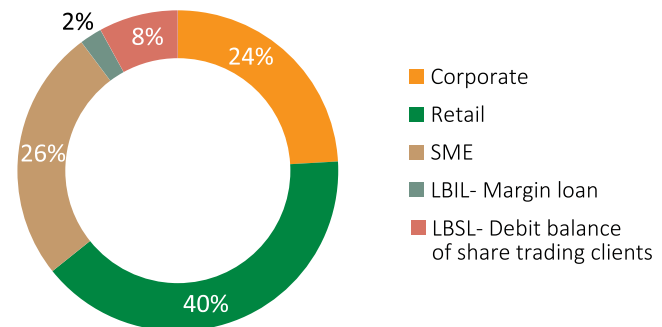
Cosolidated Leases, Loans and Advances



Consolidated Asset Portfolio Composition 2019



Consolidated Asset Portfolio Composition 2018



of the strength of LankaBangla Finance Ltd. as we are the only NBFI to deal with Credit Card Business. Card usage stand at 9,990 million which was 21.4% higher than usages of 2018 to make a new milestone. As a result Credit Card portfolio impressively increased to BDT 4,118 Million which is BDT 510 Million higher than 2018. That is 14.1% higher than BDT 3,609 Million of card portfolio of 2018 while overall consolidated retail portfolio decreased to BDT 24,671 million.

SME portfolio increased to BDT 17,847 Million in 2019 which is 2% higher than BDT 17,514 million of 2018. The exposure to capital market reduced in FY 2019 from that of FY 2018.

Funding and Liquidity

Although FY 2019 year was very tight from liquidity perspective, coalescing foreign source of fund with domestic sources, maintaining collaboration with financial partners LBFL has shown its strength to meet liquidity requirement. Beginning of the year the Company has received USD 19.99 Million equivalent to BDT 1,675.72 Million against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. We have kept committed relationships with other banks and financial

institutions that helps us to manage various mixed borrowings. Our yearend consolidated borrowings balance stood BDT 18,672 Million from Banks out of which BDT 9,317 Million were unsecured. Overall Bank Borrowings increased by 15% in 2019 compared to that of 2018 that implies our creditworthiness to other financial institutions. Non-convertible subordinate bond balance of BDT 1,533 million was included in the balance of bank borrowing which provide support as Tier II Capital and strengthen our Capital Adequacy Ratio. We will keep focusing on these sort of alternative sources of fund. Due to high attrition rate of corporate and Institutional deposit, LankaBangla Finance Ltd. focused and successfully increased its Retail and SME deposit base. Although portfolio of Corporate and Bank & FI TDR decreased by total BDT 10,948 million in 2019.

Deposit and Borrowings (Group)	2019	2018	Y-O-Y Growth	
			Amount	%
Term Deposit	46,751	53,231	(6,480)	-12%
Corporate TDR	12,809	19,407	(6,598)	-34%
Retail TDR	22,260	18,757	3,503	19%
SME TDR	2,792	1,827	965	53%
Bank & FI	8,890	13,240	(4,350)	-33%
Bank Borrowing	18,672	16,263	2,409	15%
Bank overdraft	1,577	1,227	350	29%
Long term loan	6,026	3,865	2,161	56%
Call loans	750	1,140	(390)	-34%
Short term borrowings	6,661	7,503	(843)	-11%
Zero Coupon Bond	389	713	(323)	-45%
Subordinated Bond	1,533	1,794	(260)	-15%
Foreign term loan-ICD	1,361	-	-	2%
Lease	374	22	352	-
Total	65,423	69,494	(4,071)	-5.86%

On the other hand, portfolio of Retail and SME TDR increased by total BDT 4,468 million as we have focused on these particular segments. Retail and SME deposit grew by 19% and 53% respectively. SME TDR was introduced in 2017, which contributed 4% of total borrowing. Overall term Deposits reduced by 12% in 2019 to BDT 46,751 million from BDT 53,231 million in 2018. Still TDR contributed 71% of total borrowing portfolio while bank borrowings' contribution was 29% to total consolidated liability portfolio. Despite the liquidity shortage in 2019, we have been able to maintain our LBFL's liquidity position well in excess of prudential liquidity requirements.

Financial Performance

Profitability Position:

Prolonged dehydrated market situation, sheer underperformance of capital market, exhilarating competition all poses sever challenge to LankaBangla Group which the Company overcome with its smart strategy that poster in impressive profitability of the Group at the end of 2019.

Consolidated and separate net profit before tax was BDT 725 million and BDT 856 million in 2019 compared to BDT 709 million and BDT 816 million respectively in 2018. Consolidated and separate net profits after tax were BDT 508 million and BDT 736 million in 2019 compared to BDT 444 million and BDT 714 million respectively in 2018 which is 14% and 3% higher respectively than last year.

BDT Billion

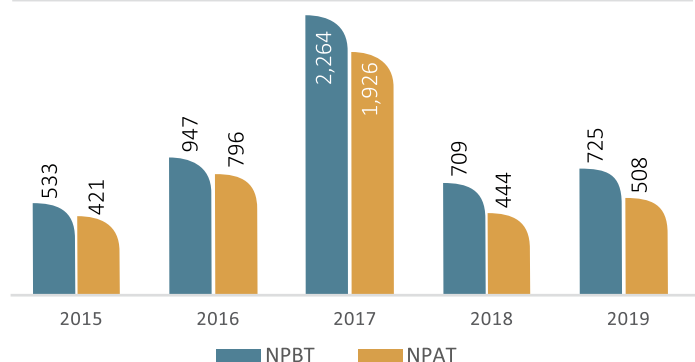
Group	BDT in million		Y-O-Y Growth	
	2019	2018	Amount	%
Year	2019	2018	Amount	%
Net profit before tax	724.76	709.07	15.69	2%
Net profit after tax	508.23	444.44	63.78	14%
LBFL	BDT in million		Y-O-Y Growth	
Year	2019	2018	Amount	%
Net profit before tax	856.29	815.73	40.56	5%
Net profit after tax	736.01	714.16	21.86	3%

We were focusing more on our primary line of business and 2019's financial result is the evidence of the outcome. Although, throughout FY 2019 our cost of fund was in increasing trend, net interest margin of Group increased by 1% to stood 28% owing to increasing yield to keep a healthy margin.

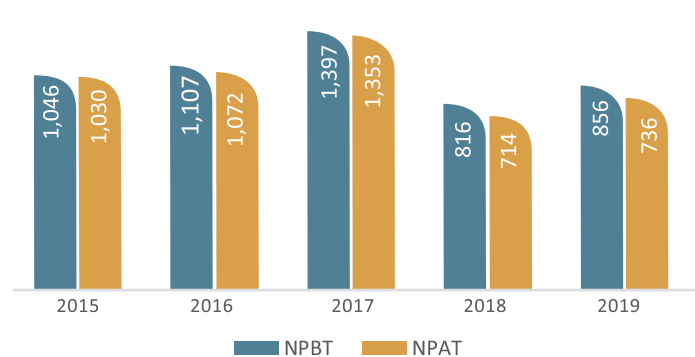
BDT Billion

Group	BDT in million		Y-O-Y Growth	
	2019	2018	Amount	%
Year	2019	2018	Amount	%
Net interest income	2,897.24	2,489.51	407.73	16%
LBFL	BDT in million		Y-O-Y Growth	
Year	2019	2018	Amount	%
Net interest income	2,580.71	2,377.45	203.26	9%

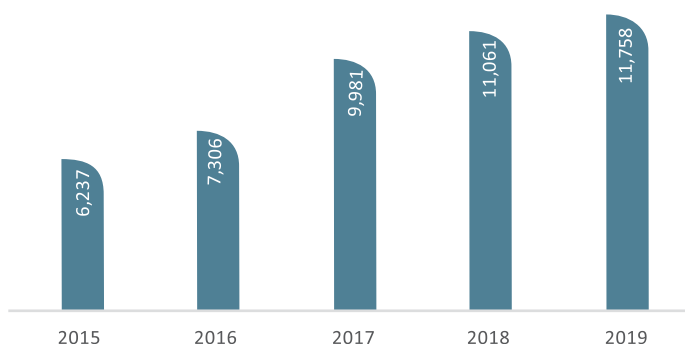
GROUP'S PROFITABILITY



LBFL'S PROFITABILITY



CONSOLIDATED GROSS REVENUE



Our group revenue lines were able to reach to BDT 11,757 million achieving 6.3% growth over last year's BDT 11,061 million. Revenue of Core Financing Business in 2019 saw a growth of 12% over 2018. On the other hand, revenue of our Money and Capital Market Segment experienced a significant plunge due to weak capital market performance.

BDT Billion

Gross Revenue	BDT in million		Y-O-Y Growth	
	2019	2018	Amount	%
Core lending Business Segments	9,292	8,326	967	12%
Treasury	793	601	193	32%
LankaBangla Securities	1,531	1,999	(468)	-23%
LankaBangla Investments	114	130	(16)	-12%
LankaBangla Asset Management	26.6	5	21	387%
Segment Total	2,466	2,736	(270)	-10%
Total Group Revenue	11,758	11,061	697	6%

Core lending revenue increased by 12% in FY 2019 to stood BDT 9,292 million. Retail segment contributed 41% revenue to the group which is the highest contributor to the LBFL Group's revenue in 2019 like last year. In this segment, LBFL is the aspiring market leader in the industry. Even in the extreme competitive and tight interest rate regime retail segment, nearly earn BDT 4,821 million revenue in the year 2019. Besides, our continuous focus on SME business segment has been a key strategic area. Revenue of Retail and SME segment increased by 27% together in 2019 which signify the strategic focus of LBFL and rapid growth in these segment.

In 2019 revenue from treasury operations increased by 32% as we disposed some major shares holdings in capital market. Drastic fall of price indexes and turnover in both of the stock exchanges influenced mostly by weak financial sector liquidity, the lucrative yield on government investment instruments and eroded investor's confidence eventually caused underperformance of capital market. So, revenue from capital market operation fall significantly. As consequence of these subsidiaries' (LBSL and LBIL) revenue from capital market operation decreased by 23% and 12% respectively in 2019. In 2019, LBIL incurred a loss of BDT 184 million which was loss of BDT 510 million in 2018.

Being the Market Leader for many years LBSL is to be cautious as

to its strategy as it is expecting to face severe pressure in present and post COVID19 pandemic economy.

LBAMCL experienced a loss of BDT 40 million in 2019 which was loss of BDT 44 million in 2019.

Elements	Gross Revenue		Y-O-Y Growth	
	2019	2018	Amount	%
Interest income	10,172.73	9,095.25	1,077.48	12%
Income from investment	340.73	434.03	(93.30)	-21%
Commission and brokerage income	452.97	707.63	(254.65)	-36%
Other operational income	791.25	824.25	(33.00)	-4%
Total Revenue	11,757.69	11,061.16	696.53	6.30%

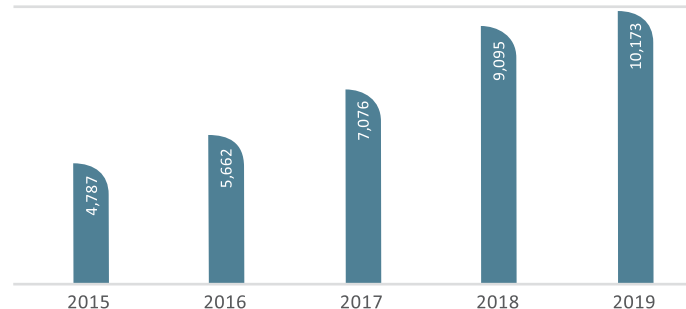
In 2019, Interest income contributed 86% in the total revenue where investment income, commission & brokerage income and other income contributed 3%, 4% and 7% respectively. Commission and brokerage income experienced a reduction of 36% compared to 2018 due to bearish capital market impact in 2019.

Interest Income

Interest income is the core component of revenue for LBFL group. Though loan portfolio of the Group decreased by 5% in 2019, interest income grew by 12% to BDT 10,172 million in 2019, which was BDT 9,095 million for the year 2018. Acquisition of new clients, increase in volume of business with existing clients and expansion of products and services, higher yield helped to boost interest revenue in the year 2019.

Though interest suspense requirement for margin loan reduced by 13%, overall interest suspense balance for the Group increased by 14% and for LBFL by 21% at the end of the year 2019.

COSOLIDATED INTEREST INCOME



BDT Million

Interest income	2019	2018	Y-O-Y Growth	
			Amount	%
Core lending Business Segments	8,720.64	7,777.30	943.33	12%
Treasury	670.44	571.40	99.04	17%
Margin loan	53.61	662.46	(30.48)	-36%
Debit balance of share clients	728.04	84.09	65.58	10%
Total Interest Income	10,172.73	9,095.25	(6,699.82)	-74%

Giving more emphasis on Retail and SME finance division was one of the major strategies following from the year 2016. Our planned strategy resulted in 27% growth in interest income from Retail and SME segment in FY 2019 from that of FY 2018 to contribute together BDT 5,711 million interest income which is 56% of total interest income of the Group in 2019.

Interest Expenses

In the year 2019 consolidated interest expenses increased by 10% to BDT 7,276 million from BDT 6,606 million of 2018. Though total deposit and borrowings experienced a little growth, growth of interest expenses is higher than last year. Liquidity crunch and its effect in money market escalated the cost of fund to 10.67% in 2019 from 9.92% in 2018. We received fund of subordinated bond at end of 2018, that cost full year interest in 2019, that time weight made it 4,307% higher than 2018. As we implemented IFRS 16 in 2019, lease liability of office premises increased its interest cost by 1,665% in 2019 from that of 2018.

BDT Million

Interest Expenses (Group)	2019	2018	Y-O-Y Growth	
			Amount	%
Term deposits	5,302.30	5,047.65	254.65	5%
Term loan- commercial bank	595.06	525.58	69.49	13%
Zero Coupon Bond	34.81	52.68	(17.87)	-34%
Short term loan	520.79	701.55	(180.77)	-26%
Bank overdraft	168.02	137.17	30.86	22%
Call loan	29.25	45.70	(16.45)	-36%
Term loan- Bangladesh Bank	74.39	84.59	(10.20)	-12%
Commercial paper	-	4.14	(4.14)	-100%
Subordinate bond	182.90	4.15	178.75	4,307%
Lease liability	44.91	2.54	42.36	1,665%
Syndicated term loan	208.79	-	208.79	-
Foreign term loan-ICD	114.27	-	114.27	-
Total Interest Expenses	7,275.49	6,605.75	669.75	10%

Investment Income

It was a difficult year for the capital market due to bearish capital market condition which result Drastic fall of price indexes and turnover in both of the stock exchanges. Transaction volume in DSE decreased by 14.6% and DSE general index decreased by 17.3% compared to last year. On the other hand, liquidity shortage of money market also affected the capital market.

As a result, group investment income experienced a reduction of 22% to stood BDT 341 million compared to BDT 434 million of 2018. Out of investment income, income from investment in share reduced by BDT 188 million which is 53% of that of last year. Group dividend income reduced significantly by 60%. Meanwhile, LBF's investment income faced more severe reduction in 2019 by BDT 229 million to stood BDT 341 million which is 206% lower than that of last year. Individual dividend income shows 598% growth than last year to booked BDT 170 million which includes dividend from subsidiaries of BDT 122 million in 2019. Provision for diminution in value of investment for the Group has reduced by BDT 160 million for 2019. Income from Commercial Paper increased by 167% as at the end of the year 2019 BDT 200 million was invested in Commercial Paper.

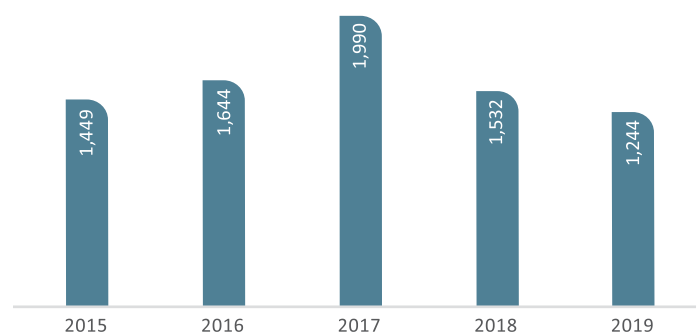
BDT Million

Income from investment (Group)	2019	2018	Y-O-Y Growth	
			Amount	%
Income from investment in share	164.70	352.64	(187.94)	-53%
Dividend income	119.55	74.86	44.69	60%
Commercial paper	17.42	6.53	10.89	167%
Subordinated bond	36.08	-	36.08	-
Discretionary corporate fund-LBAMCOL maximizer	2.98	-	2.98	-
Total Investment Income	340.73	434.03	(93.30)	-21%

Non-Interest Revenue (NIR)

Overall Non-Interest Revenue (NIR) decreased by 19% to BDT 1,244 million in 2019 from BDT 1,532 million of 2018. Brokerage income and issue management fees both significantly reduced by 36% during the year compared to 2018. Fees and documentation income decreased by 2% in 2019 to BDT 313 million from BDT 319 million in 2018 due to decrease in disbursement of leases, loans and advances in 2019. Membership fee and other income from Credit cards increased by 15% to BDT 252 million in 2019 from BDT 219 million in 2018 as credit card usage boosted by 21% over 2019. Other income reduced by 19% compared to 2018.

CONSOLIDATE NON-INTEREST REVENUE (NIR)



BDT Million

Non-Interest Revenue (Group)	2019	2018	Y-O-Y Growth	
			Amount	%
Commission, exchange and brokerage income	452.97	707.63	(254.65)	-36%
Portfolio and issue management fees	14.81	23.30	(8.49)	-36%
Fees and documentations income	312.57	319.35	(6.78)	-2%
Membership and other Credit Card Income	252.27	219.28	32.99	15%
Other income	211.60	262.33	(50.72)	-19%
Total Non-Interest Revenue	1,244.23	1,531.88	(287.65)	-19%



Operating Expenses

Efficient control over operating expenses has kept the growth to 3.7% from 2018. Group's growth in salary and allowances of 4% and LBFL's growth in salary and allowance also around 4% reflect the continuous investment in human resource to enrich human capital, expansion of branch distribution network to cover more areas of the country and to help the company to reach to more Retail and SME clients.

BDT Million

Operating Expenses (group)	2019	2018	Y-O-Y Growth	
			Amount	%
Salary and allowances	1,520.12	1,458.89	61.22	4%
Rent*, taxes, insurance, electricity etc.	64.21	251.07	(186.86)	-74%
Legal and professional fees	39.27	27.86	11.40	41%
Postage, stamp, telecommunication etc.	28.79	26.77	2.01	8%
Stationery, printing, advertisement	47.83	51.79	(3.96)	-8%
Repairs, maintenance and depreciation	412.63	209.09	203.54	97%
Other expenses	759.79	744.52	15.27	2%
Total Operating Expenses	2,872.63	2,770.01	102.63	4%

*As we implement IFRS 16 office rent of only short term lease agreement are reflected in 2019 as rent.

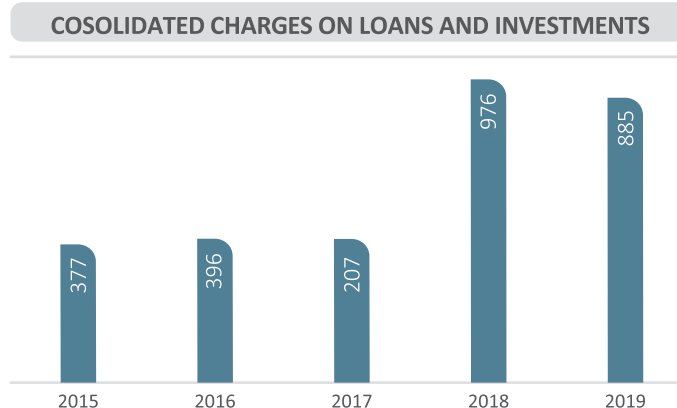
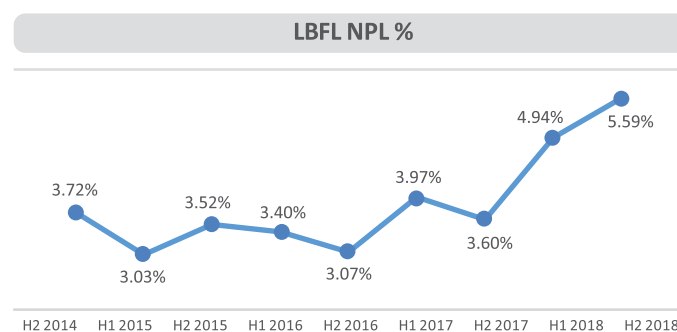
The main expense growth contributors were:

- ▶ Staff related cost of LBFL increased by 5%, comprising-
 - ▶ Growth in number of FTE and HRC employees of LBFL to 923 by the end of 2019 from 896 at the same time in 2018.
 - ▶ Growth in remuneration and other staff costs
 - ▶ Increase in incentives provided to employees in line with strong financial performance for the year 2019.
- ▶ Insurance and electricity expenses decreased by 24% and office rent payment for LBFL increased by 6% as a new branch were opened in Kustia in 2019.
- ▶ Repairs and software maintenance cost increased 36% for the Group and and 73% for LBFL as we increased IT investment. Depreciation grew by 112% for the Group and 121% for LBFL due to implementation of IFRS 16 we needed capitalised rent lease contract and depreciate accordingly besides expansion of branch distribution network and restructuring and extension head office premises
- ▶ Other expenses increased by 2% in the year 2019 compared to 2018 for the Group. Maintaining increased number of personnel, their training, related office expenses, dealing with promising number of customers, relevant travel, selling and distribution, SMS service charges increased overall volume of other expenses. Efficient control over other expenses has kept it growth in limit.

NPL and Provision charges on Loans and Investments

Fall of share market value blocked investors' fund in market, along with the weak private credit growth has impacted the cash flow and liquidity of customers that raised our NPL to 5.59% at the end of 2019. LankaBangla Group focus on quality of asset with great consciousness. Because of our rigorous before and after sales monitoring, creative initiative, collection campaign helps to keep NPL far below than industry average NPL which is around 9.5%.

Provision charges for leases, loans and advances for the year 2019 was BDT 587 million that was BDT 369 million in 2018 where Corporate and SME clients contribute mostly. Provision for margin loan was BDT 116 million when provision for investment was BDT 182 million in 2019.



LBFL's Performance in the Industry

FY 2019 was another challenging year for the financial sector. Liquidity shortage in the money market, tightening up A/D ratio by the Central Bank, bearish capital affected the industry as well as our company. Industry experienced weak results in terms of various performance measures compared to previous year and so did our company.

Total Asset

In terms of Asset Growth, LankaBangla's total assets grew faster than the industry average from 2015 to 2019. From the year 2015 to 2019 Asset base of NBF Industry grew at a Cumulative Average Growth Rate (CAGR) of 9.28%. At the same time LBFL's asset base grew at a CAGR of 15.42%. Out of 33 NBFs LankaBangla holds 9.09% market share in terms of Total Assets which was 8.96% in 2018.

Total Deposit

Total Deposit of NBFI Industry mainly sourced through Term Deposits which is 52% of total liability. LBFL maintains a well-diversified term deposit portfolio with a good number of products depending on depositors' preference. CAGR of 15.4% against industry CAGR of 11% over the last five years describes the depositors' confidence in LBFL. LBFL managed to maintain more than 11% market share of total deposit market keeping consistency with last year.

Leases, Loans and Advances

LBFL offers well-diversified and need-based loan products for its valuable clients. In case of growth in leases, loans and advances portfolio LBFL outperformed Industry in the last five years. From 2015 to 2019 NBFI Industry grew at a CAGR of 12% and in comparison LBFL's CAGR was 14% for the same duration. LBFL's market share for leases, loans and advances stood to 8.5% by the end of 2019. As LBFL's has great exposure to capital market, we needed to use fund to face threat bearish capital market which reduced our Loan growth and market share as well.

Asset Quality

Maintaining the soundness of the asset quality is one of the major strategic priorities of LBFL. As at the end of 2019, LBFL's stand-alone NPL ratio placed at 5.59% against the Industry figure of 9.5%. By the end of 2019 LBFL holds only 3.8% of the total non-performing assets of the industry, whereas it holds 8.5% of the total loan portfolio of the Industry.

Return on Asset (ROA)

LBFL's ROA for the year 2019 was 0.91% compared to Industry's ROA 0.6%. LankaBangla's consolidated ROA for the year 2019 was 0.59%

Return on Equity (ROE)

LBFL's ROE for 2019 was 7.23% against the Industry ROE of 4%. LankaBangla's consolidated ROE for 2019 was 5.27%.

Overall, LankaBangla Finance Limited (LBFL) achieved good results in core financing business in 2019. This was evident with a growth of 16.4% consolidated Net Interest Income (NII) and 8.55% of standalone Net Interest Income (NII) through a diversified set of portfolio in different sectors.

Our performance poster by impressive profitability in 2019 which were in 14.35% higher for the Group and 3.06% higher for the LBFL compared to 2018. Consolidated Earnings per Share (EPS) have been increased to BDT 0.98 in 2019 compared to BDT 0.85 in 2018 and LBFL's Earning per Share stood at BDT 1.43 for the year 2019 compared to BDT 1.40 per share of 2018. Net Asset Value (NAV) per share of Group and the Company stood at BDT 18.48 and BDT 19.52 that were BDT 19.14 and BDT 20.14 in 2018 respectively. Net Operating Cash Flows per share (NOCFPS) stood negative for both the Group and standalone which were BDT 2.66 and BDT 2.68 respectively in 2019..

As a part of further growth one branch was opened in Kushtia 2019. For COVID19 pandemic we are planning to be conservative and cautious to spend on new branch expansion in 2020.

To support the sustain and prudent growing plan in the coming days, we will focus more on Retail Deposits, which are sticky in nature, and other funding arrangements like Foreign Funds and Subordinated Bonds along with maintain trustworthy relation with other financial institutions.

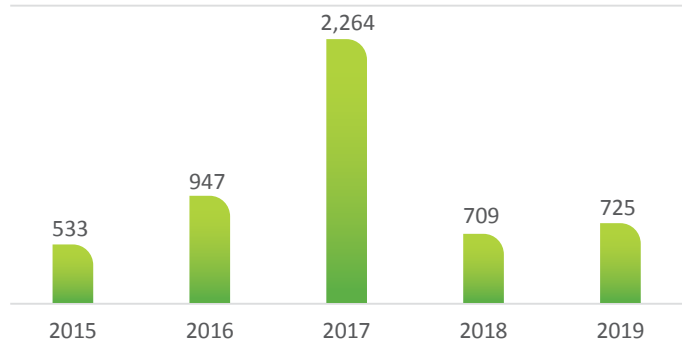


FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

All figures in BDT million except (%)

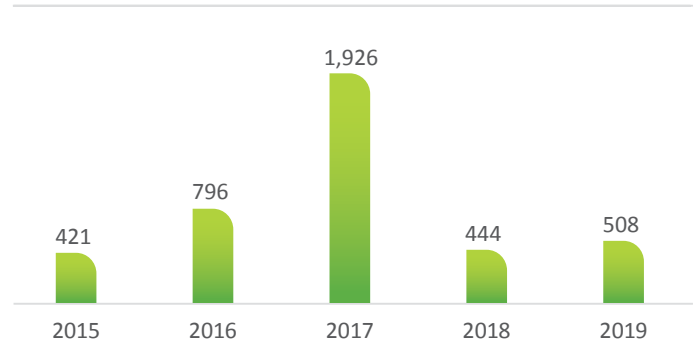
Financial Position	2015	2016	2017	2018	2019	Growth of 2019 over 2018	5 Year CAGR (%)/ Average*
Total Assets	50,448	63,935	85,443	87,889	84,363	-4.01%	13.72%
Total Liabilities	44,099	57,164	77,014	77,954	74,708	-4.16%	14.09%
Business Disbursement	35,770	45,539	56,726	38,754	33,666	-13.13%	-1.50%
Property Plant and Equipment	1,292	1,430	1,803	2,406	2,861	18.93%	21.99%
Current Assets	19,146	33,088	35,318	44,980	58,403	29.84%	32.16%
Current Liabilities	17,301	29,043	31,959	41,741	56,368	35.04%	34.35%
Net current assets	1,845	4,045	3,359	3,239	2,035	-37.16%	2.48%
Non Current Assets	37,132	30,847	50,124	42,909	25,960	-39.50%	-8.56%
Long Term Liabilities	26,798	28,121	45,055	36,213	18,340	-49.36%	-9.05%
Loans and Advances	41,819	51,244	66,544	68,676	65,117	-5.18%	11.71%
Term Deposits	29,992	40,033	51,553	53,231	46,751	-12.17%	11.74%
Total Investment Portfolio	47,605	60,595	80,800	81,946	78,642	-4.03%	13.37%
Operational Performance							
Operating Revenue	6,237	7,306	9,981	11,061	11,758	6.30%	17.18%
Operating Expenses	1,612	1,999	2,671	2,770	2,873	3.70%	15.54%
Financial Expenses	3,715	3,964	4,839	6,606	7,275	10.14%	18.30%
Non Interest Revenue	1,449	1,644	2,905	1,966	1,585	-19.38%	2.26%
Net Profit Before Tax	533	947	2,264	709	725	2.21%	7.99%
Net Profit After Tax	421	796	1,926	444	508	14.35%	4.82%
EBITDA	4,340	5,008	7,256	7,315	8,363	14.33%	17.82%
Turnover of Share Trading by LBSL	148,645	166,902	363,646	235,595	147,526	-37.38%	-0.19%
Financial Ratios							
Gross Profit Ratio	59.57%	54.26%	48.48%	59.72%	61.89%	3.63%	56.78%
Operating Profit Ratio	14.59%	18.37%	24.76%	15.24%	13.69%	-10.16%	17.33%
Return on Capital Employed	1.04%	1.55%	2.83%	0.56%	0.66%	16.97%	1.33%
Cash reserve ratio/ liquidity asset ratio (Required 2.5%)	2.51%	2.52%	2.92%	2.57%	2.57%	-0.31%	2.62%
Statutory Liquidity Reserve (Required 5%)	5.05%	5.08%	5.10%	5.03%	5.04%	0.21%	5.06%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	13.41%	12.45%	11.95%	16.18%	16.75%	3.53%	14.15%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	3.20%	3.22%	2.85%	3.35%	5.20%	55.47%	3.56%
Cost to Income Ratio	63.92%	59.83%	51.95%	62.17%	64.09%	3.09%	60.39%
Current Ratio	1.11	1.14	1.11	1.08	1.04	-3.85%	1.09
Debt Equity Ratio	6.23	7.61	8.42	7.07	6.90	-2.47%	7.25
Financial Expense Coverage Ratio	1.24	1.34	1.51	1.26	1.22	-2.71%	1.31
Return on Equity (%)	6.37%	12.29%	25.66%	4.90%	5.27%	7.51%	10.90%
Return on Assets (%)	0.94%	1.39%	2.58%	0.51%	0.59%	15.07%	1.20%
Equity Parameters							
Authorized Capital	3,000	10,000	10,000	10,000	10,000	0.00%	35.12%
Paid-up Capital	2,406	2,767	3,183	5,132	5,132	0.00%	20.84%
Shareholders' Equity	6,262	6,687	8,327	9,823	9,482	-3.47%	10.93%
No. of Share Outstanding	241	277	318	513	513	0.00%	20.84%
Net Asset Value (NAV) Per Share*	19.68	21.01	18.19	19.14	18.48	-3.47%	-1.56%
Earnings Per Share (EPS)*	1.33	2.50	4.15	0.85	0.98	14.96%	-7.37%
Market Price Per Share (Closing)	29.00	34.80	47.80	22.90	18.00	-21.40%	-11.24%
Price Earnings Ratio (Times) *	21.74	13.92	11.53	26.81	18.33	-31.62%	18.47
Dividend Payment (C- cash & B- bonus)	15% B	15% B	7.5% B	0	5% B	-	-
	15% C	15% C	7.5% C	15% C	7% C	-	-
Profit Per Employee (mn)	0.55	0.84	1.60	0.37	0.41	9.88%	-7.31%
Credit Ratings							
	Long Term	AA3	AA3	AA3	AA3	AA3	AA3
	Short Term	ST-2	ST-2	ST-2	ST-2	ST-2	ST-2

Net Profit Before Tax



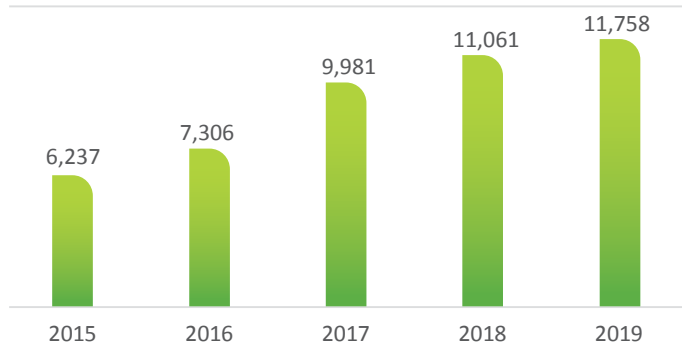
Net Profit before Tax (NPBT) increased by 2.21% in 2019 compared to 2018. NPBT increased over the five year period at an average of 7.99%.

Net Profit After Tax



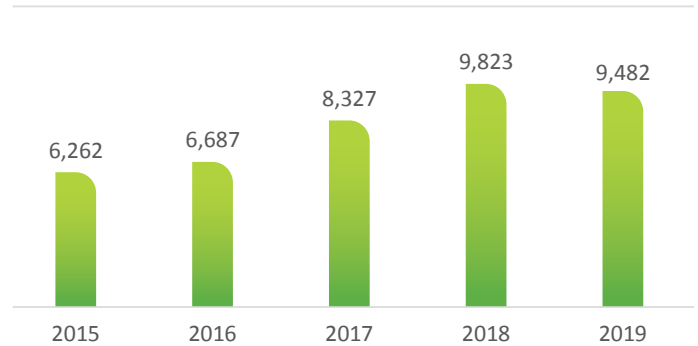
Net Profit after Tax (NPAT) increased by 14.35% in 2019 compared to 2018. NPAT increased over the five-year period at an average of 4.82%.

Operating Revenue



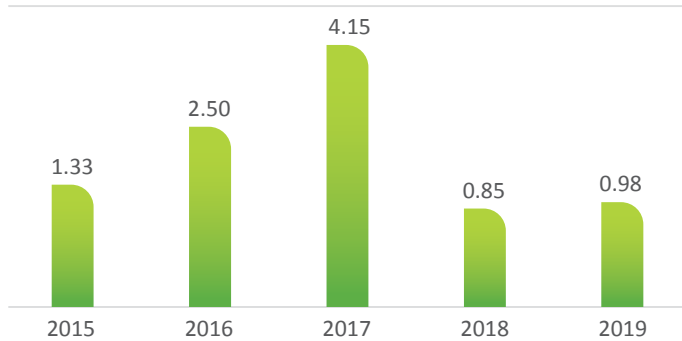
Operating Revenue has been constantly growing since 2015. Operating revenue grew by 6.32% in 2019 compared to 2018 maintaining an average 17.18% over the five-year period.

Shareholders' Equity



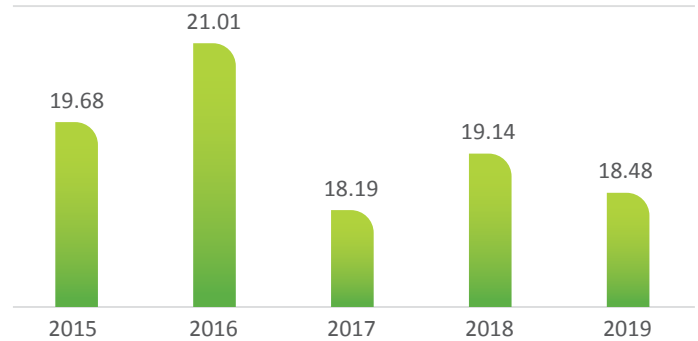
Shareholders' Equity slightly reduced by 3.47% in 2019 to reach BDT 9,482 million. Change in group share-holding structure caused the reduction in equity in 2019.

Earnings Per Share (EPS)



EPS increased by 14.96% in 2019. Increase in net profit after contributed to increase EPS in 2019.

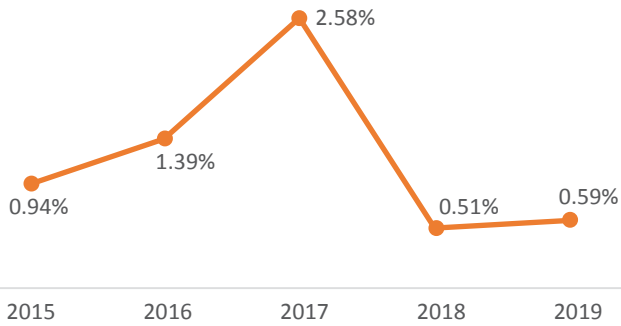
Net Asset Value (NAV) Per Share



NAV decreased to 18.48 in 2019 from 19.14 in 2018. The decrease is caused by change in shareholder's equity due the change in group share holding structure during the year 2019.

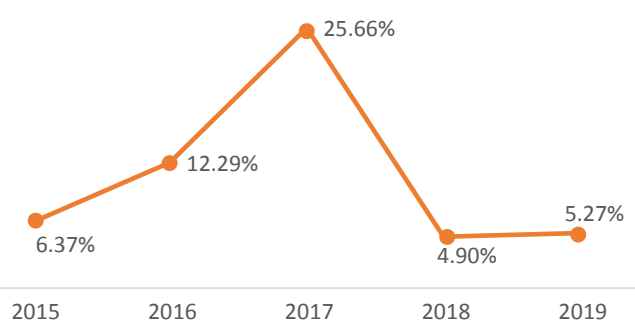


Return on Assets (%)



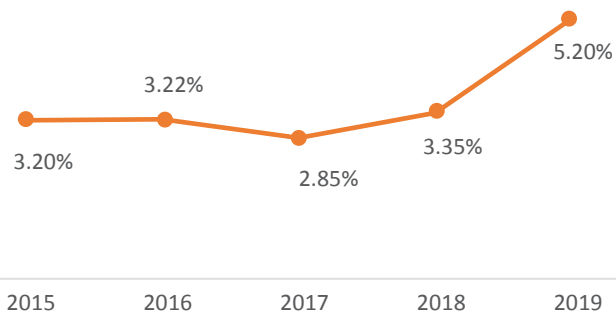
Return on Assets (ROA) also registered a increase in 2019 by 0.08 percentage points due to increase in net profit after tax (NPAT) during the year.

Return on Equity (%)



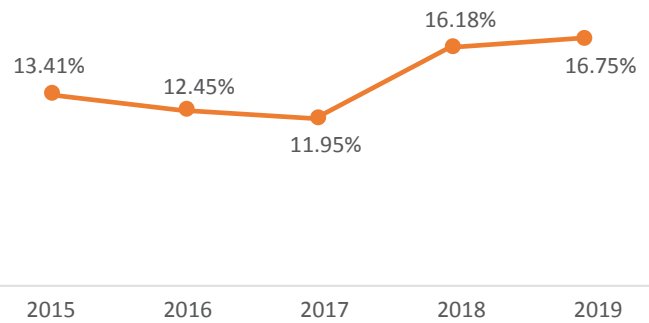
Return on Equity (ROE) increased in 2019 due to increase in Net Profit after Tax during the year compared to ROE 4.90% in 2018.

NPL Ratio



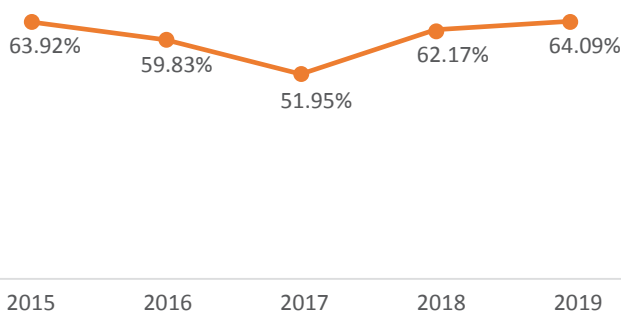
Though NPL increased by 1.85 percentage points compared to 2018, effective and continuous effort has been deployed to manage the credit risks exposed by the Company for a resultant risk management in the future.

Capital Adequacy Ratio (2011: Test Run. Effect. From 2012)



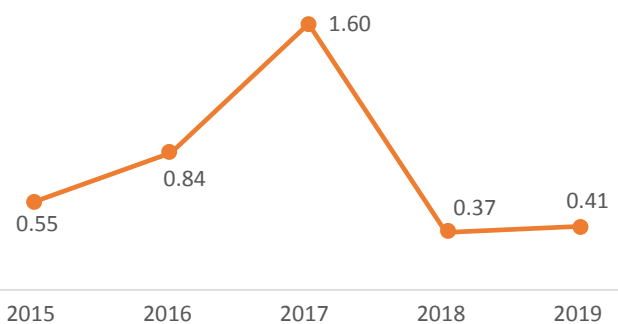
The CAR has rose to 16.75% in 2019 compared to 16.18% in 2018. This is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken.

Cost/Income Ratio



Costs to income ratio increased in 2019 by 3.09 percentage points due to decrease in operating expenses during the year while the operating income was constant over the year 2019 & 2018.

Profit Per Employee (mn)



Profit per employee increased in 2019 from 2018 due to increase in net profit after tax (NPAT) compared to 2018.

FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

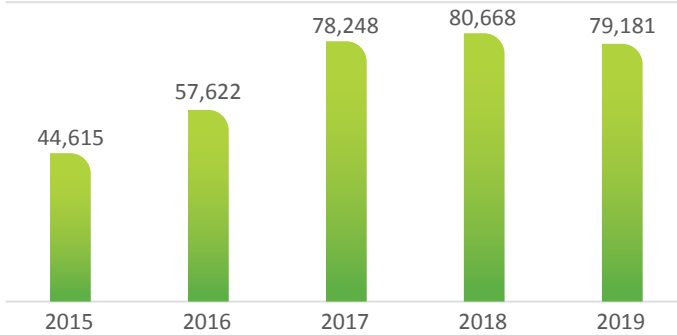
All figures in BDT million except (%)

Financial Position	2015	2016	2017	2018	2019	Growth of 2019 over 2018	5 Year CAGR (%) / Average
Total Assets	44,615	57,622	79,836	81,960	79,181	-3.39%	15.42%
Total Liabilities	39,156	51,453	70,980	71,623	69,163	-3.43%	15.28%
Business Disbursement	35,770	45,539	56,726	38,754	33,666	-13.13%	-1.50%
Property Plant and Equipment	878	999	1,114	1,358	1,762	29.79%	19.04%
Deposits	30,081	40,033	51,553	53,252	46,751	-12.21%	11.65%
Total Investment Portfolio	42,600	55,176	76,554	75,939	73,763	-2.86%	14.71%
Operational Performance							
Operating Revenue	5,298	5,997	7,819	9,233	10,334	11.92%	18.18%
Operating Expenses	957	1,248	1,634	1,750	1,897	8.42%	18.67%
Financial Expenses	3,219	3,565	4,542	6,190	6,841	10.52%	20.74%
Net Profit Before Tax	1,046	1,107	1,397	816	856	4.97%	-4.88%
Net Profit After Tax	1,030	1,072	1,353	714	736	3.06%	-8.06%
EBITDA	4,310	4,737	6,048	7,129	7,971	11.81%	16.61%
Financial Ratios							
Gross Profit Ratio	39.25%	40.55%	41.91%	32.96%	33.80%	2.54%	37.69%
Operating Profit Ratio	21.19%	19.73%	21.01%	14.01%	15.44%	10.22%	18.27%
Return on Capital Employed	2.85%	2.22%	2.10%	0.96%	0.99%	3.20%	1.83%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	14.17%	13.23%	12.05%	15.92%	16.40%	3.02%	14.36%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	3.72%	3.51%	3.07%	3.60%	5.59%	55.00%	3.90%
Cost to Income Ratio	46.01%	51.35%	49.86%	57.51%	54.33%	-5.53%	51.81%
Debt Equity Ratio	6.67	7.86	9.18	7.29	6.23	-14.55%	7.44
Financial Expense Coverage Ratio	1.35	1.33	1.36	1.21	1.23	2.01%	1.30
Return on Equity (%)	20.38%	18.44%	20.13%	7.44%	7.23%	-2.82%	14.73%
Return on Assets (%)	2.68%	2.10%	1.99%	0.89%	0.91%	2.46%	1.71%
Equity Parameters							
Authorized Capital	3,000	10,000	10,000	10,000	10,000	0.00%	35.12%
Paid-up Capital	2,406	2,767	3,183	5,132	5,132	0.00%	20.84%
Shareholders' Equity	5,459	6,170	8,856	10,337	10,018	-3.09%	16.39%
No. of Share Outstanding	241	277	318	513	513	0.00%	20.84%
Net Asset Value (NAV) Per Share *	17.15	19.39	27.83	20.14	19.52	-3.09%	3.29%
Earnings Per Share (EPS) *	3.24	3.37	2.95	1.40	1.43	2.12%	-18.41%
Market Price Per Share (Closing)	29.00	34.80	47.80	22.90	18.00	-21.40%	-11.24%
Price Earnings Ratio (Times) *	8.96	10.33	16.18	16.30	12.55	-23.03%	12.87
Dividend Payment (C-cash & B- bonus)	15% B 15% C	15% B 15% C	7.5% B 7.5% C	0 15% C	5% B 7% C	- -	- -
Dividend Payout Ratio (%)	61.80%	89.06%	101.54%	106.80%	48.81%	-54.30%	-5.73%
Dividend Coverage (Times)	1.43	1.29	1.97	0.94	2.05	118.82%	9.47%
Dividend Yield (%)	4.55%	10.34%	6.28%	6.55%	3.89%	-40.63%	6.32%
Profit Per Employee (mn)	1.98	1.59	1.63	0.80	0.80	0.05%	1.36
"Credit Ratings"							
Long Term	A1	AA3	AA3	AA3	AA3		
Short Term	ST-3	ST-2	ST-2	ST-2	ST-2		

*restated

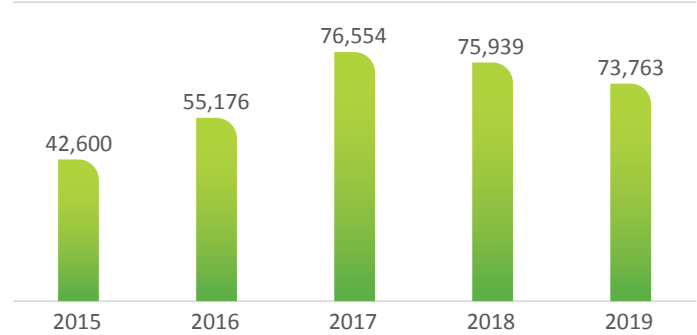


Total Assets



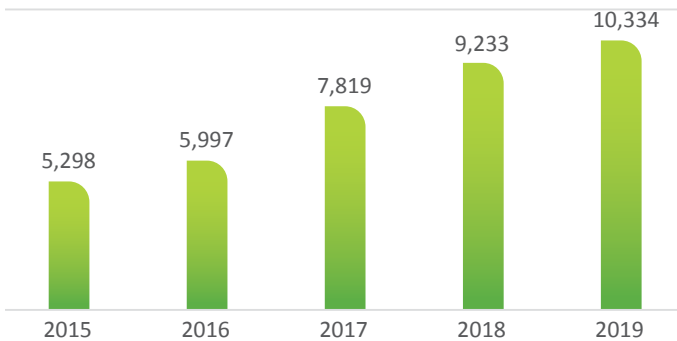
In 2019 Total Assets decreased by 3.39% compared to 2018 maintaining an average growth of 15.42% over the last 5 years. The Company has been able to maintain its assets with a slight decrease in 2019.

Total Investment Portfolio



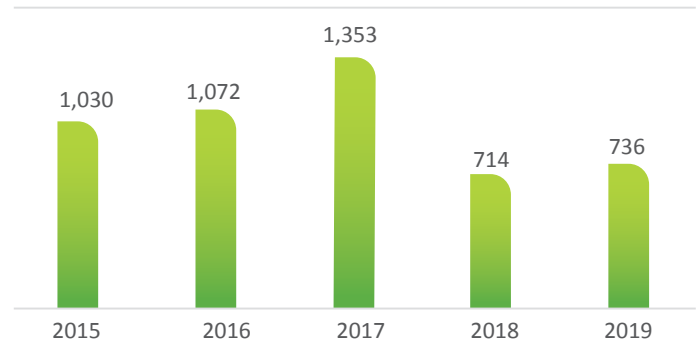
Total Investment portfolio decreased by 2.86% in 2019 from that of 2018 registering an average growth of 14.71% in last 5 years.

Operating Revenue



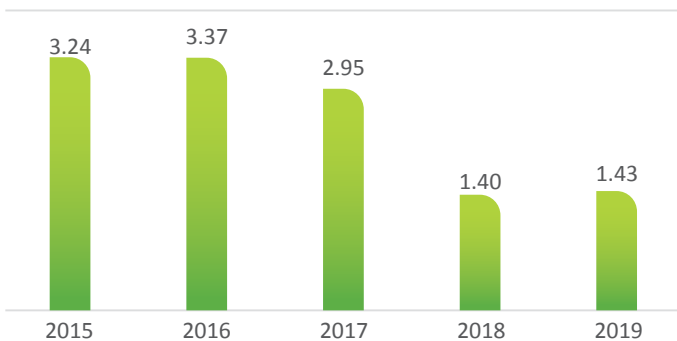
11.92% growth of operating revenue in 2019 over 2018 is evident of a sound operating activities. Income has been boosted as a result of good-quality assets and effective management of PAR.

Net Profit After Tax



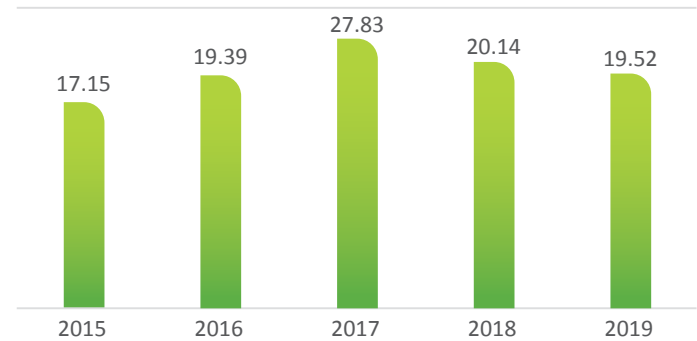
Net Profit after Tax (NPAT) registered a growth of 3.06% in 2019 after a decrease in 2018 from 2017. This has been able due to continuous overseeing of earning assets and investments.

Earnings Per Share (EPS)



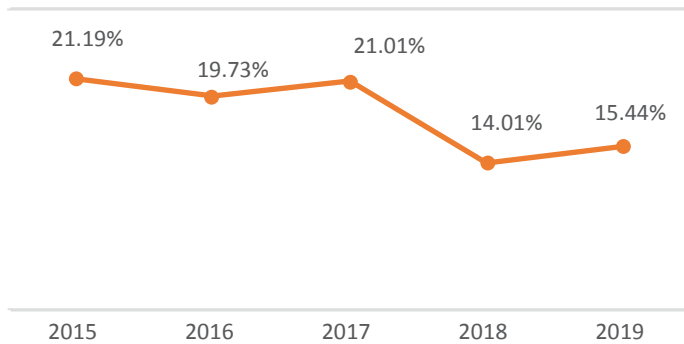
EPS increased to BDT 1.43 in 2019 compared to BDT 1.40 in 2018. Increase in net profit after tax (NPAT) during 2019 triggered EPS during 2019.

Net Asset Value (NAV) Per Share



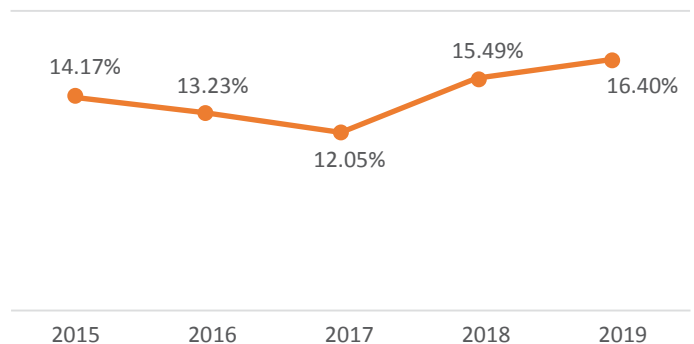
NAV slightly decreased to 19.52 compared to 20.14 in 2018 maintaining an average growth of 3.29% over the 5-year period.

Operating Profit Ratio



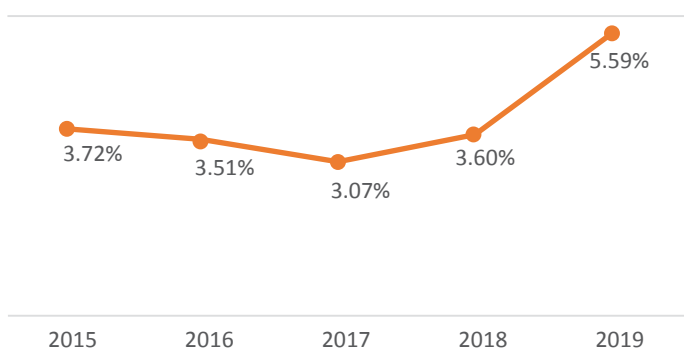
Operating margin increased by 1.43 percentage points to reach 15.44% in 2019. This is mostly due to a higher increase in operating revenue during 2019 compared to the increase in operating revenue.

Capital Adequacy Ratio



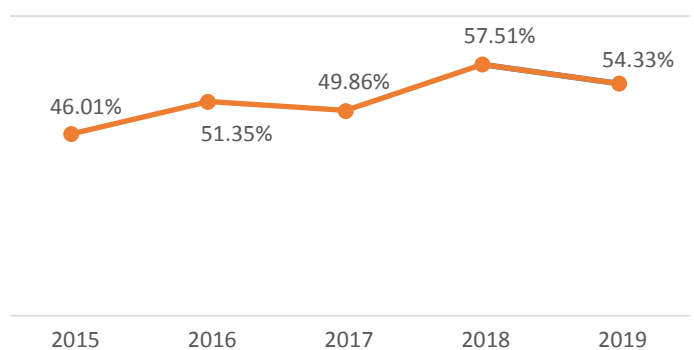
The CAR has rose to 16.40% in 2019 compared to 15.49% in 2018. This is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken.

NPL Ratio



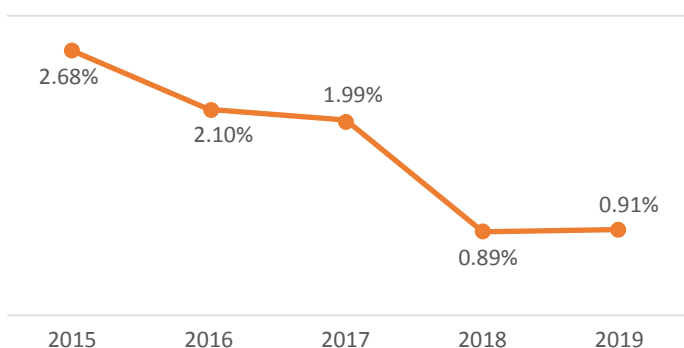
Though NPL increased by 1.99 percentage points compared to 2018, effective and continuous effort has been deployed to manage the credit risks exposed by the Company for a resultant risk management in the future.

Cost to Income Ratio



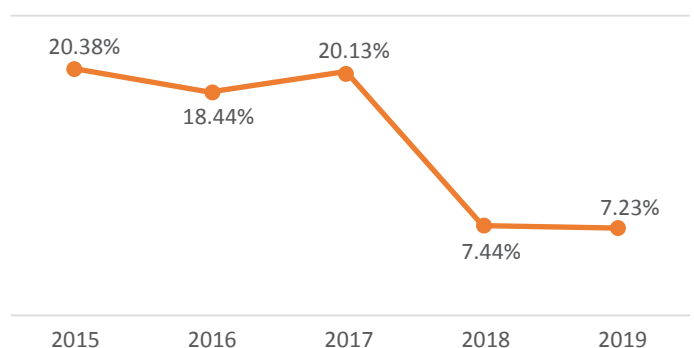
Costs to income ratio decreased 54.33% in 2019 from 57.51% in 2018. In crease operating revenue during 2019 caused costs to income ratio to decrease.

Return on Assets (%)



Return on Average Assets increased to 0.91% at the end of 2019 which was 0.89% in 2018. Increase in ROA is triggered by the increase in net profit after tax (NPAT) during 2019.

Return on Equity (%)



In 2019 ROE experienced a reduction to reach a figure of 7.13% compared to 7.44% in 2018. Increase in average shareholders' equity base caused to slightly decrease in return on equity.



HORIZONTAL ANALYSIS

For the last 5 years
Consolidated Profit and Loss Account

	2019	2018	2017	2016	2015
Operating Income					
Interest income	212%	190%	148%	118%	100%
Less : Interest expenses on deposits & borrowings	196%	178%	130%	107%	100%
Net interest income	270%	232%	209%	158%	100%
Income from investment	78%	99%	210%	111%	100%
Commission, exchange and brokerage income	81%	126%	202%	100%	100%
Other operational income	175%	183%	189%	133%	100%
Total operating income	178%	177%	204%	133%	100%
Operating Expenses					
Salary and allowances	183%	166%	158%	120%	100%
Rent, taxes, insurance, electricity etc.	40%	157%	138%	117%	100%
Legal and professional fees	199%	141%	169%	152%	100%
Postage, stamp, telecommunication etc.	169%	157%	169%	121%	100%
Stationery, printing, advertisement	119%	129%	164%	118%	100%
Managing director's salary and allowance	92%	92%	64%	104%	100%
Director fees and expenses	145%	125%	131%	142%	100%
Audit fees	163%	173%	164%	184%	100%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	377%	191%	167%	113%	100%
Other expenses	178%	192%	194%	137%	100%
Total operating expenses	178%	172%	166%	124%	100%
Net Operating Income	177%	185%	272%	148%	100%
Provisions for loans / investments	235%	259%	55%	105%	100%
Provisions for leases and loans	442%	278%	187%	150%	100%
Provision for margin loan	41%	93%	13%	112%	100%
Provision for diminution in value of investments	770%	1361%	-280%	-432%	100%
General provision for other assets	0%	-47%	24%	0%	100%
Profit before tax and reserve	136%	133%	425%	178%	100%
Provision for tax	193%	236%	302%	135%	100%
Provision for tax made during the year	191%	232%	298%	132%	100%
Deferred tax expense or (Income)	2854%	6520%	3995%	3357%	100%
Net profit after tax	121%	106%	458%	189%	100%
Earnings Per Share (EPS)	74%	64%	311%	187%	100%

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
PROPERTY AND ASSETS					
Cash	170%	194%	224%	136%	100%
Cash in hand	233%	271%	143%	235%	100%
Balance with Bangladesh Bank	170%	194%	224%	136%	100%
Balance with other banks and financial institutions	584%	591%	622%	304%	100%
Inside Bangladesh	584%	591%	622%	304%	100%
Outside Bangladesh	0%	0%	0%	0%	0%
Money at call and short notice					
Investment	123%	131%	125%	115%	100%
Government securities	0%	0%	0%	0%	100%
Other investments	123%	131%	125%	115%	100%
Leases, loans and advances	156%	164%	164%	123%	100%
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	221%	186%	140%	111%	100%
Other assets	175%	163%	156%	126%	100%
TOTAL PROPERTY AND ASSETS	167%	174%	169%	127%	100%
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities					
Borrowings from Bangladesh Bank, other banks and financial institutions	207%	181%	206%	121%	100%
Deposits and other accounts	156%	177%	172%	133%	100%
Term deposits	156%	177%	172%	133%	100%
Other deposit	125%	151%	106%	100%	100%
Other liabilities	183%	166%	136%	125%	100%
TOTAL LIABILITIES	169%	177%	175%	130%	100%
Shareholders' Equity	151%	157%	133%	107%	100%
Paid up capital	213%	213%	132%	115%	100%
Share money deposit for right issue	0%	0%	-	0%	100%
Share premium	100%	100%	100%	100%	100%
Statutory reserve	178%	164%	149%	122%	100%
General reserve	93%	99%	94%	87%	100%
Retained earnings	84%	112%	138%	92%	100%
Non controlling interest	197%	127%	116%	97%	100%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	167%	174%	169%	127%	100%



VERTICAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2019	2018	2017	2016	2015
Operating Income					
Interest income	86.52%	82.23%	70.90%	77.50%	76.76%
Less : Interest expenses on deposits & borrowings	61.88%	59.72%	48.48%	54.26%	59.57%
Net interest income	24.64%	22.51%	22.42%	23.24%	17.19%
Income from investment	2.90%	3.92%	9.16%	6.62%	7.00%
Commission, exchange and brokerage income	3.85%	6.40%	11.38%	7.68%	9.01%
Other operational income	6.73%	7.45%	8.56%	8.21%	7.23%
Total operating income	38.11%	40.28%	51.52%	45.74%	40.43%
Operating Expenses					
Salary and allowances	12.79%	12.36%	13.03%	13.52%	13.17%
Rent, taxes, insurance, electricity etc.	0.55%	2.27%	2.21%	2.56%	2.56%
Legal and professional fees	0.33%	0.25%	0.33%	0.41%	0.32%
Postage, stamp, telecommunication etc.	0.24%	0.24%	0.29%	0.28%	0.27%
Stationery, printing, advertisement	0.41%	0.47%	0.66%	0.65%	0.64%
Managing director's salary and allowance	0.13%	0.14%	0.11%	0.24%	0.27%
Director fees and expenses	0.02%	0.02%	0.02%	0.04%	0.03%
Audit fees	0.01%	0.01%	0.01%	0.02%	0.01%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	3.51%	1.89%	1.84%	1.69%	1.76%
Other expenses	6.43%	7.39%	8.26%	7.96%	6.81%
Total operating expenses	24.43%	25.04%	26.76%	27.37%	25.85%
Net Operating Income	13.69%	15.24%	24.76%	18.37%	14.59%
Provisions for loans / investments	7.52%	8.83%	2.07%	5.42%	6.04%
Provisions for leases and loans	4.99%	3.33%	2.49%	2.73%	2.13%
Provision for margin loan	0.99%	2.36%	0.37%	4.29%	4.49%
Provision for diminution in value of investments	1.55%	3.09%	-0.76%	-1.60%	-0.44%
General provision for other assets	0.00%	0.04%	-0.02%	0.00%	-0.14%
Profit before tax and reserve	6.16%	6.41%	22.68%	12.96%	8.54%
Provision for tax	1.84%	2.39%	3.38%	2.07%	1.79%
Provision for tax made during the year	1.82%	2.34%	3.35%	2.03%	1.80%
Deferred tax expense or (Income)	0.02%	0.05%	0.03%	0.04%	0.00%
Net profit after tax	4.32%	4.02%	19.30%	10.89%	6.75%

	2019	2018	2017	2016	2015
PROPERTY AND ASSETS					
Cash	1.04%	1.14%	1.35%	1.09%	1.02%
Cash in hand	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank	1.04%	1.14%	1.35%	1.09%	1.02%
Balance with other banks and financial institutions	9.88%	9.59%	10.39%	6.78%	2.83%
Inside Bangladesh	9.88%	9.59%	10.39%	6.78%	2.83%
Outside Bangladesh	0%	0%	0%	0%	0%
Money at call and short notice	-	-	-	-	-
Investment	6.39%	6.50%	6.40%	7.86%	8.67%
Government securities	0.00%	0.00%	0.00%	0.00%	0.00%
Other investments	6.39%	6.50%	6.40%	7.86%	8.67%
Leases, loans and advances					
Lease portfolio, term finance, short term loan, etc.	77.19%	78.14%	77.88%	80.01%	82.90%
Fixed assets including land, building, furniture and fixtures	3.39%	2.74%	2.11%	2.23%	2.56%
Other assets	2.11%	1.89%	1.87%	2.01%	2.02%
TOTAL PROPERTY AND ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities					
Borrowings from Bangladesh Bank, other banks and financial institutions	22.13%	18.50%	21.73%	16.98%	17.85%
Deposits and other accounts	55.59%	60.76%	60.48%	62.69%	59.68%
Term deposits	55.42%	60.57%	60.34%	62.51%	59.45%
Other deposit	0.17%	0.20%	0.14%	0.18%	0.23%
Other liabilities	10.83%	9.43%	7.93%	9.76%	9.88%
TOTAL LIABILITIES	88.56%	88.70%	90.14%	89.43%	87.41%
Shareholders' Equity	11.24%	11.18%	9.75%	10.44%	12.41%
Paid up capital	6.08%	5.84%	3.72%	4.32%	4.77%
Share money deposit for right issue	0.00%	0.00%	0.19%	0.00%	0.00%
Share premium	1.29%	1.24%	1.28%	1.70%	2.16%
Statutory reserve	2.09%	1.84%	1.72%	1.88%	1.96%
General reserve	0.06%	0.06%	0.06%	0.07%	0.11%
Retained earnings	1.72%	2.20%	2.77%	2.47%	3.42%
Non controlling interest	0.20%	0.13%	0.12%	0.13%	0.17%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%



VALUE CREATION STRUCTURE

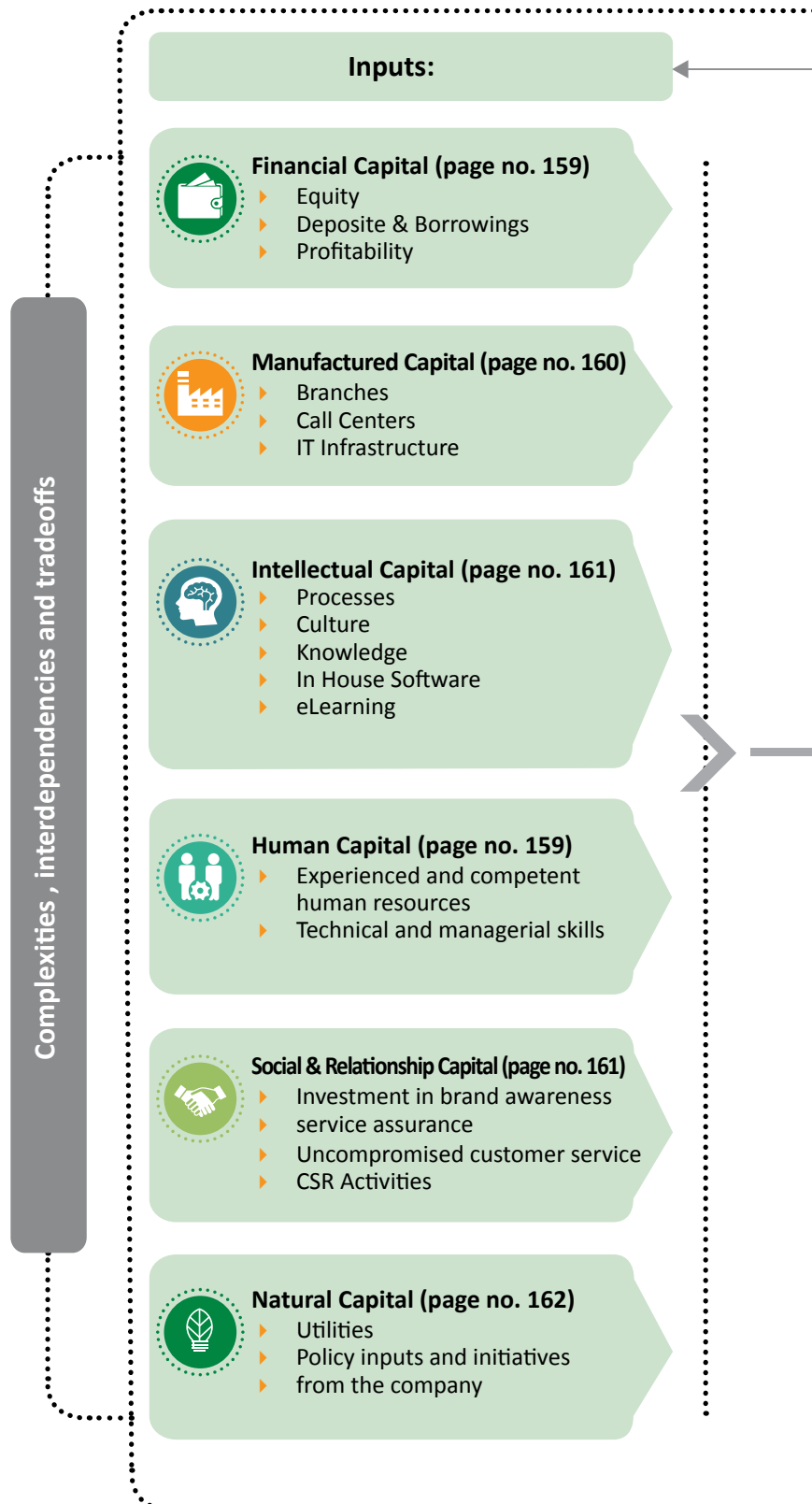
Our Value Creation Structure is inspired by our Vision, mission and Core Values. “Creating Value to each stakeholder and the economies and the society in which we operate” is our Corporate Philosophy.

To implement the Corporate Philosophy, we are drawing on our strengths, and taking into consideration the growing sophistication of customer needs and the changes occurring in the business and social environment.

We utilize our resources (Inputs) through our business activities to generate outputs not only in form of Product and service offering to our customers but also valuable outcomes for other stakeholders.

Our business model requires us invest heavily on IT infrastructure and Human development. Sustainable IT infrastructure helps us to extend our presence not only physically but also virtually. Proper Human Resource development will boost up the social and relationship Capital as well as Intellectual Capital to ensure business growth through professional networks, innovation in offerings and to attain process efficiency.

In the process, we ensure our business activities are aligned with our core values and well guided by our corporate governance framework.



Useful references:



Business Model
page no. 152



How we create
value
page no. 154



Key Resources
of LBFL
page no. 158



Economic
Outlook
page no. 171



Business Environment
Analysis
page no. 173



Strategic Focus
Areas
page no. 182

**Operating environment and competitive landscape
(page no. 176 - 178)**

Vision (page no. 01) Mission (page no. 01) Values (page no. 01)

Governance Structure (page no. 70)

Risks and opportunities
(page no. 173 - 176)

Strategic focus
(page no. 182)

Business Model (page no. 152)

Activities (page no.154) → Outputs (page no.154)

Performance
(page no. 133 - 146)

Outlook
(page no. 170 - 172)

Required changes in business model in response to market forces and pressures

Outcomes:



Financial Capital

- ▶ 5.27% Consolidated Return on Equity
- ▶ 14.35% growth in Consolidated NPAT
- ▶ 8.82% 5-year CAGR in Consolidated NPAT growth
- ▶ 13.37% 5-year CAGR in Consolidated investment portfolio growth
- ▶ Quality of Asset Portfolio maintained



Manufactured Capital

- ▶ Geographically well distributed network coverage
- ▶ Efficiency gain in operating capability
- ▶ Reduction in TAT (turnaround time)



Intellectual Capital

- ▶ Speed of approval process and operations improved over the year
- ▶ FinSmart
- ▶ iBroker
- ▶ Trade Express



Human Capital

- ▶ BDT 1,002 million paid for Employee Benefit
- ▶ 16,690 hours of training
- ▶ Incentive bonus as 8% of NPBT
- ▶ Rise in employee productivity
- ▶ Career Advancement



Social & Relationship Capital

- ▶ Dividends paid to shareholders
- ▶ Paid Internship opportunities for Fresh Graduates
- ▶ Support for the underprivileged
- ▶ Rehabilitation programs



Natural Capital

- ▶ LEED Certified LankaBangla Tower
- ▶ Green Branch
- ▶ Green Financing



BUSINESS MODEL

The primary role of LBFL is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value. Our business model can be understood from multiple perspectives. The primary lens is through the various activities that a financial services institution performs.



Key Stakeholders

- ▶ Staff
- ▶ Clients
- ▶ Shareholders
- ▶ Suppliers & Business Partners
- ▶ Lenders
- ▶ Regulators
- ▶ Society
- ▶ Environmental Groups



Stakeholders Analysis
page no. 163



Key Activities

- ▶ Deposit & Borrowing from Individuals, Corporate & Banks
- ▶ Loan to Businesses and consumers
- ▶ Credit Cards
- ▶ Financial services including syndication and factoring
- ▶ Brokerage Services
- ▶ Research services
- ▶ Investment banking services
- ▶ Advisory services
- ▶ Portfolio management
- ▶ Asset management



Subsidiaries
of LBFL
page no. 25



How We
Create Value
page no. 154



Business
Divisions
of LBFL
page no. 20



Key Resources

- ▶ Financial Capital
- ▶ Manufactured Capital
- ▶ Human Capital
- ▶ Intellectual Capital
- ▶ Social & Relationship Capital
- ▶ Natural Capital



Key Resources of LBFL
page no. 158



Cost Structure

- ▶ Interest Expenses
- ▶ Personnel Expenses
- ▶ Operating Expenses
- ▶ Tax



How We Create Value
page no. 154



Value Propositions

- ▶ Client centered innovation
- ▶ Grow our business network
- ▶ Investing in our staffs
- ▶ Delivering consistently to our shareholders
- ▶ Partnering with our regulators
- ▶ environmental awareness
- ▶ Social Contribution
- ▶ Online trading services



Delivering Value through Our Business page no. 156



Value Added Statements page no. 205



HR Accounting page no. 185



CSR page no. 202



Contribution to Government Exchequer page no. 209



Green Banking page no. 199



Customer Relationships

- ▶ Need based products
- ▶ Before & After sales services
- ▶ Advisory support to clients
- ▶ Customer Reward
- ▶ Customer awareness program



Stakeholders Analysis page no. 168



Product Portfolio page no. 32



Customers Segments

- ▶ Corporate Borrowers
- ▶ Corporate Depositors
- ▶ Retail Borrowers
- ▶ Retail Depositors
- ▶ Consumers
- ▶ Suppliers
- ▶ Traders
- ▶ SME
- ▶ Investors



Business Divisions of LBFL page no. 20



Subsidiaries of LBFL page no. 25



Product Portfolio page no. 32



Channels

- ▶ Branch offices
- ▶ PMOs
- ▶ SME Booth
- ▶ Call Centers
- ▶ Online Trading Portal



Manufactured Capital page no. 160



Branches and Subsidiaries page no. 15



Revenue Streams

- ▶ Interest Income
- ▶ Investment Income
- ▶ Fees & Commission Income
- ▶ Other Operating Income



How We Create Value page no. 154

HOW WE CREATE VALUE

We manage our business activities in a way that connects profitability to socially beneficial outcomes.

1

Lending enables individual customers to create wealth and generate income, helps business clients remain sustainable and supports employment and economic growth in Bangladesh. Regulatory capital requirements and risk appetite limit our ability to lend, and deteriorating economic conditions may limit the ability of clients to borrow or service their loans.

2

Investments support economic activity and enable wealth creation. However, regulatory capital and risk appetite limits our ability to invest to ensure we deliver appropriate risk-adjusted returns.

3

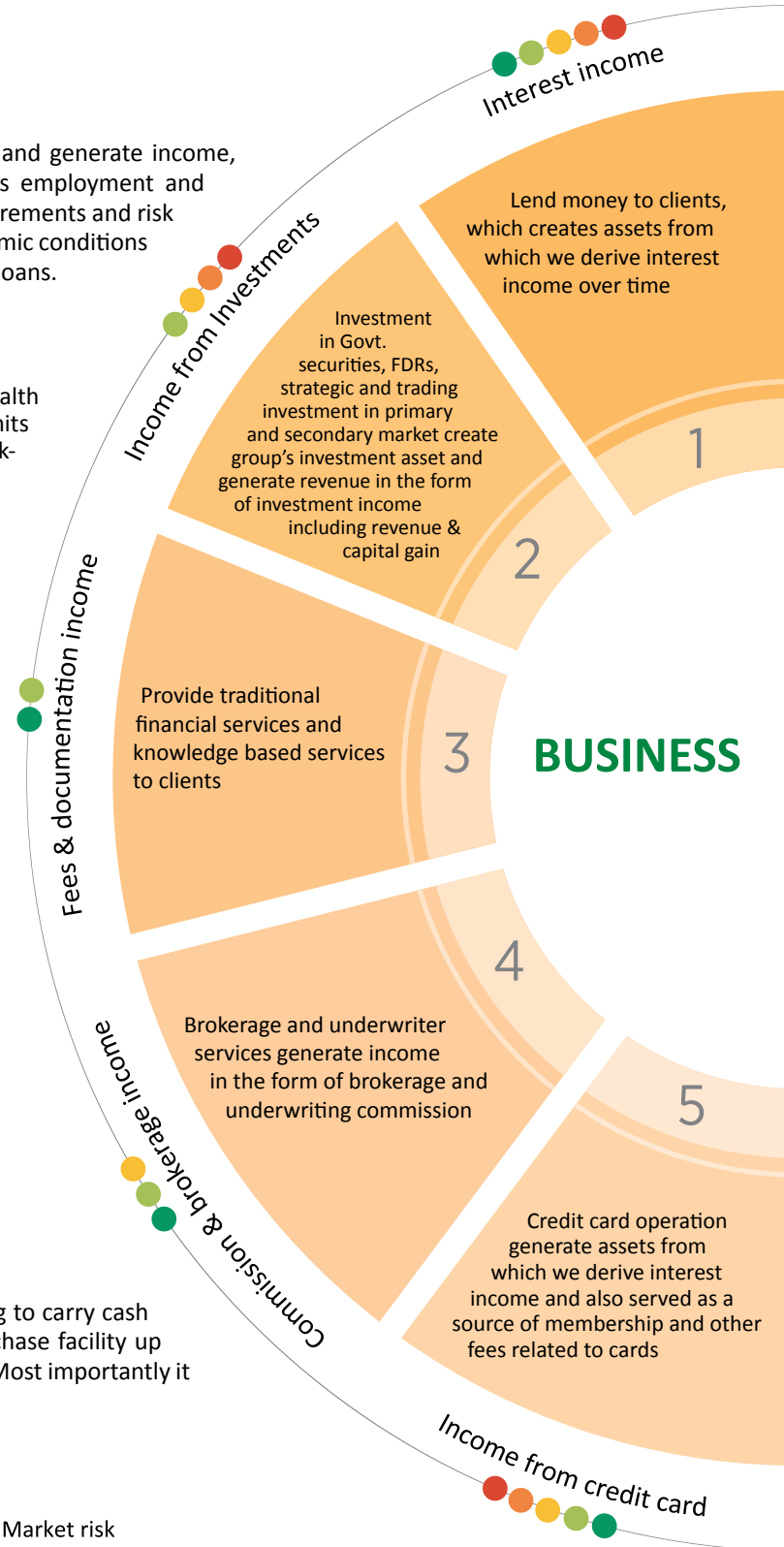
Through traditional financial services we attempt to connect the lives of our clients with progress and happiness. Our knowledge-based services, which include corporate advisory and loan structuring services, allow our clients to benefit from our experience and track record on the country.

4

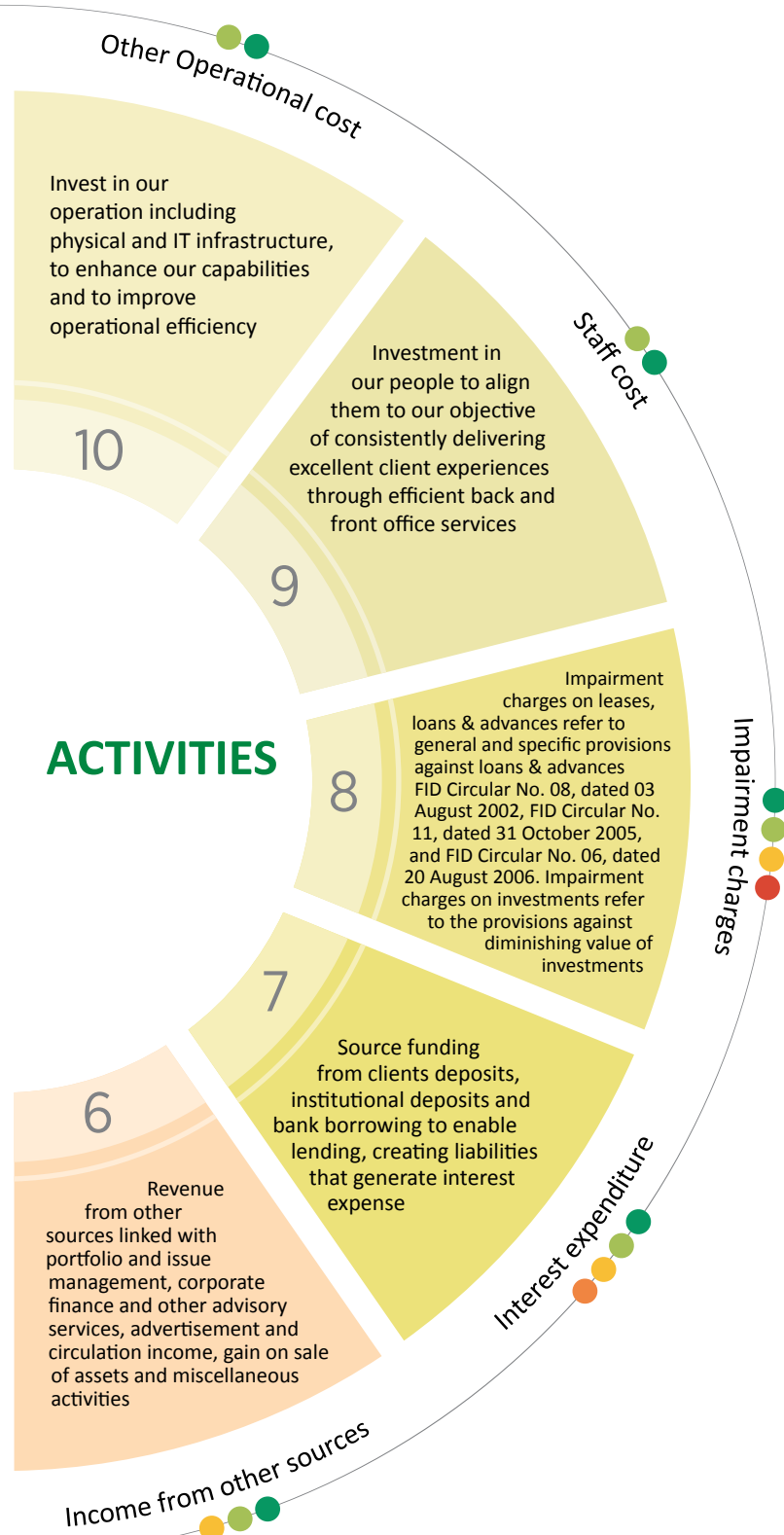
Through our brokerage services we offer clients with hassle free online trading facilities, offer guidance and advice, provide access to our valuable research and help them to achieve their business objectives.

5

Credit Cards enable the card holder facility of not having to carry cash in pocket everywhere, providing safer interest free purchase facility up to 45 days, installment facilities, discounts and rewards. Most importantly it facilitates the card holders with emergency cash.



- Credit risk
- Market risk
- Liquidity risk
- Business reputational risk
- Interest rate risk
- Operational risk including compliance, environmental and social risk



6 Various activities contribute towards revenue from other sources. Through our portfolio & issue management, corporate finance and other advisory services we tend to maximize the return of our clients and help them act as a link towards investment market. Our research based advisory services helps clients to get the best value for their investments.

7 Funding provides our depositors and lenders with returns while protecting against the erosion of capital due to inflation. We need to meet liquidity requirements (CRR & SLR) to protect depositor funds, our own sustainability and that of the broader financial system. Cost of funding depends on the interest rate regime.

8 Impairment charges on Lease, loans & advances refer to general and specific provisions against loans & advances FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. Impairment charges on investments refer to the provisions against diminishing value of investments.

9 As a significant employer we hire locally, wherever possible, and through our activities sustain other jobs in local economies. Training and development enhances the level of financial services and related skills in Bangladesh. Digital transformation in financial services requires greater investment in people which includes hiring new skills and training interventions for current employees.

10 Investing in our operations enables us to continue meeting our clients' needs, contribute positively to host economies and strengthen our competitive position. Although our investment in technology is currently reducing our return on equity (ROE), it will ensure future income-enhancing opportunities as well as access to new markets, thereby supporting our growth and sustainability.



DELIVERING VALUE THROUGH OUR BUSINESS



Operation Overview

Group

Uncompromised and well diversified array of financial services

Brokerage Services
Asset Management
Research based
Advisory services

LBFL

Country's leading provider of integrated financial services. LankaBangla is the lone Financial Institute that offers third party card processing services through its state-of-the-art card software. It has wide spectrum of product range that can cater to any demand of a client whether a client is person having personal requirement or a corporate house with business expansion plan. Its Liability Management division offers a wide range of deposit products which can be both beneficial and profitable as per the client's needs. The unit provides high quality services coupled with maximum security.

LBSL

Number one brokerage house in the country. LBSL is crowned as the largest in terms of transaction value for the 14th consecutive time in DSE and CSE in 2019. It has a fully phased research unit which is engaged in both macroeconomic and microeconomic research. LBSL published a monthly research paper namely "Market Pulse" which is considered the only research based capital market journal of the county. LBSL is the first brokerage house of the county offering Bloomberg services to its client.

LBSL has two subsidiaries:

* LankaBangla Information Systems Limited and

*BizBangla Media Limited

LBIL

Premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services, Investment Banking Services and Portfolio Management Services.

LBAMCL

Official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. LBAMCL is focused to meet the professional investment management demand of a wide range of Investors.



Staff

2,133

1,804

275

36

18



Total Assets

100%

85.38%

11.15%

2.38%

1.08%



Revenue

100%

87.89%




13.13%

1.02%

0.23%

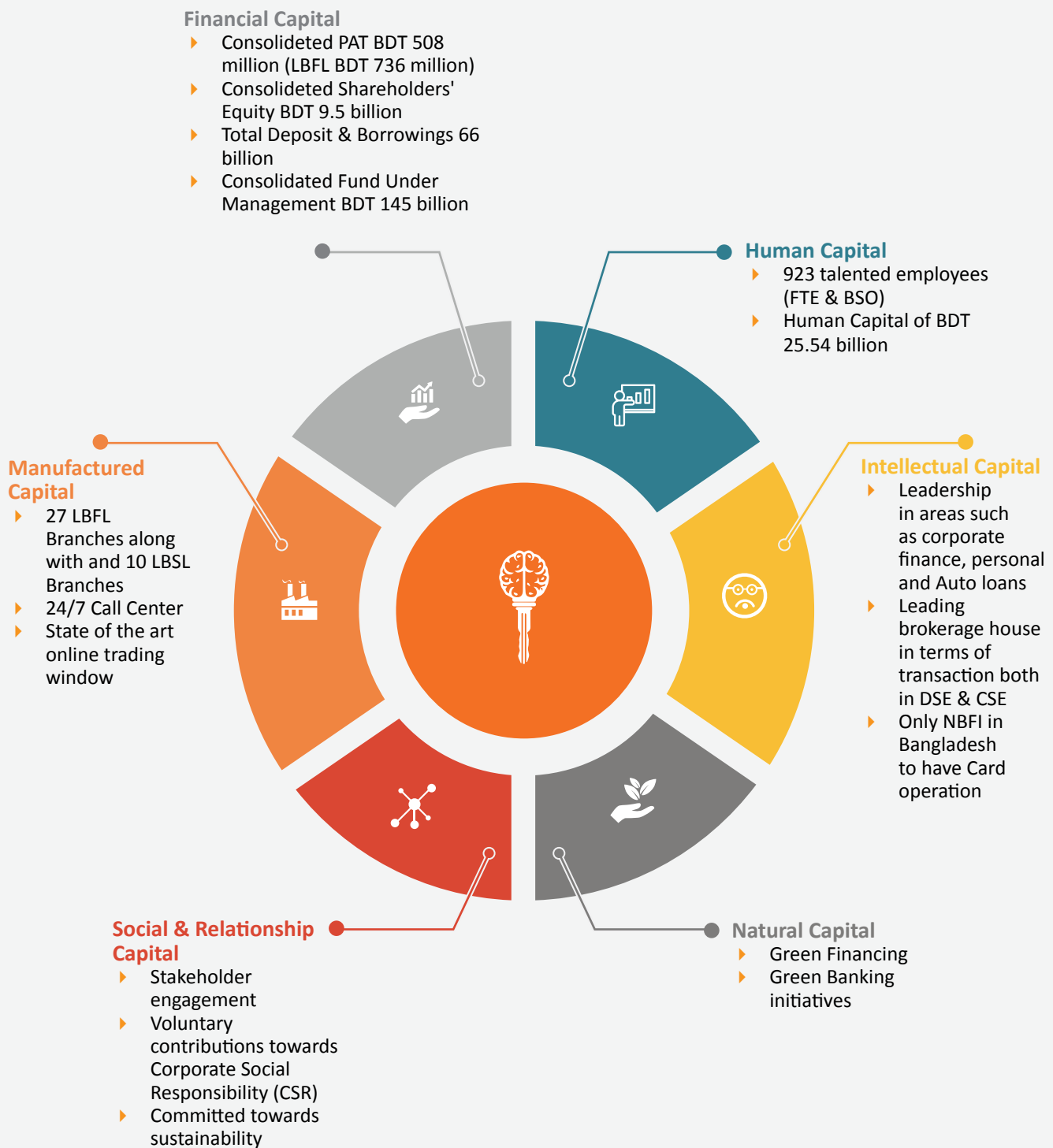
Strategic Focus Area

	Group	LBFL	LBSL	LBIL	LBAMCL
<ul style="list-style-type: none"> ▶ Diversifying Portfolio with sustainable product innovation ▶ Creating Convenience for our Customer ▶ Triple bottom line ▶ Create a Sustainable Brand ▶ Prudent Balance Sheet Management 	<ul style="list-style-type: none"> ▶ Distinctive client centered product experience. ▶ A rigorous approach to capturing circle and interdependencies between client segments. ▶ Robust risk management supporting strong product niches. ▶ A sustainable strength in liability management. ▶ Collaborative and people centered culture. 	<ul style="list-style-type: none"> ▶ Providing efficient trade management service to all clients with least cost. ▶ Enabling client with best convenience to market through Internet trading system. ▶ Updating client with best information and research possible to take the best investment decision. ▶ Offering multi-channel e-trading to its customers (web, mobile, and client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc.) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management. 	<ul style="list-style-type: none"> ▶ Providing Value added service to client e.g. Compliance guideline, IPO Readiness, Customized Equity Financing strategy. ▶ Offering wide range of investment banking service to institutional client seeking to raise finances for business development, to merge with or acquire another business, to re-structure for better performance, or to grow business by exploring new territories. ▶ Sharing the best experience with institutional client seeking to raise funds through Issue Management, Capital raising & Private Placement business. ▶ Providing retail client with best capital market exposure through its two unique product "AlphaPlus" and "LankaBangla Nishchinto". 	<ul style="list-style-type: none"> ▶ Extensive research and strong fundamental analysis to achieve the best result in close end fund. ▶ Meeting the growing demand of Islamic Shariah (IS) based products with carefully designed product line. ▶ Minimizing the clients' funding volatility while systematically improving the funding positions of their portfolios and providing research tailored to the specific needs of the organizations while managing Provident fund, Pension fund and Gratuity fund. ▶ Providing advice on appropriate strategic asset allocation strategies on the basis of risk return profile and different constraints of the investors 	

 ROA	0.67%	0.91%	1.17%	(7.55%)	(3.93%)
 ROE	2.86%	7.23%	2.55%	(56.31%)	(4.19%)
 NAV	18.48	19.52	18.26	1.09	10.55



KEY RESOURCES OF LANKABANGLA



FINANCIAL CAPITAL

The money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

BDT Million

	2019	2018	Growth	
			Amount	%
Shareholders' Equity	9,482	9,823	(341)	-3%

	2019	2018	Growth	
			%	
Capital Adequacy Ratio	16.75%	16.18%	0.57%	

Net Profit After Tax	2019	2018	Growth	
			Amount	%
LBFL	736	714	22	3%
Group	508	444	64	14%

Earnings Per Share	2019	2018	Growth	
			Amount	%
LBFL	1.43	1.40	0.03	2%
Group	0.98	0.85	0.13	15%

	2019	2018	Growth	
			Amount	%
Term Deposit	46,751	53,231	(6,480)	-12%
Borrowing from BB and other Banks & FIs	18,672	16,263	2,409	15%
Total Deposit and Borrowing	65,423	69,494	(4,071)	-6%

	2019	2018	Growth	
			Amount	%
Cash & cash equivalents	9,210	9,433	(223)	-2%
Investments	5,393	5,714	(321)	-6%
Leases, loans & advances	65,117	68,676	(3,559)	-5%
Fund Under Management	145,287	153,491	(8,204)	-5%

HUMAN CAPITAL

Our people and how we select, manage and develop them. This enables them to use their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our clients across the diverse regions in which we operate.

BDT Million

	2019	2018
Total employee benefits	1,001.86	963.53
Training Cost	13.741	11.78
Employee Benefit Per Employee	1.09	1.08
Training Cost per Employee	0.015	0.013
Gross Revenue per employee	11.20	11.03
Total Expenses per employee	9.47	9.49
Operating cost per employee	2.06	2.09
Operating profit per employee	1.73	1.55

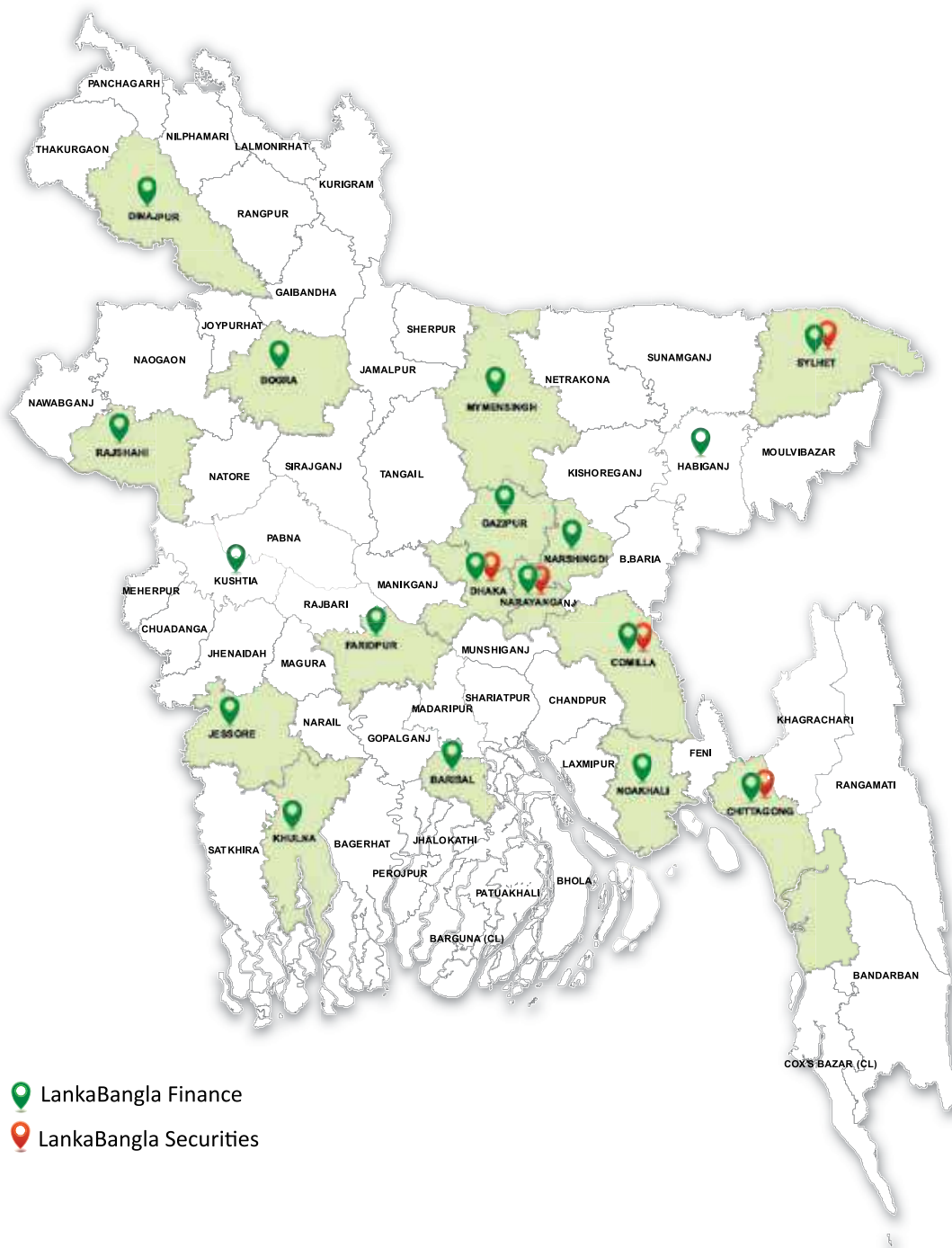


MANUFACTURED CAPITAL

The tangible and intangible infrastructure that we use to conduct our business activities, including our infrastructure, network, information technology (IT) assets, and the national infrastructure of the country in which we operate.

Our parent company LBFL has 27 Branches and our major subsidiary LBSL has 10 branches distributed all over Bangladesh to cover more horizon and to serve greater number of people with our valued services. We invested substantial amount in Information Technology to get better efficiency in operation that resulted in more comfortable services for our valued clients. Online trading window of LBSL provides its clients with easy access to the stock market from remote places and facilitate them with hassle-free trading services.

We are committed to further strengthen our branch network to supersede the potential for expanding our footprint in new frontiers. We are also committed to cater more investment in information technology to increase our service efficiency and to achieve the vision of becoming the most preferred financial service provider in Bangladesh.



INTELLECTUAL CAPITAL

Intellectual capital is the group of knowledge assets that are attributed to our group and most significantly contribute to our improved competitive position by adding value to defined key stakeholders. The knowledge of our people and our intellectual property, brand and reputation, which is closely related to financial, human and manufactured capital given the nature of our businesses, provide us with competitive advantage in the industry.



Value creation map as figured above shows the pathways of how value is created in LBFL. Knowledge assets are represented in bubbles linked with arrows. The size of individual bubbles represents stocks of particular knowledge assets in terms of strategic importance and arrows of different thickness show the transformations and relationships between knowledge assets and stakeholder needs.

Our intellectual capital along with our restructured infrastructure helped us by means of:

- ▶ LBSL is the leading brokerage house of the country in terms of transaction both in DSE and CSE.
- ▶ LBFL is the only NBFI in Bangladesh having Credit Card operation. We are one of the leading market players in credit card business. Our credit card usage in the year 2019 was BDT 9,990 million including both MasterCard and VISA. Interest income from credit card was BDT 754 million in 2019 which was 18% higher than that of 2018.

with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain commercially and socially relevant, and operate as a responsible corporate citizen.

Corporate Social Responsibility (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. We focus on social and environmental concerns in all business operations and interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

With our CSR policies & principles, our organization believes in achieving a balance of economic, environmental and social imperatives ("Triple-Bottom-Line-Approach") besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute towards a sustainable society. LankaBangla through its Foundation extends its support for underprivileged people of the community in particular to ensure their education, health and living.

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital refer to the cooperative relationships

Followings are some of the CSR activities we performed in the year 2019:

- ▶ Supporting education of underprivileged brilliant students
- ▶ Wheel Chair distribution program to handicapped persons
- ▶ Medical Assistance for Dengue Affected Children
- ▶ Tailoring Training Project 2019 for Women Empowerment
- ▶ Support for local community to protect from Cold Wave
- ▶ Bicycle Distribution among Female Students
- ▶ Protecting Environmental & Ecological Degradation through Tree Plantation

NATURAL CAPITAL

Natural Capital refers to the natural resources on which we depend to create value and returns for our stakeholders. As a financial service group we always carry a positive mentality to deploy our financial capital in a way that promotes the preservation, or at least minimizes the destruction, of natural capital. As per the Bangladesh Bank Circular No. 04 on “Policy Guidelines for Green Banking”, LankaBangla Finance has established “Green Banking Policy” which is approved by the Board.

LBFL being Participating Financial Institution (PFI) of the Investment Promotion and Financing Facility (IPFF) assist the clients to obtain the low cost funding through Green Banking & CSR Department of Bangladesh Bank:

- ▶ Assisting the green bricks manufacturer avail the ADB funded refinance from Bangladesh Bank under the ‘Refinance Scheme of Brick Kiln Efficiency Improvement.

- ▶ Assisting the entrepreneurs of the relevant businesses avail the Bangladesh Bank own funded refinance in the specified sectors as per the BB guidelines.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. Lanka Bangla takes pride in being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO₂ emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country’s first lube-recycling plant and so forth. Green financing has been growing steadily in our portfolio.





We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy savings bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients’ needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.

STAKEHOLDERS ANALYSIS

We recognise that we compete and operate on the basis of trust, and that it is our stakeholders who are the ultimate arbiters of our legitimacy, and therefore our sustainability.






Our stakeholders are those individuals or organisations who have direct or indirect interest in our success or failure and whose opinions and actions can impact our ability to execute our strategy and conduct our business activities and without whose continuing participation, LBFL cannot survive as a going concern. For reporting purpose, we identified following parties as our key stakeholders, from a sustainability perspective.



Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Investors/ Shareholders	Investors remain LBFL's key stakeholder, who having invested capital, requires information on a continuous basis to track LBFL's performance and achievements in enhancing shareholder wealth.	High	High
	Customers	We consider customers as the bread and butter of LBFL's business, who remain interested as they transact with LBFL on an ongoing basis. It is important for LBFL to sustain business and build bonds with them and also to attract new customers.	High	High
	Employees	Employees are considered LBFL's most valuable asset and key to LBFL's continued success. Employees are deemed key stakeholders as they drive LBFL's business forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.	High	High
	Suppliers & Business partners	Material suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies.	Medium	Medium





Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Lenders	Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.	High	Medium
	Regulators	As a listed Finance Company and a holder of public deposits, various regulatory bodies continue to be interested to know LBFL's progress, to establish level of safety, soundness and compliance status.	High	Medium
	Society	Society has varying expectations of LBFL especially from a broader sustainability perspective. Apart from financial needs, they require corporates to act in a socially responsible manner, for societal benefit.	Medium	Medium
	Environmental Groups	In an era where protection of environment and its resources has become vital, LBFL considers environment aspects of high importance, particularly when LBFL continues to build greater presence across the country.	Medium	Low
	Board Members	Board members are part of the investors/shareholders. But for the roles and responsibilities, Board members remain vital for LBFL's success.	High	High

LBFL and its stakeholder's relational influential matrix can be chalked out as follows:

Influence by LBFL on Stakeholder	High		<ul style="list-style-type: none"> ▶ Investors/ Shareholders ▶ Customers ▶ Employees ▶ Board Members
	Medium	<ul style="list-style-type: none"> ▶ Suppliers & Business partners ▶ Society 	<ul style="list-style-type: none"> ▶ Lenders ▶ Regulators
	Low	<ul style="list-style-type: none"> ▶ Environmental Groups 	
		Low	Medium
	Influence by Stakeholder on LBFL		

Investors/Shareholders

Investors/Shareholders are the provider of financial capital to the group.

We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will

remain fully transparent in our communication and disclosure with the investment community.

LBFL has a total 21,813 shareholders with 85.26% domestic holding and 14.74% foreign holding. Details of shareholding structure is provided in page 39 of this report.

Shareholders needs and expectation

The core needs of our shareholders are as follows:

- ▶ Relevant timeous information on our strategy, prospects and financial and non-financial performance so that the LBFL group can be fairly valued and appropriate credit ratings assigned
- ▶ Consistent financial performance, delivering attractive returns (increasing ROEs) and solid dividend income, underpinned by a sound balance sheet
- ▶ Good and experienced management
- ▶ An attractive and sustainable growth strategy

How did we deliver value to our shareholders in 2019

- ▶ Achieved economic value addition of BDT 78 million in 2019
- ▶ Consolidated Net profit was BDT 508 million
- ▶ LBFL achieved net profit after tax of BDT 736 million in solo basis
- ▶ Paid a full-year dividend of BDT 1.20 per share, 7% cash dividend and 5% stock dividend.
- ▶ Maintained world-class transparent reporting and increased our disclosure related to financial statements.
- ▶ Experienced smooth leadership transitions, with one of the most experienced management teams in the NBFi industry of Bangladesh

Customers

Customers are the most important stakeholder for any organisation. They are the resources upon which the success of our business depends. When thinking about valuing the customers we consider following points:

- ▶ LBFL is dependent upon their customers. If we do not develop customer loyalty and satisfaction, we could lose our customers.
- ▶ Without customers the existence of LBFL would not be justified.
- ▶ The purpose of LBFL is to fulfill the needs of the customers.
- ▶ The customer makes it possible to achieve our business aims.

Our Customers

- ▶ The full spectrum of individual demographics in Bangladesh from entry-level to high-net-worth individuals
- ▶ Various legal entities from trusts, non- governmental organisations and associations, to small businesses up to the largest corporates and the public sector
- ▶ Those who are engage with us even on single product classes, such as advance, deposit, asset management and investment or finance solutions.
- ▶ Foreign traders who trade in the secondary market of Bangladesh

Needs and expectations of our customers

- ▶ Offering innovative solutions and services.
- ▶ Growing and protecting client investments and wealth.
- ▶ Financing the aspirations of clients, while protecting against

over indebtedness.

- ▶ Providing convenient access to LBFL's financial services with less complexity and improved flexibility.
- ▶ Protecting clients and their assets through secured IT systems and infrastructure.
- ▶ Providing value added services that are competitive and transparent in pricing.
- ▶ Providing sound financial advice and financial education.

How did we deliver value to our customers in 2019

Emerging and commercial business unit constantly striving to provide innovative financial solutions to meet working capital needs of our existing and prospective clients. With this intent LBFL has designed products like Factoring, Reverse factoring, distributor finance etc.

Project and structured finance unit comprising of experienced professionals who are expert in conducting the technical, financial and economic feasibility of projects. Financial solutions like syndicated loan, preference share, bond etc. are some of its wide array of services.

- ▶ Growing and protecting client investments and wealth: Y-O-Y Growth of (12.21%) in Term deposit in 2019 is evident of increasing clients' confidence on us. We always focusing of providing best value for investment to our depositors by offering need based liability products and attractive return on their investments.
- ▶ Financing the aspirations and dreams of clients: Altogether 525 new home loans and 455 cars were financed and we supported many of our business clients in their endeavors to start and grow sustainable business.
- ▶ Providing convenient access to clients with less complexity and improved flexibility: LBFL continued to invest in its physical distribution, expanding its footprint with 1 new branches in the year 2019. All LBFL employees are well trained to deliver uncompromised client services. 24/7 helpline service is there to help our valued clients as and when required. FinSmart, LankaBangla mobile application has been launched to reach the services of LankaBangla to the fingertips of the valued customers.
- ▶ Protecting clients and their assets through secured IT systems and infrastructure. LBFL invested meticulously in its IT structure and committed to invest more in upcoming years to align with latest state of the art technology for the smoothness of its operation, strengthen data security and ensure protection for clients assets.
- ▶ Providing competitive and transparent pricing and giving value back to clients We always strive to ensure best value for money for our clients by means of competitive pricing of our products and services. We not only charge competitive interest to our asset clients but also ensure transparent and



reasonable pricing for documentation and other fees.

We have maintain agreements with good number of vendors which helps our credit card customers to avail attractive discount offers and credit purchase facilities (up to 24 months) with interest facilities.

We also offer attractive reward points to the credit card customers which they can cash in by means of different free gifts on the basis of their uses.

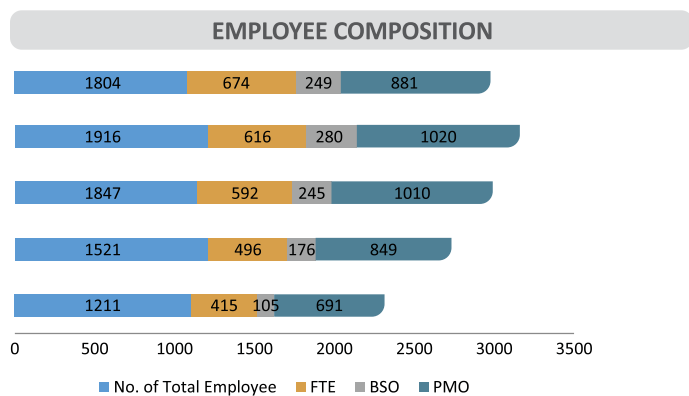
▶ Providing sound financial advice and financial education

LBFL along with its subsidiaries provide financial advice and financial education to the valued clients by means of interactive consultation and professional investment advices.

LBFL has strong research units which rigorously analyze market data and economic trends to produce weekly and monthly market pulse and other research papers to educate the investors and prospective LBFL clients.

Employees 

Employees are the most valuable resources of LBFL. We have always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.



More details about employees is provided in page number 185 to 190 (HR Accounting) and page number 191 (Human Capital).

Needs and expectations of our staff

A central component of the achievement of our vision to be the most preferred financial service provider is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees. In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2019, the following were identified as our employees’ most

significant needs and expectations:

- ▶ Career development opportunities
- ▶ Adequate training facilities
- ▶ Effective performance management and recognition
- ▶ Effective employee relations
- ▶ A healthy and safe work environment

How we deliver value to our staff

Career development opportunities

All employees of the company irrespective of their gender received formal performance and career development reviews during 2019. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. A significant number of contractual employees have been absorbed under Management Cadre in 2019.

Our Investment on Training

To further strengthen the staff development process, the company increased its concentration on training and development of employees. This concentration will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the company. In 2019, we have also launched E-Learning training system for our Management Cadres.

Given the company’s strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 16,690 man-hours of training during the year on various knowledge-building programs compared to 16,505 man-hours of the year 2018.

Effective performance management and recognition

In LankaBangla, Management is very much concerned about performance management of its employees and to ensure proper recognition. LBFL has followed a systematic approach to the identification of high performers among its employees to motivate them with good incentive bonus and promotion if deserved. Management also tend to identify the training needs of individual employees and through training, leadership competencies are identified and a pool of talent is created to serve the long term needs of the Company.

Effective employee relations

LBFL always value its employees through maintaining effective employee relations from top to bottom. Our approach to employee relations ensures that we recognise our employees’ rights to fair and equitable employment practices and to freedom of association. LBFL follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, management has taken further steps to enhance the facilities and benefits afforded to its staff:

- ▶ Festival Bonus
- ▶ Provident Fund
- ▶ Gratuity

- ▶ Staff loan facility at concessionary interest rate
- ▶ Home loan facility at concessionary interest rate
- ▶ Medical benefits enjoyed by all employees including life insurance and hospitalization insurance to tide over any personal exigency
- ▶ Annual increment
- ▶ Performance related bonus
- ▶ Mobile allowance for all permanent employees
- ▶ Motorcycle for employees who need to visit outside office in regular basis
- ▶ Travel allowance & daily allowance
- ▶ Cost sharing for Professional qualification
- ▶ Fuel allowance and transport allowance
- ▶ Disturbance allowance for temporary transfer
- ▶ Reward and Recognition is created to set up a systematic process of expressing appreciation for employees' hard work, dedication and contribution to the company
- ▶ LBFL plan, design and arrange various job specific soft skills and technical training based on individual need assessment and business requirement
- ▶ E-Learning for all Management Cadres

A healthy and safe work environment

LBFL and all of its employees are to protect and enhance the environment in which they live. Everyone will comply with all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

The following principles will guide and measure our corporate goals and objectives in Health, Safety and Environment:

- ▶ We are committed to continuously improving our Health, Safety and Environment performance;
- ▶ We will continually promote employee safety on and off the job;
- ▶ We conduct our business so it meets or exceeds all applicable laws and regulations and minimises risk to our employees, the public and the environment;
- ▶ We will endeavour to do business with companies and contractors that share our expectations for Health, Safety and Environment performance and commitment and we will regularly assess their performance;
- ▶ We will use our influence with companies in which we have partial ownership so they will want to meet the Health, Safety and Environment Commitment of the Company;
- ▶ We believe all employees are responsible and accountable for Health, Safety and Environment performance.

LBFL provides the training necessary to ensure that all the Company personnel are sensitive to the importance of our Health, Safety and Environment policy, understand the nature of the laws and regulations that govern our activities and have skills to implement our policy and comply with Health, Safety and Environment requirements.

Suppliers and business partners

Suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies. To ensure uninterrupted day to day operational activities we should maintain smooth flow of all related supplies and thus maintain good relations with our suppliers.

Needs and expectations of our suppliers

- ▶ Compliance to contractual terms

How we deliver value to our suppliers

LBFL operates with its suppliers based on a registered supplier list, which ensures LBFL's expectation of quality versus price is maintained while dealing with reputed parties in a mutually benefiting manner. We are committed to comply with all the contractual regulations with our suppliers and timely payment for supplies is our reputation.

Lenders

Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.

Needs and expectations of our lenders

- ▶ Competitive interest rate
- ▶ Compliance to contractual terms
- ▶ Building business relationships

How we deliver value to our lenders

Finance is the solution that assists in our businesses operation, and allows us to take advantage of opportunities to grow. Our lenders support to excel our advance growth and expanding our operations. We value our lenders through:

- ▶ Providing them with market competitive interest rate on their invested fund
- ▶ Meticulously comply with all the contractual term and conditions
- ▶ Our treasury division is always keen to build and maintain long term relationship with our lenders. In 2017 Treasury division organized a successful treasury night to promote and value such relations.

Regulators

Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which LankaBangla operates. As a listed financial institution and holder of public deposit LBFL is regulated by following regulators:

- ▶ Bangladesh Bank
- ▶ Bangladesh Securities and Exchange Commission (BSEC)
- ▶ National Board of Revenue (NBR)

Needs and expectations of our regulators

- ▶ Ensure effective corporate governance
- ▶ Compliance with rules and regulations
- ▶ On time regulatory reporting
- ▶ Timely submission of VAT and Tax
- ▶ Ensure value for the general shareholders

How we deliver value to our regulators

In LBFL we firmly believe that our regulators guided us towards our journey to ultimate success. We maintain regulatory requirements with top priorities.

Ensure effective corporate governance

Our practice to remain within the guideline for strategic and steady journey towards progress is being governed by our participant leaders harmonized by our Board of Directors and Chairman. These practices ensure transparent and winning corporate governance for LankaBangla.

Compliance with rules and regulations

LBFL upholds a strong compliance culture within the organisation and maintains a close dialogue with regulators to ensure required regulations are followed to expectations. Our Risk Management division closely monitors our operations, activities and compliance with all the regulatory requirements.

On time regulatory reporting

As a public limited financial institution LBFL has to submit a good number of regulatory reporting on regular basis. In LBFL our regulatory reporting responsibilities are decentralized. It is designed in such a way that concerned division or department or concern individual employee will prepare and submit respective reports to the respective regulatory body. A concrete review process is pre-designed to ensure correctness and timely submission of all the regulatory reports.

Timely submission of VAT and Tax

Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2019, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 1,102 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 948 million in 2018, reflecting its fair and consistent commitment towards national contribution.

Ensure value for the general shareholders

Transparent and fair reporting of its financial information is backbone of LankaBangla's success stories so far. Our financials show our growing picture that we are consistently increasing the value of our shareholders with all our efforts. Our Transparency and fair reporting was not only recognized in national level but also in International level. For the last consecutive three year we have been awarded SAFA Best presented Annual Report Award.

Society

As a member of the society LBFL has responsibilities towards the society from a broader sustainability perspective. Apart from financial needs, LBFL have to act in a socially responsible manner, for societal benefits.

Needs and expectations of the society

- ▶ To act in a socially responsible manner

How we deliver value to the society

LBFL always act considering itself as a part of the society. Corporate Social Responsibilities (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society.

In 2019 we performed following CSR activities:

- ▶ Supporting education of underprivileged brilliant students
- ▶ Wheel Chair distribution program to handicapped persons
- ▶ Medical Assistance for Dengue Affected Children
- ▶ Tailoring Training Project 2019 for Women Empowerment
- ▶ Support for local community to protect from Cold Wave
- ▶ Bicycle Distribution among Female Students
- ▶ Protecting Environmental & Ecological Degradation through Tree Plantation

Environmental Groups

Environmental groups are organizations coming out of the conservation or environmental movements that seek to protect, analyse or monitor the environment against misuse or degradation from human forces.

Needs and expectations of the environmental groups

- ▶ Protection of environmental and ecological balance

How we deliver value to the environmental groups

In an era where protection of environment and its resources has become vital, LBFL considers environment aspects with high importance, particularly when LBFL continues to build greater presence across the country. LBFL has already established its Green Banking policies. LBFL promotes its operation in a Green way with less use of paper and increase the use of electronic documents. LBFL is also playing leading role in the banking and financial sector of Bangladesh in introducing and executing Green Finance.

Board Members

LBFL has a group of experienced and professional Board members in its Board. With immense experience and professionalism the Board of LankaBangla is conducting its Business for the last 21 years and ensuring proper corporate governance since then.

Our Board members are as follows:

Name	Designation
Mr. Mohammad A. Moyeen	Chairman
Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director
Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director
Mr. B. W. Kundanmal (Alternate of Mrs. Aneesha Mahial Kundanmal)	Director
Mr. M. Fakhru Alam (Representing ONE Bank Limited)	Director
Mr. Mahbubul Anam	Director
Dr. M. Mahbubul Huque (Alternate of Mr. Tahsinul Huque)	Director
Mrs. Zaitun Sayef	Independent Director
Mr. Abdul Malek Shamsher	Independent Director
Mr. Khwaja Shahriar	Managing Director

Needs and expectations of the Board

- ▶ Sound Financial position
- ▶ Efficient Financial performance
- ▶ Effective Corporate Governance


▶ Protecting shareholders wealth

How we deliver value to the Board

LBFL management faces the Board on a quarterly basis. Quarterly financial statements along with detailed financial analysis and rationale for the results has been presented to the board. After detailed discussions and fact finding analysis the board approved the financial statements.

Based on the financial position and data with explanation presented by the management the board guide the management for the future courses of action. Management adherence with the guidance operate the business to get desired result and hence strive towards increasing the wealth of the shareholders.

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, LBFL's reputational risk and influence the environment in which we do business. The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralized stakeholder engagement model in which individual business units undertake stakeholder engagement appropriate to their areas and are responsible for identifying stakeholder concerns and taking appropriate action. At the center, the board, oversees all engagement and plays a key role in analyzing our business relevant issues and concerns and providing guidance on appropriate responses.

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
 Investors/ Shareholders	Annual General Meeting (AGM)	Annual	<ul style="list-style-type: none"> - Effectiveness of business strategy in delivering anticipated financial results. - Slow improvement in ROE - Cost efficiency 	<ul style="list-style-type: none"> - Higher return on equity - operating efficiency - Effective cost management 	<ul style="list-style-type: none"> - LBFL ensures that the AGM is held in March each year and there is constructive dialogue between management and shareholders and follow up on valid material investor concerns and recommendations - As LBFL is in growth mode operating cost is a bit high at this moment and will be reduced when we will finish the branch expansion activity though the cost to income ratio is reduced to 59.89% from 63.92% - LBFL will give best effort to reduce the fund cost
	Annual Report	Annual	Overall Financial Performance of the Company	- Sustainable business growth.	The Company presents annually a comprehensive Annual Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders wealth created.
	Integrated report	Annual	The value creation and value distribution		For the first time LBFL is presenting a comprehensive Integrated Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders value created. LBFL is committed to continue with annual integrated report for upcoming years.
	Announcements to Shareholders	Ad hoc as necessary (Interim accounts – quarterly)	Financial Performance of the Company		
	Extraordinary General meetings	Ad hoc as and when necessary	Appraising plans, future prospects, in relation to core business growth.		
	One-to-One Meetings	As necessary	Improvements in relation to LBFL operations.		
	LBFL website information updates	On a regular basis	Strengthening governance and risk management mechanisms.		
	Press releases and articles in magazines	At least one release per quarter	Financial Performance of the Company		

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
 Customers	Customers awareness programs	Annually in every branch	<ul style="list-style-type: none"> - Compliance and rights to the customers - Product information to customers. - Combating financial crimes. - Anti-money laundering issues 	Efficient and customer oriented business environment	<ul style="list-style-type: none"> - To invest more in Information technology - To increase delivery channel to reach more marginal customer segments. - To introduce new product to cater customer needs
	Direct customer feedback to any of LBFL service points	On a regular basis	<ul style="list-style-type: none"> - Aspects on attractive pricing and customer service. - Customer specific problems 	Fulfill one's financial needs to better prospects or meeting personal requirements.	<ul style="list-style-type: none"> - Product diversification is part of LBFL's growth strategy and is pursued on a continuous basis to see how best customer needs can be fulfilled. Both lending and deposit businesses are highly geared and well receptive to changes in customer preferences and remains flexible to cater to growing needs of customers.
	Marketing visits/ Field visits	<ul style="list-style-type: none"> - Credit customers mostly once prior to transacting - Deposit customers on an ad hoc basis and selective 	<ul style="list-style-type: none"> - Identification of customer needs - Assessment of customers 	To derive optimum benefit/satisfaction from offered products and services.	<ul style="list-style-type: none"> - LBFL shall devise mechanism to manage customer expectations to yield high level of customer satisfaction to ensure superior customer service quality - Through continuous training and development, we gear our employees to deliver a quality service and to be better equipped to face complexities evolving in our sector.
	One to one Meetings	As necessary	<ul style="list-style-type: none"> - Standards of service and related improvements. - Customer convenience. 	Ensuring safety of one's investment.	There is persistent investment in technology, to enhance ICT capabilities to remain competitive in the market. This is done without compromising on data security. We audit our systems closely to ensure required ICT standards are met.
	Customer suggestions via suggestion boxes and follow up	Ad hoc	Stability of LBFL and its reputation as a trustworthy transparent partner.	Maintaining confidentiality of information placed.	
	Telephone discussions/Emails	On a regular basis	Confidentiality of customer information.		
	Media campaigns	As necessary			
 Employees	LBFL corporate Website	On a regular basis			Through the Risk and Compliance function, risk management and compliance is strengthened constantly.
	Inculcating an 'open door policy' for employees to freely interact one-on-one with MD, other senior officers.	On a regular basis	Professionalism and diligence level expected in executing duties.	Having clear understanding of individual performance goals, for its achievement.	LBFL upholds a strict performance based culture across all job functions. Employees are evaluated by their superiors based on a formal evaluation process, and high performers rewarded biannually.
	Management Meetings	As and when necessary			
	Performance appraisal and individual review meetings	Annual	Sustaining a creative and innovative culture.		
	Town hall Meeting	Biannual	Bi Annual performance of the company and to recognise the best performers for the period		Ability to express ideas, concerns and grievances freely.
	Internal Newsletter communiqués	Monthly	Sustaining a creative and innovative culture.		
	Corporate communiqués via circulars, memos and e-mails	Regular	Knowledge-based environment and career development.		

ECONOMIC OUTLOOK

Bangladesh Economy

Even though Bangladesh achieved 8.15% GDP in FY'19, however, due to the pandemic driven disruptions in the domestic economy and lower than expected growth in external sector performance as a result of long and sustained worldwide lockdowns, the GDP growth rate of FY'20 came down to 5.2%. The country's export and imports witnessed a 16.9% and 8.6% negative growth respectively during the fiscal year FY'20. On the other hand, inbound remittance witnessed robust growth in last few months of FY'20 registering a 10.9% yearly growth. The year, 2020 is expected to be turbulent year with expected economic recovery in the latter half of the year.

Fiscal Management

GDP growth rate for FY 2020-21 has been set at 8.2% up by 300 basis point from FY 2019-20 based on a expectation of a V shaped recovery of the COVID-19 pandemic. The national budget has been set at BDT 5,680 billion (18% of GDP) which is 13.2% higher than previous year's budget. It has revenue target of BDT 3,780 billion which is 66.5% of total budget funding. Budget deficit is projected to be BDT 1,900 billion which is 6.0% of the GDP. Of this, an amount of BDT 800 billion (2.5% of GDP) will be collected from external sources while an amount of BDT 1,100 billion (3.5% of GDP) will be raised from domestic sources namely banking system, national savings schemes & other nonbank sources. The new budget has the highest allocation to public administration sector (19.9% of total budget) and also emphasized on education and ICT sector of the country.

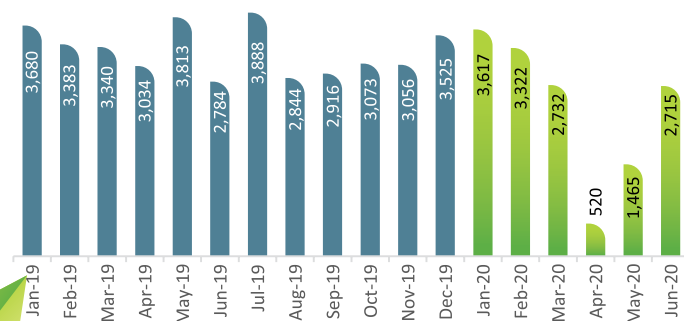
External Sector

The current account deficit witnessed a YOY improvement of 5.0% registering USD 4,849 million in FY'20 vs USD 5,102 million in FY'19. This improvement was a result of robust remittance inflow with YOY growth of 10.9%. This was mainly driven by large number of immigrants coming back into the country with their cumulative savings.

Export

Total merchandise commodity export in FY'20 decreased by USD 6.86 billion or 16.9% to USD 33.67 billion compared to USD 40.54 billion in FY'19. Export performance was weakening in the first half of FY'20. Then the pandemic driven supply chain disruptions had halted international trading activities in the second half of FY'20 which drove the overall exports down, particularly in the textile segment. As the global economy recovers, we expect exports to pick up in the upcoming year.

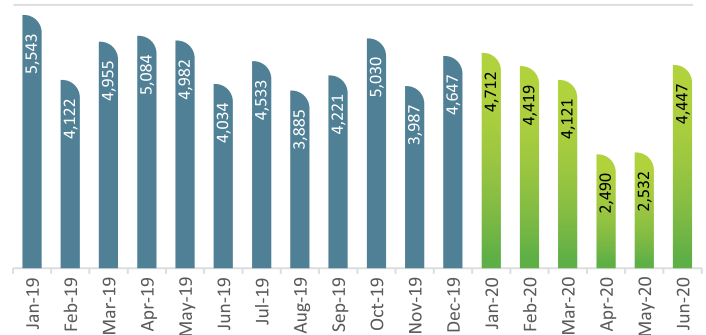
Exports (USD million)



Import

Imports in Bangladesh decreased by 8.6% to USD 50.7 billion in FY'20 from 55.4 billion in FY'19. Pandemic driven supply chain disruptions had halted trading activities in the second half of FY'20 which drove the overall imports down particularly in the textile raw material segment. Going forward, we expect imports to pick up as the economy opens up.

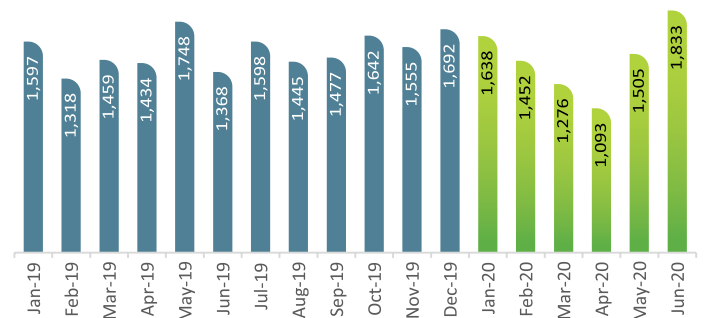
Imports (USD million)



Remittance Inflow

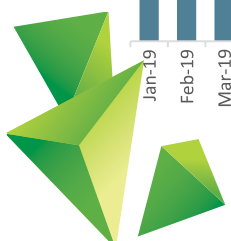
Total receipts of workers' remittances in FY'20 increased by USD 1.79 billion or 10.9% and stood at USD 18.20 billion against USD 16.42 billion of FY'19. This growth was mainly driven by migrant workers sending more money to families at home due to the income loss from pandemic disruptions and migrant workers coming home altogether with their cumulative savings due to loss of jobs abroad. However, lower oil price in the international markets driven by slowdown in overall economic activities and halt in outgoing migrants' numbers is expected to affect remittance in the upcoming fiscal year.

Remittance (USD million)



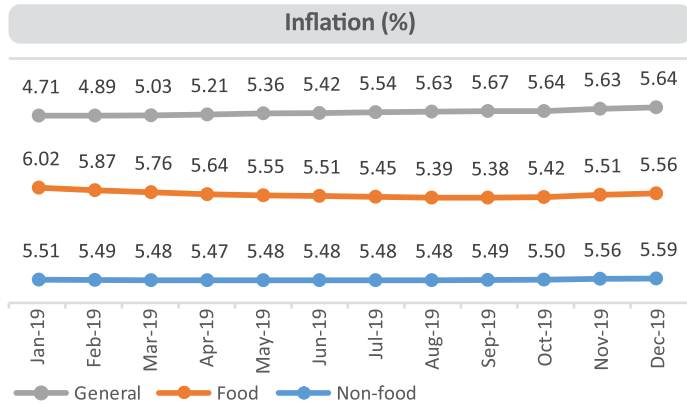
Inflation

12-month average general inflation remained within a reasonable level of 5.65% in June 2020, slightly above the central bank's target of 5.50%. Food inflation remained stable, marginally decreasing from 5.56% in December 2019 to 5.52% in June 2020, helped by adequate stocks of food grains along with a bumper harvest in early 2020. Non-food inflation, on the other hand, witnessed a rise from 5.64% in December 2019 to 5.85% in June 2020. Prospects for rising food inflation still remains given the worsening flood situation. In addition, non-food inflation is also likely to rise even further as hike in utility prices and pandemic driven disruptions may cause





prices of goods and services to rise. Overall, inflation risks are tilted toward the higher side, but extensive government intervention is likely to keep inflation at within the target range of 5.04% - 5.93%.



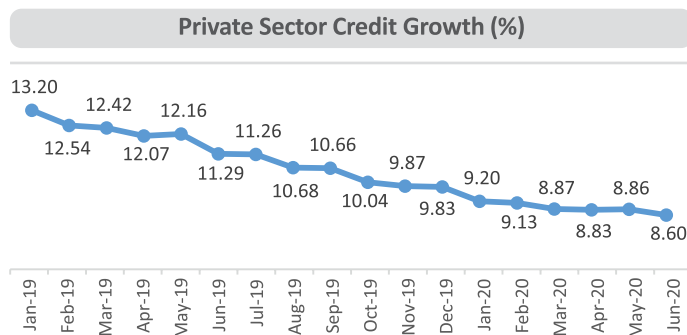
Money Market

The money market went through a relatively tighter situation throughout FY'19 compared to previous fiscal. Call money rates moved in the range of 3.2% to 5.0% for the most part of FY'19. During this period, Government's borrowings from the banking system spiked up call money rates.

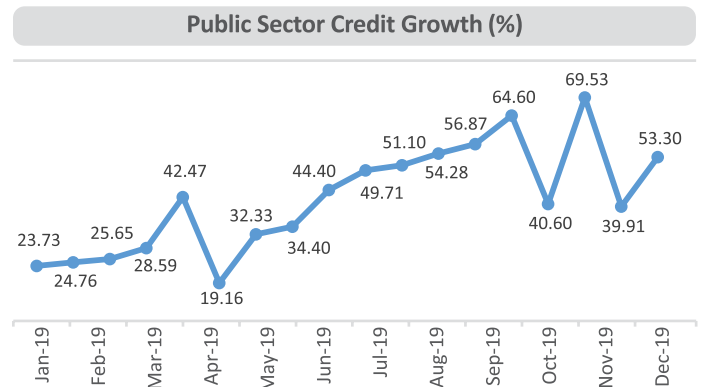
Going into 2020, in order to boost economic recovery, the government plans on providing sufficient liquidity in the system. Since March 2020, BB has cut domestic CRR rates by 150 basis points, initiated purchase of government securities and introduced long term repo facilities up to 360 days to ensure liquidity in the system. In addition, in the monetary policy statement (MPS) for FY'21, the policy rates (repo and reverse repo) has been slashed to 4.75% and 4.00% respectively from 5.25% and 4.75%. Moreover, bank rate has been reduced by 1% for the first time in 17 years indicating government's strong stance towards expansionary policy.

Credit Growth Scenario

The private sector credit growth continued its downward momentum throughout FY'20 falling from 11.3% in Jul'19 to 8.6% in Jun'20; missing the central bank's yearly target of 14.8% by a significant margin. Weakening credit demand and expectation of interest rate ceiling of 9.0% to be set by the central bank hampered lending activities. In addition, the pandemic driven disruptions further deteriorated both the demand for private credit and ability of efficient credit disbursement. Going into FY21, the central bank has set the private sector credit growth target at 14.8% in line with GDP growth target of 8.2% as it expects increased disbursement of credit from various government stimulus packages worth BDT 1.03 trillion and a quick V shaped recovery from the pandemic shock.



Public sector credit growth continued to grow throughout FY20 from 32.3% in Jul'19 to 53.3% in Jun'20 which overshoot the yearly target of 24.3% by a wide margin. This growth was mainly driven by government's increased spending, particularly on infrastructure projects, and fall in the sales of National Savings Certificates (NSCs) from stricter regulations and increased tax imposition. Going into FY21, the public sector growth target has been set at 44.4% which is very likely to be achieved as we expect the government to try to spend its way out of the pandemic disruptions.



BUSINESS ENVIRONMENT ANALYSIS

1. SWOT Analysis for LBFL

Sl. No.	LBFL's Key Strengths	Outlook on Key Strengths	Key actions taken to build on Strengths
1	Nursing a culture of embracing changes	LBFL Nurtures strategy to embrace changing environment in terms of market, technology, demand etc which give it strength to sustain in rapid and diversified challenges.	<ul style="list-style-type: none"> ▶ LBFL tailored its services to meet customer new demands. ▶ Adopt new IT environment to provide out of trend customer services. ▶ Shuffling operational structure to meet demand of swiftness.
2	Having the broadest umbrella of products and service offerings	We analyze different financial need of people and focus on new product development. It has diversified the revenue stream and improve the strength of sustainability.	<ul style="list-style-type: none"> ▶ Continuous analysis on industry trend and demand. ▶ LBFL has well diversified financial products to serve its diverse customers. ▶ More focus on segmented approach with dedicated team to strengthen the product line ▶ LBFL is the only NBF in Bangladesh having the credit card business in Bangladesh.
3	Offering highest loan ceilings and LTV ratio	High loan ceilings and LTV ratio can attract and serve people with immediate solutions to their financial needs. It ensures portfolio growth and healthy revenue streams as well as a competitive edge over peer organizations, like commercial banks.	<ul style="list-style-type: none"> ▶ LBFL offers highest credit ceiling to their retail and SME clients. A ceiling of BDT 2 million for unsecured credit facility is the highest in the market. ▶ Besides, LBFL offers lease facility with the maximum Loan to Value ratio, which is up to 100% ▶ To attract home loan and SME clients, LBFL facilitates them with the maximum limit of BDT 100 and 200 million respectively.
4	Having a reputation as a stable Financial Institution for two decades	Public will continue to pursue institutions that remain reputed and act with utmost corporate responsibility.	<ul style="list-style-type: none"> ▶ Attracting customers from other investment options ▶ Enhanced financial, governance and operational reporting to make public more aware of LBFL's financial stability ▶ Introducing Integrated Reporting ▶ Keep improving on regulatory compliances ▶ Keep investing on building a reputed brand value ▶ Actively participating in the CSR activities through LankaBangla Foundation
5	Strong capital base with a sound capital adequacy ratio position	16.40% CAR implies strength of balance sheet of LBFL.	<ul style="list-style-type: none"> ▶ Planning for healthy profitability growth ▶ More focus on Retail and SME business ▶ Focus on lending to good rated corporate houses ▶ Developed a Capital planning for next five years for anticipating business growth
6	Having a skilled human resource base with the lowest average age of employees	To hire and retain skilled human resource will be key to succeed in the coming years as there are few new Banks and NBFs in the market.	<ul style="list-style-type: none"> ▶ Investing more on training key skills and soft skills ▶ Planning for an in-house training institute to train the employees ▶ Introduce a reward recognition policy under which the most performing employees are being awarded twice in every year. ▶ For improvement of the performance, LBFL also introduce different programs like HEROES @ WORK, DINE WITH MD in every two months ▶ Organize different events for the employees like Annual Football, Annual Badminton, Family day, New year celebration, women's day, mother's day etc. to motivate the employees.

7	Establishing a diverse delivery channel across the country	Increased expansion would lead to greater decentralization of LBFL's work operations to reach more clients. This will also increase operational risk.	<ul style="list-style-type: none"> ▶ LBFL will look forward to expand its delivery channel to cater new more people. ▶ Where there are no branch networks LBFL will use Hub and Spoke model and will employ mobile lending officers with state of the art technology.
8	Possessing an effective ICT environment supported by right IT hardware and software systems, IT support staff and an IT savvy workforce	IT will be a key factor to improve the service quality, imposing controls and reducing the cost in coming days.	<ul style="list-style-type: none"> ▶ Implemented tranzware project for credit card operation. ▶ IFS (ERP) went live in the start of 2nd quarter of 2019 ▶ Investing more on to update IT hardware ▶ Improving the Call center ▶ Enhanced certain core system features ▶ Training users on effective use of these IT tools across the branch network.
9	Online presence through user-friendly website and mobile application	Online presence can be as much about customer service as it is about selling products and services. A dynamic website or application can create a good impression about the organization, as well as ensuring faster services and accessibility	<ul style="list-style-type: none"> ▶ LBFL maintains its web presence through website, financial portals, social networking sites and its unique mobile application "Finsmart". ▶ Clients can reach LBFL through these channels and the Alternative Delivery Channel (ADC) division of LBFL facilitates the requests received from these sources. ▶ LBFL's clients can avail different services like balanced information, card-check processing requests, form filling, etc. through its mobile application "Finsmart".
10	Discount and Ezipay Privileges for Credit Card clients	To attract new and retain existing clients, promotional offers like discounts, cash-back, reward point etc. can play a vital role. Moreover, Ezipay or EMI facilities can release clients from their immediate payment burden.	<ul style="list-style-type: none"> ▶ LBFL has agreement with more than 2000 merchants across the country to offer discount facilities to its clients. ▶ EMI scheme allows clients to convert the big-ticket retail purchases made by their LankaBangla Credit Card and LankaBangla Card Cheque into an installment scheme. ▶ LBFL clients can enjoy 0% interest per month on their EMI purchases (BDT 10,000 and above) from its 0% merchant partners in different product and service sectors.
11	Having a knowledgeable and prudent Board of Directors	A visionary and knowledgeable Board will guide the company to a sustainable growth over the period	<ul style="list-style-type: none"> ▶ The Board will keep guiding the company with all their valuable knowledge

Sl. No.	LBFL's Key Weaknesses	Outlook on Key Weaknesses	Key actions taken to counter Weaknesses
1	Asset quality	High percentage of non-earning asset abates the profitability of the Company	<ul style="list-style-type: none"> ▶ Established reliable client base with sound credibility. ▶ Ensure implementation of rigorous collection strategy.
2	Comparatively high cost of fund	Absence of CASA deposits increases bank dependency and reduces bargaining power to bring public deposits resulting high cost of fund and low spread	<ul style="list-style-type: none"> ▶ We have focused to diversify sources of fund. Managing foreign fund with low rate, achieving refinance facility from Bangladesh Bank, issuing subordinate bond helps to address the weakness. ▶ Increased focus placed on long term public deposit, especially scheme deposits.
3	Strong Presence in the Capital Market	Exposed to highly sensitive and volatile income which depends on market conditions.	<ul style="list-style-type: none"> ▶ To reduce the dependency on the capital markets, more focus was given to the core products of the company.

4	Lowering Yields on traditional lending products.	In churning higher income, the need for more innovative products and wider customer choice will be pivotal in the years to come.	<ul style="list-style-type: none"> ▶ To retain the profitability, LBFL focus on the increased volume of business in Retail and SME. ▶ Focus on the higher margin products
5	Less flexibility in the money market	Banks affording very competitive Cost of Borrowing as well as interest rates for fixed deposits will continue to add pressure to the NBFIs sector.	<ul style="list-style-type: none"> ▶ Reduce dependency on bank borrowing ▶ More focus on the term deposits from the retail customers ▶ Introduced new deposit products for senior citizen, female and other niche market. ▶ Quick decision making to respond the Market situation
6	Below one year asset and liability mismatch (any interest rate hike would impact core spreads as funding cost will tend to go up in such a situation)	The possibility of interest rates moving upward again is high in the medium to long-term and hence it is vital to pursue long-term funding for sustaining healthy margins.	<ul style="list-style-type: none"> ▶ In accordance with ALCO recommendations, the Liability Division was able to offer attractive rates to secure greater level of one year and longer deposits during the period. ▶ Managed to secure long-term borrowings between two to three years at fixed rates

Sl. No.	LBFL's Key Opportunities	Outlook on Key Opportunities	Key actions taken to build on Opportunities
1	Growing middle income group and increase in purchasing capability	More than 10% people are moving from the low income group to middle income group	<ul style="list-style-type: none"> ▶ More focused on the Retail and SME business. ▶ Increased distribution channels to reach out to more people. ▶ Required ICT environment is in place
2	Reducing deposit rates in commercial banks	Due to the presence of excess liquidity, commercial banks are reducing deposit rates, which could be LBFL's way of lowering its cost of fund	<ul style="list-style-type: none"> ▶ More focus on public deposit collection with varieties of deposit products with attractive rates
3	Introduction of dual Currency credit cards and online transaction facilities	Services like dual currency and online transaction facilities will attract more customers from different market niches	<ul style="list-style-type: none"> ▶ Focus on dual currency credit card and offering online transactional facilities to enhance brand image, attract new customers, and avoid losing existing customers.
4	Introduction of Mobile banking services	Current trend and success of mobile banking in grass root level indicates the huge growth potential in this segment	<ul style="list-style-type: none"> ▶ Steps have been taken to allow our deposit clients to pay their installments through different mobile banking service vendors, and few more services will be up and running by 2019
5	Expected sound GDP growth levels and improved infrastructure would continue to give impetus to financial products.	8.15% GDP growth is highest ever GDP growth for Bangladesh. We can enjoy higher credit growth to support private sector activities linked with development activities of government.	<ul style="list-style-type: none"> ▶ Focus on to utilize financing opportunity in development projects ▶ Update infrastructure and technology to cope with market demand in rapidly changing developed society. ▶ Maintaining commendable core business growth, taking advantage of the positive business conditions and steady economic growth trajectory.
6	People prefer fixed income Term Deposit products as opposed to risky investments in the Stock Market	The stock market remains volatile and property value is declining. These two trends should continue to boost investment in fixed income securities.	<ul style="list-style-type: none"> ▶ Management continued to implement successfully planned deposit mobilization strategy which sustained envisaged growth levels. ▶ Our branch network played a more significant role in mobilizing deposits, taking advantage of the expanded reach taken place within the last three years.
7	More funding opportunities from the foreign market	We could expect greater number of international deals to be struck by the sector in terms of funding. Rating will play a significant part.	<ul style="list-style-type: none"> ▶ International funding sources remain a viable option and the company will look into these sources when optimal pricing can be obtained.

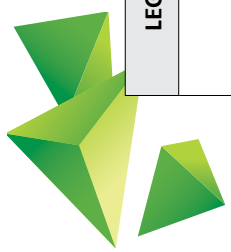


Sl. No.	LBFL's Key Threats	Outlook on Key Threats	Key actions taken to counter Threats
1	Wide range of product choice for the depositors to invest, such as Government Sanchaya Patra, the share market, real estate and other fixed income securities.	We could expect real estate prices to move upward and the stock market to remain attractive with better foreign investments.	<ul style="list-style-type: none"> ▶ Sustained an aggressive deposit mobilization drive with attractive returns to investors throughout the year, supported by continuous advertising and promotion.
2	Growing competitive pressures	More fierce competition is expected from the competitors. Quality and timeliness of services offered would be key in attracting business and retaining existing portfolios.	<ul style="list-style-type: none"> ▶ Customer oriented services should be in place. ▶ Intensive customer awareness campaigns in key operating locations should be undertaken.
3	Shrinking margins due to heavy price competition	In gaining strategic advantage, the sector would continue to pursue low cost funding options and high yield lending avenues to improve margins.	<ul style="list-style-type: none"> ▶ More focus on high yield generating lending products such as personal loan, credit cards, mortgage loan, auto loan, etc.
4	Newly licensed NBFIs and Banks	More fierce competition in acquiring clients	<ul style="list-style-type: none"> ▶ More focus on building a stronger client base through uncompromised quality to retain and attract new business.
5	Turnover of skilled employees	Due to the skills and learning obtained through quality training in LBFL, the employees attract employers in the same industry.	<ul style="list-style-type: none"> ▶ Regular reward campaigns, motivational and other non-financial programs are conducted throughout the year to retain skilled employees.

2. PESTEL Analysis

	Influencing Factor	Impact on LBFL	LBFL's Approach
POLITICAL	<ul style="list-style-type: none"> ▶ Political Stability ▶ Annual Budget 	<ul style="list-style-type: none"> ▶ Stable political situation has a positive impact on LBFL and unstable political situation has negative impact on LBFL ▶ Change in different components of yearly budget like tax rates, interest waivers, refinancing facilities has impact on different products and projections of LBFL 	<ul style="list-style-type: none"> ▶ LBFL always try to negate the unstable political situation by taking prompt strategic action on interest rates, business volume, strategic shift on business focus etc to generate the business and achieve lending target. ▶ In the stable situation try to generate a synergy. ▶ LBFL always adjusts their internal guidelines and projections as per the directives provided by Bangladesh Bank
ECONOMIC	<ul style="list-style-type: none"> ▶ Around 7.86% stable GDP growth ▶ Growing economic development activities ▶ Lowering interest rate regime ▶ Inflation control ▶ Increasing income level ▶ Fluctuations in capital market indices 	<ul style="list-style-type: none"> ▶ Due to subdued inflationary level and increasing income level, retail business will enjoy above average business growth. ▶ Corporate and deposit business remain very competitive as interest rates falling to one digit level. ▶ Rise in overall NPL of the country as some of the regional clients find it difficult to repay. ▶ Rise in capital market indices might encourage people to choose investment options over safe saving instruments, which in result, could cause liquidity crisis and vice versa 	<ul style="list-style-type: none"> ▶ LBFL pursues core business growth in Retail and SME capitalizing on emerging opportunities, supported by our increased presence across the country. ▶ Initiating prompt recovery action on overdue contracts through close supervision and effective recovery strategy. ▶ Expand delivery channels ▶ As a highly customer receptive organization, we continued to identify ways of expanding our product offerings and services to cater to wider customer requests. ▶ Generate a strong MIS system to gather and disseminate economic and business information. ▶ Make quick decisions on product pricing through ALCO responsive to the market need.

SOCIAL	<ul style="list-style-type: none"> ▶ Increased Income level improved the standard of living. ▶ Growing competition ▶ Improved access to financial services ▶ Financial Inclusion ▶ Customer sophistication ▶ Changing Lifestyle ▶ Non-Regulated lending authorities ▶ Population and literacy rate 	<ul style="list-style-type: none"> ▶ Growing GDP and per capita income driven by the economic progress have paved the way for better social conditions and quality of life for society. ▶ LBFL can be the substitute for region or community-based lending authorities who charge very high interest rates 	<ul style="list-style-type: none"> ▶ We emphasized the importance of creating customer awareness and building customer relationships. ▶ We revisited our internal core operational processes, for purpose of streamlining parts of our work process to cut down on lead times and to afford a more effective service to our customers. ▶ We afforded greater autonomy to branches to handle deposits affording them full technology support and manpower to cater to wide ranging customer requests. ▶ Being a people-oriented Company, we remained receptive to people’s needs as a socially responsible corporate and a caring employer. ▶ Numerous CSR initiatives were initiated for the betterment of society beyond commercial boundaries. Internally, we continued to adopt sound human resource practices to nurture our valued staff. ▶ LBFL has shifted its focus towards retail business and introduced products like Titanium Credit cards et. to meet growing customer needs efficiently ▶ LBFL has 27 operational branches all over the country and our Mobile lending officers working in different areas are paving the way for future branches ▶ We emphasized the importance of creating customer awareness and building customer relationships. So, we always consider areas with high population and literacy rate as potential business operation region
TECHNOLOGICAL	<ul style="list-style-type: none"> ▶ Rapid technological advancement. ▶ Decisive factor to gain competitive advantage ▶ Growing demand for mobile banking services 	<p>Role that ICT plays in creating operational efficiency and generating Management Information Systems (MIS) for effective decision making has become vital for LBFL</p> <p>Ways through which LBFL can use this trend in its best interest</p>	<ul style="list-style-type: none"> ▶ We have implemented Trazware Project to outperform credit card operation. ▶ IFS (ERP) project is ready to go live. ▶ Required updates were made to the core ICT system to make it more effective and meet user requirements and also to accommodate rapidly changing demands of the industry. ▶ Additional MIS reports were developed on a periodic basis to cater to information needs of key divisions, for decision-making. ▶ We have already introduced mobile banking services for our deposit clients in collaboration with Bkash and Surecash and going to expand these services in near future
ENVIRONMENTAL	Green Banking initiatives	Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well	Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well
LEGAL	Highly regulated business environment	LBFL is regulated by the FI act 1993 and other periodic guidelines provided by Bangladesh Bank from time to time	Apart from FI act 1993 and other prescribed guidelines, LBFL also follows the instructions regarding bank rates, repo & reverse repo and statutory reserve requirements mentioned in monetary policy statements published semi-annually by Bangladesh Bank



3. Industry Forces Analysis

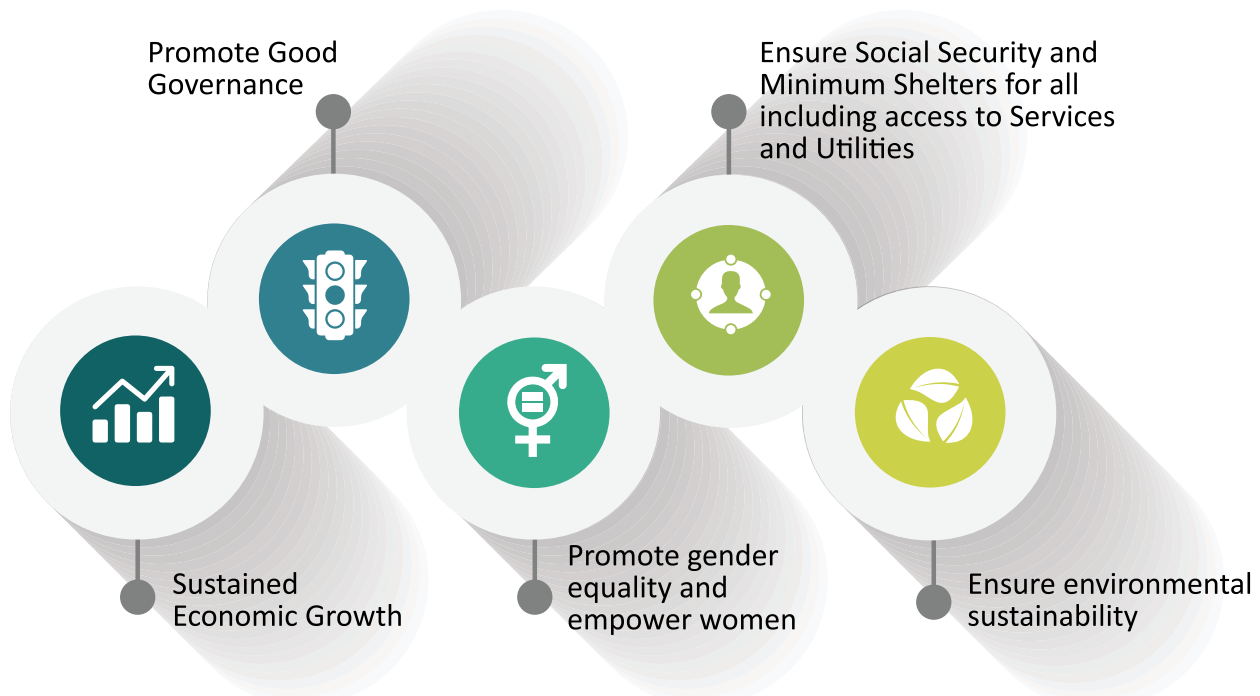
	Influencing Factor	Influence on LBFL	LBFL's Approach
Customers	<ul style="list-style-type: none"> ▶ Customer perceptions of LBFL brand. ▶ Switching of customers. ▶ Brand loyalty. ▶ Customer relationship. 	<ul style="list-style-type: none"> ▶ Effect on customer relationships thereby impacting long term revenue. 	<ul style="list-style-type: none"> ▶ Strategic emphasis on serving particular customer segments (Retail and SME). ▶ Customer focused strategy ▶ Delivering uncompromised service to retain customers. ▶ Upholding and strengthening LBFL brand to avoid switching.
Suppliers	<ul style="list-style-type: none"> ▶ Supply of funds (deposits and borrowings) ▶ Interest rates on borrowings and deposits ▶ Supply of materials 	<ul style="list-style-type: none"> ▶ Impacts on interest rate ▶ Effect on revenue and margin. ▶ Operational efficiency 	<ul style="list-style-type: none"> ▶ Appropriate sourcing of fund as per the company policy (reducing dependency on bank borrowing). ▶ Offering competitive interest on deposits and good relationship with banks for better negotiations of borrowing rates. ▶ Proper selection of vendors to ensure smooth supply of materials.
Competitors	<ul style="list-style-type: none"> ▶ Number of players in the industry ▶ Strategic directions of competitors ▶ Generic strategies followed- Focus/Differentiation/Cost leadership 	<ul style="list-style-type: none"> ▶ Impact on the market share ▶ Loss of revenue to competitors ▶ Customer switching 	<ul style="list-style-type: none"> ▶ Engage in competitor analysis to understand the competitors' strategies and respond accordingly. ▶ Develop or revise short and long term strategies in relation to competitors' movement and impact on market share. ▶ Give emphasis on innovative value creation ideas to outplay the competitors
Substitute	<ul style="list-style-type: none"> ▶ Availability of substitute products ▶ Aptness of substitute products. ▶ Relationship Management. ▶ High number of commercial bank and FIs 	<ul style="list-style-type: none"> ▶ Threat of loss of market share with increasing substitutes in the industry. ▶ Impacts of service quality leading to customers switch brands. ▶ Loss of revenue to substitute products ▶ Fierce competition among banks and FIs. 	<ul style="list-style-type: none"> ▶ Undertake competitors' product market analysis to understand their price structure, product features, and performance. ▶ Carry out product aptness analysis to understand the threat of substitutes at a continuous basis. ▶ Differentiating products to lock in customers and reduce substitute effects. ▶ Adopt appropriate relationship management techniques to retain the company's profitable customers.
New Entrants	<ul style="list-style-type: none"> ▶ Emergence of new Banks and NBFIs in the industry licencing through Bangladesh Bank ▶ Patents and protection of intellectual property 	<ul style="list-style-type: none"> ▶ Threat on market share and possible reduction in industry dominance. ▶ Employee poaching 	<ul style="list-style-type: none"> ▶ New product development to take first mover advantage and deter possible competition from new entrants. ▶ Enhance the brand value of LBFL ▶ Maintain a sound and healthy employee friendly environment within the organization
Government	<ul style="list-style-type: none"> ▶ Government regulations for the financial sector. ▶ Local and Foreign investment limits. ▶ Taxation policies. ▶ Government stability. ▶ Frequency of changing laws and regulations. 	<ul style="list-style-type: none"> ▶ Regulations affecting operations- source of funds and channelling of funds. ▶ Taxation policies impacting profits. ▶ Laws and regulations limiting businessoperation and revenue streams. 	<ul style="list-style-type: none"> ▶ Thorough compliance of laws and regulations as per Bangladesh Bank and other Government Bodies. ▶ Maintaining good and professional relationships with Government representatives to lobby for policy implementation which is beneficial to the company and the industry. <ul style="list-style-type: none"> - Policy includes taxation rules, capital limits, FDI limits, government subsidies, etc.

DRIVERS GUIDING OUR STRATEGY

LankaBangla believes in long term growth story of Bangladesh. However, at the same time we must acknowledge that connecting short term goals are vital to reach our long term dream to live as a developed nation eradicating many dimensions of poverty, promoting gender equality, promoting peace and security and sustainable human development.

Bangladesh has been experiencing 6%+ GDP growth over the last few years. Our rising per capita income, growing export basket, higher contribution in UN peace keeping force is a testament that we are rising as a nation. However, there remains a series of social, environmental and economic challenges to reach our long term goals. We recognize the interdependence between economic success, social well-being and environment health of the country and the long term sustainability of LankaBangla as a financier. We want to contribute in the long term goals we have developed for a prosperous future we want.

Long Term Goals



KEY INPUTS

Material Matters are derived from major macro trends, our unique strategic context, an analysis of our business risks and opportunities and most importantly, the needs of our key stakeholders- staff, clients, shareholders, regulators and the communities and environment in which we operate.

- Major Macro Trends
- Lankabangla's Unique Strategic Orientation
- Needs of Our Stakeholders



MATERIAL MATTERS

- Credit Growth in Banking Industry
- Capital Market Condition
- Understanding Our Clients
- Motivating Our People
- Embracing Innovation
- Leveraging Our Investments in Information Technology
- Increased Demand on Governance and Risk Management
- Growth Opportunities in Retail and SME Segment



Material Matters that Affect Our Strategies page no. 180



STRATEGIC FOCUS AREAS

- Diversifying Portfolio with sustainable innovation
- Creating Convenience for our Customer
- People are the business
- Create a Sustainable Brand
- Prudent Balance Sheet Management



Strategic Focus Areas page no. 182



MATERIAL MATTERS THAT AFFECT OUR STRATEGIES

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the group and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders’ expectations.

Materiality Determination Process:

The materiality determination process complemented our day-to-day stakeholder engagements, going beyond these engagements to place particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material matters are our primary risks and opportunities. These have been the key factors that have significant impact on our ability to deliver sustainable value to our stakeholders. Our approach in identifying and evaluating material matters is very comprehensive. Below is our approach of chalking out material matters that guides our strategic priorities and our future.

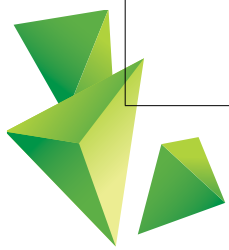


Material Issues and Strategic Response:

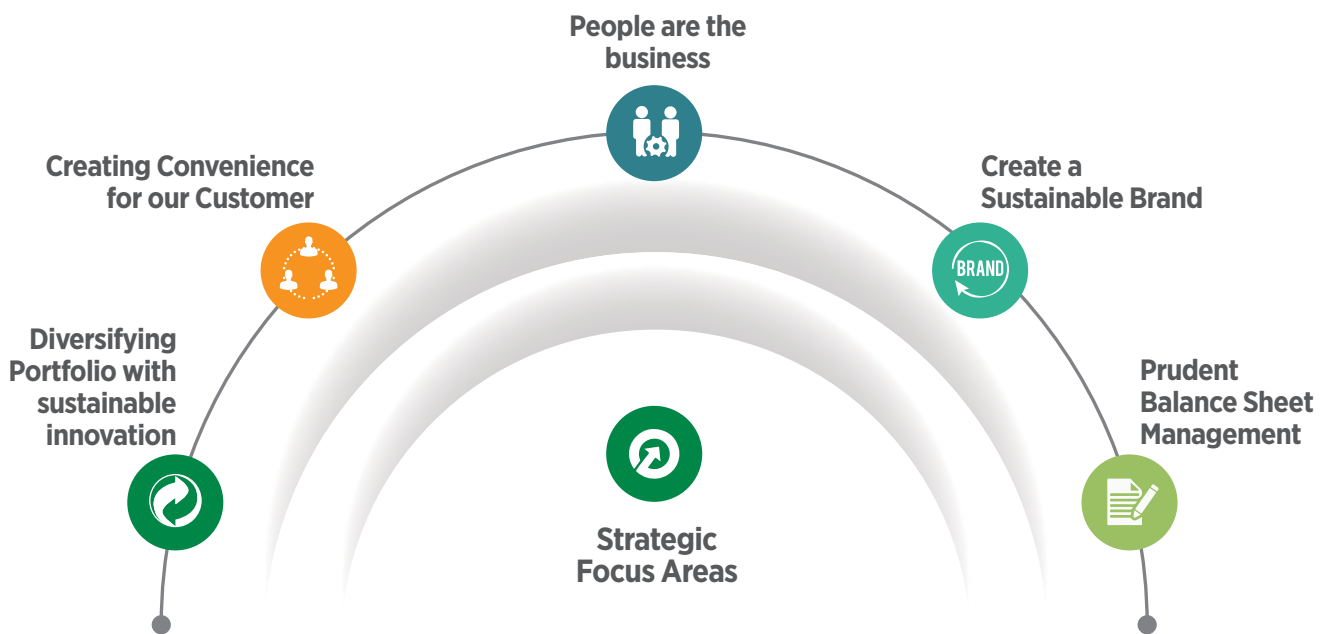
Following engagement with certain internal and external stakeholders, we have determined our material issues into the following matters.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Credit Growth	Private sector credit growth, which is often believed to be one of the most important leading indicators for macroeconomic growth, is projected to edge up marginally in FY19 at 13.3% and gradually consolidated at 16.5% in FY20 as targeted in the national budget. The gradual acceleration in private sector credit is a good indicator for the economy.	<ul style="list-style-type: none"> ▶ Private sector credit growth momentum in 2018 proved to be very beneficial for LankaBangla as we have already laid foundation for SME and Retail business in the preceding years. ▶ The declining interest rate environment would be helping in tapping good SME Clients. ▶ LankaBangla has the strength to go for retail financing business more aggressively.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Understanding Our Clients	Our clients are the reason we are in business. To provide them with the products and services they need, we must understand the environments in which they live and work, their immediate needs, and their long-term plans in respect of their careers, their businesses, their personal lives and their families.	<ul style="list-style-type: none"> ▶ Instill a culture that values excellent client experiences, ethical and fair conduct and market integrity. ▶ Constantly leverage new technologies to meet changing client expectations and enter partnerships to drive innovation. ▶ Ensure appropriate technical capability and skill to prevent our clients from being exploited.
Motivating Our People	Our ability to meet our objectives, deliver value to our clients, comply with our regulatory obligations and create shareholder value depends on our people. We strive to work with people who share our passion for Lankabangla, who see the opportunities inherent in the diversity and its people, and who are committed to putting the client at the center of everything we do.	<ul style="list-style-type: none"> ▶ Ensure that we have a diverse workforce with the right skills and capabilities to successfully execute our strategy. ▶ Maintain an ethical and risk-aware culture that upholds our principles and values. ▶ Capacitate our people to perform in a world of rapidly changing client expectations, technology and ways of working.
Embracing Innovation	In a world of constant technological evolution, we need to be at the forefront of new ideas and leverage technology to provide exceptional client experiences and gain competitive advantage. Innovation extends beyond our products and services to how we operate by way of our internal processes and systems. These must all fulfill the ultimate objective of placing our clients at the center of everything we do.	<ul style="list-style-type: none"> ▶ Deliver new products and services to market quickly without compromising system stability. ▶ Develop a culture that encourages innovation and challenges established processes, with a view to delivering excellent client experiences that differentiate us in a low-cost competitive environment. ▶ Build resilience to change among our people. ▶ Find ways to address social challenges through innovation.
Leveraging Our Investments in Information Technology	IT enables us to serve our clients in a way that is more convenient and that makes their financial transactions more reliable and secure. In addition to being an enabler of our strategy, IT is also a competitive advantage. We use our understanding of our clients to provide them with value-added, uninterrupted IT products and services. Many of the Bangladesh's people still live in remote areas, where IT can be used to overcome challenges in delivering services.	<ul style="list-style-type: none"> ▶ Balance client expectation for innovation against maintaining system stability. ▶ Constantly monitor and anticipate criminal exploitation of our systems and cyber-attacks on cloud services, and deploy prevention and mitigation measures. ▶ Ensure that our systems maintain the privacy of client information and put additional measures in place to protect our data stores.
Increased Demand on Governance and Risk Management	The latest loan scams in the financial sector brought the onset of increased regulation to ensure the soundness of the financial sector. The increased reporting to central bank, offsite supervision and regulatory requirements like Basel III would justify for more disciplined financing, more compliance and more efforts to avoid reputational risk.	<ul style="list-style-type: none"> ▶ Focus on risk management on enterprise level. ▶ Ensure closer working relations and partnerships with regulators. ▶ Implement capital adequacy and liquidity requirements. ▶ Focus not only on returns but also on the risk and capital requirements of these returns.



STRATEGIC FOCUS AREAS



LankaBangla Finance Limited – reinforces companies' commitment to its most significant constituency

- ▶ Develop deep insight into customers' needs
- ▶ Deliver pioneering products of outstanding quality and value
- ▶ Delight our customers at every touch point

Our Five strategic focus areas support the achievement of our delivery targets which are measured and re-evaluated on an ongoing basis. These delivery targets are reflected in the strategic focus areas referred to below.

1. Diversifying Portfolio with sustainable innovation

Developing a range of options for growth, including Retail & SME exploration, new opportunities for promoting Corporate growth, value-accretive opportunities at capital market both in Primary market supply creation as well as secondary market vibration, and maximizing the relationship with large corporate house of the country within our portfolio is our focus strategic area from business arena.

1.1 Momentum in SME

SME, the heart of growth of economies worldwide, 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 noteworthy. In 2019, SME loan disbursement of BDT 3,892 million which is around 12% of total disbursement. At the end of 2019, SME portfolio stood at BDT 17,847 million compared to BDT 17,514 million in 2018 resulting in 2% 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.

1.2 Extended focus in Retail and Card Business

In 2019 even dealing with liquidity crisis, LankaBangla managed to kept its focus on extending both corporate and retail Business segment. A total of BDT 16,094 million

Corporate loan has been disbursed in the year 2019. Total separate corporate portfolio stood BDT 18,172 million which was 30% of total loans and advance of LBFL in 2019. Our credit card portfolio continued to show significant growth to reached BDT 4,118 million in 2019 with its client base growing sharply. That portfolio increased by BDT 510 million in 2019 which is 14.12% higher of BDT 3,609 million of 2018. Annual card usage stands at 9,990 million which was 21.4% higher than usages of 2018. Total standalone Retail portfolio stood at BDT 24,643 million as at the end of 2019 with disbursement of BDT 13,680 million which is 4% higher than that of 2018. The Company has continued to concentrate more on Retail segment by expanding several branches and increasing manpower in retail financial activities.

1.3 "Super shop" service in Capital Market

LankaBangla through its market leader subsidiary LankaBangla Securities Ltd. provide one stop Brokerage services, NITA and Internet Trading Services, Foreign Trading Services, CDBL Services etc. We have established Fully Operational Call Centre for Stock Brokerage Services. We are backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation of the important functions of us is to carry out capital market research for ourselves and our valued customers. Our Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. A competent Publication Department publishes the monthly magazine Market Pulse on regular basis that provides a thorough overview of the current state of economy and stock market. Our another hand LankaBangla Investment is the market leader in supply creation of primary market in capital market. It completed price discovery of 1st issue under revised Book- building Method in 2013 and Launched AlphaPlus-Initial Received Consent for Public Subscription of UPGDCL under Revised Book Building Method.

2. Creating Convenience for our Customer

LankaBangla Finance Limited has reached to the major cities and townships of the country by this time. We have 26 branches across the country to serve even retail businesses/clients with a close proximity. LankaBangla Securities has another 10 branches around the country.

2.1 Doing Business with Smart Phone

We have launched “FinSmart” for our customers successfully from 13-Apr-2016. LBFL Mobile App “FinSmart” is a smart solution to get Products and Services related information of LankaBangla Finance Limited. For Example: If you have LankaBangla Credit Card, you can see your credit limit, outstanding amount, minimum dues etc.

LBSL added new features in i-Broker like Real-time Portfolio Status, Online Payment through Internet & Mobile Banking, Stock Watch list. Online Payment facility in i-Broker App now available in IOS devices.

2.2 The Portal

The financial world around us is changing with an inevitable power of information. The one who has it right on time acquires an ability to change the world around him. The faster a person has the access to information, the better decisions he makes. To cater to this demand, we are the first to launch a full-fledged financial portal in Bangladesh. This is a platform that will not allow you to leave the page for even one second because you will not want to! We have designed new portal to replace old LankaBangla Financial Portal which enable us to reduce considerable amount of Fixed Cost. Every possible information that you might be requiring, LankaBangla Financial Portal brings that at your desktop. From market news to DGEN graph and from Economic Indicators to various Analyst Tools, everything is available in this information hive. As the portal is updated on a real-time basis, it will never let you fall behind.

2.3 I Frame

LankaBangla Financial Portal proudly presents “Investor Relationship Pages” so that anyone can add value to his/her

company website by strengthening the investor relationship section. We will provide the solution and maintain it for clients. Complex financial data and news, delivered correctly and consistently, equally to all stakeholders at the same time. How important are your existing shareholders and new potential investors to your Listed Company? Presenting a fast and cost effective way for you to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation.

3. People are the business

Our executive leadership team, led by our CEO, champions in terms of diversity and excellence. To enable us to work together effectively across the Company, the leadership team and human resources processes plays vital role.

3.1 Nurture High skilled talent pool

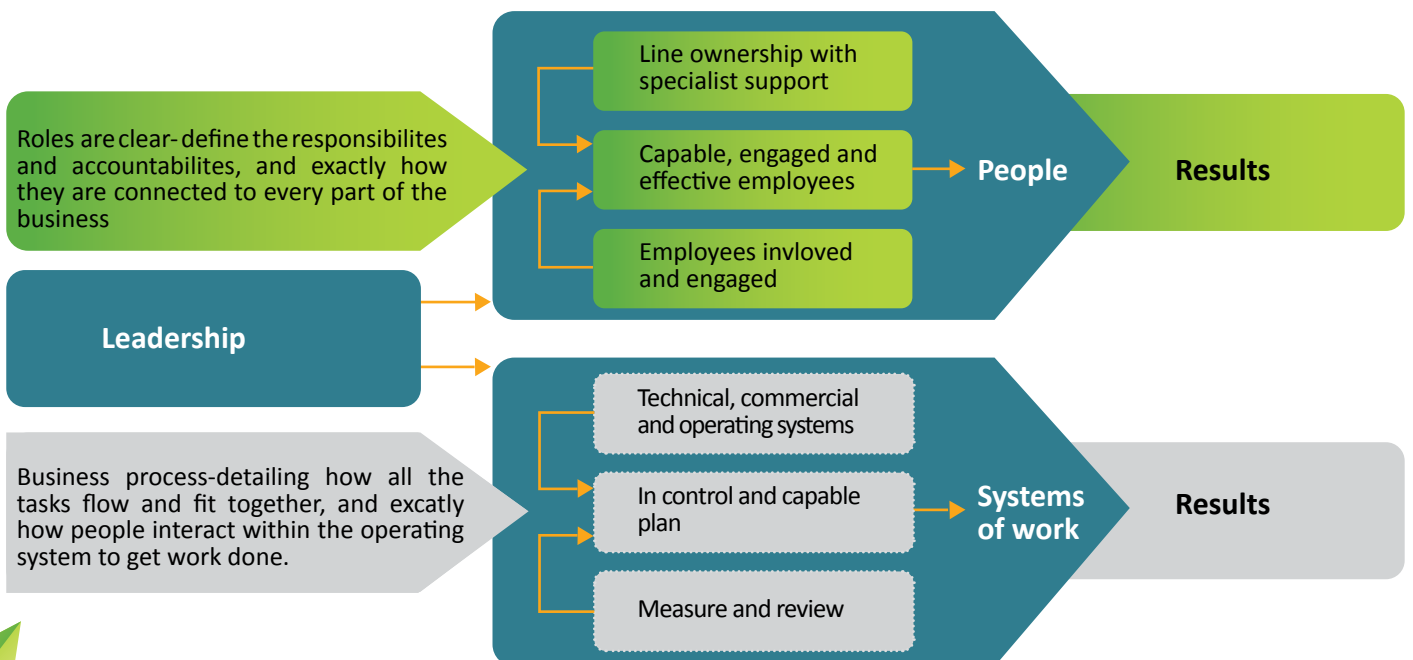
At LankaBangla, we are powered by talent. We consider our human resources as the most important asset and mobilize people and teams by engaging them in cutting-edge financial industry practices. An attractive employer, we offer a broad spectrum of opportunities for both professional and personal development as well as encourage a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the skills and enthusiasm of our employees are a major force that helps us achieve sustainable results.

3.2 Work life Integration

We encourage employees and managers to discuss both business and personal goals. Work/life flexibility creates a competitive advantage and addresses the needs of our multi-generational workforce. We conduct different recreational program with our jems like Football tournament, Family day, women’s day throughout the year.

3.3 Creating Satisfaction at resources end

LankaBangla has always been passionate about Human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices



that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results. LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and report investment made in human resources.

4. Create a Sustainable Brand

LankaBangla is one of the most trusted and respected financial institutions of Bangladesh. The Company is engaged in the country's economic progress through fostering entrepreneurship by disbursing loans to SME and arranging and disbursing loans to corporate customers. LankaBangla provides a better standard of living to the country's citizens by disbursing a wide range of retail loans. The Company ensures the financial security of a large population cross section by providing access to high-quality, interest-yielding deposits.

4.1 Investment in Brand

LankaBangla is continuously pursuing to uphold his Brand value to Existing/Prospective Customers, Business Partners, Investors and other stakeholders. We are arranging Corporate Night, Treasury Nights to celebrate our relationship with growth partners. Our customers are honoring throughout the year in different festivals to remind them that LankaBangla feels their precious support to us in every step of success.

4.2 Assume Environment Stewardship

LankaBangla Finance has already established its "Green Banking Policy". A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the initiatives.

LankaBangla takes pride for being one of the financiers of a project having

- ▶ one of the largest biological Effluent Treatment Plant (ETP) of the world,
- ▶ the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO₂ emissions,
- ▶ Country's first lube re- cycling plant and so forth.

Moreover as part of our response to the environment we at office;

- ▶ Only allow rational use of energy and promote the spirit of environment friendly action plans
- ▶ Use ISO certified paints while furnishing our office premises.
- ▶ Introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh.
- ▶ Launch of e-mail based Customer Statement Delivery System to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation.

4.3 Support to underprivileged

LankaBangla is an inseparable and embedded part of the society. In addition to its economic role in society, LankaBangla also has several other roles and responsibilities towards society viz. responsible conduct of business activities while pursuing economic gains; the social and environmental responsibilities of the business towards its stakeholders; and business's contributions that would benefit the society at large. Our major CSR focus is to identify and support the underprivileged

residing within the society.

5. Prudent Balance Sheet Management

5.1 Strengthening our Capital Base and Improve Our Funding positions

At LankaBangla Finance Ltd, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. At LBFL, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders. In 2019, we emphasized on maintenance of asset quality, improvement in profitability, reduction of exposure in capital market, maintenance of hefty amount of subordinated debt which contributed to a strong balance sheet which in turn improves Capital Adequacy Ratio (CAR) of LBFL by 0.9% and takes it to 16.40% in 2019 from 15.49% of 2018 and also increase CAR of LBFL group to 16.75% in 2019 from 16.18% of 2018.

5.2 Diversify our Funding Sources

At the very beginning of 2019, we have borrowed USD 19.98 million equivalent to BDT 1,675.72 million against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. We have kept steadfast relationships with other banks and financial institutions that helps us to maintain yearend various borrowings consolidated balance of BDT 18,672 million from Banks out of which BDT 9,317 million were unsecured. All these implies our capacity to retain strong liquidity position and prospective growth.

During this toughest time of liquidity management, we aim to maintain reliable and consistent relation with bank and financial institutions. Consequently, standalone borrowing from bank and financial institutions stood at BDT 15,613 million at the end of 2019 which is 24% higher than that of 2018.

LankaBangla is the most active money market player with different short term instruments in the country.

HUMAN RESOURCE ACCOUNTING

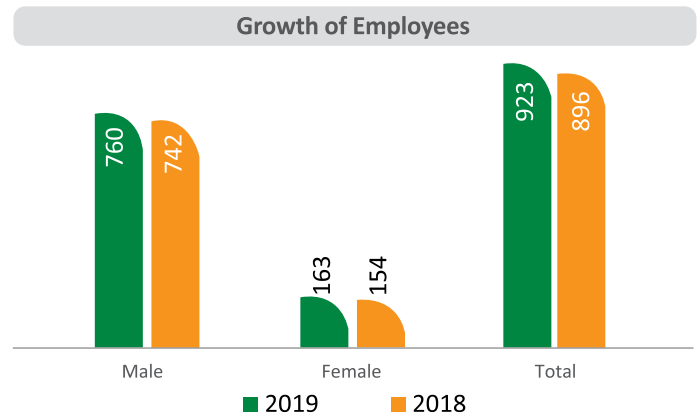
Key performance indicators of HR practices and decent work responsibility

Employment: Total by Employee type, Region and Gender

The tables and graphs given below provide information on total workforce by region, employment type, age analysis, service analysis and gender.

LankaBangla Finance Limited has its branches in all the divisions in the country. Now the total number of branches stood 27 and Head Office in Dhaka.

Division-Wise Breakdown of Human Capital as at December 31



Divisions	2019				2018			
	No. of Branches	No. of Employees			No. of Branches	No. of Employees		
		Male	Female	Total		Male	Female	Total
Dhaka	13	567	142	709	13	565	134	699
Chattogram	4	76	11	87	4	74	8	82
Sylhet	2	23	2	25	2	15	2	17
Khulna	3	37	3	40	3	31	3	34
Rajshahi	2	24	1	25	2	24	3	27
Barisal	1	15	1	16	1	14	2	16
Mymensingh	1	9	2	11	1	12	1	13
Rangpur	1	9	1	10	1	7	1	8
TOTAL	27	760	163	923	27	742	154	896

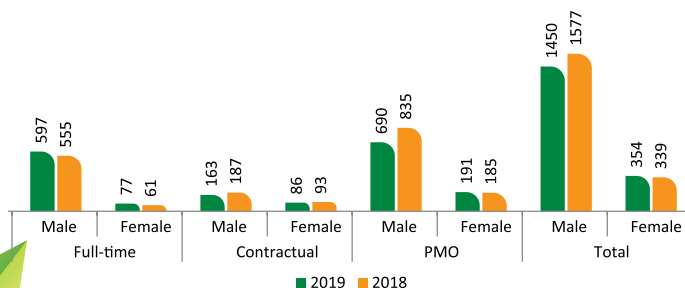
Employment Type: Full-Time, Contractual and PMO

In 2019, because of crunch liquidity market, our strategic focus was on boosting our liability portfolio. So in 2019, we hired only experienced liability person from the market. The percentage of full-time, contractual and PMO has decreased by 5.85% in 2019 compared to an increase of 18.13% in 2018. There is a growth of 9.42% in full time employment, as we have on boarded some of our contractual employees to full time employment position based on their excellent performance. In contractual and PMO grade, there is a de-growth in employment compare to last year. LBFL provides equal employment opportunity to both male and female. There is a significant growth in female employees in full-time and PMO positions which is 26.23% and 3.24% respectively. Overall the number of female employee has increased by 4.42% in 2019 compared to 19.37% in 2018.

Employment Type: Full-Time, Contractual and PMO

Employment Type	No. of Employees		Composition in %		Growth %	
Full-Time	2019	2018	2019	2018	2019	
	Male	597	555	89%	90%	7.57%
	Female	77	61	11%	10%	26.23%
TOTAL	674	616	100%	100%	9.42%	
Contractual	2019	2018	2019	2018	2019	
	Male	163	187	65%	67%	-12.83%
	Female	86	93	35%	33%	-7.53%
PMO	2019	2018	2019	2018	2019	
	Male	690	835	78%	82%	-17.37%
	Female	191	185	22%	18%	3.24%
All Employees of LBFL	2019	2018	2019	2018	2019	
	Male	1450	1577	80%	82%	-8.05%
	Female	354	339	20%	18%	4.42%
GRAND TOTAL	1804	1916	100%	100%	-5.85%	

No. of Employee by Type and Gender 2018 – 2019



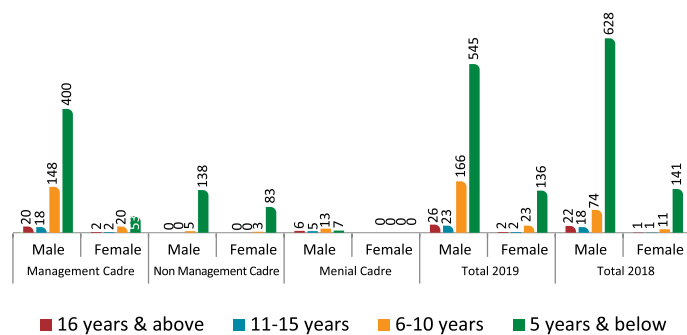
Age Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Menial Cadre		Total 2019		Total 2018	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
51-60 years	6	0	0	0	1	0	7	0	5	0
41-50 years	91	6	0	0	9	0	100	6	79	5
31-40 years	370	48	47	36	13	0	430	84	367	58
21-30 years	119	23	96	50	8	0	223	73	291	91
20 years & below	0	0	0	0	0	0	0	0	0	0
TOTAL	586	77	143	86	31	0	760	163	742	154

Service Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Menial Cadre		Total 2019		Total 2018	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
16 years & above	20	2	0	0	6	0	26	2	22	1
11-15 years	18	2	0	0	5	0	23	2	18	1
6-10 years	148	20	5	3	13	0	166	23	74	11
5 years & below	400	53	138	83	7	0	545	136	628	141
TOTAL	586	77	143	86	31	0	760	163	742	154

Employment Age Analysis



Employees by Grade

We have three grades of employee; Management Cadre (all full time employee), Non-Management Cadre (all contractual employee) and Menial Cadre (all attendants & drivers). Number of Management Cadre has increased by 9.59% in 2019 and Non-Management Cadre decreased by 11.58%. This is due to absorbing contractual employees to full time position. Now Management Cadre accounting around 72% of the total staff strength and Non-Management Cadre accounting for 25%.

Category	2019		2018	
	No. of Employees	Percentage	No. of Employees	Percentage
Management Cadre	663	72%	605	68%
Non-Management Cadre	229	25%	259	29%
Menial Cadre	31	3%	32	4%
TOTAL	923	100%	896	100%

Employment Status

Number of confirmed employees have increased by 13.03% compare to 16.63% in last year and employees under probation have decreased by 33.33% in 2019 compare to 54.29% in 2018. Percentage of contractual employees have also decreased in 2019 by 11.07% in compare to 14.29% in 2018. This decline in growth is the impact of learning curve that helps us to increase the market share without acquiring additional headcount.

Status of Employment as at December 31	No. of Employees		Composition in %	
	2019	2018	2019	2018
Confirmed in Service	642	568	70%	63%
Undergoing Training or on Probation	32	48	3%	5%
Contractual	249	280	27%	31%
TOTAL	923	896	100%	100%

New Employees Hired

LBFL is a performance driven organization. We are focused more on improving the performance of the employees rather than recruiting new employees to generate our business. During the period 2019, we hired 232 new employees which is 10.77% less than 2018. Details of which by employee grade are given below:

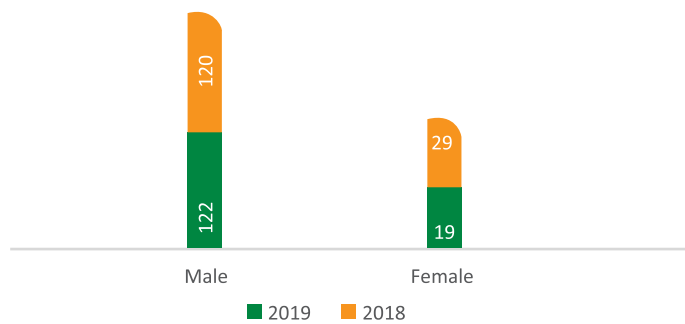
Category	No. of Employees Hired	
	2018	2017
Management Cadre	140	115
Non-Management Cadre	92	145
TOTAL	232	260

Employees Attrition

In 2019, we saw a very competitive and tough financial market. Job opportunity declined significantly compare to previous years. A total of 141 nos. of employees have resigned from service during the year under review which includes both full time employee and contractual employee comparing to 149 nos. of resignations in 2018. There are 66 total number of employees who have been absorbed as Full-Time employee from the contractual positions which have not been considered in the overall attrition rate. So we can say that attrition rate for the year 2019 is 15.50% comparing to 17.20% in 2018. Of the total employees resigned, 87% were male and 13% were female.

Category	Gender-Wise Turnover		Percentage of Employees		Gender-Wise Percentage of Attrition	
	2019	2018	2019	2018	2019	2018
Male	122	120	87%	81%	16%	16%
Female	19	29	13%	19%	12%	19%
TOTAL	141	149	100%	100%	15%	17%

Gender-wise Employee Turnover



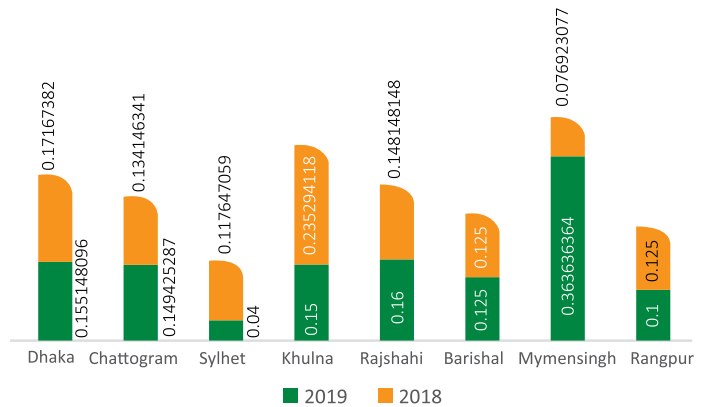
Employee Attrition Rate by Age Group:

Category	No. of Employees Left	
	2019	2018
51-60 years	0	0
41-50 years	7	4
31-40 years	48	52
21-30 years	86	93
20 years & below	0	0
TOTAL	141	149

Geography-wise Employee Turnover:

Category	Turnover (No.)		Turnover %	
	2019	2018	2019	2018
Dhaka	110	120	16%	17%
Chattogram	13	11	15%	13%
Sylhet	1	2	4%	12%
Khulna	6	8	15%	24%
Rajshahi	4	4	16%	15%
Barishal	2	2	13%	13%
Mymensingh	4	1	36%	8%
Rangpur	1	1	10%	13%
TOTAL	141	149	15%	17%

District-Wise Employee Turnover 2018 – 2019



Benefits Policy and Regime

The company follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, LankaBangla Finance Limited has taken further steps to enhance the facilities and benefits afforded to its staff:

- ▶ Festival Bonus
- ▶ Provident Fund
- ▶ Gratuity
- ▶ Personal loan facility at a privileged interest rate
- ▶ Home loan facility at concessionary interest rate
- ▶ Auto Loan for Executive employees
- ▶ Medical benefits enjoyed by all employees including life insurance and hospitalization insurance to cover up any medical emergency
- ▶ Insurance coverage for parents (premium paid by employee) which is managed by Human Resource Division
- ▶ Annual increment
- ▶ Performance related bonus
- ▶ Performance Incentive for HRCs & PMOs
- ▶ Mobile allowance for all permanent employees
- ▶ Motorcycle for employees who need to visit outside office in regular basis
- ▶ Travel allowance & daily allowance
- ▶ Cost sharing for Professional qualification
- ▶ Fuel allowance and transport allowance

- ▶ Disturbance allowance for temporary transfer
- ▶ Reward and Recognition is created to set up a systematic process of expressing appreciation for employee's hard work, dedication and contribution to the company
- ▶ LBFL plan, design and arrange various job specific soft skills and technical training based on individual need assessment and business requirement
- ▶ Orientation program for all employees (Management Cadres, Non-Management Cadres including PMOs)

Occupational Health and Safety- Employee Representation on Health and Safety Committees

LBFL and all of its employees are to protect and enhance the environment in which they live. All will comply with all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

The following principles will guide and measure our corporate goals and objectives in Health, Safety and Environment:

- ▶ We are committed to continuously improving our Health, Safety and Environment performance;
- ▶ We will continually promote employee safety on and off the job;
- ▶ We conduct our business so it meets or exceeds all applicable laws and regulations and minimises risk to our employees, the public and the environment;
- ▶ We will endeavour to do business with companies and contractors that share our expectations for Health, Safety and Environment performance and commitment and we will regularly assess their performance;
- ▶ We will use our influence with companies in which we have partial ownership so they will want to meet the Health, Safety and Environment Commitment of the Company;
- ▶ We believe all employees are responsible and accountable for Health, Safety and Environment performance.

LBFL provides the training necessary to ensure that all the Company personnel are sensitive to the importance of our Health, Safety and Environment policy, understand the nature of the laws and regulations that govern our activities and have skills to implement our policy and comply with Health, Safety and Environment requirements.

Learning & Development: Learning and Professional Development

LankaBangla Finance Limited is dedicated in improving the professional competencies and performance of all its employees. In the year under review, the company spent a total of BDT 10.02 million on training and education programs for employees which is 2.90 million less than the last year. All employees are subject to an annual performance review, at which they receive feedback on their performance and their development needs and potential as identified by the reviewers.

Since 2011, the company has followed a systematic approach to the identification of high performers among its employees. Through training, leadership competencies are identified and a pool of talent is created to serve the long term needs of the company.

A total of 68 training programs, involving 1,248 nos. of participants, were conducted during the year. These programs were categorized as in-house, external and overseas training. Given the company's

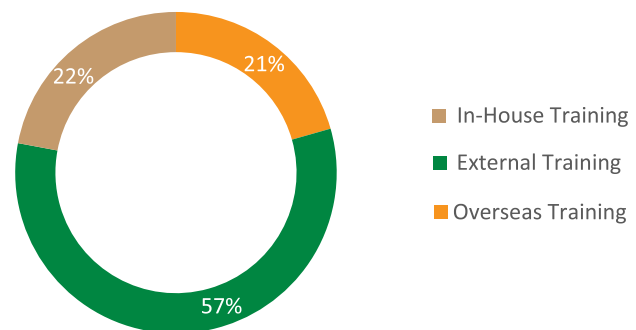
strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 16,690 man-hours of training during the year on various knowledge building programs which is 185 hours more than previous year. It is to be noted that we are also focusing on providing trainings to our contractual employees as well. In 2019, the company has focused more on attaining knowledge and skills from outer horizon to attain competitive advantage in the market.

Training Type	2019			2018		
	No. of Programs	No. of Participants	Person Hours	No. of Programs	No. of Participants	Person Hours
Overseas Training	14	32	864	27	44	1,784
External Training	39	217	5,270	57	125	2,743
In-House Training	15	999	10,556	26	1,482	11,978
TOTAL	68	1,248	16,690	110	1,651	16,505
Total	110	1,651	16,505	129	8,646	32,334

Composition of Training Program

It is to be mentioned that, LBFL always focus on internal training rather than external training in the year under review. We have prepared our own customized course contents and hired specialist for those programs. In some training, we have our own resources to conduct the training. In 2018, of the total training, 24% was internal training, 52% was external training and 24% was overseas training.

Consolidated Asset Portfolio Composition



Training Hours by Employee Grade

For creating a learning and development culture throughout LankaBangla Finance Limited, we have provided training to our contractual staffs as well as our sales forces. This will be a continuous learning process for them and helps them in honing their skills to penetrate the market effectively and efficiently since we believe in "Growing Together". We will design and conduct more specific training for our sales forces and for our contractual employees as well in coming days.

Training Type	2019		2018	
	Male	Female	Male	Female
Management Cadre	11,023	1,345	10,369	895
Non-Management Cadre	2,210	367	1,832	545
Product Marketing Officer	1,335	410	2,384	480
TOTAL	14,568	2,122	14,585	1,920

Our Investment on Training

To further strengthen the staff development process, the company intends to increase its investment on training and development of its employees. A total of BDT 10.02 million were spend in 2019 which expects to increase in 2020.

Year	Local Training			Foreign Training		
	Total Participants	Hours	Tk. in mil.	Total Participants	Hours	Tk. in mil.
2019	1216	15,826	4.57	32	864	5.45
2018	1607	14,721	5.85	44	1784	7.08
2017	8617	31,614	9.28	29	720	5.08
2016	6108	26,827	6.13	23	680	6.33
2015	1846	16,790	4.92	9	224	2.06
2014	1096	13,925	4.68	9	53	1.09

Career Development Review & Succession Planning

In the context of complex and special condition of the relevant industry, the primary assets of a business are the talents of its people, not the tangible and financial assets that make up the balance sheets. The cost of finding key talent and replacing key staff that leaves the company is expensive and time consuming. As a result, LBFL has the following procedure to ensure that they can continually develop and retain the talent that they groom through proper recognition and career enhancement. At the same time, we try to ensure that our operations do not become jeopardized due to the sudden departure of any key staff, so this policy also allows for some precautionary measures in terms of manpower planning.

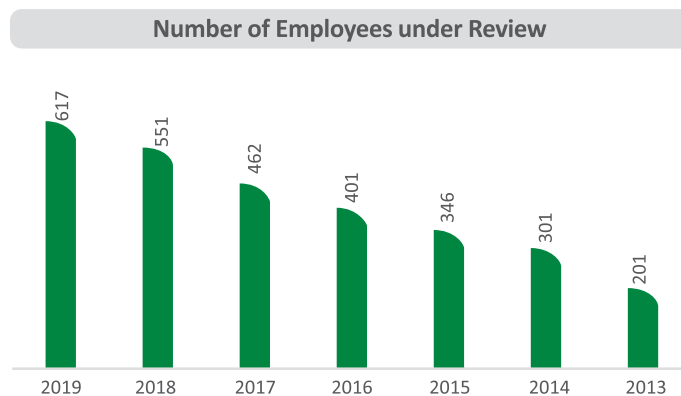
- ▶ **Human Resources Planning:** Through Human Resources Planning (HRP), we analyse our human resources needs under changing conditions and develop the activities necessary to satisfy these needs. It helps to ensure that the right numbers of the right kinds of people are available at the right times and in the right places to shape the organisational plans into reality.
- ▶ **Human Resources Information:** In order to use the HR data effectively, it is important to update and manage Human Resources Information System in a structured manner. The data can be easily managed by a customised database to suit the management decision process of the Company regarding HR. The following information is essential in order to come to a sound and transparent decision regarding all HR issues such as transfer, promotion or redundancy:
 - ▶ Education record
 - ▶ Basic Personal Information
 - ▶ Training received
 - ▶ Job history
 - ▶ Performance rating
 - ▶ Extraordinary awards achieved
- ▶ **Career Management:** Based on the accumulated data, the management decides on the career progression of the key employee. This can happen along with the promotion or performance appraisal decisions. At the same time, the management may decide to groom potential talent among the staff through training and development efforts and also ensuring the retention of the said talent within the Company.

The HR Committee will review and develop structured Talent Identification Process along with required development interventions in this connection.

- ▶ **Succession Planning:** Succession plans establish the identity of the individual who will step in and assume the role of departed key employees, allowing companies to manage the transition and continue performing. To ensure this, we provide a mandatory of 10 days or more leaves at stretch to employees so that their senior subordinate can play the role of leader and can have on hand experience of leading a team.

All employees of the company irrespective of their gender received formal performance and career development reviews during 2019. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. As mentioned earlier, as a part of promoting our internal resources, a significant number of contractual employees have been absorbed under Management Cadre in 2019.

Year	No of Employees under Review	Growth Trend
2019	617	11.98%
2018	551	19.26%
2017	462	15.21%
2016	401	15.90%
2015	346	14.95%
2014	301	49.75%
2013	201	53.44%



Employee Counseling

For the sake of development of performance of employees receiving Unsatisfactory or Marginal grade in their annual appraisal, they are counselled on one to one basis by his/her respective supervisor in presence of HR and Cross Functional Representative and provide deadline for improvement. HR will review the improvement along with the Concerned Division Head and decide next course of action. In case of Divisional/ Departmental Head himself/herself, MD/DMD will counsel the personnel and take corrective measures. After the given time if the employee fails to deliver a satisfactory result, HR in consultation with the Division Head & the management; can take any decision regarding the concerned employees.





Reward and Recognition

Reward and Recognition is a way to express appreciation for another employee's hard work, dedication and contribution to the Company. There are many levels of Reward and Recognition, to ensure both small contributions as well as the larger ones is recognized. Public recognition creates an environment in which all employees feel positive about the work place and sets a good example and motivates others to perform at a higher level. Moreover, the person feels that his/her contribution is valued by the organization.

We have different reward categories:

- ▶ Chairman's Eminence Award: Once in a year
- ▶ MD's Brilliance Award: Twice in a year
- ▶ Departmental Proficiency Award: Twice in a year
- ▶ Individual Aptitude Award: Twice in a year
- ▶ HEROES@WORK: By-monthly basis
- ▶ Dine with MD: Quarterly basis
- ▶ "ICON" - A Recognition Program for Branch Managers (BMS): Once in a year
- ▶ On top of it, we run several campaign for both assets and liability product throughout the year.

Grievance Management

LankaBangla Finance Limited (LBFL) is committed to provide the best possible working conditions for its employees and associated members. LBFL strives to ensure fair and honest treatment for all employees. Head of the Divisions, Managers, Supervisors and Employees are expected to treat each other with mutual respect.

Part of this commitment, LBFL does encourage an open and frank atmosphere in which any grievance may be shared with management to get it resolved. LBFL does believe that

most of the work related problems can be resolved through mutual understanding and discussion without initiating formal grievance procedure.

Nonetheless, employees do get dissatisfied with various aspects of employment at workplace that may not be resolved through informal procedure. Hence, this policy is framed to ensure that employees can seek redress for any work related grievances from superior authority.

Outlook

In the coming year, through development of our ERP and core banking software, steps will be taken to further enhance productivity, including a closer alignment of the workforce plan with the business plan.

Feedback received during informal employee survey identified specific areas where action is needed. This includes devising viable career paths for all staff categories; improving process efficiency by effecting transfers with a minimum of disruption to the business; developing service level agreement at all levels, reducing turnaround time for service delivery and improving the support services available to employees.

We are working on creating an internal talent pool that is competent to fill the vacancies that we currently have in some positions, by enhancing managerial competencies through specific development interventions and by fast-tracking employees with high potential as well as by maintaining transparency with respect to the career progression and mobility for all staff. We will also strive to improve engagement amongst less productive staff.

LankaBangla Finance Limited will continue to benchmark and provide a fair and attractive compensation package for all levels of staff, while improving the quality of the staff appraisal process.

HUMAN CAPITAL

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.

LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and reports investment made in human resources.

BDT Million

	2019	2018
Total employee benefits	1001.86	963.53
Training Cost	13.741	11.78
Employee Benefit Per Employee	1.09	1.08
Training Cost per Employee	0.015	0.013
Gross Revenue per employee	11.20	11.03
Total Expenses per employee	9.47	9.49
Operating cost per employee	2.06	2.09
Operating profit per employee	1.73	1.55

Total value of Human Capital has been ascertained BDT 25,535 million in the year 2019 which was BDT 23,394 million in 2018 using present value of future earning model (Lev & Schwartz) by discounting total benefit payable to employees, which was considered minimum expected benefits for them up to retirement.

	2019	2018
Human Capital (BDT Million)	25,535	23,394
No. of employee	923	896
Per Capita Value (BDT Million)	27.67	26.11

Assumptions used in Human Capital Valuation:

- ▶ All existing employee will continuously serve the company up to their respective retirement.
- ▶ Average age of LankaBangla employees is around 33 and hence it has been assumed that present set of employees will serve for another 27 years till the retirement age of 60 years.
- ▶ Employee payouts include all direct and indirect benefits provided to them

- ▶ Annual increment is estimated to be granted at 10% on average over the years
- ▶ Only FTEs and BSOs are considered and PMOs are excluded from our calculation as they are not enrolled in the payroll system
- ▶ The future benefits of all employees in each year are discounted at 10.67% to calculate present value, which comes with the last on the run 20 years Treasury bond rate plus 2.50% premium for risk.
- ▶ The value herein is an internal assessment based on above stated assumptions and subject to change for any deviations with the assumptions.

As per model we have capitalized the total value of employees as Human Capital. Growth of 9.15% in the total value of human capital in 2019 over 2018 was due to net addition of 27 head counts of experienced and fresh recruitments that was required for the expansion of the business and ensuring better quality of service as well as customer satisfaction.

BDT Million

	31-Dec-19	31-Dec-18
Assets		
Cash	877	1,002
Balance with other banks and financial institutions	7,012	6,707
Investment	2,394	2,409
Leases, loans and advances	60,662	63,785
Fixed assets including land, building, furniture and fixtures	1,762	1,358
Human Assets	25,535	23,394
Individuals' value	25,521	23,382
Value of Investments	14	12
Other Assets	6,473	6,700
Total Assets	104,716	105,355
Capital & Liabilities		
Borrowings	15,613	12,639
Term deposits	46,751	53,253
Other deposits	144	173
Shareholders' equity	10,018	10,337
Human Capital	25,535	23,394
Other liabilities	6,655	5,559
Total Capital & Liabilities	104,716	105,355

SUSTAINABILITY

→ Being focused on our strategic priorities, our redefined approach towards sustainability has built us a sustainable business that tends to continue without any pause. We have been offering financial products and services that directly or indirectly lead us along with all our stakeholders to long-term environmental benefit and social developments.

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GREEN OFFICE GUIDE

A SET OF TIPS TO MAKE OUR WORK PLACE MORE ENERGY EFFICIENT AND GREENER

GREEN OFFICE FOR EMPLOYEES

BETTER ENVIRONMENT TO LIVE IN

GREEN BANKING FOR SUSTAINABLE ECONOMIC GROWTH

Ensure efficient use of all natural resources like; daylight, water, air & electricity to develop green environment at all office premises.

Green Banking Towards Socially Responsible Banking in Bangladesh



- USE more daylight instead of electric lights and proper ventilation in lieu of using air conditioning
 - TURN OFF lights when not in use
 - USE energy saving bulbs
 - USE solar energy/ renewable energy sources
 - SET PCs in Standby Mode during short breaks
 - USE smaller size Monitors
 - STOP using Screen Savers
 - TURN OFF Monitors when not in use
- Conserve Energy, Conserve Natural Resources**



- THINK twice before you print-USE both sides of paper for internal consumption
 - SHRED and RECYCLE unwanted paper
 - USE online communication in the best possible manner
 - SHARE electronic files, voice mail and e-mail instead of paper memos
 - PROMOTE e-statements
 - USE eco font to reduce ink consumption when printing
 - Always Use "Print Preview" option before printing
- Digitize Yourself**



- UNPLUG computers/printers/photocopiers when they are not in use
 - ENSURE common use of table stationeries instead of individual use
 - CONDUCT video/audio conference in lieu of physical travel
 - USE Toner in Save/Draft mode of printers where possible to reduce toner consumption
 - ENCOURAGE usage of Laptop over Desktop
 - REPLACE Old CRT Monitors with LED Screens
- Think Before You Start**

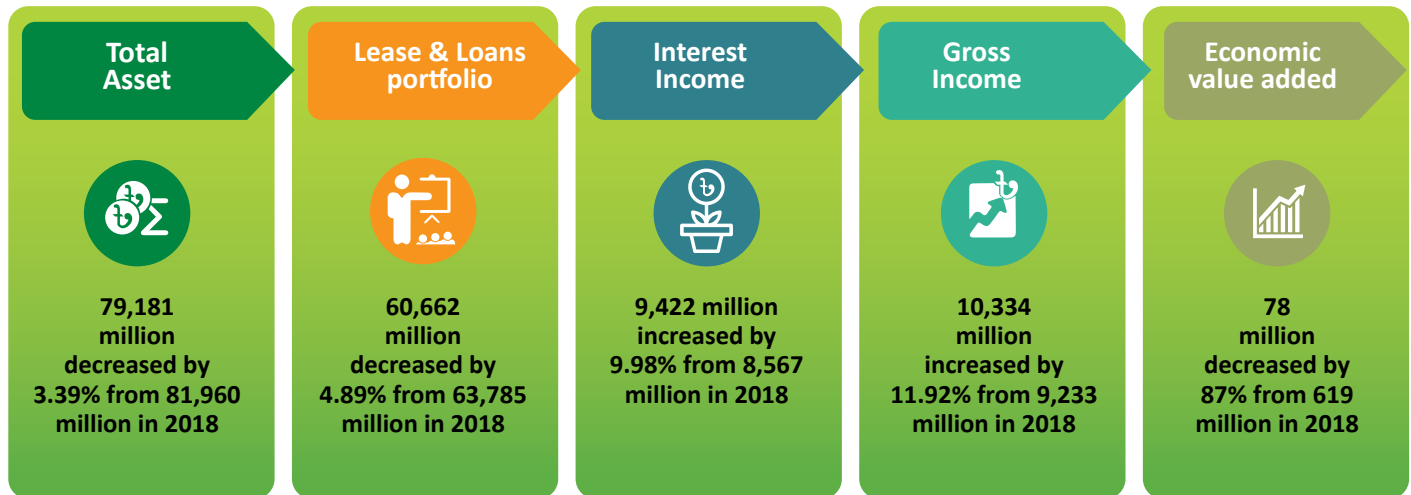


- TURN OFF the tap when it is not needed
 - ENSURE drips from taps and hand showers are STOPPED
- Use Responsibly**

SUSTAINABILITY REPORT

“Our business model, processes, strategy have been developed considering contribution to overall economy, environmental impact, cultural values, ethics thus put strength to our sustainability in the market as a trustworthy partner of people to grow together.”

Khwaja Shahriar
Managing Director



1. Report parameter

This sustainability report is presented as part of annual integrated report 2019. Publishing of this report is a continuous process and will be released annually as efforts to improve our economic, social and environmental impacts change. We have followed G4 guidelines to make the report accountable to all internal and external stakeholders.

1.1 Scope and Boundary of the report:

All references, unless otherwise noted, are to LBFL’s financial year, which ends December 31, 2019. The context of this sustainability report includes the sustainable operations of LBFL’s Head office and its branches as well as limitations and scope of improvements of the company. The operations of LBFL’s all subsidiaries are broadly described all over the annual integrated report except this sustainability report.

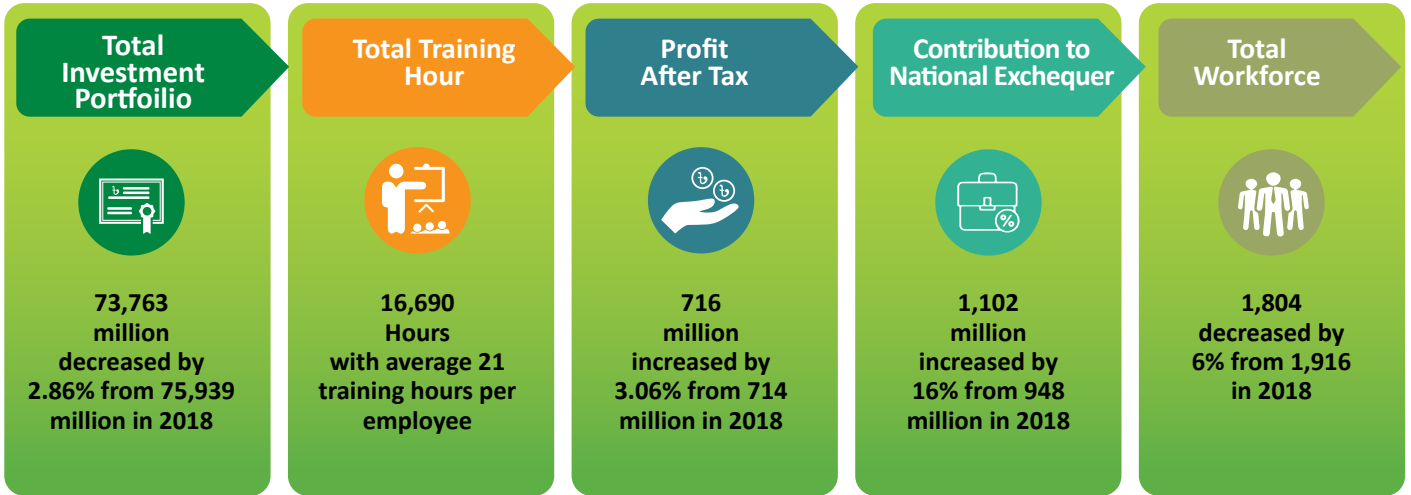
1.2 Report Quality:

We aspire toward providing a transparent report to our stakeholders and believe that this report sustains both the positive aspects of the company’s performance as well as the areas where there are amenities to improve.

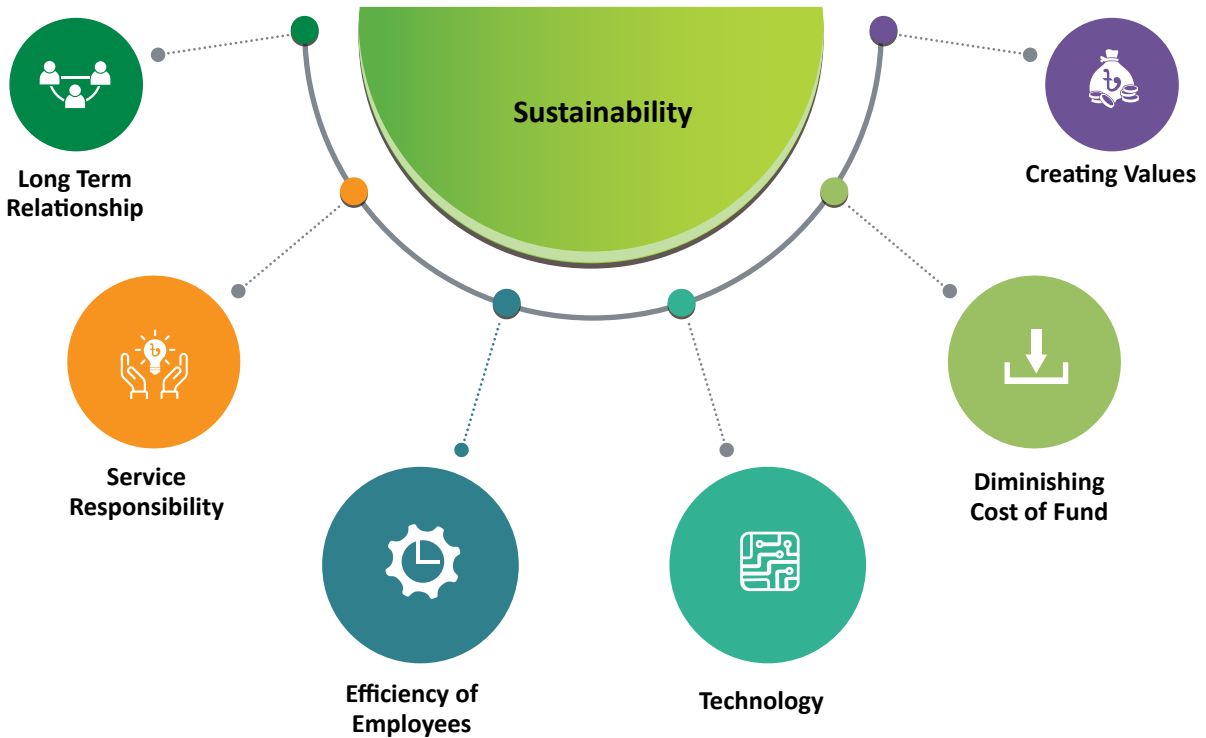
Further information about sustainability report parameter are narrated in page 06 of this annual integrated report.

2. Material Aspect and boundaries:

Material issue	Material Boundaries
Ethical Conduct	Corporate Governance is related with ethical conduct and the material boundaries extend to every aspects of economic, social and governance aspect of boundaries
Contribution to the economy	LBFL always feels responsible in providing financial support to the economy of Bangladesh. The company along with its shareholders and employees participate in contributing to the national exchequer.
Market presence and product portfolio	LBFL strives to penetrate in market by providing all types of financial products which has a direct economic, social and environmental impact.
Responsibilities to the community	LBFL is educating the local communities where it is operating its business by strengthening the ecosystem of the boundaries which helps the local communities to establish themselves.
Human Development	LBFL provides equal opportunity to all employees to bring out the hidden talent of employees. LBFL also provide diversified trainings and education which increases the efficiency and effectiveness of every employees.
Waste management and energy efficiency	LBFL believes in keeping the environment safe and clean as it helps the community to keep healthy which is ultimately beneficial for all. LBFL also encourage its employees to be aware in consuming less energy which will lead our economy to a sustainable development.



3. Focus on Sustainability



3.1 Building long term relationship with Stakeholders:

Transparency is another key success factor to build a healthy economic nation, hence we believe in a transparent financial statements along with all reports published. We are committed to maintaining an open and transparent dialogue with all of our stakeholders to revisit our policies and practices in light of the company's environment, social and economic impacts, in order to strike the right balance of interests among the stakeholders. We host regular themed sessions with external stakeholders, where participants have the opportunity to speak directly to the Board on wide-ranging issues. With an increasing focus on

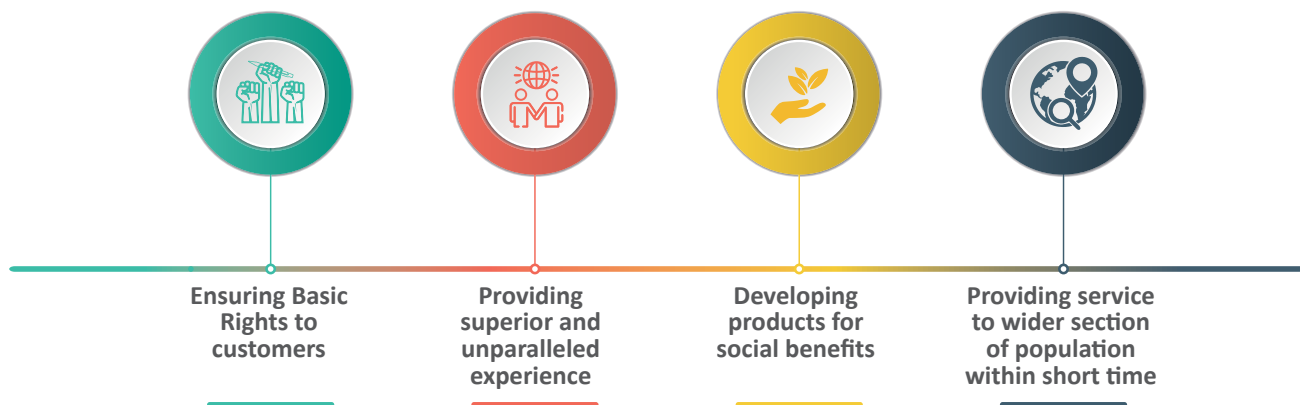
ethics and sustainability, the priority of the Board of Directors is to assess and encourage the work of the executive team to build an institution that puts customers' interests first and embeds sustainable banking. At the same time integrity is imperative in everything we do. It underpins our work, our relationships and the products and services we provide. Everyone in the company is expected to behave with integrity and we have comprehensive policies/frameworks and compliance measures as well. In addition to that, we have training programs to support our people in maintaining the highest professional standards.

The institution is committed towards a stance of zero tolerance on bribery and corruption, including facilitation payments across all areas of the business, regardless of jurisdiction.

3.2 Creating values to our customers:

At the outset it can be demonstrated that as a corporate participant, we recognize the responsibilities to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationships with and delivers value for our clients, shareholders, employees and the community where we function. At LankaBangla, we define sustainability in the broadest possible terms. It is about conducting our day today business the right way and continuing to play a part in addressing some of the biggest challenges faced by society. Within a short span of time our operational branch network has reached 27 and we are moving ahead with further expansion plan. In 2019, one new branch has been opened at Kushtia.

Creating values to our customers



3.2.1 Basic Rights to customers:

LankaBangla Finance Ltd. believes in promoting its financial operations by providing delicate financial services along with its distinct products which can be consumed by all level of customers of the society. LBFL believes in growing together with its all customers, hence it came up with user friendly product as well as services to make sure that all kind of customers get benefited and they can grow along with the company.

3.2.2 Providing superior and unparalleled experience to customers:

Since LBFL's inception, LBFL is sincere about its duties and responsibilities to its customers as customers are one of the key success factor. LBFL is originating customer satisfaction rate by brand enhancement, user-friendly loan amortization method as well as personalized services. LBFL also believes that it can help ensure a dependable, adequate and accessible product and services to meet the customers' needs and wants which allows our customers to get benefited.

3.2.3 Developing products for social benefits:

Operations of LBFL and the communities where it operates are mutually dependent. Corporate citizenship has long been attached into LBFL's norm and guides its interactions with employees, customers and regulators. LBFL is also maintaining a positive as well as productive relation with its community and we also consider it as an investment for LBFL's all stakeholders. By making positive contribution LBFL improves the lives of its neighbours.

3.2.4 Providing service to wider section of population within short time:

As LankaBangla Finance Limited believes that they are liable to

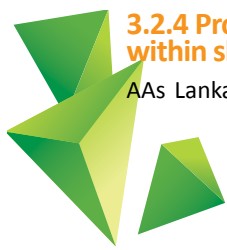
their clients, they offer a solution to all problems enquired by its clients without delaying. The company provides solutions within shortest possible period through its branches all over the country with the help of intellectual support of department of IT. During claims adjusting process, LBFL resolve issues claimed by clients and develop the causes so that the issues can't be repeated in future.

3.3 Reducing cost to Income ratio:

Cost efficiency is the strategic choice for LankaBangla Finance Limited to minimize the cost-income ratio. By appraising this purpose to the top, LankaBangla Finance Limited reduces its costs as much as possible in every steps of its operation without compromising the service quality. On the other hand, LBFL gives significant preference to increase its income growth from its services and other non-banking operations.

3.4 Using advanced technology and applying newness in workplace:

Today's world is mostly dependent on innovation. Nowadays companies, which are applying advanced technologies, are more successful compare to other companies. Innovation is a key parameter of sustainability as it expresses how we excel at securing and enhancing the financial well-being of people, businesses, and communities. Among the commendable technological establishment is a full-fledged contact centre at LankaBangla to connect with our customers in real time in order to provide 24/7 financial services. With modern IVR (Interactive Voice Response) technology, our contact centre is one of its kinds in the Non-Bank Financial Institutions industry. The contact centre is handling customer complaints, raising product awareness by providing product specific information,



generating sales references and contributing effectively in preventing fraud of credit card transactions. LankaBangla trains its employees to be updated with new technologies so that they can adapt new gadgets without any trouble. We, at LankaBangla, recognize our capacity to achieve the ultimate goal of creating both social and business value by incorporating social and environmental responsibilities into our core fundamental business operations and stakeholder management. Similar to our preceding years, we are strongly motivated to deliver to all sub-divisions of society and through careful customer segmentation, provide financial access and services to a wide range of socio demographic groups.

3.5 Efficiency of employees:

HR department of LankaBangla provides the highest priority to recruit top-notch and skilled employees to provide the best services to their customers. As the employees at LankaBangla are the greatest assets who with their determination and dedication, and work towards achieving the company's goals, and in the process create long-term value to our shareholders and make lasting contributions to our communities. As of 2019 end, total workforce stood at a number of 1,804. At the core of our efforts is a focus on nurturing and sustaining a diverse workplace, because we have experienced the power of bringing different perspectives of employees to address the complex and diverse situations our clients face. We pursue to instill the values in our people that will encourage them to respect and abide by the social, economic and environmental commitments of the company. We encourage our people to participate in development programs to ensure that they are equipped with the tools they need to succeed. In line with this view, we arrange various training programs for our employees, in-house, external, and overseas in order to enhance knowledge and skills as well as develop a learning culture. We also encourage our employees to generate new ideas which will be helpful for our business as well as the society.

3.6 Service Responsibility:

LankaBangla always believes in providing top notch and equal customer service to every customers of the company. We have a separate unit where our customers can contact with us and we are committed to respond to our customers' complains immediately. We solve our customers' problems within 3 days. Our business model is structured with the purpose of delivering superior customer service and ensuring excellent customer experience that acts as the background for sustainable growth and performance.

Here are services we provide to retain our customers pleased:

- ▶ Dedicated Business Relationship to provide superior customer solutions.
- ▶ Diversified product and service basket, designed to meet unique and changing customer needs.
- ▶ Quick turnaround time, ensuring that the client receives the funds when needed.
- ▶ Flexible repayment options that suit client's cash-flow patterns.
- ▶ Continuous process improvements and automation to ensure better service delivery.
- ▶ Wider branch network to ensure better access for all.

4. Stakeholder Engagement and relationship management

Since LBFL's inception, LBFL is sincere about its duties and responsibilities to its customers as customers are one of the key success factor. LBFL is originating customer satisfaction rate by brand enhancement, user-friendly loan amortization method as well as personalized services. LBFL also believes that it can help ensure a dependable, adequate and accessible product and services to meet the customers' needs and wants which allows our customers to get benefited.

LBFL believes in engaging its stakeholders in every steps of its operations and ascertains its internal and external stakeholders through governing impact analyse in respect of

- ▶ Policy and strategic intent: Valuable statements along with significant policies are addressed by key stakeholders.
- ▶ Proximity: LBFL interacts the most with its customers as they have deep influence on our day to day activities.
- ▶ Responsibility: LBFL has financial, legal and operational responsibilities to Securities and Exchange Commission, Bangladesh Bank, CRAB along with other regulators.
- ▶ Influence: Employees, local authorities and shareholders of LBFL have decision making power so they have great influence on taking decisions to reach its goals.
- ▶ Dependency: We are dependent on our customers, shareholders and regulators etc. On the other hand, employees and business partners are dependent on us.
- ▶ Representation: Employees, Board and in some different cases, local communities represent as stakeholders to present various decision making purpose

Appropriate initiatives are taken and applied by stakeholders to identify and address significant issues to develop in near future. Details about stakeholder engagement and relationship is described from page 163 to 170 of this annual integrated report.

5. Sustainable HR Development

Sustainable development requires contribution from people across all operation of the organization. HR department is responsible for employee recruitment and retention along with providing motivation to employees. HR department of LBFL is responsible to regulators, management committee as well as wider business community. By providing training and creating corporate culture, HR department building future leaders to enhance employee performance and efficiency.

5.1 Employee profile:

To provide a sustainable workforce within the company LBFL created a domestic culture where employees have opportunities to show their skills and LBFL reward employees for good behaviour, taking accurate decisions and actions

5.2 Salary Policy:

LBFL follows a transparent policy which makes sure an equal and non-biased salary policy. LBFL promotes its employees based on employees' performance. Salary policy is same in all branches and works are allocated among all employees based on their skills and field of expertise. The company also provide equal priorities to both male and female employees in term of remuneration.

5.3 Benefits to employees:

Each and every employees of LankaBangla Finance Limited gets his/her salary on a monthly basis and the salary is transferred on 25th day of each month but not after the last date of every month. To keep motivated employees, LankaBangla Finance Limited provides facilities and benefits to its staffs.

Details about Human resource development is portrayed on page no 185 to 190 of this Annual Integrated Report.

6. Triple Bottom Line

6.1 People:

LBFL always participates in contributing financial support to the society all over the fiscal year and it will be a continuous process. The company invested BDT 13.74 million taka this year for 16,690 man hours of training to its employees. It also provided foreign training to its employees as well. LBFL also developing the training method every year to keep updated its employees with newness and the company also review the whole session by taking test on the employees.

To work with different kind of customers, regulators and suppliers, LBFL works with transparency and fairness to create trust among all stakeholders which also create values.

6.2 Planet:

LBFL insists to invest in those projects which are environment friendly. We also encourage our branches to invest in eco-friendly projects which will be helpful in the long run. Our corporate building which is now under construction will be green certified building.

6.3 Profit:

LBFL has generated BDT 736 million from its all services in 2019.

Triple Bottom Line Highlights:

Financial Highlights – LBFL			
Results for the year	2019 BDT M	2018 BDT M	Change %
Gross Income	10,334	9,233	11.92%
Interest Income	9,422	8,567	9.98%
Interest Expenses	6,841	6,190	10.52%
Profit before Tax	856	816	4.97%
Provision for Taxation	120	102	18.41%
Profit after Tax	736	714	3.06%

Financial Position at the year end	2019	2018	Change
Shareholders' Fund (Stated Capital and Reserves)	10,018	10,337	-3.09%
Deposits from Customers	46,751	53,252	-12.21%
Lease, Loans & Advances	60,662	63,785	-4.89%
Total Investment	2,394	2,409	-0.64%
Fund Under Management (FUM)	139,105	145,890	-4.65%
Total Assets	79,181	81,960	-3.39%

Investors	2019	2018	Change
Gross Dividend	616	770	-20.00%
Earnings per Share (BDT)	1.43	1.40	2.12%
Dividends per Share (BDT)	1.20	1.50	-20.00%
Net Assets per Share (BDT)	19.52	20.14	-3.09%

Ratios	2019	2018	Change
Return on Shareholders' Funds (%)	7.23%	7.44%	-0.21%
Return on Average Assets (%)	0.91%	0.89%	0.02%
Year on Year Growth in Dividends on Ordinary Shares (%)	-20.00%	7.50%	-27.50%
Interest Cover (Times)	1.23	1.21	2.01%
Equity : Assets (%)	12.65%	12.61%	0.04%
Debt : Equity (Times)	6.23	7.29	-14.55%
P/E Ratio (Times)	12.55	16.30	-23.03%
Non-Performing Loans Ratio (%)	5.59%	3.60%	1.98%
Advance Growth (%)	-4.89%	3.02%	-7.92%
Deposit Growth (%)	-12.21%	3.30%	-15.51%

Statutory Ratios	2019	2018	Change
Capital Adequacy Ratio (CAR) - Min. Req. 10%	16.40%	15.49%	0.92%
Core Capital to RWA - Minimum Required 5%	13.27%	12.39%	0.88%
Supplementary Capital to RWA	3.13%	3.10%	0.04%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.57%	2.57%	0.00%
Statutory Liquidity Reserve - Minimum Required 5%	5.04%	5.03%	0.01%

Economic Sustainability	2019 BDT M	2018 BDT M
Economic Value Available for distribution	2,608	2,339
Economic Value Addition	78	619
Number of new branches launched	1	2
Employee benefit fund	492	415

Environment Sustainability	2019	2018
Electricity Consumption in value	18.43	17.26
Fuel Cost	0.91	0.97
Gas Cost	0.61	0.65
Water Consumption in value	1.44	1.32
Paper consumption in value	15.50	18.93
Significant environment fines	Nil	Nil
Environment protection expenditure	0.6	0.5
Number of environmental grievances	Nil	Nil

Labor Sustainability	2019	2018
Total Workforce in number	1,804	1,916
Recruitments in number	232	260
Attrition rate	15%	17%
Retention rate after parental leave	100%	100%
Number of injuries	Nil	Nil
Total Training Hours	16,690	16,505
Average Training hours per employee	21	18
Employee performance appraisal as a percentage of total workforce	100%	100%

Human Rights Sustainability	2019	2018
Incidents of discriminations	Nil	Nil
Incidents of child labor (below 18 years)	Nil	Nil
Incidents of forced labor	Nil	Nil
Human rights incidents reported and resolved	Nil	Nil

STATEMENT ON GREEN BANKING



Green Banking

The concept of green banking has been integral in LankaBangla, and goes hand in hand with our stance on sustainable business model. With the constant headway of our Green Banking Unit (GBU), we have been a successful team in green banking. Using smart innovative financing techniques and market development tools, we aim to stimulate investments in clean technologies and hence contribute to societal welfare. To seek increased deployment of clean energy and more efficient use of funds, we introduced Green Finance, initiated in-house management, created Climate Risk Fund, Green Marketing, and supported employee training.

Green Banking Unit

As per the Bangladesh Bank Circular No. 04 on “Policy Guidelines for Green Banking”, LankaBangla Finance has established “Green Banking Policy” which is approved by the Board. A separate Green Banking Unit (GBU) was required to be formed for designing, evaluating and administering activities related to green banking issues of the company. As per the set BB circulation, this unit will report to the high powered committee from time to time. GBU will be comprised of the representatives from each relevant division.

Sustainable Finance Committee Members:

Sl. No.	Name	Designation	Status in the Committee
1	Khurshed Alam	Head of Retail Financial Services	Chairman
2	Mohammed Kamrul Hasan	Chief Risk Officer	Member
3	Mohammed Shoaib	Head of Corporate Financial Services	Member
4	Md. Kamruzzaman Khan	Head of SME Finance	Member
5	Mohammad Nazmul Hasan Tipu	Chief Credit Officer	Member
6	Muhammad Habib Haider	Head of GIS	Member
7	Ujjal Kumar	Senior Manager - Risk Management	Member Secretary

Followings are the SFU members who will work together for providing input, data and preparing relevant reports as per green banking policy guidelines and Bangladesh Bank requirements.

Statement of Green Banking Initiatives

In response to increasing awareness of climate change, and environmental degradation, urgent measures for sustainable development have been addressed by some of the stake holders all over the world. Banking system holds a unique position in an economy that can affect production, business and other economic activities through their financing activities which would in turn contribute to economic development as well as protect environment/climate from pollution and degradation. Through green banking, LankaBangla concentrates on financing commercially viable technologies that consume less fossil fuel and have lower impacts on the environment. Moreover, implementing green banking concept within the organization through efficiency in energy use, water consumption and waste reduction may significantly contribute towards controlling operating costs.

Policy formulation and Governance

In line with the global development and response to the environmental degradation and as per instructions of Bangladesh Bank, LankaBangla Finance has already established its Green Banking Policy. A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the green banking initiatives of the company.

Incorporation of Environmental Risk in CRM (Core Risk Management)

The Company conforms to the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration to the Green Banking policy. Clear identification of the problems related to environmental risks important for effective risk management as measures can be taken to address any environmental incidents. At LankaBangla, risks are prioritized based on the established processes in order to respond to unforeseen environmental happenings. A comprehensive risk exposure matrix is established for assessing environmental risks and then reported to management credit committee of the company by the branches.

Introducing Green Finance

Financing in eco-friendly and environmentally sustainable business activities and energy efficient industries shall be extended through preference by all the credit delivery points. Environmental infrastructures such as renewable energy project(s), Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Safety and Security of Factory, etc. are encouraged and those will be financed by the company with priority.

Viability of environmental infrastructures for financing shall be assessed in line with the environmental issues i.e. how the purpose of the project(s)/business (es) & to what extent this/these is/are rewarding to the environment. Most viable project(s)/business (es)/ sector(s) shall be prioritized for financing to position the financial institution gradually as a "Carbon Neutral Financial Institution" first and then as a "Climate Positive Financial Institution".

Creation of Climate Risk Fund

The financial institution addresses environmental issues and assesses environmental risks (high/ moderate/low) of projects/ businesses of different sectors in different areas. At the same time, climate risk fund is created for "Green Banking" may be used as a part of CSR activities at the time of emergency.

Introducing Green Marketing

Green Marketing incorporates a broad range of activities, including products/services design, engineering, modification, new product innovation, changes to the production process and packaging, in order to encourage potential clients to design Green Project or environmentally safe products and also to modify advertising. Besides, company effectively uses green marketing channels more for widening target markets of usual products. Financial Institution takes steps that will help build awareness among common people to promote products/services which cause least harm to the environment. Corporate Affairs Division shall plan for developing & marketing Green Banking products to offer to the customers.

Supporting employee training, Consumer Awareness and Green Event

Exclusive training programs or specialized/befitting classes in foundation or other credit related courses for incorporating Green Banking Policy Guidelines as a part of awareness building among the employees of the Company are arranged by the Human Resources Department in consultation with the Green Banking Policy Guidelines Implementation Unit (GBPIU). Training programs on environmental and social risk and employee awareness development should have to be implemented by the HR Department as a continuous process.

Environment Related Initiatives

LankaBangla takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, LankaBangla closely monitors the environmental impact of every step and effectively mitigates any risks that arise thereon. With more emphasis on environmental risk management programs at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride for being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country's first lub-recycling plant and so forth. Green financing has been growing steadily in our portfolio.

We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy savings bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to our clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients' needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream

to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.

Environmental sustainability:

At LankaBangla, we have long acknowledged that a healthy environment is the foundation for economic progress and the well-being of society. As a leading financial institution, we are committed to finding market solutions that benefit the environment. As per our long term commitment to our community, we continued to invest both in nurturing underprivileged people of our society, and to the environment we breathe in. We provide loans to customers carrying out due diligence and considering the environment and social impact. In all credit delivery points, we have focused on financing eco-friendly and environmentally sustainable business activities and energy efficient industries. Environmental infrastructure projects such as clean water supply, waste water treatment plants, solid and hazardous waste disposal plants, Effluent Treatment Plants, Bio-gas plants, Bio-fertilizer plants and energy efficient/low carbon emission projects like Auto Bricks using Hybrid Hoffman Kiln, Vertical Kiln, Zig-Zag Kiln etc. are always encouraged and dealt with top priority.

LankaBangla Tower

LankaBangla Finance Limited believes that a hygienic environment is a key element for healthy consumers which leads to a strong business circumstances. In believing this, LankaBangla Finance Limited is constructing its own building named "LankaBangla Tower" which will be one of the LEED (Leadership in Energy and Environmental Design) certified building consistent with the green banking policy provided by Bangladesh Bank. Having 13 floors along with four basements, the tower will be both environmental friendly and energy efficient which will save both energy and expenditures and will have a good impact on environment.

To make a sustainable environment, we are creating our building based on these following activities:

Sustainable Sites:

Our architectures, designers and engineers are instructed very strictly to maintain a healthy construction guideline to keep our eco-system safe and sound and to protect public health

around the construction plant. We are also fully aware about the protection of our workers who are fully trained hence provide safety nets, guardrail systems as well as personal fall arrest system to our workers. We have designed our tower to keep enough space inside and outside of the building in such a way so that our employees can feel it as home in working hours.

Water Efficiency:

We will install water efficient instruments to save waters which will have good influence on our environment. We will set up water harvesting system on the tower's rooftop to preserve raindrops and to put less pressure on underground and surface water.

Energy and Atmosphere

To save energy and protect the environment, we will use daylight as much as possible in our workplace in working hours. To implement this, we will install glass facade system around the building to consume more sunlight and put less pressure on electricity. We will also use energy efficient LED lights which is also cost efficient and long lasting.

We are considering to use renewable energy system by installing solar power plant on the rooftops of LankaBangla tower as well to use less electricity and reduce electricity expenditure.

Recyclable materials and resource

LankaBangla Finance Limited has planned to install water recyclable system to diminish the consumption of water which is also cost efficient. Through this system, water will be filtered, disinfected and recycled to use afresh for toilet flushing. This will decrease our water consumption by 50% and it will reduce environmental impact.

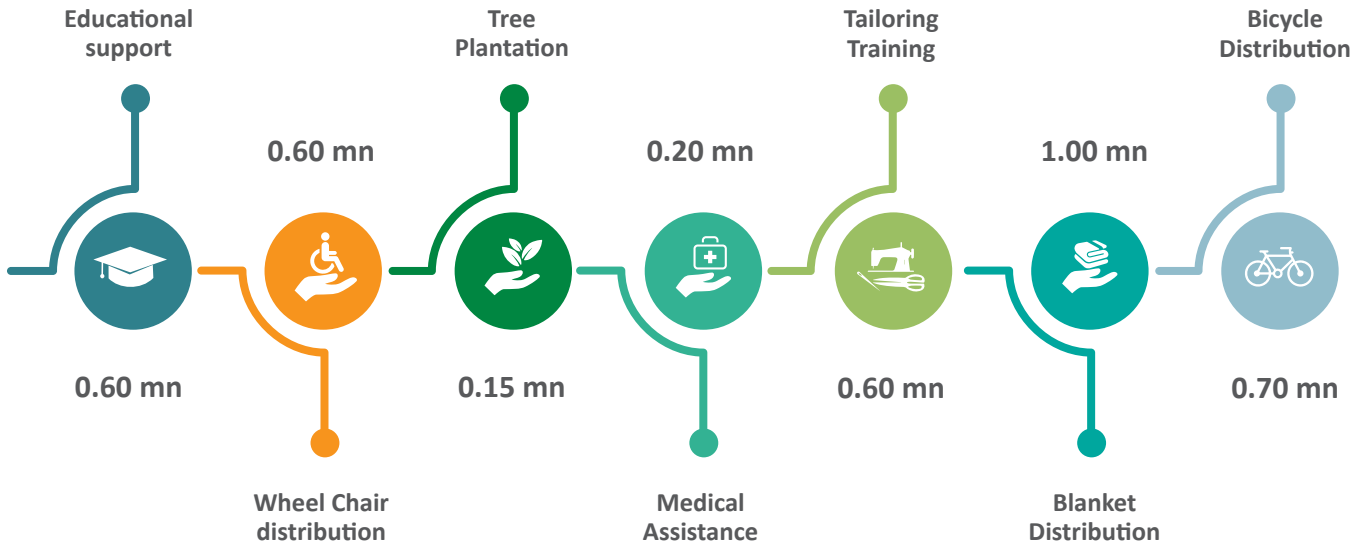
Indoor Environment quality

We will apply eco-friendly painting to have good impact on our environment as well as employees. Our air ventilation system will be based on natural air and we will apply HVAC (Heating, Ventilation, Air Conditioning) system hence using of fan and air-condition will be reduced and the electricity consumption will be comparatively declined.

We will strictly prohibit smoking inside the building to make a sustainable environment and protect our employees.



CORPORATE SOCIAL RESPONSIBILITY (CSR) OF LANKABANGLA

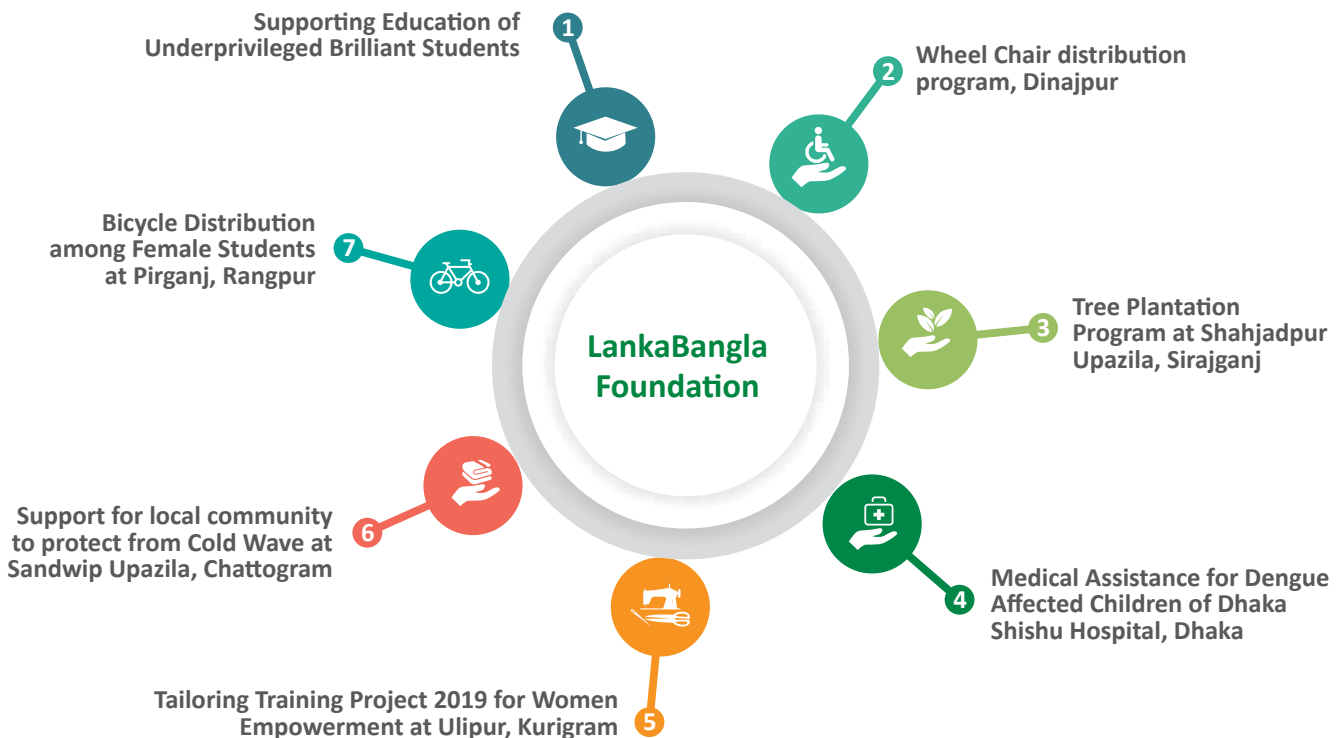


Corporate Social Responsibility of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. LankaBangla in its core management concept and corporate responsibility integrated CSR with focus on social and environmental concerns in all business operations and interactions with its stakeholders.

LankaBangla believes to achieve a balance of economic,

environmental and social imperatives (“Triple-Bottom-Line-Approach”) besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute for our sustainable society. LankaBangla through its Foundation has extended its support for the underprivileged people of the community in particular to ensure their education, health and living.

CSR activities of LankaBangla Foundation in 2019



Supporting Education of Underprivileged Brilliant Students

LankaBangla Foundation continues its support to the underprivileged brilliant students to pursue their higher education. Scholarship program of the Foundation is a significant support to ease the challenges to reach aim in life of these underprivileged students. We extend this continuous financial support to make their dreams come true. We have started the scholarship program from 2010 and continue till to date with an immense priority on education for building knowledge based society. We provide educational support to underprivileged brilliant students to complete their graduation with an objective to help the student to become self-sufficient. In 2019, a total number of 17 students received of BDT 0.60 million financial assistance to pursue their higher education.



Wheel Chair distribution program, Dinajpur

"For a handicapped person, a wheelchair is not only a means for mobility, it is the world itself." In a country where self-sufficiency is crucial to survival, a disability can have a devastating impact on a person quality of life. In Bangladesh, there are millions of disabled adults and children. Caring and transporting disabled people is a huge demand on a family; when that family is living in poverty, the challenges like earning a wage or continuing education, can become insurmountable. LankaBangla Foundation incorporated in collaboration with the Free Wheelchair Mission and launched its first Wheelchair Distribution Program on 1 August, 2019 at Dinajpur as part of its CSR activities. Around 100 wheelchairs were distributed among 100 disabled people who are very poor and helpless in northern area. We believe that the distributed wheelchairs will speed up the daily activities of disadvantaged and physically disabled individuals with prosperous life. **Total cost incurred 0.60 million.**



Tree Plantation Program at Shahjadpur Upazila, Sirajganj

Another core area of CSR of LankaBangla Foundation is to extend support to protect environmental & ecological degradation through tree plantation every year. The main objective of this program is to enhance the production of fruits, protection of environment, conservation, income generation and as well as area beautification. Ensuring awareness and sincerity regarding planting trees along with support of community people is the main focus and we believe that it will be sustainable and bring long term benefits for the area. LankaBangla Foundation arranged 2-day long Tree Plantation Program from 30 to 31 August, 2019 at Shahjadpur Upazila, Sirajganj. More than 2,000 fruits bearing, wood and medicinal plants successfully. The 2-day long plantation & awareness rally turned into a social revolution in the whole Upazila with the participation of students, teachers and local young people. People became aware about the benefit of tree plantation and got inspired to plant more trees in coming years. **Total plantation costs 0.15 million.**



Medical Assistance for Dengue Affected Children of Dhaka Shishu Hospital, Dhaka

During the acute dengue crisis in the country, LankaBangla Foundation extended its support to dengue affected children at Dhaka Shishu Hospital in particular poor and helpless patients suffering from dengue fever. The outbreak of Dengue fever has spread in many areas including Dhaka City and the situation was getting worse day by day. We took the initiative to extend support to combat the prevailing dengue situation in the country through Dhaka Shishu Hospital as part of its CSR activities. The dengue assistance support includes medical items such as different types of saline, dextrose injection, cannula, mosquito net, aerosol, mosquito coil etc. **Total cost incurred 0.20 million.**



Tailoring Training Project 2019 for Women Empowerment at Ulipur, Kurigram

With focus on women empowerment, LankaBangla Foundation arranged "Shikha Tailoring Training, Job Placement and Women Empowerment Project 2019" for 30 distressed women from different areas of Kurigram. Under this project 30 distressed women received 03 months long tailoring training, daily stipend on attendance, job opportunity and a sewing machine after successful completion of the training.

LankaBangla Shikha Forum initiated, planned and arranged this Tailoring Training course with an objective to develop skill, scope for job placement and/or self-employment to empower backward women of the society. All 30 trainees have been successfully attended the training course with full effort and complete enthusiasm. These women are now confident that with their acquired skills and sewing machine they will get a job or they can open their own tailoring business. We have donated sewing machines to all 30 participants to help them to become self-sufficient. **Total cost incurred 0.60 million.**



Support for local community to protect from Cold Wave at Sandwip Upazila, Chattogram

In Bangladesh, during winter ultra-poor people fight against cold every year and LankaBangla Foundation distributes blankets every year to facilitate better comfort to the ultra-poor people. This year Foundation distributed more than 3,000 blankets on 13 November 2019 among the cold victims and poor people including some orphans who are in acute distress condition of Sandwip Upazila, Chattogram.

LankaBangla Foundation undertakes blanket distribution program every year as part of its Corporate Social Responsibility (CSR) activities. **Total cost incurred 1.00 million.**



Bicycle Distribution among Female Students at Pirganj, Rangpur

This program is aimed at female school going students who are coming from the remote area. To facilitate education of them in northern region of the country, LankaBangla Foundation undertook "Shikha Bicycle Distribution Program 2019" at Pirganj Upazila, Rangpur. As a pilot program we have distributed 100 bicycles among underprivileged female students of different schools of Pirganj Upazila. LankaBangla Shikha Forum initiated, planned and arranged to provide bicycles among underprivileged female students as transport facility to facilitate their education smoothly. This transport facility helped them to attend the school on time regularly at the same time it gave them security & comfort.

LankaBangla undertakes bicycle distribution program every year as part of its CSR activities. This year the distribution took place at Rangpur with focus to empower females of backward northern region of the country. **Total cost incurred 0.70 million.**



In 2019, LankaBangla Foundation spent about BDT 4.00 million for CSR activities during the whole year.

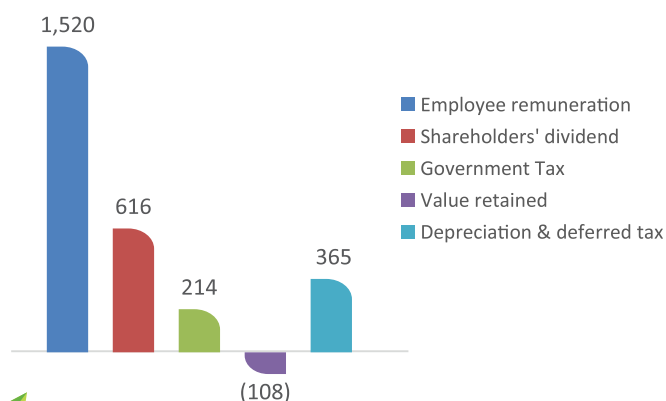
VALUE ADDED STATEMENT

For the year ended 31 December 2019

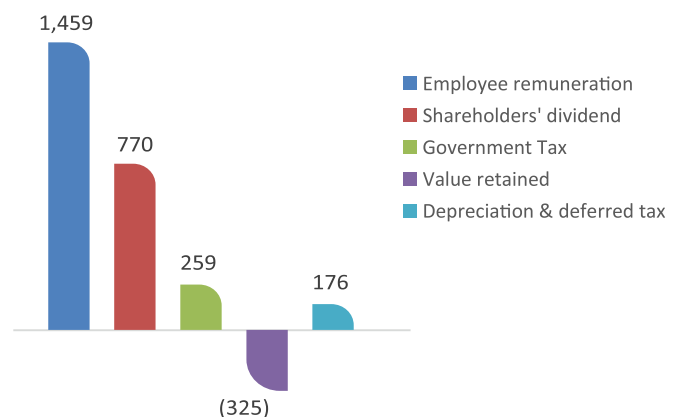
The value added statement represents the value created by LankaBangla Finance and its subsidiaries through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet certain obligations. A portion of added value has also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

	2019 BDT Mn	%	2018 BDT Mn	%	2017 BDT Mn	%
Value added						
Operating revenue	11,758		11,061		9,981	
Cost of borrowing	(7,275)		(6,606)		(4,839)	
Provisions	(885)		(976)		(207)	
Operating expenses excluding staff cost and depreciation	(990)		(1,140)		(1,207)	
Available for distribution	2,608		2,339		3,728	
Distribution of value addition						
Employees as remuneration	1,520	58%	1,459	62%	1,311	35%
Government	214	8%	259	11%	334	9%
Shareholders as dividend	616	24%	770	33%	830	22%
	2,350	90%	2,488	106%	2,475	66%
Retained for expansion and future growth						
Value retained in the business	(108)	-4%	(325)	-14%	1,096	29%
Deferred tax	2	0%	5	0%	3	0%
Depreciation	363	14%	171	7%	153	4%
Amount distributed	2,608	100%	2,339	100%	3,728	100%
Number of employees at the end of the year	923		896		838	
Value created per employee (Mn BDT)	2.83		2.61		4.45	
Number of shares (Mn)	513.18		513.18		513.18	
Value created per share (BDT)	5.08		4.56		7.26	

Distribution of Value Addition - 2019



Distribution of Value Addition - 2018



MARKET VALUE ADDED (MVA) STATEMENT

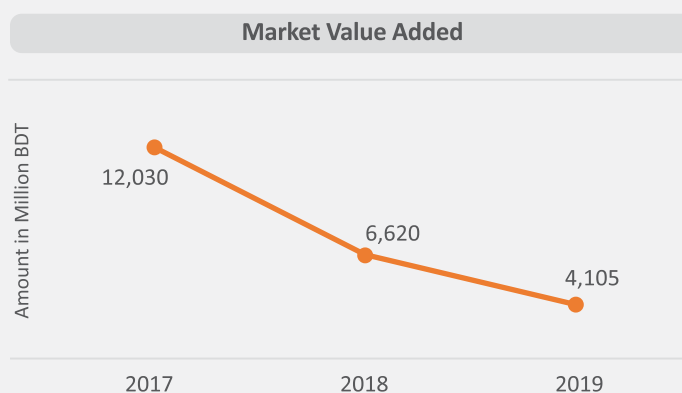
For the year ended 31 December 2019

Market Value Added (MVA) statement reflects the Company's performance evaluated by the market through the shares. MVA is the difference between total market value and total book value of the share of the company. A high value of MVA indicate that company has created substantial wealth for the shareholder. The share market value of the Company stood at Tk 9,237 million whereas the book value of the shares stood at Tk 5,132 million, resulting a Market Value Addition of Tk 4,105 million as of December 31, 2019. The calculation of Market Value Added is given below:

Particulars	2019		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	513	18	9,237
Book Value	513	10	5,132
Market Value Added			4,105

Particulars	2018		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	513	22.9	11,752
Book Value	513	10	5,132
Market Value Added			6,620

Particulars	2017		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	318	47.8	15,212
Book Value	318	10	3,183
Market Value Added			12,030



ECONOMIC VALUE ADDED (EVA) STATEMENT

For the year ended 31 December 2019

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

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

NOPAT

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

	2019 BDT Mn	2018 BDT Mn	2017 BDT Mn
Operating income	11,758	11,061	9,981
Operating expenses	(10,148)	(9,376)	(7,510)
Operating profit	1,610	1,685	2,471
Income tax	(217)	(265)	(338)
NOPAT	1,393	1,421	2,133

Equity

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

	2019	2018	2017
Shareholders' equity at year end	9,482	9,823	8,327
Accumulated provision for doubtful losses	2,729	1,941	1,434
Equity	12,211	11,765	9,761

Average equity

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

	2019	2018	2017
Shareholders' equity	12,211	11,765	9,761
Average equity	11,988	10,763	8,956

Cost of equity

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

	2019	2018	2017
Interest rate on 5 Years Government Treasury Bond as on 31 December	8.97%	5.45%	6.00%
Standard Risk premium	2%	2%	2%
Cost of equity	10.97%	7.45%	8.00%

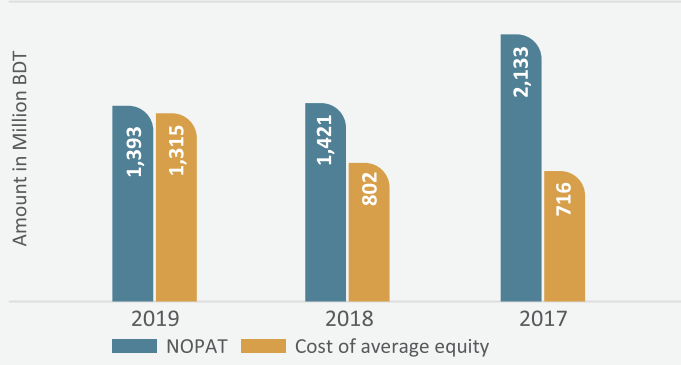
ECONOMIC VALUE ADDED

	2019	2018	2017
NOPAT	1,393	1,421	2,133
Cost of average equity	1,315	802	716
Average Shareholders' equity	11,988	10,763	8,956
Cost of capital	10.97%	7.45%	8.00%
EVA	78	619	1,417
Number of shares (Mn)	513	513	513
Economic Value Added Per Share	0.15	1.21	2.76

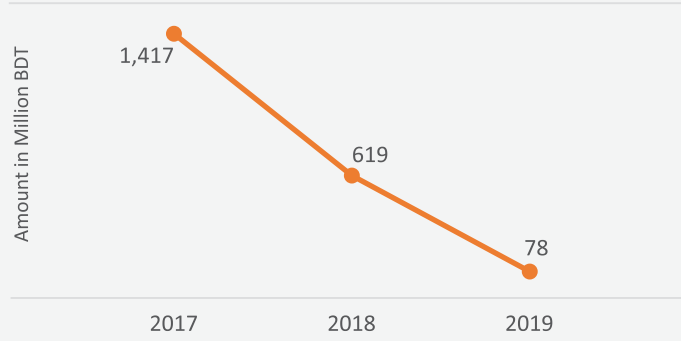




NOPAT & Cost of equity



Economic Value Added



STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2019

Government is considered as one of the most important stakeholders which play a critical role in the economic development of the country. Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2019, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 1,101.98 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 948.07 million in 2018, reflecting its fair and consistent commitment towards national contribution.

Figures in BDT

Forms of Contribution	2019	2018
Income Tax	891,983,743	741,472,475
Source tax on Salary u/s 50	68,157,512	72,786,768
Source Tax on Interest on savings deposit u/s 53F	483,480,277	426,973,827
Source tax on Payment to Supplier u/s 52	18,694,525	18,647,736
Source tax on Payment to Landlord u/s 53 A	6,657,152	8,603,183
Payment on transaction of Securities	73,747,033	117,797,491
Source tax on payment of commission	4,775,108	10,527,042
Payment of Advance Corporate Tax u/s 64	124,624,958	10,484,842
Tax payment at the time of Return Submission u/s 74	17,444,443	39,722,488
Source Tax on Dividend Payment u/s 54	94,349,971	35,837,219
Others	52,764	91,878
VAT	124,717,155	122,578,301
VAT on House Rent	19,981,078	25,685,894
Collection of VAT on Processing, Documentation Fee etc.	14,780,029	17,666,558
VAT on Procurement of goods and services	18,645,614	9,366,141
VAT on Legal, Professional & Technical Fees	1,827,627	3,639,095
Others	69,482,807	66,220,613
	85,282,886	84,020,628
Excise Duty	80,944,499	80,384,365
Collection of excise duty from clients	4,338,387	3,636,263
Excise duty deducted by bank	3,636,263	2,290,751
Total Paid to Government Exchequer	1,101,983,784	948,071,404



AUDITED FINANCIAL STATEMENTS



Over the last few years, LankaBangla has exhibited newer dimensions in performance and redefined its financial position as an enterprise in the unpredictable financial market of Bangladesh. Our energetic effort and endless inspiration have led us to introduce an understandable, relevant, reliable, and comparable financial statements to our stakeholders.

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Independent Auditor's Report

to The Shareholders of LankaBangla Finance Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of **LankaBangla Finance Limited and its subsidiaries** (the "Group") as well as the separate financial statements of **LankaBangla Finance Limited** (the "Company"), which comprise the consolidated and separate balance sheets as at 31 December 2019 and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2019, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in notes 1 to 42.

Basis for Opinion

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

Emphasis of Matter – Subsequent event: The impact of the uncertainty of COVID-19

We draw attention to Notes 2.45 and 42(e) in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on LankaBangla Finance Limited's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>First time adoption of IFRS 16 for Office rentals and impact of it in financial year 2019</p> <p>IFRS 16 replaces the existing standard IAS 17 and specifies a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group must adopt IFRS 16 Leases for reporting periods beginning on or after 1 January 2019 and is required to disclose the expected impact of adopting IFRS 16.</p> <p>IFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.</p>	<p>The implementation of IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions.</p> <p>We have evaluated the application of IFRS 16 and tested the resulting impact on the balance sheet and income statement. We have assessed whether the accounting regarding leases is consistent with the definitions of IFRS 16 including factors such as lease term, discount rate and measurement principles.</p> <p>Furthermore, we have assessed the retrospective application and verified whether this is consistent with the definition and expedients of IFRS 16.</p>

Chittagong Office: Ispahani Buliding, Agrabad, Chittagong: Phone: 31-716184; Fax: 31-713683; E-mail: sfaco@bbs.net

Key Audit Matter	How our audit addressed the key audit matter
<p>Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term, the componentisation of the ROU asset where appropriate, the accounting for return obligations and the determination of appropriate discount rates. The adjustments arising from applying IFRS 16 are material to the Group, and this disclosure of impact is a key focus area in our audit.</p> <p>The impact on transition as at 1 January 2019: Right-of-use assets and Lease liabilities of the group and company are BDT 512.77 million and BDT 401.83 million respectively. The net impact at year end of the Right-of-use assets of the group and company are BDT 339.28 million and BDT 272.59 million and Lease liabilities of the group and company are BDT 358.06 million and 290.62 million respectively.</p> <p>See note no 2.9.1.4 to the financial statements</p>	<p>The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognized in retained earnings at 1 January 2019.</p> <p>We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed computation checks.</p>
<p>Leases, loans and advances and measurement of provisions</p> <p>The process for estimating the provision for leases, loans and advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end 2019 the Group reported total gross leases, loans and advances of BDT 65,117.08 million (2018: BDT 68,676.03 million) and provision for leases, loans and advances of BDT 2,204.02 million (2018: 1,598.35 million). The total provision for leases, loans and advances shown in the profit and loss for this year stands BDT 702.95 million (2018: BDT 629.85 million). We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> • Completeness and timing of recognition of loss events in accordance with criteria set out in FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013; • For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. <p>Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</p> <p>See note no 12.4 to the financial statements</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL); <p>Our substantive procedures in relation to the provision for leases, loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<p>Carrying value of investments in subsidiary(s) by LankaBangla Finance Limited</p> <p>The LankaBangla Finance Limited (the "Company") has invested in equity shares of its subsidiaries LankaBangla Securities Limited, LankaBangla Asset Management Company Limited and LankaBangla Investment Limited. As at 31 December 2019 the carrying value of this investment is BDT 5,651.17 million and the previous year figure has been restated at BDT 5,923.15 million.</p>	<p>We have reviewed Management's analysis of fair value assessment in accordance with IFRS 13 and recoverable value calculation of subsidiaries in accordance with IAS 36.</p> <p>In particular, our discussion with the Management were focused on the continued appropriateness of the fair value approach, the key assumptions used in the model, the reasonably possible alternative assumptions, particularly where they had the most impact on the fair value calculation.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>Management has decided to change cost method of accounting and applied IFRS 9 (as permitted by IAS 27) for accounting of investment in subsidiaries in the separate financial statements of the Company. As per IFRS 9, Investment in subsidiary is measured at fair value through other comprehensive income.</p> <p>However, as per Bangladesh Bank guidelines, the Company cannot present "Other Comprehensive Income" and thus any change in fair value will directly be recognized in Revaluation Reserve under Equity in the balance sheet. This departure from IFRS is disclosed in Note – 2.5.12.</p> <p>See note no 9 to the financial statements</p>	<p>We also checked mathematical accuracy of the model, recalculated the adjusted net asset method used within the model, inputs used in the determination of assumptions within the model were challenged and corroborating information was obtained with reference to external market information, third-party sources. The impact has been disclosed in Note 15A of the notes to the financial statements.</p>
<p>Investment and provision for diminution in value of investment</p> <p>Group investments comprise of marketable ordinary shares of BDT 4,154.84 million, non marketable ordinary shares of BDT 235.84 million, subordinate bond BDT 800 million and discretionary corporate fund BDT 201.82 million.</p> <p>Group investments are valued at BDT 5,392.51 million and represent 6.4% of total assets. This was an area of focus for our audit and significant audit effort was directed.</p> <p>The investment portfolio of the LankaBangla Finance Limited comprises investments in marketable ordinary shares of BDT 1,268.47 million, non-marketable ordinary shares of BDT 123.57 million subordinate bond BDT 800 million and discretionary corporate fund BDT 201.82 million.</p> <p>Investments in quoted shares and unquoted shares are valued at average cost. However, the company made provision for diminution in value of investment as per FID circular no. 8 dated 3 August 2002 and DFIM circular no. 02 dated 31 January 2012.</p> <p>We focused on this area because of the significance of the investments in the financial statements, and departure from the recognition and presentation criteria of IFRS 9, IFRS 7 & IAS 32 to comply the above circular of Bangladesh Bank for determining the valuation methodology and presentation to be applied by the management of the company.</p> <p>See notes 2.17, 6 and 32 to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their investment portfolio.</p> <p>Our audit approach was a combination of test of internal control and substantive procedures.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the management of the company.</p> <p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risk of financial assets.</p> <p>We verified the existence and legal ownership of equity investments and commercial paper by confirming investment holdings with CDBL statement, Trust deed and record from the Registrar of Joint Stock Companies & Firm appropriate.</p> <p>We tested the calculations of provision for diminution in value of investment and checked the presentation and disclosure of investment in compliance with FID circular no. 8 dated 3 August 2002 and DFIM circular no. 2 dated 31 January 2012 issued by Bangladesh Bank.</p>
<p>Measurement of deferred tax assets</p> <p>LankaBangla Finance Limited has unrecognised deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowance, and other timing differences.</p> <p>There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.</p> <p>LankaBangla Finance Limited reports net deferred tax assets totalling to BDT 20.67 million as at 31 December 2019.</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p> <p>See note no 2.38b and 9.1.1.1 to the financial statements</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of Deferred Tax Assets and the assumptions used in estimating the LankaBangla Finance Limited's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We evaluated the reasonableness of key assumptions, timing of reversal of temporary differences and expiration of tax loss carry forwards, recognition and measurement of Deferred Tax Assets.</p> <p>We assessed the adequacy of the company's disclosures setting out the basis of deferred tax asset balances and the level of estimation involved.</p> <p>We also assisted in evaluating the tax implications, the reasonableness of estimates and calculations determined by management.</p> <p>Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of defined benefits plan</p> <p>The Company operates a funded gratuity scheme. In accordance with the rules of the Gratuity Fund, a benefit becomes due when a member ceases to be a member of the Fund. These results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognize the liability related to such benefits. At year end the Group reported a net funded gratuity liability of BDT 92.27 million (2018: BDT 72.76 million).</p> <p>The benefits payable to members are calculated in terms of section-4 of the rules of the Fund. Methodologies applied in the calculation of the benefits payable to members as disclosed in note 2.37.2 and 12.1 of the financial statements which include:</p> <p>Liability for gratuity is provisioning on the presumption that all the employees are retiring on the balance sheet date rather than actuarial calculation of the gratuity. Therefore, valuation of the benefits payable provision is considered as a key audit matter.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their defined benefit plan.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used to determine the liability for defined benefit plan.</p> <p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation of the defined benefits payable provision.</p> <p>We examined the basis on which gratuity is payable to the employee and is worked out the liability for gratuity on the presumption that all employees retire on the balance sheet date.</p> <p>We ensured that the basis of computing gratuity is valid; verify the computation of liability on aggregate basis.</p> <p>We checked the amount of gratuity paid to employees who retired during the year with reference to the number of years of service rendered by them.</p> <p>We tested the employees data used in calculating obligation.</p> <p>We assessed the appropriateness and presentation of disclosures against IAS 19 Employee Benefits.</p>
<p>Legal and regulatory matters</p> <p>We focused on this area because the LankaBangla Finance Limited and its subsidiaries (the "Group") operate in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and estimable impact on the Group's financial position.</p> <p>See note no 1 to the financial statements</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies process.</p> <p>We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We enquired of the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel.</p> <p>We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</p> <p>We also assessed the Group's provisions and contingent liabilities disclosure.</p>
<p>IT systems and controls</p> <p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application-based controls are operating effectively.</p>	<p>We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We also assessed the total IT security over its operation in accordance with the Guideline on ICT Security for Banks and Non-Bank Financial Institutions dated May, 2015 Version 3.0. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.</p> <p>We tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>Accuracy and completeness of revenue recognised</p> <p>The Group reported revenue of BDT 10,172.73 million from lease finance, term finance, credit cards, term deposit receipts and related activities.</p> <p>The application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship.</p> <p>Due to the estimates and judgment involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.</p> <p>The Group's accounting policies relating to revenue recognition are presented in note 2.33 to the consolidated financial statements.</p> <p>See note no 17 to the financial statements</p>	<p>Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:</p> <ul style="list-style-type: none"> • we understood the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports); • we tested the design and operating effectiveness of the relevant controls; • we involved our internal IT specialists to test IT general controls, system interfaces, data/ information reporting and application specific controls surrounding relevant revenue systems; • we reviewed significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period; • we performed data analysis and analytical reviews of significant revenue streams; • we reviewed key reconciliations performed by the revenue assurance team; • we performed specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and • we performed procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies. <p>Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue.</p>

Other Information

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

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

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

After going through the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note no 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- iv. the expenditures incurred were for the purpose of the Company's business for the year;
- v. the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- vi. adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

- vii. the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- viii. the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- ix. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- x. taxes and other duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- xi. nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- xii. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- xiii. based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- xiv. the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- xv. we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1875 person hours for the audit of the books and accounts of the Company;
- xvi. the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- xvii. the Company has complied with the 'First Schedule' of Bank Companies Act, 1991 in preparing these financial statements in accordance with DFIM circular no. 11, dated 23 December 2009; and
- xviii. all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dhaka, 08 June 2020



Md. Enamul H. Choudhury
Engagement Partner
S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	Amount in Taka	
		31.12.2019	31.12.2018
PROPERTY AND ASSETS			
Cash		877,735,689	1,002,028,777
Cash in hand (including foreign currencies)	3	777,880	904,927
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	876,957,809	1,001,123,850
Balance with other banks and financial institutions	5	8,332,124,314	8,431,276,535
Inside Bangladesh		8,332,124,314	8,431,276,535
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	5,392,515,912	5,713,587,671
Government securities		-	-
Other investments		5,392,515,912	5,713,587,671
Leases, loans and advances	7	65,117,083,059	68,676,032,831
Loans, cash credit and overdraft etc.		65,117,083,059	68,676,032,831
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	2,861,198,566	2,405,753,963
Other assets	9	1,782,294,566	1,660,000,929
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		84,362,952,106	87,888,680,706
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	18,672,238,771	16,263,240,621
Deposits and other accounts	11	46,894,962,510	53,404,546,419
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.1	46,750,813,434	53,231,132,604
Bearer certificate of deposits		-	-
Other deposits	11.2	144,149,076	173,413,815
Other liabilities	12	9,140,721,458	8,286,435,375
TOTAL LIABILITIES		74,707,922,739	77,954,222,415
Shareholders' Equity		9,482,329,484	9,823,214,683
Paid up capital	13	5,131,796,410	5,131,796,410
Share premium		1,090,888,800	1,090,888,800
Statutory reserve	14	1,762,635,872	1,615,433,347
General reserve		49,919,671	53,048,686
Retained earnings	15	1,447,088,731	1,932,047,440
Non controlling interest	16	172,699,883	111,243,608
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		84,362,952,106	87,888,680,706
Net asset value per share- (NAV)	35	18.48	19.14

	Notes	Amount in Taka	
		31.12.2019	31.12.2018
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIABILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		-	357,182,217
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIABILITIES		-	357,182,217
OTHER COMMITMENTS			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		1,694,989,350	3,691,862,631
TOTAL OTHER COMMITMENTS		1,694,989,350	3,691,862,631
TOTAL OFF BALANCE SHEET ITEMS		1,694,989,350	4,049,044,848

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


Director


Director


Managing Director


Company Secretary


Chief Financial Officer

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Dhaka,
08 June 2020


S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Notes	Amount in Taka	
		2019	2018
Operating Income			
Interest income	17	10,172,730,417	9,095,252,849
Less : Interest expenses on deposits & borrowings	18	7,275,494,160	6,605,746,998
Net interest income		2,897,236,257	2,489,505,851
Income from investment	19	340,733,579	434,031,094
Commission, exchange and brokerage income	20	452,973,525	707,627,576
Other operational income	21	791,252,947	824,252,786
Total operating income		4,482,196,307	4,455,417,307
Operating Expenses			
Salary and allowances	22	1,504,636,741	1,443,411,956
Rent, taxes, insurance, electricity etc.	23	64,208,220	251,069,443
Legal and professional fees	24	39,269,011	27,864,545
Postage, stamp, telecommunication etc.	25	28,788,937	26,774,472
Stationery, printing, advertisement	26	47,830,780	51,789,343
Managing director's salary and allowance	27	15,479,000	15,479,000
Director fees and expenses	28	2,638,900	2,271,200
Audit fees	29	1,086,750	1,155,750
Repairs, maintenance and depreciation	30	412,630,098	209,094,554
Other expenses	31	756,063,216	741,095,546
Total operating expenses		2,872,631,652	2,770,005,810
Net Operating Income		1,609,564,656	1,685,411,497
Provisions for loans, investments and other assets	32	884,805,175	976,337,321
Provisions for leases and loans		586,870,691	368,767,746
Provision for margin loan		116,083,141	261,083,418
Provision for diminution in value of investments		181,851,344	342,286,156
General provision for other assets		-	4,200,000
Profit before tax and reserve		724,759,481	709,074,176
Provision for tax	33	216,531,197	264,630,078
Current tax		214,235,553	259,278,400
Deferred tax		2,295,644	5,351,678
Net profit after tax		508,228,283	444,444,099
Attributed to			
Shareholders of the Company		503,883,570	434,308,867
Non-controlling interest	38.4	4,344,714	10,135,232
		508,228,283	444,444,099
Appropriations		144,073,509	145,012,575
Statutory reserve		147,202,525	142,831,326
General reserve		(3,129,015)	2,181,248
Retained surplus		359,810,060	289,296,292
Earnings Per Share- (EPS)	34	0.98	0.85

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



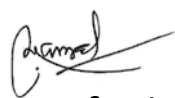
Director



Director



Managing Director




Company Secretary



Chief Financial Officer

This is the Consolidated Profit and Loss Account referred to in our separate report of even date.

Dhaka,
08 June 2020



S. F. Ahmed & Co.
Chartered Accountants

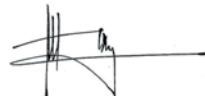
LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Amount in Taka	
		2019	2018
A) Cash flows from operating activities			
Interest received		10,217,294,760	9,100,352,454
Interest paid		(7,082,810,513)	(6,037,422,733)
Dividend received		108,560,777	67,614,353
Fees and commission received		841,027,560	1,131,493,341
Income from investment		223,309,168	365,527,356
Cash paid to employees (including directors)		(1,508,376,964)	(1,507,015,841)
Cash paid to suppliers		(144,193,285)	(135,351,794)
Income taxes paid		(217,918,275)	(256,764,724)
Received from other operating activities		402,525,283	396,575,396
Paid for other operating activities		(830,878,590)	(999,049,638)
Cash generated from operating activities before changes in operating assets and liabilities		2,008,539,922	2,125,958,170
Increase/(decrease) in operating assets & liabilities:			
Loans and advances to customers		3,553,032,960	(2,502,462,489)
Other assets		57,937,615	166,538,173
Deposits from customers		(6,509,583,908)	1,729,388,281
Other liabilities		(473,264,026)	156,670,981
Total increase/(decrease) in operating assets & liabilities		(3,371,877,360)	(449,865,055)
Net cash flows from /(used in) operating activities	36	(1,363,337,438)	1,676,093,115
B) Cash flows from investing activities			
Investment in securities		1,122,895,993	(494,417,960)
Purchase of fixed assets		(326,222,184)	(815,517,352)
Sales proceeds of fixed assets		9,417,178	41,963,461
Investment in commercial paper		200,000,000	250,000,000
Investment in Discretionary corporate fund		(201,824,234)	-
Investment in Subordinated bond		(800,000,000)	-
Acquisition of shares from non-controlling interest		(13,250,000)	(1,250,000)
Net cash flows from /(used in) investing activities		(8,983,246)	(1,019,221,851)
c) Cash flows from financing activities			
Receipt of term loan, overdraft and REPO		2,039,422,446	(2,293,645,817)
Payment of lease liabilities-Vehicles		(5,885,814)	(6,799,775)
Payment of lease liabilities-Office premises		(154,708,848)	-
Right Share Subscription		-	1,430,947,040
Transaction cost against right issue		-	(10,170,363)
Dividend paid		(729,954,513)	(374,109,324)
Net cash flows from/(used in) financing activities		1,148,873,271	(1,253,778,239)
D) Net increase/(decrease) in cash & cash equivalents		(223,447,412)	(596,906,975)
E) Effect of exchange rates on cash and cash equivalents		2,102	(168)
E) Cash and cash equivalents at the beginning of the year		9,433,305,313	10,030,212,456
F) Cash and cash equivalents at the end of the year		9,209,860,003	9,433,305,312
* Closing cash and cash-equivalents			
Cash in hand (including foreign currencies)		777,880	904,927
Balance with Bangladesh Bank and its agent bank (s)		876,957,809	1,001,123,850
Balance with other banks and financial institutions		8,332,124,314	8,431,276,535
		9,209,860,003	9,433,305,312
Net Operating Cash Flows Per Share - (NOCFPS)	36	(2.66)	3.30

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer



S. F. Ahmed & Co.
Chartered Accountants

Dhaka,
08 June 2020

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Particulars	Equity attributable to the shareholders of the Company							Amount in Taka	
	Share Capital	Share money deposit for right issue	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 01 January 2019	5,131,796,410	-	1,090,888,800	1,615,433,347	53,048,686	1,932,047,440	9,823,214,683	111,243,608	9,934,458,291
Items Involved in Changes in Equity									
Changes in non-controlling interest	-	-	-	-	-	(74,999,307)	(74,999,307)	61,749,307	(13,250,000)
Net profit for the year	-	-	-	-	-	503,883,570	503,883,570	4,344,714	508,228,283
Transaction cost against right issue	-	-	-	-	-	-	-	-	-
Appropriation to statutory reserve	-	-	-	147,202,525	-	(147,202,525)	-	-	-
Appropriation to general reserve	-	-	-	-	(3,129,015)	3,129,015	-	-	-
Dividend	-	-	-	-	-	(769,769,462)	(769,769,462)	(4,637,745)	(774,407,207)
Cash dividend (15%, 5%)	-	-	-	-	-	(769,769,462)	(769,769,462)	(4,637,745)	(774,407,207)
Balance as at 31 December 2019	5,131,796,410	-	1,090,888,800	1,762,635,872	49,919,671	1,447,088,731	9,482,329,484	172,699,883	9,655,029,367
Balance as at 01 January 2018	3,182,509,410	160,307,660	1,090,888,800	1,472,602,021	50,867,438	2,369,825,140	8,327,000,468	101,519,363	8,428,519,831
Items Involved in Changes in Equity									
Right Share Subscription	1,591,254,700	(160,307,660)	-	-	-	-	1,430,947,040	-	1,430,947,040
Changes in non-controlling interest	-	-	-	-	-	(839,014)	(839,014)	(410,986)	(1,250,000)
Net profit for the year	-	-	-	-	-	434,308,867	434,308,867	10,135,232	444,444,099
Transaction cost against right issue	-	-	-	-	-	(10,170,363)	(10,170,363)	-	(10,170,363)
Appropriation to statutory reserve	-	-	-	142,831,326	-	(142,831,326)	-	-	-
Appropriation to general reserve	-	-	-	-	2,181,248	(2,181,248)	-	-	-
Dividend	-	-	-	-	-	(358,032,300)	(358,032,300)	-	-
Stock dividend (7.5%)	358,032,300	-	-	-	-	(358,032,300)	-	-	-
Cash dividend (7.5%)	-	-	-	-	-	(358,032,317)	(358,032,317)	-	(358,032,317)
Balance as at 31 December 2018	5,131,796,410	-	1,090,888,800	1,615,433,347	53,048,686	1,932,047,440	9,823,214,683	111,243,608	9,934,458,291


Director


Director


Managing Director


Company Secretary


Chief Financial Officer
S. F. Ahmed & Co.
Chartered Accountants

Dhaka,
08 June 2020

LANKABANGLA FINANCE LIMITED

BALANCE SHEET

As at 31 December 2019

	Notes	Amount in Taka	
		31.12.2019	31.12.2018
PROPERTY AND ASSETS			
Cash		877,497,557	1,001,794,766
Cash in hand (including foreign currencies)	3	539,748	670,916
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	876,957,809	1,001,123,850
Balance with other banks and financial institutions	5	7,011,942,991	6,706,544,902
Inside Bangladesh		7,011,942,991	6,706,544,902
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	2,393,868,418	2,409,307,374
Government securities		-	-
Other investments		2,393,868,418	2,409,307,374
Leases, loans and advances	7	60,662,461,499	63,784,580,057
Loans, cash credit and overdraft etc.		60,662,461,499	63,784,580,057
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	1,762,461,900	1,357,931,214
Other assets (2018 restated)	9	6,473,187,859	6,700,200,023
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		79,181,420,224	81,960,358,336
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	15,613,095,652	12,639,198,866
Deposits and other accounts	11	46,894,962,510	53,425,834,494
Current deposits and other accounts		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	11.1	46,750,813,434	53,252,420,679
Bearer certificate of deposits		-	-
Other deposits	11.2	144,149,076	173,413,815
Other liabilities	12	6,655,430,108	5,558,400,989
TOTAL LIABILITIES		69,163,488,270	71,623,434,349
Shareholders' Equity		10,017,931,954	10,336,923,987
Paid up capital	13	5,131,796,410	5,131,796,410
Statutory reserve	14	1,762,635,872	1,615,433,347
Retained earnings	15	2,116,518,264	2,297,477,627
Revaluation reserve for investment in subsidiaries	15A	1,006,981,408	1,292,216,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		79,181,420,224	81,960,358,336
Net asset value per share-(NAV) (2018 restated)	35	19.52	20.14

OFF-BALANCE SHEET ITEMS**CONTINGENT LIABILITIES**

Acceptances and endorsements
 Letter of guarantee
 Irrevocable letters of credit
 Bill for collection
 Other contingent liabilities
TOTAL CONTINGENT LIABILITIES

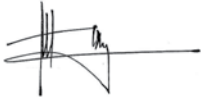
OTHER COMMITMENTS

Documentary credits and short term trade-related transactions
 Forward assets purchased and forward deposits placed
 Undrawn note issuance and revolving underwriting facilities
 Undrawn formal standby facilities, credit lines and other commitments
TOTAL OTHER COMMITMENTS

TOTAL OFF BALANCE SHEET ITEMS

Notes	Amount in Taka	
	31.12.2019	31.12.2018
	-	-
	-	357,182,217
	-	-
	-	-
	-	-
	-	357,182,217
	-	-
	-	-
	-	-
	1,694,989,350	3,691,862,631
	1,694,989,350	3,691,862,631
	1,694,989,350	4,049,044,848

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

This is the Balance Sheet referred to in our separate report of even date.

Dhaka,
08 June 2020



S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED

BALANCE SHEET

As at 01 January 2018

(As per Para 10 (f) of IAS 1)

	Notes	Amount in Taka 01.01.2018*
PROPERTY AND ASSETS		
Cash		
Cash in hand (including foreign currencies)		1,155,072,909
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		319,207
		1,154,753,702
Balance with other banks and financial institutions		
Inside Bangladesh		6,867,656,341
Outside Bangladesh		6,867,656,341
		-
Money at call and short notice		
		-
Investment		
Government securities		2,127,660,042
Other investments		-
		2,127,660,042
Leases, loans and advances		
Loans, cash credit and overdraft etc.		61,913,587,489
Bills discounted and purchased		61,913,587,489
		-
Fixed assets including land, building, furniture and fixtures		
		1,113,752,226
Other assets	A	6,657,989,953
Non-Banking assets		
		-
TOTAL PROPERTY AND ASSETS		
		79,835,718,960
LIABILITY AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from Bangladesh Bank, other banks and financial institutions		
		15,061,790,454
Deposits and other accounts		
Current deposits and other accounts		51,675,158,138
Bills payable		-
Savings bank deposits		-
Term deposits		51,552,816,766
Bearer certificate of deposits		-
Other deposits		122,341,372
Other liabilities		
		4,242,851,226
TOTAL LIABILITIES		
		70,979,799,818
Shareholders' Equity		
Paid up capital		8,855,919,142
Share money deposit for right issue		3,182,509,410
Statutory reserve		160,307,660
Retained earnings		1,472,602,021
Revaluation reserve for investment in subsidiaries	B	2,452,387,301
		1,588,112,750
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
		79,835,718,960
Net asset value per share- (NAV)		
		27.83
Notes to Balance Sheet as at January 01, 2018		
A. Other Assets		
Non income generating assets		
Advances and prepayments		809,672,799
Income generating assets		
Interest and other receivables		5,848,317,154
Investment in subsidiaries (at fair value as per IFRS 9):		114,267,441
See accounting policy in note (2.9.2 and 2.17.4)		5,734,049,713
LankaBangla Securities Limited		4,267,616,135
LankaBangla Investment Limited		446,110,190
LankaBangla Asset Management Company Limited		1,020,323,388
		6,657,989,953
B. Revaluation reserve for investment in subsidiaries		
Investment in subsidiaries at fair value (Note - A)		5,734,049,713
Investment in subsidiaries at cost		4,145,936,963
LankaBangla Securities Limited		1,546,237,023
LankaBangla Investment Limited		1,669,999,940
LankaBangla Asset Management Company Limited		929,700,000
		1,588,112,750

* 2018 figure is restated

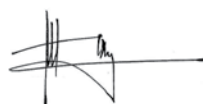
LANKABANGLA FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Notes	Amount in Taka	
		2019	2018
Operating Income			
Interest income	17	9,421,797,188	8,567,125,131
Less : Interest expenses on deposits & borrowings	18	6,841,087,973	6,189,678,453
Net interest income		2,580,709,214	2,377,446,678
Income from investment	19	340,650,469	111,324,841
Commission, exchange and brokerage income	20	-	-
Other operational income	21	571,435,517	554,527,453
Total operating income		3,492,795,201	3,043,298,972
Operating Expenses			
Salary and allowances	22	986,385,119	948,046,260
Rent, taxes, insurance, electricity etc.	23	36,671,081	177,946,355
Legal and professional fees	24	34,967,372	20,969,653
Postage, stamp, telecommunication etc.	25	22,993,022	19,791,839
Stationery, printing, advertisement	26	38,378,054	38,421,114
Managing director's salary and allowance	27	15,479,000	15,479,000
Director fees and expenses	28	691,200	642,800
Audit fees	29	632,500	575,000
Repairs, maintenance and depreciation	30	314,812,709	149,886,801
Other expenses	31	446,481,853	378,323,282
Total operating expenses		1,897,491,908	1,750,082,104
Net Operating Income		1,595,303,293	1,293,216,868
Provisions for loans, investments and other assets	32	739,009,755	477,483,902
Provisions for leases and loans		586,870,691	368,767,746
Provision for diminution in value of investments		152,139,065	108,016,156
General provision for other assets		-	700,000
Profit before tax and reserve		856,293,538	815,732,966
Provision for tax	33	120,280,914	101,576,334
Current tax		120,280,914	101,576,334
Deferred tax		-	-
Net profit after tax		736,012,624	714,156,632
Appropriations		147,202,525	142,831,326
Statutory reserve		147,202,525	142,831,326
General reserve		-	-
Retained surplus		588,810,099	571,325,305
Earnings Per Share- (EPS)	34	1.43	1.40

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



Director



Director



Managing Director




Company Secretary



Chief Financial Officer

This is the profit and loss account referred to in our separate report of even date.

Dhaka,
08 June 2020



S. F. Ahmed & Co.
Chartered Accountants

LANKABANGLA FINANCE LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Amount in Taka	
		2019	2018
A) Cash flows from operating activities			
Interest received		9,466,802,371	8,572,415,551
Interest paid		(6,617,920,102)	(5,629,002,106)
Dividend received		169,068,200	17,749,257
Fees and commission received		365,808,224	367,915,352
Income from investment		172,591,927	93,286,343
Cash paid to employees (including directors)		(989,595,719)	(952,711,238)
Cash paid to suppliers		(80,722,535)	(78,424,445)
Income taxes paid		(99,553,027)	(57,648,144)
Received from other operating activities		204,970,864	185,861,072
Paid for other operating activities		(521,733,828)	(581,868,434)
Cash generated from operating activities before changes in operating assets and liabilities		2,069,716,376	1,937,573,209
Increase/(decrease) in operating assets & liabilities:			
Loans and advances to customers		3,196,628,349	(2,470,057,910)
Other assets		(10,538,432)	191,730,488
Deposits from customers		(6,530,871,983)	1,750,676,356
Other liabilities		(99,896,467)	297,887,213
Total Increase/(decrease) in operating assets & liabilities		(3,444,678,533)	(229,763,854)
Net cash flows from /(used in) operating activities	36	(1,374,962,157)	1,707,809,354
B) Cash flows from investing activities			
Investment in securities		817,263,189	(531,647,332)
Purchase of fixed assets		(278,514,907)	(405,949,383)
Sales proceeds of fixed assets		2,571,681	38,902,860
Investment in commercial paper		200,000,000	250,000,000
Investment in discretionary corporate fund		(201,824,234)	-
Investment in subordinated bond		(800,000,000)	-
Investment in subsidiaries		(13,250,000)	-
Net cash flows from /(used in) investing activities		(273,754,271)	(648,693,854)
C) Cash flows from financing activities			
Receipt of term loan, overdraft and REPO		2,669,684,670	(2,419,141,762)
Payment of lease liabilities-Vehicles		(3,847,536)	(3,449,826)
Payment of lease liabilities-Office premises		(111,174,023)	-
Right Share Subscription		-	1,430,947,040
Transaction cost against right issue		-	(10,170,363)
Dividend paid		(724,847,906)	(371,690,002)
Net cash flows from/(used in) financing activities		1,829,815,205	(1,373,504,914)
D) Net increase/(decrease) in cash & cash equivalents		181,098,778	(314,389,414)
E) Effect of exchange rates on cash and cash equivalents		2,102	(168)
F) Cash and cash equivalents at the beginning of the year		7,708,339,668	8,022,729,250
G) Cash and cash equivalents at the end of the year		7,889,440,548	7,708,339,668
* Closing cash and cash-equivalents			
Cash in hand (including foreign currencies)		539,748	670,916
Balance with Bangladesh Bank and its agent bank (s)		876,957,809	1,001,123,850
Balance with other banks and financial institutions		7,011,942,991	6,706,544,902
		7,889,440,548	7,708,339,668
Net Operating Cash Flows Per Share - (NOCFPS)	36	(2.68)	3.36

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



Director



Director



Managing Director



Company Secretary



Chief Financial Officer



S. F. Ahmed & Co.
Chartered Accountants

Dhaka,
08 June 2020

LANKABANGLA FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Particulars	Amount in Taka					
	Share Capital	Share money deposit for right issue	Statutory Reserve	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 01 January 2019	5,131,796,410	-	1,615,433,347	1,292,216,603	2,297,477,627	10,336,923,987
Items involved in changes in equity						
Net profit for the year	-	-	-	-	736,012,624	736,012,624
Transaction cost against right issue	-	-	-	-	-	-
Increase/(decrease) in revaluation reserve	-	-	-	(285,235,196)	-	(285,235,196)
Appropriation to statutory reserve	-	-	147,202,525	-	(147,202,525)	-
Cash dividend (15%)	-	-	-	-	(769,769,462)	(769,769,462)
Balance as at 31 December 2019	5,131,796,410	-	1,762,635,872	1,006,981,408	2,116,518,264	10,017,931,954
Balance as at 01 January 2018 (Before Restating)	3,182,509,410	160,307,660	1,472,602,021	-	2,452,387,301	7,267,806,392
Revaluation reserve for investment in subsidiaries	-	-	-	1,588,112,750	-	1,588,112,750
Balance as at 01 January 2018 (Restated)	3,182,509,410	160,307,660	1,472,602,021	1,588,112,750	2,452,387,301	8,855,919,142
Items involved in changes in equity						
Right Share Subscription	1,591,254,700	(160,307,660)	-	-	-	1,430,947,040
Net profit for the year	-	-	-	-	714,156,632	714,156,632
Transaction cost against right issue	-	-	-	-	(10,170,363)	(10,170,363)
Increase/(decrease) in revaluation reserve	-	-	-	(295,896,147)	-	(295,896,147)
Appropriation to statutory reserve	-	-	142,831,326	-	(142,831,326)	-
Stock dividend (7.5%)	358,032,300	-	-	-	(358,032,300)	-
Cash dividend (7.5%)	-	-	-	-	(358,032,317)	(358,032,317)
Balance as at 31 December 2018	5,131,796,410	-	1,615,433,347	1,292,216,603	2,297,477,627	10,336,923,987

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



Director
Officer



Director



Managing Director



Company Secretary



Chief Financial



S. F. Ahmed & Co.
Chartered Accountants

Dhaka,
08 June 2020

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF LIQUIDITY

As at 31 December 2019

Particulars	Amount in Taka					
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	94,819,545	-	782,916,144	-	-	877,735,689
Balance with banks and financial institutions	5,481,690,362	1,725,216,144	1,125,217,808	-	-	8,332,124,314
Money at call and short notice	-	-	-	-	-	-
Investments	140,528,237	1,407,928,053	1,070,157,406	560,007,273	2,213,894,943	5,392,515,912
Lease, loans and advances	4,550,176,190	11,561,656,686	28,317,859,513	14,249,782,369	6,437,608,302	65,117,083,059
Fixed assets including land, building, furniture and fixtures	30,229,801	60,459,602	272,068,209	1,451,030,449.91	1,047,410,504	2,861,198,566
Other assets	156,713,264	312,614,923	1,312,966,379	-	-	1,782,294,566
Non-banking assets	-	-	-	-	-	-
Total Assets	10,454,157,398	15,067,875,408	32,881,185,460	16,260,820,091	9,698,913,749	84,362,952,106
Liabilities						
Borrowing from other banks, financial institutions and agents	3,488,117,235	2,540,323,760	6,607,725,774	5,175,001,133	861,070,868	18,672,238,771
Deposits and other accounts	5,500,317,188	9,453,431,350	23,104,700,416	5,976,119,151	2,860,394,405	46,894,962,510
Other liabilities	385,562,898	2,661,291,465	2,626,545,360	3,153,585,258	313,736,476	9,140,721,458
Total Liabilities	9,373,997,322	14,655,046,575	32,338,971,550	14,304,705,542	4,035,201,750	74,707,922,739
Net Liquidity Surplus or (Gap)	1,080,160,076	412,828,833	542,213,910	1,956,114,549	5,663,711,999	9,655,029,367

LANKABANGLA FINANCE LIMITED

STATEMENT OF LIQUIDITY

As at 31 December 2019

Particulars	Amount in Taka					
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	94,581,413	-	782,916,144	-	-	877,497,557
Balance with banks and financial institutions	4,613,145,323	1,451,864,710	946,932,958	-	-	7,011,942,991
Money at call and short notice	-	-	-	-	-	-
Investments	90,731,113	918,509,631	410,725,459	360,007,273	613,894,943	2,393,868,418
Leases, loans and advances	4,480,571,184	11,451,742,282	27,065,067,105	12,947,534,077	4,717,546,852	60,662,461,499
Fixed assets including land, building, furniture and fixtures	22,807,175	45,614,351	205,264,578	1,094,744,417	394,031,379	1,762,461,900
Other assets	72,281,993	144,189,643	605,547,852	-	5,651,168,371	6,473,187,859
Non-banking assets	-	-	-	-	-	-
Total Assets	9,374,118,201	14,011,920,616	30,016,454,097	14,402,285,766	11,376,641,544	79,181,420,224
Liabilities						
Borrowing from other banks, financial institutions and agents	3,141,527,721	1,809,074,963	5,077,648,072	4,782,983,930	801,860,966	15,613,095,652
Deposits and other accounts	5,500,317,188	9,453,431,350	23,104,700,416	5,976,119,151	2,860,394,405	46,894,962,510
Other liabilities	277,982,372	1,908,113,134	1,873,630,236	2,383,965,535	211,738,831	6,655,430,108
Total Liabilities	8,919,827,281	13,170,619,447	30,055,978,724	13,143,068,616	3,873,994,202	69,163,488,270
Net Liquidity Surplus or (Gap)	454,290,920	841,301,169	(39,524,627)	1,259,217,150	7,502,647,342	10,017,931,954

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

1. Legal status and nature of the company

1.1 Domicile, legal form and country of operation

LankaBangla Finance Limited (hereinafter referred to as “LankaBangla” or “the Company”), a joint venture **non-banking financial institution**, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-31702(823)/96 dated 05 November 1996 as a Public Limited Company under the Companies Act, 1994 in the name of “Vanik Bangladesh Limited”. Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. It started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LankaBangla also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as Merchant Banker. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

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

Sl. No.	Name of License	Registration of License	Date of License	Renewed up to
1.	Trade License	03-095082	-	2019-2020
2.	Bangladesh Bank License	DFIM(L)/15	30.10.1997	N/A
3.	Tax Identification Number (e-TIN)	750833446407	N/A	N/A
4.	Business Identification Number (BIN)	002056056-0101	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2019-2020
6.	DCCI Membership Certificate	2857	23.12.2008	2019
7.	Board of Investment	9803054-H	30.03.1998	N/A
8.	Registration Number	C-31702(823)/96	05.11.1996	N/A

1.2 Subsidiary companies

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.2.1 LankaBangla Securities Limited

The Company is holding a subsidiary company named “LankaBangla Securities Limited” (formerly Vanik Bangladesh Securities Limited) with an equity interest of 96.6486063% in the subsidiary company. The subsidiary is a public limited company which was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated 03 July 1997 under the Companies Act, 1994. 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, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Dhanmondi, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayanganj- Narayanganj Branch. LankaBangla Securities Limited has two subsidiaries-

I) LankaBangla Information System Limited

LankaBangla Information System Limited (LBIS) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-108903/13 dated 02 May 2013 as a Private Company Limited by Shares. Its registered office is situated at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Operational activities are carrying out from AA Bhaban (Level 6), 23 Motijheel C/A, Dhaka-1000. The Company was entitled to commence its business from 02 May 2013. LBIS has a TREC (Trading Right Entitlement Certificate) in DSE and CSE.

II) BizBangla Media Limited

BizBangla Media Ltd. is a Private Limited Company incorporated on January 18, 2011 under the Companies Act 1994 with the Registrar of Joint Stock Companies & Firm of Bangladesh vides Reg. No. C- 89751/11. The Registrar office of the company is situated at 12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level - 17), Karwan Bazar, Dhaka-1215.

1.2.2 LankaBangla Investment Limited

The Company has also another subsidiary company named “LankaBangla Investment Limited” with an equity interest of 99.9999972% in the subsidiary company. LankaBangla Investment Limited was incorporated as private limited company with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-83568/10 dated 29 March 2010 under the Companies Act, 1994. Later on the company converted itself into a public limited company with effect from 12 June 2013. LankaBangla Investment Limited also applied for registration to the Bangladesh Securities and Exchange Commission for approval to operate in the Capital Market.

1.2.3 LankaBangla Asset Management Company Limited

The Company has another subsidiary company named “LankaBangla Asset Management Company Limited” with an equity interest of 99.9998939% in the subsidiary company. LankaBangla Asset Management Company Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-67738(289)/2007 dated 16 July 2007 under the Companies Act, 1994. LankaBangla Asset Management Company Limited got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration no: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company.

1.2.4 Group Structure of LankaBangla

Sl.	Name	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1	LankaBangla Securities Limited	90.9091767%	5.7394296%	96.6486063%
2	LankaBangla Investments Limited	99.9999972%	-	99.9999972%
3	LankaBangla Asset Management Company Limited	99.9998939%	-	99.9998939%
4	LankaBangla Information System Limited	-	96.4553091%	96.4553091%
5	BizBangla Media Limited	-	93.1552832%	93.1552832%

1.3 Company's activities

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

- Fees 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, Hire Purchase, Credit Card Operation, SME Finance, Auto loan, Personal Loan, Emerging and Commercial, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
- LankaBangla also provides brokerage services, Merchant Bank services and Asset Management Services through its majority owned subsidiary company.

2. Basis for preparation and significant accounting policies

1.1 Statement of compliance

The consolidated financial statements and separate financial statements of LankaBangla have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank with reference to the provisions of Financial Institutions Act 1993 and Bangladesh Bank's other circulars and guidelines or directives and in accordance with Bangladesh Financial Reporting Standards (IFRS¹), the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges.

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

The requirements of accounting standards as per IFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note - 2.5**.

However, this departure with IFRS has been made by following all of the relevant provisions of IAS – 1 and the details disclosures are given in **Note - 2.5** by following the provision of Para 20 of IAS – 1 (Presentation of Financial Statements).

2.2 Presentation of financial statements

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

2.3 Basis of measurement and consolidation

These financial statements have been prepared on the historical cost convention other than the finance lease asset and finance lease obligations which were measured at present value of the minimum lease payments. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4 Non-Controlling Interest

Non-Controlling Interests are measured at their proportionate share of the acquires identifiable net assets at the date of acquisition as per Para 19 of IFRS – 3 “Business Combinations”.

The company presents the non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of parent as per Para 22 of IFRS – 10 “Consolidated Financial Statements”.

Changes in Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction as per Para 23 of IFRS – 10 “Consolidated Financial Statements”.

The company attributes the profit and loss to the owners of the parent and to the non-controlling interests even if the results in the non-controlling interest having a deficit balance as per provision of Para B94 of IFRS – 10 “Consolidated Financial Statements”.

When the proportion of the equity held by the non-controlling interests changes, the company adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary and recognized directly in equity for any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent by as per provision of Para B96 of IFRS – 10 “Consolidated Financial Statements”.

Further details about non-controlling interest are given in **Note – 16 and Note-38.4** of Financial Statements.

2.5 Disclosure of departure from few requirements of IFRS due to mandatory compliance of Bangladesh Bank and BSEC's requirements

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

Sl.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank/ BSEC	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	<p>An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking.</p> <p>If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses (ie present value of all cash shortfalls) over the expected life of the financial instrument. For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.</p>	<p>As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances.</p> <p>Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.</p>	<p>IFRS 09 requires a robust analysis to ascertain the extent of impairment related to credit risk of individual loan clients. It also requires probability ascertainment of various possible outcome to calculate the expected credit loss. It requires professionals to engage for an unbiased judgement to measure the probability-weighted credit losses. Based on the mentioned facts, the amount of provision for leases, loans and advances couldn't be ascertained and the effect of departure too.</p> <p>However, in consolidated and separate Financial Statements, provision has been kept for 2019 equivalent to BDT 586.87 million as per Bangladesh Bank guidelines among which BDT 64.78 million is general provision on good loan. Also, as at 31 December 2019, accumulated provision for lease, loan and advances stand at BDT 1,917.21 million.</p>
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	<p>IFRS 9 requires all equity investments to be measured at fair value. At initial recognition an entity can make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is held for trading. In all other cases, investments in equity instruments measured at fair value are recognized through profit or loss.</p> <p>In limited circumstances, cost can be an appropriate estimate of fair value for investments in unquoted shares.</p>	<p>As per FID circular No. 08 dated 03 August 2002 shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.</p>	<p>In separate financial statements, the amount which is to be recognized has been recognized.</p> <p>In consolidated financial statements, Tk. 448.26 million losses would have been recognized in profit and loss account as per IFRS 9 but as per Bangladesh Bank and BSEC guidelines Tk. 157.59 million losses have been recognized.</p>

Sl.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank/ BSEC	Financial or Presentation Effect of the Departure
3	Recognition of interest income for SMA and classified lease, loans and advances	IFRSS 9 "Financial Instruments"	Interest income is calculated by using the effective interest rate to the gross carrying amount of a financial asset except for financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired for which interest income is calculated by applying the effective rate to the carrying amount net of expected credit loss provision.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	As the facts mentioned in Serial no. 1, the expected credit losses couldn't be measured for the financial assets which have become credit impaired since initial recognition, interest income on such credit-impaired financial assets also couldn't be measured and the effect of departure too. However, at year end, in Consolidated Financial Statements interest suspense account has increased to BDT 746.22 million from 654.86 million resulting increase of BDT 91.36 million of interest suspense. This amount has been shown in other liabilities in note 12.3, rather shown as interest income.
4	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less year. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail of presentation of statement cash flows.	Presentation of financial statements is not fully aligned with the requirements of IAS. Thus items which should be presented as "investment activities" as per IAS is shown as cash & cash equivalent.
5	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7 dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company has no taxable income in near future.
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements" IAS 32 "Financial Instruments: Presentation" IFRS 7 "Financial Instruments Disclosure"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement. IAS 1 requires separate line item for intangible assets on the face of statement of financial position. IAS 32 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Profit and Loss Account. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.	Presentation of financial statements is not fully aligned with all requirements of IAS. In separate financial statements, fair value gain of Tk. 13.06 million would have been recognized in other comprehensive income against strategic investments in listed shares; In consolidated financial statements, fair value loss of 360.15 million would have been recognized in other comprehensive income against strategic investments in listed shares.

Sl.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank/ BSEC	Financial or Presentation Effect of the Departure
7	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular-11, Date-23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Presentation of financial statements is not fully aligned with all requirements of the IAS.
8	Current/Non-current distinction	IAS-1 "Presentation of Financial Statement"	As per Para 60 of IAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular-11, Date-23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Presentation of financial statements is not fully aligned with all requirements of the IAS. Moreover, the liquidity statement shows the current/ non-current portion of assets and liabilities in this regards.
9	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular-11, Date-23 December 2009, off balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements
10	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 1 "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding year for retrospective restatement.	As per DFIM Circular-11, Date-23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements.
11	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1 "Presentation of Financial Statements" para 54 the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular-11, Date-23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements.
12	Fair value through other comprehensive income	IAS 1 "Presentation of Financial Statements"	As per IAS 1 "Presentation of Financial Statements, any change in revaluation reserve in long term investment are to be recognized in 'Other comprehensive income'.	As per DFIM Circular-11, Date-23 December 2009, complete set of financial statements does not contain 'Other comprehensive income' and thus any change in revaluation reserve will not be shown in 'Other comprehensive income'.	During the year, the OCI would show negative income of BDT 285.26 million if presented which would make total comprehensive income of BDT 450.77 million in separate financial statement.

2.6 Components of the financial statements

The financial statements comprise of (As per DFIM Circular-11, Dated 23 December 2009 and as per the para 10 of IAS 1: Presentation of Financial Statements):

- Consolidated and Separate Balance Sheet as at 31 December 2019;
- Consolidated and Separate Profit and Loss Account for the year ended 31 December 2019;
- Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2019;
- Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2019;
- Consolidated and Separate Liquidity Statement for the year ended 31 December 2019;
- Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2019.

2.7 Presentation and functional currency and level of precision

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

2.8 Use of estimates and judgments

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

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

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

Significant areas are where management requiring the use of estimate and judgment

- Useful life of depreciable assets as per IAS 16 (see policy note-2.22.3).
- Provision for leases, loans, advances and investments for future impairment as per IFRS 9 and/or Bangladesh Bank guidelines (see policy note-2.27).
- Provision for Gratuity scheme as per IAS 19 (see policy note-2.37.2).
- Use of Company's incremental borrowing rate as the discount rate for calculating the lease liability as per IFRS 16 (see policy note-2.18)

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the year in which the estimates are revised.

Changes in accounting estimates

During the year 2019, the Company has not adopted any change of accounting estimates and consistently applies same accounting estimates of the year of 2018 except following:

Under the Class of *System Software of Intangible Assets*, there is a software named TransWare useful life of which was estimated 4 years on 06 December 2018. On 1st July 2019, useful life of this asset has been re-estimated at 8 years from 06 December 2018 and depreciation for the period from July to December 2019 is calculated based on new estimates. The estimates have been changed after thorough consideration of real useful life of similar software, Company's experience of having real useful life of a similar software and possibility of any major technological changes that may make the software obsolete.

As a result of the change of this estimate, following are the impacts on the Financial Statements for the year ended 31 December 2019 and onwards:

Year	Before Change in Estimate		After Change in Estimate		Impact on Financials Statements	
	Annual Depreciation	WDV of Asset	Annual Depreciation	WDV of Asset	Increase/ (Decrease) in Profit	Increase/ (Decrease) in WDV of Asset
2019	22,530,387	65,986,256	16,411,889	72,104,753	6,118,498	6,118,498
2020	22,530,387	43,455,869	10,398,356	61,706,397	12,132,030	18,250,528
2021	22,530,387	20,925,483	10,398,356	51,308,040	12,132,030	30,382,558
2022	20,925,483	-	10,398,356	40,909,684	10,527,126	40,909,684
2023	-	-	10,398,356	30,511,328	(10,398,356)	30,511,328
2024	-	-	10,398,356	20,112,971	(10,398,356)	20,112,971
2025	-	-	10,398,356	9,714,615	(10,398,356)	9,714,615
2026	-	-	9,714,619	-	(9,714,615)	-

2.9 Changes in significant accounting policies

2.9.1 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016 that is effective for annual periods that begin on or after 1 January 2019) for LankaBangla Finance and all of its subsidiaries (Group).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2.18. The impacts of the adoption of IFRS 16 on the Group's separated and consolidated financial statements are described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

2.9.1.1 Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

2.9.1.2 Impact on lessee accounting

2.9.1.2.1 Former operating lease

As a lessee, the Group leases branches and head office premises. IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Under IFRS 16, the Group

- (a) Recognises right-of-use assets and lease liabilities in both the separated and consolidated statement of financial position, initially measured at the present value of the future lease payments; i.e. these leases are on-balance sheet.
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss of both separate and consolidated statement of profit and loss account;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in both the separated and consolidated statement of cash flows.

However, any intra-group transaction regarding lease of any asset between group entities are totally eliminated both from Profit & Loss account and Statement of Financial Position.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

On transition, for these leases, lease liabilities and Right-of-use assets were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate (weighted average) as at 1 January 2019 (see Note 2.9.1.4.). Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- used hindsight when determining the lease term.

2.9.1.2.2 Former finance lease

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

2.9.1.3 Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

2.9.1.4 Financial impact of the initial application of IFRS 16

2.9.1.4.1 Impact on transition

On transition to IFRS 16, As Right of use of assets was equivalent to the lease liabilities at the date of initial application, no cumulative effect was necessary in retained earnings at the date of initial application. The impact on transition as at 1 January 2019 is summarized below.

	<u>Amount in BDT</u>	
	<u>LankaBangla Finance</u>	<u>LankaBangla Group</u>
Right-of-use assets	401,836,518	512,773,208
Deferred tax asset	-	-
Lease liabilities	401,836,518	512,773,208
Retained earnings	-	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 9.7% for LBFL, 12.25% for LBSL, 10.18% for both LBIL and LBAMCL.

2.9.1.4.2 Impact on profit or loss for the year ended 31 December 2019

	<u>Amount in BDT</u>	
	<u>LankaBangla Finance</u>	<u>LankaBangla Group</u>
Increase in depreciation of right-of-use asset	129,241,992	173,487,675
Increase in finance costs	32,171,501	43,473,449
Decrease in Rent expenses	143,345,524	199,130,732
Increase/ (Decrease) in profit for the year	(18,067,969)	(17,830,392)

2.9.1.4.3 Impact on assets & liabilities as at 31 December 2019

	<u>Amount in BDT</u>	
	<u>LankaBangla Finance</u>	<u>LankaBangla Group</u>
Right-of-use assets	272,594,526	339,285,534
Net impact on total assets	272,594,526	339,285,534
Lease liabilities	290,662,495	358,064,361
Net impact on liabilities	290,662,495	358,064,361

For the impact of IFRS 16 on EPS for the period, see Note 34.3. For the details of accounting policies under IFRS 16 and IAS 17, see Note 2.18.

2.9.2 Accounting for investment in subsidiaries in separate financial statements

2.9.2.1 Nature of Change

The Company has been accounted investment in subsidiary under the cost method of accounting in the Company's separate financial statements in accordance with IAS-27. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at cost, less impairment losses (if any).

Management has decided to change cost method of accounting and applied IFRS 9 (as permitted by IAS 27) for accounting of investment in subsidiaries in the separate financial statements of the Company. As per IFRS 9, Investment in subsidiary is measured at fair value through other comprehensive income.

2.9.2.2 Reason for Change

The Management has reason to believe that current method (cost method accounting) is not relevant and does not provide relevant information as market value of some subsidiaries are significantly different than its cost value and does not reflect reality.

By switching from cost approach to fair value approach for accounting for investment in subsidiary will increase the relevance of financial statements due to reflection of reality as well as it will ensure more reliability as there will be justifiable assumptions in measuring fair value for this purpose.

2.9.2.3 Investment in subsidiary accounted under IFRS 9

Para 4.1 of IFRS 9 permits investment in subsidiary to be recognized and subsequently measured at fair value. As the Company has the intentions to hold these subsidiaries for long term, the management has decided to designate these assets irrevocably at fair value through other comprehensive income (FVTOCI). This means, any change in fair value will be shown in other comprehensive income and in a separate reserve account in the balance sheet other than retained earnings. However, as per Bangladesh Bank guidelines, the Company cannot present "Other Comprehensive Income" and thus any change in fair value will directly be recognized in Revaluation Reserve under Equity in the balance sheet. This departure from IFRS is disclosed in Note – 2.5.12.

2.9.2.4 Fair Value Measurement

Fair Value is to be measured as per IFRS 13: Fair Value Measurement. IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 requires to use valuation technique that is appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. IFRS 13 mentions three valuation techniques as example, viz., market approach, cost approach and income approach. However, these approaches are suitable for listed securities.

All of the subsidiaries of the Company are unquoted equity and any of these approach is not suitable. IFRS 13 has an accompanying material on how to measure fair value for unquoted equity instruments. This document recommends adjusted net asset method to use for fair value in this scenario. Hence, the Company has used adjusted net asset method to measure fair value of investment in subsidiaries. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its individual assets and liabilities adjusted by any non-controlling interest.

While applying to adjusted net asset method, the Company has not made any adjustment to any of the assets or liabilities as some assets are already adjusted to fair value in the separate financials of the respective subsidiary. Thus, Fair Value of Investment in Subsidiary equals the Net Asset Value of the Subsidiaries at the reporting dates adjusted by non-controlling interest.

2.9.2.5 Impact on Financial Statements

There is no impact on profit or loss or on EPS of any year due to this policy change. Only the impact is: investment in subsidiaries are currently recorded at fair value instead of cost and revaluation reserve is shown under equity.

The details of impact on balance sheet and statement of changes in equity is shown in Note 15A and balance sheet as at 01 January 2018.

2.10 Contingent asset and contingent liability

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

2.11 Going concern

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

2.12 Materiality and aggregation

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

2.13 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

2.14 Statement of cash flows

Statement of cash flows has been prepared in accordance with the template provide with DFIM circular no.-11, Date-23 December 2009 which is a mixture of Direct and Indirect method of IAS 7 "Statement of Cash Flows".

2.15 Branch accounting

The Company has 27 branches, with no overseas branch as on 31 December 2019. Accounts of the branches are maintained at the Branch level, and consolidated through the Accounting software automatically in head office from which these accounts are drawn up.

2.16 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, current account with Bangladesh Bank, interest bearing and non-interest bearing bank deposit, fixed deposits and investments in call loan that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value. Cash and cash equivalents are used and maintained for day to day operation of the company and for CRR and SLR requirements of Bangladesh Bank.

2.17 Investments

Investments comprise of equity, debt, government securities and unit funds. All investments are initially recognized at cost, being fair value of the consideration given, including cost of acquisition associated with the investment. The valuation methods of investments used are:

2.17.1 Investments in Government Treasury Bills and Bonds

Investments in Government Treasury Bills and Government Treasury Bonds are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the management has the intention and ability to held to maturity (HTM). These financial instruments are recognized at fair value initially including cost of acquisition and subsequently measured at amortized cost as per IFRS 9 by using effective interest method less any impairment (if any).

2.17.2 Investments in listed securities

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where market price is less than cost) as guided by Bangladesh Bank. No gains are recognized in the profit and loss account. This is a departure from fair value approach of IFRS 9 which is disclosed in Note 2.5.2

2.17.3 Investments in non-listed securities

Investments in non-listed securities are reported at cost under cost method. Adjustment is given for any shortage of NAV (determined as per the last audited report) over cost for determining the carrying amount of investment in unlisted securities as per Bangladesh Bank guidelines. No gains are recognized in the profit and loss account. This is also a departure from fair value approach of IFRS 9 which is disclosed in Note 2.5.2

2.17.4 Investments in subsidiaries

Investments in subsidiaries are accounted for as per IFRS 9 in Company's separate financial statements in accordance with IAS-27. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at fair value and any changes therein are recorded in revaluation reserve under equity. Any changes in fair value of investment in subsidiaries are not shown in other comprehensive income due to not permitted by Bangladesh Bank. This is disclosed in note 2.5.12.

The Company has used adjusted net asset method as per IFRS 13 to measure fair value of investment in subsidiaries. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its individual assets and liabilities adjusted by any non-controlling interest. While applying to adjusted net asset method, the Company has not made any adjustment to any of the assets or liabilities as some assets are already adjusted to fair value in the separate financials of the respective subsidiary. Thus, Fair Value of Investment in Subsidiary equals the Net Asset Value of the Subsidiaries at the reporting dates adjusted by non-controlling interest.

2.18 Accounting for leases

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate (weighted average) at the date of commencement of lease as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'Fixed Assets including Land, Building, Furniture & Fixtures' and lease liabilities in 'Borrowings from Bangladesh Bank, other banks & financial institutions' in the statement of financial position.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. Currently the Group has no operating lease as a lessor.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group applies the derecognition and impairment requirements in compliance with the requirements of circular issued by the DFIM of Bangladesh Bank.

2.19 Accounting for term finance

Books of account of term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized principal for long-term finance are accounted for as term finance assets of the company. Interest earnings are recognized as accrual basis.

2.20 Accounting for margin loan

Margin Loan to Portfolio investors is given at an agreed ratio between investors deposit and loan amount to purchase securities against respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to changes in market price of share. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

Interest on Margin loan is charged on client's portfolio value on daily basis at the applicable rate. Whenever the probability arises that the benefit will flow to the Company this is recognized to income as per para 5.4.1 of IFRS 9 'Financial Instruments'.

2.21 Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of financial liability. After initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus the cumulative amortization using the effective interest. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

2.22 Recognition of fixed assets

2.22.1 Assets acquired under own finance

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

2.22.2 Assets acquired under lease

Assets acquired under finance lease are accounted as per IFRS 16. Please see Note – 2.18 for detail of such accounting.

2.22.3 Depreciation on fixed assets

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognized.

Depreciation on fixed assets is charged using straight-line method at the following rates:

Fixed assets	Rate
Furniture and fixture	20%
Office equipment	20%
Motor vehicle	20%
IT equipment	33.33%
Building	2.5%
Land	Nil
Right of use assets	Equal Monthly Lease period

2.22.4 Depreciation of right of use assets

Leased assets in the use and possession of the Company are depreciated in the books of the Company over the lease terms. The principal portions of lease installment paid or due are charged as depreciation in the year to which it relates.

2.22.5 Subsequent expenditure on fixed assets

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

2.22.6 Disposal of fixed assets

On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the profit and loss account, which is determined with reference to the net book value of the assets and net sale proceeds.

2.22.7 Intangible assets

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

Intangible assets include accounting software, credit card software, other software and integrated systems along with related hardware.

Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of four (4) years. During the year, useful life of a software (TranzWare) has been re-estimated at 8 years since its commencement date instead of 4 years. Details of which are given in Note -2.8.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

2.23 Other assets

Any assets which do not appear as separate line item in the face of the balance sheet of the company are categorised as other assets as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank.

Other assets include advance office rent, payment of advance income tax for which assessment of tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, advance for operation and investment in subsidiaries etc. However, investment in subsidiaries is eliminated at time of consolidation in accordance with IFRS -10 'Consolidated Financial Statements'.

2.24 Borrowings from Bangladesh Bank and other banks and financial institutions

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks and financial institutions. These are stated in the statement of financial position at amounts payable. Interest paid or payable on these borrowings is charged to the statement of comprehensive income.

2.25 Term deposits and other deposits accounts**2.25.1 Term Deposits**

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

2.25.2 Other deposits

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

2.26 Provision for liabilities

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

2.27 Provision for leases, loans and advances

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

Particulars	Rates
General Provision on:	
Unclassified of Small and Medium Enterprise(SME)	0.25%
Unclassified of leases, loans and advances except SME	1%
Special Mention Account of leases, loans and advances	5%
Specific Provision On:	
Sub-standard of leases, loans and advances	20%
Doubtful of leases, loans and advances	50%
Bad/loss of leases, loans and advances	100%

See details in **Annexure- C**.

2.28 Interest suspense account

In compliance with Bangladesh Bank FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006, are not recognized as revenue and credited to interest suspense account.

Interests on mortgage finance overdue beyond nine months are not recognized as revenue and credited to interest suspense account.

See details in **Annexure- C**.

2.29 Borrowing cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of fund.

The Company capitalized borrowing costs that is directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense as per para 8 of IAS 23 'Borrowing Costs'.

2.30 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, LankaBangla Finance Limited applies the accounting disclosure principles consistently from one year to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the 'amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS-8.

2.31 Liquidity statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of assets and liabilities as of the close of the year as per following bases:

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

2.32 Books of account

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

2.33 Foreign currency transaction

Foreign currency transactions are translated into Bangladeshi Taka at exchange rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the period or year are reported at the rates prevailing on the Balance Sheet date. Exchange gains or losses arising out of the said conversions are recognized as income or expense for the period or year and charged in the profit and loss account after netting off.

2.34 Revenue recognition

Interest revenue from financial instruments is recognised in the profit and loss account on accrual basis.

Other revenue is measured based on the consideration specified in a contract with a customer. The Company/Group recognises revenue when it transfers control over a product/service provided to a customer with the performance obligation being satisfied and the amount of the transaction price is allocated to that performance obligation.

2.34.1 Income from lease finance

The Company follows the finance lease method for accounting of lease incomes in compliance with IFRS 16. Interests are recognized as and when interest incomes are accrued. Lease interests outstanding over 3 months are not recognized as revenue, and used to keep under interest suspense account.

Fee based income charges from lease operations are accounted for when they arise.

2.34.2 Interest income from term finance

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account.

Fees based income and delinquent charges from loan operations are accounted when they arise.

2.34.3 Interest income from credit cards

Interest on credit card is accrued and taken to accounts up to 03 (three) months. Interest accrued on credit card for more than three months is accounted as Interest-in-Suspense and is not added to revenues. Thereafter, interest is recognized on cash basis reversing the suspense account. Fee based income from credit card operations are accounted for on accrual basis.

2.34.4 Interest income from fixed deposit receipts

Interest on fixed deposit receipts is recognized on accrual basis.

2.34.5 Investment income

Interest income from investments in commercial paper is recognized on accrual basis as per para 5.4.1 of IFRS 9: Financial Instruments. **Capital gain/ (loss) on investments in shares** is recognized when it is realized.

Dividend income on shares is recognized during the year as per para 5.7.1A of IFRS 9: Financial Instruments only when:

- (a) the Company's right to receive the payment of the dividend is established;
- (b) it is probable the economic benefits associated with the dividend will flow to the Company; and
- (c) the amount of the dividend can be measured reliably.

2.34.6 Portfolio management fee

Portfolio management fees are recognized based on the market value of the client's portfolio on daily basis at the applicable rate.

2.34.7 Issue Management and Corporate Advisory Fee

Issue management fee and corporate advisory fees are recognized according to performance obligations being satisfied relating to the services as agreed and defined in Issue Management and Corporate Advisory agreement between company and clients.

2.34.8 Fees and commission based income

Fees and commission based income arising on services provided by the company are recognized when the performance obligations are satisfied and the amount of the transaction price is allocated to the performance obligations.

2.34.9 Other income

Fee based incomes other than above are recognized as income when the performance obligations are satisfied relating to the services and the amount of transaction price can be allocated and economic benefits associated with the transaction flow to the company.

2.35 Write off

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written off") the business's balance sheet.

Recovery against debts written off or provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities, properties or advances.

2.36 Operating expenses

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

2.36.1 Salary and allowances

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

2.37 Employee benefit plans

LankaBangla Finance Limited offers a number of benefit plans which include contributory provident fund, gratuity plan, Profit participation scheme and Group Life Insurance Scheme and Health Insurance. The retirement benefits accrued for the employees of the Company as on reporting date have been accounted for in accordance with the provisions of International Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated are outlined below:

2.37.1 Provident fund

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

2.37.2 Gratuity fund

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

Year of Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

2.37.3 Profit participation scheme

Every confirmed employee will be entitled to participate in the profit participation scheme (on a pro-rata basis in case of new joiners) based on the performance.

2.37.4 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

2.37.5 Employees home loan scheme

The Company also has real estate loan for its permanent employees at 7% simple interest rate. Employees are entitled for real estate loan after satisfying of minimum loan eligible criteria.

2.38 Corporate tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a. Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years. Provision for taxation for the year ended 31 December 2019 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2019. Currently the tax rate applicable for banks is 37.5%

b. Deferred tax

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

2.39 Legal proceedings

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

2.40 Earnings per Share (EPS)

The company calculates EPS in accordance with the requirement of IAS – 33: "Earnings Per Share", which has been shown on the face of the profit and loss account and the computation is shown in **Note - 34**.

Basic earnings

This represents earnings for the year ended on 31 December 2019 attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued (as bonus share) during the year multiplied by a time weighting factor. The time-weighting factor is the numbers of days the specific shares are outstanding as a proportionate of the number of days in the year.

Basic earnings per share

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

Diluted earnings per share

Diluted EPS is calculated if there is any commitment for issuance of equity shares in foreseeable future, i.e., potential shares, without inflow of resources to the Company against such issue. This is in compliance with the requirement of IAS – 33" Earnings Per Share".

2.41 Credit rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 30 September 2019 with "AA₃" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2018 and other available information up to the date of rating declaration. The outlook on the rating is Stable. This rating will be valid upto June 30, 2020.

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.

2.42 Impairment of assets

The company has assessed at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired, whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount by debiting to statement of comprehensive account. Fixed assets are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may be impaired. This is in compliance with the requirement of IAS – 36 “Impairment of Assets”.

2.43 Statutory reserve

The Financial Institutions Act 1993 requires the Company to transfer 20% of its current year’s profit after tax to reserve until such reserve equals to its paid up capital.

2.44 General reserve

The Board of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.

2.45 Events after the Reporting Period

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

Implications of COVID-19 on business and Response to address the COVID-19 effects is shown in **Note- 42(e)**.

Dividend payable to the Company’s shareholders is recognized as a liability and deducted from the shareholders’ equity in the year in which the shareholders’ right to receive payment is established.

2.46 Corporate governance

The company recognizes the importance of high standards of corporate governance and corporate social responsibility. Through regular Board Meeting and documented procedures of independence, the company endeavors to meet the standards expected.

The company has taken note of the recently prescribed measures by the Bangladesh Securities and Exchange Commission in this regard and intends to introduce the concept of independent Director at the earliest possible opportunity. An Audit Committee is already in place. The Company also prohibits provision of non-audit services by the external auditors. The Audit committee keeps under review the independence and objectivity of the external auditors.

The Board is also committed to effective communication between the company and its subsidiaries, investors, regulators and third party interests.

2.47 BASEL II and its implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on ‘Basel Accord for Financial Institutions (BAFI)’ have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run year, Basel Accord regime will be started and the guidelines on BAFI has come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all financial institutions for the purpose of statutory compliance.

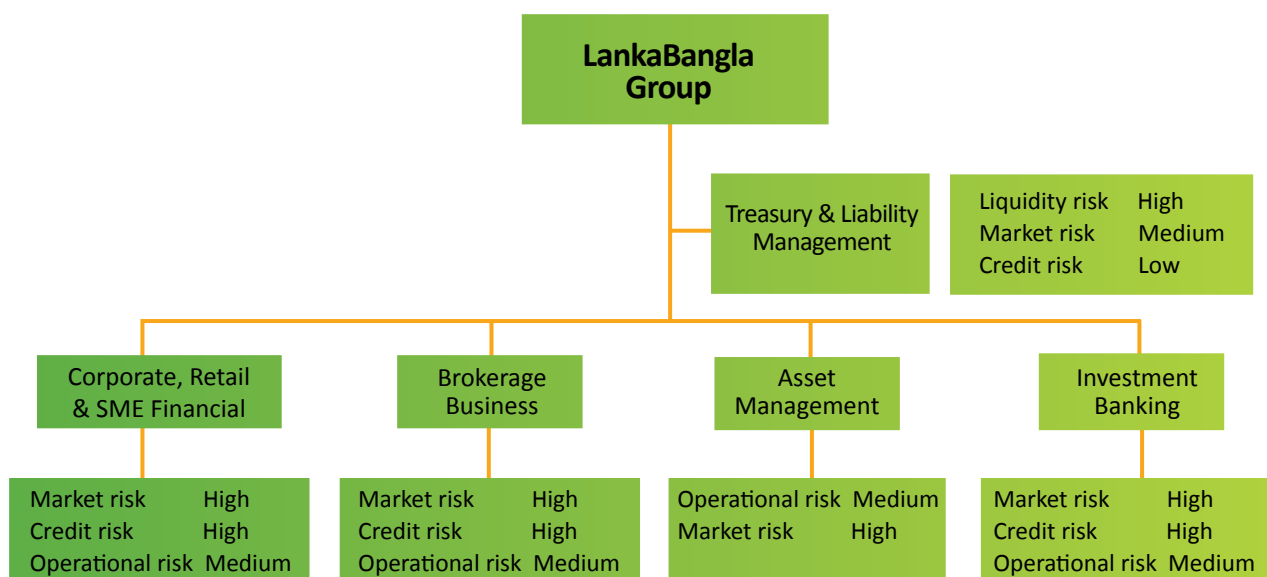
In line with Bangladesh Bank requirement, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

2.48 Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

The chart below provides a link between the Group’s business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.



The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Asset Liability Management committee (ALCO) and Risk Management Forum by following the relevant directives and guidelines of Bangladesh Bank, which are responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

The Board of Directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit Risk Management department, reporting to the Managing Director and Executive Committee, is responsible for management of the Group's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Group Credit Committee or the Board of Directors as appropriate.

Credit Risk Management assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can

no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury division manages the Group's liquidity position on a day-to day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), zero coupon bond and different types of bank borrowing ranging from very short nature call loan to short term loan to long term loan and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding;
- Carrying out stress testing of the Group's liquidity position. Treasury division receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

B. Market Risk

- C.** Market risk is the risk that changes in market prices, such as interest rates, share prices and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

D. Operational risks

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

objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to Management Committee which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management Committee with summaries submitted to the Audit Committee and senior management of the Group.

2.49 Segments

After incorporation the company started with lease and loan as its core financing business. By times, it diversified its business among Asset Management Operations, Merchant banking business and brokerage business. The company has decided its various operating segment considering nature of segmental business. Thus four operating segments of the Group are reported and presented. Profit and loss account of above operations and other operation have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), and results of its operation have been combined, item by item, with the financial results of the Company.

2.50 Comparative figures

Comparative information has been disclosed in respect of the year ended 31 December 2019 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2018 have been rearranged whenever considered necessary to ensure comparability with the current year.

2.51 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 08 June 2020.

2.52 Compliance of International Financial Reporting Standards (IFRS)

SI #	Name of IAS/IFRS	Status
01	IAS 1: Presentation of Financial Statements	Partially Complied
02	IAS 2: Inventories	Not Applicable
03	IAS 7: Statements of Cash Flows	Partially Complied
04	IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
05	IAS 10: Events after the Reporting Period	Complied
06	IAS 12: Income Taxes	Partially Complied
07	IAS 16: Property, Plant and Equipments	Complied
08	IAS 19: Employee Benefits	Complied
09	IAS 20: Accounting for Govt. Grants and disclosures of Govt. Assistancess	Not Applicable
10	IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
11	IAS 23: Borrowing Costs	Complied
12	IAS 24: Related Party Disclosures	Complied
13	IAS 26: Accounting and Reporting by Retirement Benefit Plan	Not Applicable
14	IAS 27: Separate Financial Statements	Complied
15	IAS 28: Investments in Associates and Joint Ventures	Not Applicable
16	IAS 29: Financial Reporting in Hyperinflationary Economics	Not Applicable
17	IAS 32: Financial Instruments: Presentation	Partially Complied
18	IAS 33: Earnings Per Share	Complied
19	IAS 34: Interim Financial Reporting	Complied
20	IAS 36: Impairment of Assets	Complied
21	IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Complied
22	IAS 38: Intangible Assets	Complied
23	IAS 40: Investment Property	Not Applicable
24	IAS 41: Agriculture	Not Applicable
25	IFRS 1: First-time adoption of International financial Reporting Standards	Not Applicable
26	IFRS 2: Share-based Payment	Not Applicable
27	IFRS 3: Business Combinations	Complied
28	IFRS 4: Insurance Contracts	Not Applicable
29	IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
30	IFRS 6: Exploration for and Evaluation of Mineral Resources	Not Applicable
31	IFRS 7: Financial Instruments: Disclosures	Partially Complied
32	IFRS 8: Operating Segments	Complied
33	IFRS 9: Financial Instruments	Partially Complied
34	IFRS 10: Consolidated Financial Statements	Complied
35	IFRS 11: Joint Arrangements	Not Applicable
36	IFRS 12: Disclosure of Interests in Other Entities	Complied
37	IFRS 13: Fair Value Measurement	Complied
38	IFRS 14: Regulatory Deferral Accounts	Not Applicable
39	IFRS 15: Revenue from Contracts with Customers	Complied
40	IFRS 16: Leases	Complied

Partially Complied standards are those requirements which are different from those of Bangladesh Bank. Note – 2.5 contains details about such departure from IFRS requirements to comply with Bangladesh Bank.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
3. Cash in hand				
See accounting policy in note (2.16)				
Local currency	777,880	904,927	539,748	670,916
Foreign currency	-	-	-	-
	777,880	904,927	539,748	670,916
Cash in hand represents the amount under impress system of petty cash to meet daily petty cash expenses requirement both for head office and branch offices.				
4. Balance with Bangladesh Bank and its agent banks				
See accounting policy in note (2.16)				
Local currency	876,957,809	1,001,123,850	876,957,809	1,001,123,850
Foreign currency	-	-	-	-
	876,957,809	1,001,123,850	876,957,809	1,001,123,850
Balance with Bangladesh Bank has been maintained as Cash Reserve Requirement (CRR) of Bangladesh Bank through non-interest bearing current account.				
4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)				
Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act, 1993 and Financial Institution Regulations 1994 and FID Circular No. 06 dated 06 November, 2003 and FID Circular No. 02 dated 10 November, 2004.				
Cash reserve requirement (CRR) 2.50%				
Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).				
Required reserve (2.50%)	978,645,181	1,003,899,636	978,645,181	1,003,899,636
Actual reserve held (2019: 2.57%, 2018: 2.57%)	1,004,764,992	1,033,935,726	1,004,764,992	1,033,935,726
Surplus/(deficit) (2019: 0.07%, 2018: 0.07%)	26,119,811	30,036,090	26,119,811	30,036,090
Statutory Liquidity Requirements (SLR) 5.00%				
Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.				
Total required reserve (5%)	2,111,364,318	2,129,549,374	2,111,364,318	2,129,549,374
Actual reserve held (2019: 5.04%, 2018: 5.03%)	2,127,244,265	2,141,073,473	2,127,244,265	2,141,073,473
Total surplus/(deficit) (2019: 0.04%, 2018: 0.03%)	15,879,947	11,524,099	15,879,947	11,524,099
5. Balance with other banks and financial institutions				
See accounting policy in note (2.16)				
Inside of Bangladesh				
Local Currency				
Non interest bearing current account (Note - 5.1)	199,751,621	875,208,610	199,751,621	875,208,610
Interest bearing short term deposit account (Note - 5.2)	4,714,473,095	4,381,911,470	3,469,717,764	2,699,919,292
Fixed deposit receipt account (Note - 5.3)	3,417,770,330	3,174,029,289	3,342,344,337	3,131,289,833
	8,331,995,045	8,431,149,369	7,011,813,722	6,706,417,735
Foreign Currency				
Dhaka Bank Ltd.-USD A/C (Exchange Rate Tk. 84.9500)	92,629	91,485	92,629	91,485
Dhaka Bank Ltd.-POUND A/C (Exchange Rate Tk. 111.0152)	29,507	28,448	29,507	28,448
Dhaka Bank Ltd.-EURO A/C (Exchange Rate Tk. 94.8758)	7,133	7,234	7,133	7,234
	129,269	127,167	129,269	127,167
	8,332,124,314	8,431,276,535	7,011,942,991	6,706,544,902
Outside of Bangladesh				
	-	-	-	-
	8,332,124,314	8,431,276,535	7,011,942,991	6,706,544,902

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
5.1 Non interest bearing current account				
Bank Asia Limited	33,925	425	33,925	425
BRAC Bank Limited	61,239,484	4,188,764	61,239,484	4,188,764
Dhaka Bank Limited	55,917	3,975	55,917	3,975
Dutch Bangla Bank Limited	1,656	1,485	1,656	1,485
Eastern Bank Limited	3,354,154	-	3,354,154	-
Exim Bank Limited	655	1,000	655	1,000
First Security Islami Bank Limited	6,101,830	675,222	6,101,830	675,222
Mercantile Bank Limited	5,188,193	564,196,732	5,188,193	564,196,732
Mutual Trust Bank Limited	9,519	1,650	9,519	1,650
ONE Bank Limited	39,428,006	372,500	39,428,006	372,500
Prime Bank Limited	1,471	471	1,471	471
Standard Chartered Bank	80,435,471	304,069,282	80,435,471	304,069,282
The Premier Bank Ltd.	9,830	-	9,830	-
Trust Bank Limited	3,890,889	1,696,807	3,890,889	1,696,807
United Commercial Bank Limited	621	298	621	298
	199,751,621	875,208,610	199,751,621	875,208,610
5.2 Interest bearing short term deposit account				
AB Bank Limited	8,584,937	4,415,123	8,584,937	4,415,123
Bangladesh Development Bank Limited	104,350	89,076	-	-
Bank Asia Limited	39,064,548	12,093,303	39,064,548	12,093,303
BASIC Bank Limited	15,773	3,261	15,773	3,261
Commercial Bank of Ceylon	2,587,567	2,274,941	-	-
Dhaka Bank Limited	657,179,498	558,566,423	524,870,383	550,988,194
Dutch Bangla Bank Limited	28,191,166	14,755,327	28,191,166	14,755,327
Eastern Bank Limited	45,176,123	37,011,685	45,176,123	37,011,685
Exim Bank Limited	303,626	1,671,663	303,626	1,671,663
Jamuna Bank Limited	2,806	3,666	2,806	3,666
Meghna Bank Limited	1,687	2,607	-	-
Mercantile Bank Limited	707,953,146	5,019,993	707,953,146	5,019,993
Midland Bank Limited	23,036	40,738	16,425	-
Mutual Trust Bank Limited	1,275,112	127,415	1,275,112	127,415
NRB Bank Limited	62,725,123	23,525,273	62,725,123	23,525,273
National Credit and Commerce Bank Limited	1,067,551,881	654,143,963	707,420,407	450,528,072
ONE Bank Limited	1,969,566,081	2,936,015,276	1,223,590,278	1,476,221,287
Prime Bank Limited	4,380,929	308,585	4,380,929	308,585
Shahjalal Islami Bank Limited	314,737	270,466	217,770	25,144
Sonali Bank Limited	671,435	307,599	-	-
South Bangla Agriculture and Commercial Bank Limited	32,636	35,966	-	-
Standard Bank Limited	21,449	63,509	-	-
Standard Chartered Bank	39,373,651	47,289,410	36,557,416	39,429,154
The City Bank Limited	34,538,486	69,201,408	34,538,486	69,122,353
The Premier Bank Limited	19,023,583	10,972,693	19,023,583	10,972,693
United Commercial Bank Limited	25,457,034	3,668,110	25,457,034	3,668,110
Uttara Bank Limited	-	5,000	-	-
Woori Bank	352,693	28,990	352,693	28,990
	4,714,473,095	4,381,911,470	3,469,717,764	2,699,919,292
5.3 Fixed deposit receipt account				
Brac Bank Limited	-	150,000,000	-	150,000,000
Dhaka Bank Limited	300,000,000	-	300,000,000	-
Dutch Bangla Bank Limited	-	500,000	-	500,000
Islamic Finance and Investment Limited	-	150,000,000	-	150,000,000
IFIC Bank Limited	-	250,000,000	-	250,000,000
Meghna Bank Limited	400,000,000	350,000,000	400,000,000	350,000,000
Mercantile Bank Limited	500,000,000	-	500,000,000	-
Meridian Finance and Investment Limited	135,000,000	300,000,000	135,000,000	300,000,000
Midas Finance Limited	-	260,000,000	-	260,000,000
Modhumoti Bank Limited	-	20,000,000	-	20,000,000
National Credit and Commerce Bank Limited	359,377,500	-	359,377,500	-
One Bank Limited	711,793,307	464,570,311	690,557,141	463,396,510
Phoenix Finance & Investments Limited.	-	50,000,000	-	50,000,000
Standard Bank Limited	600,000,000	800,000,000	600,000,000	800,000,000
Standard Chartered Bank	54,189,827	41,565,655	-	-
The Premier Bank Limited	67,409,696	37,393,323	67,409,696	37,393,323
Union Capital Limited	290,000,000	300,000,000	290,000,000	300,000,000
	3,417,770,330	3,174,029,289	3,342,344,337	3,131,289,833

Disclosures in compliance to the FID Circular # 6, dated 06 November 2003 of the Bangladesh Bank consist of the following:

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
5.4 Maturity grouping of balance with other banks and financial institutions				
Up to 1 month	5,481,690,362	1,694,211,106	4,613,145,323	1,694,172,647
Over 1 month but not more than 3 months	1,725,216,144	4,381,911,470	1,451,864,710	2,699,919,292
Over 3 months but not more than 6 months	375,072,603	1,647,342,080	236,733,240	1,604,641,082
Over 6 months but not more than 1 year	750,145,206	707,811,880	710,199,719	707,811,880
Over 1 year but not more than 5 years	-	-	-	-
Over 5 years	-	-	-	-
	8,332,124,314	8,431,276,535	7,011,942,991	6,706,544,902
6 Investment				
See accounting policy in note (2.17)				
Government securities	-	-	-	-
Treasury bills	-	-	-	-
Treasury Bonds	-	-	-	-
Other investments	5,392,515,912	5,713,587,671	2,393,868,418	2,409,307,374
Non marketable shares and mutual funds (Note - 6.1)	235,842,990	230,519,480	123,569,450	123,569,450
Marketable shares and mutual funds (Note - 6.2)	4,154,848,688	5,283,068,192	1,268,474,734	2,085,737,924
Investment-LankaBangla Equity Sharing Scheme	-	-	-	-
Investment in Commercial Paper	-	200,000,000	-	200,000,000
Investment in Subordinated bond	800,000,000	-	800,000,000	-
Discretionary corporate fund-LBAMCOL Maximizer	201,824,234	-	201,824,234	-
	5,392,515,912	5,713,587,671	2,393,868,418	2,409,307,374
Investment is Designated as follows:				
Held for Trading	3,402,442,362	3,410,163,126	1,087,358,732	1,149,817,777
Held to Maturity	800,000,000	200,000,000	800,000,000	200,000,000
Available for Sale	954,230,560	1,872,905,066	382,940,236	935,920,146
Others	235,842,990	230,519,480	123,569,450	123,569,450
	5,392,515,912	5,713,587,671	2,393,868,418	2,409,307,374
6.1 Non marketable shares and mutual funds				
Non marketable shares (Note - 6.1.1)	118,842,990	123,307,150	21,569,450	21,569,450
Non marketable mutual funds (Note - 6.1.2)	117,000,000	107,212,330	102,000,000	102,000,000
	235,842,990	230,519,480	123,569,450	123,569,450
6.1.1 Non marketable shares				
ADN Telecom Limited	569,040	1,138,080	-	-
Aman Cotton Fibrous Limited	-	-	-	-
BD Venture Limited	20,000,000	20,000,000	20,000,000	20,000,000
Base Textiles Limited	30,000,000	30,000,000	-	-
Bengal Meat Processing Industries Limited	50,000,000	50,000,000	-	-
Central Depository (Bangladesh) Limited	1,569,450	1,569,450	1,569,450	1,569,450
Chittagong Stock Exchange Limited*	5,000,000	5,000,000	-	-
Dhaka Stock Exchange Limited*	8,704,500	8,704,500	-	-
Esquire Knit Composit Limited	-	3,760,200	-	-
Financial Excellence Limited	3,000,000	3,000,000	-	-
SS Steel Limited	-	134,920	-	-
	118,842,990	123,307,150	21,569,450	21,569,450
6.1.2 Non marketable mutual funds				
CAPM Unit Fund	2,000,000	2,000,000	2,000,000	2,000,000
EDGE Bangladesh Mutual Fund	5,000,000	5,000,000	-	-
Genex Infosys Limited	-	212,330	-	-
LankaBangla 1st PE Fund	10,000,000	-	-	-
LBAMCL Al-Arafah Shariah Unit Fund	50,000,000	50,000,000	50,000,000	50,000,000
LankaBangla 1st Balanced Uint Fund	50,000,000	50,000,000	50,000,000	50,000,000
	117,000,000	107,212,330	102,000,000	102,000,000

*LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
Stock Exchange	Type of Shares	Number of Shares	Face Value	Face Value amount
Dhaka Stock Exchange	Floated (53.33%)	2,886,042	10	28,860,420
	Blocked (46.67%)	2,525,287	10	25,252,870
		5,411,329		54,113,290
Chittagong Stock Exchange	Floated (40%)	1,714,932	10	17,149,320
	Blocked (60%)	2,572,398	10	25,723,980
		4,287,330		42,873,300

Valuation of membership has been shown at cost in the accounts.

6.2 Marketable shares and mutual funds

Bank	123,665,846	1,197,305,283	49,152,870	810,601,428
Cement	79,807,931	42,978,780	40,440,307	3,611,157
Ceramics	-	13,551,932	-	7,276,255
Engineering	246,100,851	184,987,371	211,567,992	94,894,170
Food and Allied	98,624,749	106,683,768	84,917,401	79,476,420
Fuel and Power	417,015,039	387,995,665	67,286,839	26,456,828
Insurance	76,471,609	26,847,292	-	-
IT Sector	496,084,580	462,320,353	71,428,847	66,657,908
Miscellaneous	-	68,029,009	-	-
Mutual Funds	9,608,219	9,638,982	4,137,375	-
Non-Bank Financial Institutions	816,857,413	753,491,746	317,185,209	244,931,563
Paper and Printing	68,121,201	70,714,881	68,121,201	68,121,201
Pharmaceuticals and Chemicals	763,365,894	685,603,624	82,002,541	173,812,715
Services & Real Estate	5,386,864	41,236,613	-	35,887,048
Tannery Industries	33,451,568	222,728,003	33,451,568	191,473,632
Telecommunication	375,639,977	454,762,793	19,534,507	77,013,400
Textile	526,640,268	554,192,097	201,315,999	205,524,199
Travel & Leisure	18,006,677	-	17,932,077	-
	4,154,848,688	5,283,068,192	1,268,474,734	2,085,737,924

All investments in marketable shares are valued at average cost price as on reporting date and adequate provision has been made as per Bangladesh Bank and BSEC Guideline.*

Investments in non-marketable shares are valued at cost due to fair value cannot be measured reliably.

*As at 31 December 2019 there was Tk. 260,155,221 (Gross unrealized gain was Tk. 89,505,577 and gross unrealised loss was Tk. 349,660,798) net unrealized loss of LankaBangla Finance Limited and there was 524,137,500 net unrealized loss of LankaBangla Group on investment in marketable shares which is charged in profit and loss account in compliance with the DFIM circular No. 11 dated; 19 September, 2011 and DFIM Circular No.02 , dated; January 31, 2012 issued by Bangladesh Bank and reference no. বিএসইসি/মুখপাত্র (৩য় খন্ড)/২০১১/৬০ dated; 19 December 2018 and BSEC/SRI/Policy/3/2020/68 issued by BSEC.

6.3 Strategic classification of investment in shares

Strategic investment in shares	752,406,326	1,872,905,066	181,116,002	935,920,146
Non-strategic investment in shares	3,402,442,362	3,410,163,126	1,087,358,732	1,149,817,777
	4,154,848,688	5,283,068,192	1,268,474,734	2,085,737,924

6.4 Maturity wise grouping of investments

Up to 01 Month	140,528,237	136,306,205	90,731,113	57,477,642
More than 01 Month to 03 Months	1,407,928,053	246,557,138	918,509,631	103,968,288
More than 03 Month to 01 Years	1,070,157,406	1,243,569,740	410,725,459	524,388,863
More than 01 Year to 05 Years	560,007,273	787,464,048	360,007,273	332,058,077
More than 05 Years	2,213,894,943	3,299,690,540	613,894,943	1,391,414,503
	5,392,515,912	5,713,587,671	2,393,868,418	2,409,307,374

7 Leases, loans and advances

Loans , cash credit and overdraft etc. (Note - 7.1)	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
Bills discounted and purchased	-	-	-	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
7.1 Loans , cash credit and overdraft etc.				
See accounting policy in note (2.18), (2.19) and (2.20)				
Corporate finance				
Lease finance	3,894,031,185	3,945,261,503	3,894,031,185	3,945,261,503
Secured Overdraft	103,471,205	149,957,645	103,471,205	149,957,645
Short term finance	2,373,597,216	3,743,042,728	2,373,597,216	3,743,042,728
Term loan to subsidiaries (Note - 7.1.1)	-	-	1,879,648,686	2,183,411,028
Term loan	9,600,427,589	8,313,306,029	9,600,427,589	8,313,306,029
Syndication finance	317,475,541	382,829,593	317,475,541	382,829,593
Work order finance	3,454,296	3,454,296	3,454,296	3,454,296
	16,292,457,032	16,537,851,794	18,172,105,718	18,721,262,822
Retail finance (Note - 7.1.2)				
Auto loan (Note - 7.1.3)	3,498,511,761	5,508,870,918	3,477,484,850	5,473,403,921
Credit card receivables (Note - 7.1.4)	4,118,221,707	3,608,608,001	4,118,221,707	3,608,608,001
Home loan (Note - 7.1.5)	12,457,268,711	13,159,050,491	12,457,268,711	13,159,050,491
Personal loan	4,597,198,848	5,315,383,075	4,590,180,558	5,308,547,125
	24,671,201,027	27,591,912,485	24,643,155,825	27,549,609,539
SME finance				
Term loan	10,094,881,570	9,783,266,470	10,094,881,570	9,783,266,470
Lease finance	2,665,233,848	2,340,122,172	2,665,233,848	2,340,122,172
Auto loan	2,303,683,539	1,690,755,528	2,303,683,539	1,690,755,528
Emerging and commercial	995,975,069	1,320,342,824	995,975,069	1,320,342,824
Loan against deposit	24,253,674	-	24,253,674	-
Home Loan	686,974,267	738,936,545	686,974,267	738,936,545
Real state developer finance	38,278,950	37,568,657	38,278,950	37,568,657
Secured Overdraft	105,921,880	31,532,629	105,921,880	31,532,629
Short term loan	667,661,588	1,369,397,539	667,661,588	1,369,397,539
Syndication finance	246,671,273	184,121,034	246,671,273	184,121,034
Work order finance	17,664,300	17,664,300	17,664,300	17,664,300
	17,847,199,956	17,513,707,697	17,847,199,956	17,513,707,697
Others				
Debit balance of share trading clients	5,162,213,218	5,494,298,210	-	-
Margin loan to share trading clients	1,144,011,826	1,538,262,645	-	-
	6,306,225,044	7,032,560,855	-	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
Place of disbursement				
In Bangladesh	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
Outside of Bangladesh	-	-	-	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
7.1.1 Term loan to subsidiaries				
Term loan to subsidiaries				
LankaBangla Securities Limited	-	-	123,048,236	173,703,382
LankaBangla Investments Limited	-	-	1,756,600,450	2,009,707,645
	-	-	1,879,648,686	2,183,411,028
7.1.2 Auto Loan				
Commercial loan	3,382,264,165	5,389,744,651	3,382,264,165	5,389,744,651
Staff loan	116,247,596	119,126,267	95,220,685	83,659,270
	3,498,511,761	5,508,870,918	3,477,484,850	5,473,403,921
7.1.3 Credit card receivables				
Master card	2,540,375,670	2,180,838,467	2,540,375,670	2,180,838,467
VISA card	1,109,565,787	1,035,399,406	1,109,565,787	1,035,399,406
Master card ezipay	328,962,793	278,617,730	328,962,793	278,617,730
VISA card ezipay	139,317,457	113,752,398	139,317,457	113,752,398
	4,118,221,707	3,608,608,001	4,118,221,707	3,608,608,001

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
7.1.4 Home loan				
Bangladesh Bank refinance loan	363,411,808	428,120,110	363,411,808	428,120,110
Commercial loan	11,746,005,665	12,397,452,808	11,746,005,665	12,397,452,808
Staff loan	347,851,238	333,477,573	347,851,238	333,477,573
	12,457,268,711	13,159,050,491	12,457,268,711	13,159,050,491
7.1.5 Personal Loan				
Loan against deposit	525,841,127	354,121,778	525,841,127	354,121,778
Term loan	3,949,502,895	4,859,876,033	3,949,502,895	4,859,876,033
Staff loan	121,854,826	101,385,264	114,836,536	94,549,315
	4,597,198,848	5,315,383,075	4,590,180,558	5,308,547,125
7.1.6 Maturity wise grouping of leases, loans and advances				
On demand	4,550,176,190	2,931,535,664	4,480,571,184	2,722,736,937
Not more than 3 months	11,561,656,686	15,213,533,609	11,451,742,282	14,129,949,160
More than 03 month to 01 years	28,317,859,513	15,041,460,494	27,065,067,105	13,304,887,580
More than 01 year to 05 years	14,249,782,369	17,178,818,542	12,947,534,077	15,955,256,607
More than 05 years	6,437,608,302	18,310,684,522	4,717,546,852	17,671,749,773
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
7.1.7 Classification wise leases, loans and advances				
Unclassified				
Standard (UC)	60,373,834,792	63,979,939,485	55,919,213,232	59,088,486,712
Special Mention Accounts (SMA)	1,355,031,308	2,397,644,718	1,355,031,308	2,397,644,718
	61,728,866,100	66,377,584,204	57,274,244,540	61,486,131,430
Classified				
Sub-standard (SS)	646,764,457	667,276,840	646,764,457	667,276,840
Doubtful (DF)	1,204,447,153	344,406,545	1,204,447,153	344,406,545
Bad/loss (BL)	1,537,005,350	1,286,765,241	1,537,005,350	1,286,765,241
	3,388,216,959	2,298,448,627	3,388,216,959	2,298,448,627
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057

See details in annexure-C

Loans, advances and lease on the basis of significant concentration

a) Loans, advances and lease to the institutions in which Directors have interest	-	-	1,879,648,686	2,183,411,028
b) Loans, advances and lease to Chief Executive and other senior executives	96,040,340	126,601,499	96,040,340	126,601,499
c) Loans, advances and lease to customer groups:				
i) Real estate finance	11,746,005,665	12,397,452,808	11,746,005,665	12,397,452,808
ii) Car loan	3,382,264,165	5,389,744,651	3,382,264,165	5,389,744,651
iii) Personal loan	3,949,502,895	4,859,876,033	3,949,502,895	4,859,876,033
iv) Loan against deposits (LAD)	525,841,127	354,121,778	525,841,127	354,121,778
v) Small and medium enterprises	17,847,199,956	17,513,707,697	17,847,199,956	17,513,707,697
vi) Special program loan (Bangladesh Bank refinancing scheme)	363,411,808	428,120,110	363,411,808	428,120,110
vii) Staff loan	585,953,660	553,989,105	557,908,458	511,686,158
viii) Industrial loans, advances and leases	16,292,457,032	16,537,851,794	18,172,105,718	18,721,262,822
ix) Other loans and advances	10,424,446,751	10,641,168,856	4,118,221,707	3,608,608,001
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
d) Details of industrial loans, advances and leases				
1) Trade and commerce	6,182,579,361	9,268,200,517	6,182,579,361	9,268,200,517
2) Industries				
i) Garments and knitwear	2,523,889,073	2,240,670,762	2,523,889,073	2,240,670,762
ii) Textile	1,767,344,968	1,843,457,942	1,767,344,968	1,843,457,942
iii) Jute and jute -products	209,361,115	183,671,288	209,361,115	183,671,288
iv) Food production and processing industry	3,912,053,750	4,076,418,356	3,912,053,750	4,076,418,356
v) Plastic industry	754,214,155	754,716,179	754,214,155	754,716,179
vi) Leather and leather goods	282,614,074	521,545,696	282,614,074	521,545,696
vii) Iron, steel and engineering	1,952,179,921	2,101,059,277	1,952,179,921	2,101,059,277
viii) Pharmaceuticals and chemicals	1,224,091,617	933,978,179	1,224,091,617	933,978,179
ix) Cement and allied industry	1,638,394,715	1,536,475,071	1,638,394,715	1,536,475,071
x) Telecommunication and IT	862,352,469	971,646,288	862,352,469	971,646,288
xi) Paper, printing and packaging	602,970,514	607,719,834	602,970,514	607,719,834
xii) Glass, glassware and ceramic industry	11,705,081	440,983,059	11,705,081	440,983,059
xiii) Ship manufacturing industry	-	-	-	-
xiv) Electronics and electrical products	737,424,499	444,604,948	737,424,499	444,604,948
xv) Power, gas, water and sanitary service	834,052,510	852,707,316	834,052,510	852,707,316
xvi) Transport and aviation	2,442,514,428	1,049,668,316	2,442,514,428	1,049,668,316
	19,755,162,888	18,559,322,510	19,755,162,888	18,559,322,510
3) Agriculture	680,717,069	842,882,333	680,717,069	842,882,333
4) Housing	12,823,741,203	13,320,150,825	12,823,741,203	13,320,150,825
5) Others				
i) Loan to subsidiaries companies	-	-	1,879,648,686	2,183,411,028
ii) Others	25,674,882,538	26,685,476,645	19,340,612,292	19,610,612,843
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
7.1.8 Particulars of loans, advances and leases				
i) Loan considered good in respect of which the Bank/ FI is fully secured	36,525,880,524	37,654,083,694	38,405,529,210	39,837,494,722
ii) Loan considered good for which the Bank/FI holds no other security than the debtor's personal security.	10,452,491,953	10,683,471,803	4,118,221,707	3,608,608,001
iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	18,138,710,582	20,338,477,334	18,138,710,582	20,338,477,334
iv) Loan adversely classified for which no provision is created.	-	-	-	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.	585,953,660	553,989,105	557,908,458	511,686,158
vi) Loan due by companies and firms in which the directors of the Bank/FI have interests as directors, partners or managing agent or in case of private companies as members. Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies	-	-	1,879,648,686	2,183,411,028
vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors and managers or officers of the Bank/ FI or any of them either severally or jointly with any other persons.	158,716,903	174,917,417	158,716,903	174,917,417
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank/ FI have interests as directors, partners or managing agents or, in case of private companies as members. Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies	-	-	-	-
ix) Due from other bank/ FI companies	155,104	1,441,479	155,104	1,441,479

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
x) Information in respect of classified loans and advances:				
a) Classified loans for which interest/ profit not credited to income	3,388,216,959	2,298,448,627	3,388,216,959	2,298,448,627
b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	740,816,630	564,670,508	740,816,630	564,670,508
	4,129,033,589	2,863,119,134	4,129,033,589	2,863,119,134
c) Amount of interest credited to the interest suspense account	91,363,827	95,137,656	109,091,652	133,165,170
xi) Cumulative amount of written off loans:				
Opening Balance	2,212,298,157	1,642,422,317	901,495,249	588,341,171
Amount written off during the year	115,030,412	573,636,023	34,603,809	316,914,261
Amount received from written off during the year	(4,643,850)	(3,760,183)	(2,343,850)	(3,760,183)
Balance of written off loans and advances yet to be recovered	2,322,684,719	2,212,298,157	933,755,208	901,495,249
The amount of written off loans for which law suits have been filed.				
Leases, Loans, and advances -geographical location-wise				
Inside Bangladesh				
Urban				
Dhaka	48,531,233,352	50,771,026,400	44,913,635,084	47,150,299,255
Chittagong	9,880,607,055	10,684,076,520	9,363,421,149	9,888,051,895
Sylhet	702,294,055	840,354,035	616,077,343	710,913,344
Jessore	1,251,228,488	1,386,785,688	1,251,228,488	1,386,785,688
Narshindi	429,981,473	551,652,188	315,768,914	378,427,558
Comilla	457,412,279	520,078,303	438,985,832	499,432,654
Bogra	796,306,885	861,138,071	796,306,885	861,138,071
Barisal	302,972,449	341,859,545	302,953,585	341,826,657
Khulna	488,658,883	544,635,534	400,611,275	449,266,807
Mymensingh	866,807,827	850,946,698	866,807,827	850,946,698
Narayangonj	332,757,783	423,270,583	319,842,587	367,282,165
Rajshahi	316,804,890	298,700,031	316,804,890	298,700,031
Chowmuhani	121,909,538	139,221,703	121,909,538	139,221,703
Dinajpur	168,242,278	145,935,151	168,242,278	145,935,151
Gazipur	199,910,666	189,668,087	199,910,666	189,668,087
Faridpur	193,442,680	126,684,293	193,442,680	126,684,293
Habiganj	24,060,788	-	24,060,788	-
Kushtia	52,451,689	-	52,451,689	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
Outside Bangladesh	-	-	-	-
	65,117,083,059	68,676,032,831	60,662,461,499	63,784,580,057
8. Fixed assets including land, building, furniture and fixtures				
See accounting policy in note (2.22)				
Freehold assets (Note - 8.1)	1,783,873,793	1,804,945,457	1,021,052,752	1,008,644,951
Intangible assets (Note - 8.2)	368,072,063	364,671,586	103,673,698	120,136,683
Capital Work in Progress (CWIP) (Note - 8.3)	357,050,299	217,070,263	357,050,299	217,070,263
Right-of-use assets (Note - 8.4)	352,202,411	19,066,657	280,685,151	12,079,317
	2,861,198,566	2,405,753,963	1,762,461,900	1,357,931,214
Details are given in Annexure - A and Annexure - B				
8.1 Freehold assets				
Land (Note - 8.1.1)	787,519,083	787,519,083	787,519,083	787,519,083
Freehold asset other than land (Note - 8.1.2)	996,354,710	1,017,426,374	233,533,669	221,125,869
	1,783,873,793	1,804,945,457	1,021,052,752	1,008,644,951
8.1.1 Land				
Opening Balance	787,519,083	779,519,083	787,519,083	779,519,083
Add : Addition/(Disposal) during the year	-	8,000,000	-	8,000,000
	787,519,083	787,519,083	787,519,083	787,519,083
Less: Sales/ adjustment during the year	-	-	-	-
	787,519,083	787,519,083	787,519,083	787,519,083

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
8.1.2 Freehold asset other than land				
A. Cost				
Opening Balance	1,550,130,948	1,085,750,034	546,179,812	464,948,028
Add : Addition during the year	134,813,355	521,687,215	121,471,113	121,854,046
	1,684,944,303	1,607,437,249	667,650,926	586,802,074
Less: Sales/ disposal during the year	48,892,511	57,306,301	12,701,022	40,622,261
	1,636,051,792	1,550,130,948	654,949,904	546,179,812
B. Accumulated depreciation				
Opening Balance	532,704,573	413,706,439	325,053,944	233,000,357
Add : Charged during the year	145,555,003	142,976,442	107,140,719	99,599,185
	678,259,576	556,682,880	432,194,663	332,599,542
Less: Adjusted during the year	38,562,494	23,978,307	10,778,428	7,545,598
	639,697,081	532,704,573	421,416,235	325,053,944
C. Written down value Total (A-B)	996,354,710	1,017,426,374	233,533,669	221,125,869
8.2 Intangible assets				
Goodwill (Note - 8.2.1)	234,143,286	234,143,286	-	-
System Software (Note - 8.2.2)	133,928,777	130,528,300	103,673,698	120,136,683
	368,072,063	364,671,586	103,673,698	120,136,683
8.2.1 Goodwill*				
Opening Balance	234,143,286	234,143,286	-	-
Add: Addition during the year	-	-	-	-
	234,143,286	234,143,286	-	-
Less : Impairment during the year	-	-	-	-
	234,143,286	234,143,286	-	-
* Intangible asset, goodwill arises as a result of initial acquisition of 80% shares of BizBangla Media Ltd. by LankaBangla Securities Ltd., a subsidiary of LankaBangla Finance Limited as on 31 May 2015. Currently, LankaBangla Securities Ltd. hold 96.39% shares of BizBangla Media Ltd.				
8.2.2 System software				
A. Cost				
Opening Balance	294,200,846	193,308,156	201,599,125	106,591,025
Add: Addition during the year	51,216,752	109,817,901	16,851,717	100,083,101
	345,417,598	303,126,056	218,450,842	206,674,125
Less: Adjustment during the year	40,000	8,925,210	-	5,075,000
	345,377,598	294,200,846	218,450,842	201,599,125
B. Accumulated amortization				
Opening Balance	163,672,546	142,998,983	81,462,442	61,434,117
Less : Amortized during the year	47,816,274	24,523,773	33,314,702	20,028,325
	211,488,820	167,522,756	114,777,144	81,462,442
Less: Adjustment during the year	39,999	3,850,210	-	-
	211,448,821	163,672,546	114,777,144	81,462,442
C. Written down value	133,928,777	130,528,300	103,673,698	120,136,683
8.3 Capital Work in Progress (CWIP)				
Capital Work in Progress-Tangible Assets (Note - 8.3.1)	326,493,714	195,064,776	326,493,714	195,064,776
Capital Work in Progress-Intangible Assets (Note - 8.3.2)	30,556,585	22,005,487	30,556,585	22,005,487
	357,050,299	217,070,263	357,050,299	217,070,263
8.03.1 Capital Work in Progress-Tangible Assets				
Opening balance	195,064,776	26,295,972	195,064,776	26,295,972
Add: Addition during the year	131,428,938	168,768,804	131,428,938	168,768,804
Less: Transfer to Freehold assets	-	-	-	-
	326,493,714	195,064,776	326,493,714	195,064,776
8.03.2 Capital Work in Progress-Intangible Assets				
Opening balance	22,005,487	14,762,055	22,005,487	14,762,055
Add: Addition during the year	8,551,098	7,243,432	8,551,098	7,243,432
Less: Transfer to Intangible Assets	-	-	-	-
	30,556,585	22,005,487	30,556,585	22,005,487

Capital Work in Progress-Tangible Assets include amounts paid for construction of building for LankaBangla Head Office, and Capital Work in Progress-Intangible Assets include amounts paid for implementation of IFS ERP software.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		Taka	Taka	Taka	Taka
8.4	Right-of-use Assets				
	Right-of-use Assets				
	Right-of-use Assets-Vehicles (Note - 8.4.1)	12,916,878	19,066,657	8,090,625	12,079,317
	Right-of-use Assets-Office premises (Note - 8.4.2)	339,285,534	-	272,594,526	-
		352,202,411	19,066,657	280,685,151	12,079,317
8.4.1	Right-of-use Assets-Vehicles				
	A. Cost				
	Opening Balance	51,566,000	63,026,000	24,857,000	24,857,000
	Add: Addition during the year	-	-	-	-
		51,566,000	63,026,000	24,857,000	24,857,000
	Less: Adjusted during the year	-	11,460,000	-	-
		51,566,000	51,566,000	24,857,000	24,857,000
	B. Accumulated amortization				
	Opening Balance	32,499,343	36,270,663	12,777,683	8,786,463
	Add : Charged during the year	6,149,779	7,688,680	3,988,691	3,991,220
		38,649,122	43,959,343	16,766,375	12,777,683
	Less: Adjustment during the year	-	11,460,000	-	-
		38,649,122	32,499,343	16,766,375	12,777,683
	C. Written down value	12,916,878	19,066,657	8,090,625	12,079,317
8.4.2	Right-of-use Assets-Office premises				
	A. Cost				
	Opening Balance	-	-	-	-
	Add: Addition during the year	512,773,208	-	401,836,518	-
		512,773,208	-	401,836,518	-
	Less: Adjusted during the year	4,053,652	-	4,053,652	-
		508,719,556	-	397,782,866	-
	B. Accumulated amortization				
	Opening Balance	-	-	-	-
	Add : Charged during the year	173,487,675	-	129,241,992	-
		173,487,675	-	129,241,992	-
	Less: Adjustment during the year	4,053,652	-	4,053,652	-
		169,434,022	-	125,188,340	-
	C. Written down value	339,285,534	-	272,594,526	-
IFRS 16 has been implemented on 1 January 2019 which recognizes operating leases of office premise as per IAS 17 as right of use asset. No comparative information is available as the Company has applied modified retrospective method of IFRS 16. See accounting policy in note 2.9.1 and 2.18.					
9.	Other assets				
	See accounting policy in note (2.23 and 2.9.2 and 2.17.4)				
	Non income generating assets				
	Advances and prepayments (Note - 9.1)	1,543,715,827	1,376,464,208	766,528,016	674,425,026
	Income generating assets	238,578,739	283,536,721	5,706,659,843	6,025,774,998
	Interest and other receivables (Note - 9.2)	238,578,739	283,536,721	55,491,472	102,621,431
	Investment in subsidiaries (at fair value as per IFRS 9)*	-	-	5,651,168,371	5,923,153,566
	LankaBangla Securities Limited	-	-	4,466,115,347	4,526,154,661
	LankaBangla Investment Limited	-	-	235,860,268	420,727,253
	LankaBangla Asset Management Company Limited	-	-	949,192,756	976,271,652
		1,782,294,566	1,660,000,929	6,473,187,859	6,700,200,023
	* 2018 figure is restated				
9.1	Advances and Prepayments				
	Advance office rent	72,549,189	78,188,569	52,343,242	50,180,083
	Advance for expenses	14,550,155	38,626,258	10,813,357	28,794,497
	Advance insurance premium	7,891,488	7,236,129	3,170,249	2,832,859
	Advance to suppliers and others	64,876,649	83,453,492	64,876,649	83,453,492
	Advance income tax*	1,250,442,050	1,033,415,723	557,566,948	458,013,921
	Advance interest payment	983,138	1,509,882	983,138	1,509,882
	Security and other deposit receivable	21,872,950	23,755,308	10,096,317	10,896,317
	Advance for bank guarantee margin	1,583,633	145,833	-	-
	Prepayments and others (Note - 9.1.1)	108,966,574	110,133,015	66,678,115	38,743,974
		1,543,715,827	1,376,464,208	766,528,016	674,425,026

*Advance income tax represents corporate income tax paid as per Section-64 of the Income Tax Ordinance 1984 and the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances of LankaBangla Finance Limited.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
9.1.1 Prepayments and others				
Receivables against share trading	-	-	619,569	2,724,723
Receivables DSE and CSE	11,148,263	56,967,047	-	-
Deferred tax asset (Note -9.1.1.1)	21,455,955	22,023,577	20,670,433	20,670,433
Dividend receivable	38,163,711	27,175,302	12,067,924	10,952,807
Inventory	33,062,456	3,021,076	29,009,072	-
Other receivables	5,136,188	946,013	4,311,116	4,396,012
	108,966,574	110,133,015	66,678,115	38,743,974

9.1.1.1 Deferred tax asset

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

Particulars	Accounting base carrying amounts	Tax base amounts	Deductible/ (Taxable) temporary difference
Deferred tax asset is arrived at as follows			
Assets:			
Fixed assets net of depreciation including leased hold assets as on 31 December 2019	233,533,669	366,607,185	133,073,516
Right-of-use Assets - Office premises	280,685,151	-	(280,685,151)
Liabilities:			
Employee gratuity as on 31 December 2019	78,670,973	-	78,670,973
Lease liability - Office premises	290,662,495	-	290,662,495
Total	883,552,288	366,607,185	221,721,833
Applicable tax rate @37.5%			83,145,687
Deferred tax asset as on 31 December 2019			83,145,687
Deferred tax asset as on 31 December 2018			20,670,433
Deferred tax income need to account for during the year			62,475,254

However, as per IAS 12 deferred tax asset shall be recognized to the extent that it is probable that taxable profit will be available against which the deductible difference can be utilized. However, due to having huge amount of accumulated business loss as per tax laws, it is not probable that there will be future taxable profit against which these deductible temporary difference can be utilized. Hence, no additional deferred tax asset has been recognized during the current year.

In addition to that subsidiary companies recognized its respective deferred tax assets to the extent of its available taxable profit.

See Note 2.5.5 for departure of IAS 12 in order to comply with Bangladesh Bank.

9.2 Interest and other receivables				
Interest receivables from fixed deposit account	56,069,742	100,634,085	54,505,170	99,510,354
Interest receivables from Commercial Paper	-	3,111,077	-	3,111,077
Interest receivables from Subordinated bond	986,302	-	986,302	-
Issue management fees receivable	12,154,783	17,924,783	-	-
Account receivable from PO department	24,775,600	28,394,577	-	-
Account receivable from advertisement	130,040,276	118,461,184	-	-
Account receivable from circulation	7,320,129	7,495,543	-	-
Receivable from LB Gratuity Wealth Builder Fund	25,000	25,000	-	-
Receivable from LankaBangla 1st PE Fund	50,000	50,000	-	-
Receivable from LB Gratuity Opportunities Fund	608,953	10,000	-	-
Receivable from LankaBangla Al-Arafah Shariah Unit Fund	2,797,874	3,491,560	-	-
Receivable from LankaBangla 1st balanced unit fund	3,750,079	3,938,912	-	-
	238,578,739	283,536,721	55,491,472	102,621,431
10 Borrowings from Bangladesh Bank, other banks and financial institutions				
See accounting policy in note (2.24)				
Inside Bangladesh (Note - 10.1)	17,311,034,418	16,263,240,621	14,251,891,300	12,639,198,866
Outside Bangladesh (Note - 10.2)	1,361,204,352	-	1,361,204,352	-
	18,672,238,771	16,263,240,621	15,613,095,652	12,639,198,866

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
10.1 Inside Bangladesh				
Secured:				
Bank overdraft (Note - 10.1.1)	1,577,420,828	1,227,046,745	1,577,420,828	1,227,046,745
Long term loan (Note - 10.1.2)	6,026,073,869	3,864,627,357	5,293,534,234	2,932,546,181
Short term borrowings	375,000,000	-	375,000,000	-
Lease liability-Vehicles	15,995,788	21,881,602	9,642,565	13,490,101
	7,994,490,485	5,113,555,705	7,255,597,627	4,173,083,027
Unsecured:				
Call loans (Note - 10.1.3)	750,000,000	1,140,000,000	750,000,000	1,140,000,000
Short term borrowings (Note - 10.1.4)	6,285,712,913	7,503,282,587	4,190,000,000	5,087,359,368
Zero Coupon Bond (Note - 10.1.5)	389,346,657	712,711,785	232,211,176	445,065,927
Subordinate bond (Note - 10.1.6)	1,533,420,002	1,793,690,543	1,533,420,002	1,793,690,543
Lease liability- Office premises (Note - 10.1.7)	358,064,361	-	290,662,495	-
	9,316,543,933	11,149,684,916	6,996,293,673	8,466,115,839
	17,311,034,418	16,263,240,621	14,251,891,300	12,639,198,866
10.1.1 Bank overdraft				
Secured by FDR				
Dutch Bangla Bank limited	-	(3,693,553)	-	(3,693,553)
Standard Chartered Bank	87,413,126	12,794,821	87,413,126	12,794,821
	87,413,126	9,101,268	87,413,126	9,101,268
Secured by Pari Passu sharing agreement				
Commercial Bank of Ceylon PLC	(2,526,324)	(2,954,167)	(2,526,324)	(2,954,167)
Midland Bank Limited	44,882,821	183,078,253	44,882,821	183,078,253
Bank Asia Limited	(1,288,651)	(3,323,565)	(1,288,651)	(3,323,565)
BASIC Bank Limited	508,953,136	158,162,915	508,953,136	158,162,915
Prime Bank Limited	56,984	270,263,515	56,984	270,263,515
Dhaka Bank Limited	120,191,472	16,184,970	120,191,472	16,184,970
Mercantile Bank Limited	222,934,131	237,890,889	222,934,131	237,890,889
Modhumoti Bank Limited	499,901,599	268,465,596	499,901,599	268,465,596
Mutual Trust Bank Limited	96,902,533	90,177,070	96,902,533	90,177,070
	1,490,007,702	1,217,945,476	1,490,007,702	1,217,945,476
	1,577,420,828	1,227,046,745	1,577,420,828	1,227,046,745
10.1.2 Long term loan				
Opening Balance	3,864,627,357	3,182,674,973	2,932,546,181	2,148,611,401
Add: Addition during the year	4,706,996,570	1,750,209,626	4,029,696,570	1,500,209,626
	8,571,623,927	4,932,884,600	6,962,242,751	3,648,821,027
Less: Adjusted during the year	2,545,550,058	1,068,257,242	1,682,198,618	716,274,846
Closing Balance	6,026,073,869	3,864,627,357	5,293,534,234	2,932,546,181
Details of the above balance is presented below:				
From Bangladesh Bank and its agents Bank				
Bangladesh Bank (under Re-Finance)- Women Entrepreneur	291,449,702	208,183,572	291,449,702	208,183,572
Bangladesh Bank (under Re-Finance)- Home Loan	365,122,831	423,092,854	365,122,831	423,092,854
Bangladesh Bank (under Re-Finance)- IPFF Fund	155,786,085	175,249,839	155,786,085	175,249,839
Bangladesh Bank (under Re-Finance)- ADB Project	491,082,417	165,467,221	491,082,417	165,467,221
Bangladesh Bank (Under Re-Finance)- Agro Processing Industry	186,688,371	201,006,767	186,688,371	201,006,767
Bangladesh Bank (Under Re-Finance)- JICA Assisted Project-FSPDSME	329,304,985	251,145,464	329,304,985	251,145,464
	1,819,434,391	1,424,145,717	1,819,434,391	1,424,145,717
From other than Bangladesh Bank and its agents Bank				
Investment Corporation of Bangladesh (ICB)	117,834,843	-	-	-
Mercantile Bank Limited	343,191,526	500,000,000	343,191,526	500,000,000
Midland Bank Limited	21,196,205	31,931,844	-	-
National Credit and Commerce Bank Limited	249,076,858	300,000,000	208,349,576	300,000,000
Phoenix Finance & Investment Limited	117,930,114	150,035,313	-	-
Prime Bank Limited	275,769,642	541,733,800	275,769,642	541,733,800
Shahjalal Islami Bank Limited	66,464,726	92,974,276	-	-
South Bangla Agriculture and Commerce Bank Limited	302,905,618	509,301,676	-	-
Standard Bank Limited	65,480,847	147,838,067	-	-
Woori Bank	566,666,660	166,666,664	566,666,660	166,666,664
Syndicated Term Loan*	2,080,122,440	-	2,080,122,440	-
	4,206,639,478	2,440,481,641	3,474,099,843	1,508,400,464
	6,026,073,869	3,864,627,357	5,293,534,234	2,932,546,181

LankaBangla Group		LankaBangla Finance Limited	
31.12.2019	31.12.2018	31.12.2019	31.12.2018
Taka	Taka	Taka	Taka

Bank borrowings are secured by:

- First ranking pari passu charge on present and future fixed and floating assets of LankaBangla Finance Limited with the future and existing lenders.
- Usual charge documents (Letter of Hypothecation, Promissory Notes, Letter of Continuation, Letter of Arrangements, etc.)
- Funds required for the operation of business are primarily obtained from various banks and financial institutions. Secured loans are covered by way of first priority floating charge with full title guarantee ranking pari-passu among all the lenders of the company.

***Syndicated Term Loan**

In 2019, LankaBangla Finance Limited availed a long-term syndicated loan led by Standard Chartered Bank amounting to BDT 2,600 million. The full loan amount of BDT 2,600 million has been drawn down in multiple tranches, the repayment of this loan will be made in 10 equal quarterly instalments (EQIs).

The syndicate members include Standard Chartered Bank, DutchBangla Bank Limited, Agrani Bank Limited, National Credit & Commerce Bank Limited and Midland Bank Limited.

Initially the syndicated loan was measured at fair value BDT 2,600,00,00 less transaction costs BDT 22,099,783, i.e. 2,577,900,217 as per Para 5.1.1 of IFRS 9.

Subsequently, the syndicated loan was measured at amortized cost using the effective interest method as per Para B5.4.1 of IFRS 9.

10.1.3 Call loan				
Bangladesh Development Bank Limited	220,000,000	-	220,000,000	-
Janata Bank Limited	-	170,000,000	-	170,000,000
Meghna Bank	-	150,000,000	-	150,000,000
Mutual Trust Bank Limited	-	240,000,000	-	240,000,000
National Credit and Commerce Bank Limited	100,000,000	80,000,000	100,000,000	80,000,000
Sonali Bank Limited	280,000,000	400,000,000	280,000,000	400,000,000
United Commercial Bank Limited	150,000,000	100,000,000	150,000,000	100,000,000
	750,000,000	1,140,000,000	750,000,000	1,140,000,000
10.1.4 Short term borrowings				
Bangladesh Development Bank Limited	-	100,000,000	-	100,000,000
Commercial Bank of Ceylon	-	75,000,000	-	75,000,000
Eastern Bank Limited	1,000,000,000	1,650,000,000	1,000,000,000	1,650,000,000
Hajj Finance Limited	200,000,000	200,000,000	-	-
Lankan Alliance Finance Limited	50,000,000	50,000,000	50,000,000	50,000,000
Meghna Bank Limited	110,000,000	350,000,000	110,000,000	350,000,000
Midland Bank Limited	103,626,446	103,365,987	-	-
MIDAS Financing Limited	-	80,000,000	-	-
National Credit and Commerce Bank Limited	103,274,999	293,094,808	-	190,000,000
NRB Commercial Bank Limited	250,000,000	100,000,000	250,000,000	100,000,000
One Bank Limited	833,995,020	830,163,936	-	-
Shahjalal Islami Bank Limited	207,612,500	270,391,667	100,000,000	170,000,000
South Bangla Agriculture and Commerce Bank Limited	407,601,096	707,001,968	200,000,000	500,000,000
Standard Bank Limited	100,000,000	150,000,000	100,000,000	150,000,000
Standard Chartered Bank	2,219,602,853	1,840,009,020	1,680,000,000	1,300,000,000
Trust Bank Limited	600,000,000	100,000,000	600,000,000	100,000,000
United Commercial Bank Limited	-	152,359,368	-	152,359,368
Uttara Finance and Investment Limited	-	251,895,834	-	-
Uttara Bank Limited	-	100,000,000	-	100,000,000
Woori Bank	100,000,000	100,000,000	100,000,000	100,000,000
	6,285,712,913	7,503,282,587	4,190,000,000	5,087,359,368
10.1.5 Zero Coupon Bond				
A. K. Khan Co. Limited	39,145,297	74,853,385	39,145,297	74,853,385
Bangla Telecom Limited	-	15,393,004	-	-
Delsey Cotton Spinning Mills Limited	59,647,890	82,929,810	-	-
Faisal Spinning Mills Limited	-	30,786,008	-	-
Grameen One: Scheme Two	13,926,798	15,393,004	-	-
Janata Jute Mills Limited	-	46,179,012	-	-
Mr. Anwar Huq	-	30,786,008	-	-
Mr. Mahmudul Huq	83,560,793	-	-	-
Ms. Monisha Anwar Huq	-	30,786,008	-	-
Reliance Insurance Limited	-	15,393,004	-	-
Square Pharmaceuticals Limited	78,347,442	149,845,617	78,347,442	149,845,617
Super Petrochemical Limited	21,186,183	40,759,171	21,186,183	40,759,171
Universal Jeans Limited	93,532,254	179,607,754	93,532,254	179,607,754
	389,346,657	712,711,785	232,211,176	445,065,927

LankaBangla Group		LankaBangla Finance Limited	
31.12.2019	31.12.2018	31.12.2019	31.12.2018
Taka	Taka	Taka	Taka

On 26 December 2017, LankaBangla Finance Ltd. 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 7.5%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 15,235,856.

Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.95% as per Para B5.4.1 of IFRS 9.

Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 15,235,856), i.e., 639,229,000 as per Para 5.1.1 of IFRS 9.

10.1.6 Subordinate bond	1,479,645,268	1,783,780,245	1,479,645,268	1,783,780,245
SK. Akijuddin Limited	8,215,742	9,910,298	8,215,742	9,910,298
Green Delta Securities Limited	45,558,993	-	45,558,993	-
Green Delta Insurance Co. Employee Provident Fund	1,533,420,002	1,793,690,543	1,533,420,002	1,793,690,543

On 23 December 2018, the Company issued the first tranche of coupon bearing, nonconvertible, subordinated bond with face value of BDT 1,810,000,000 (with approved face value of BDT 3,000 million) for 6 years. The coupon rate of the bond is floating with a floor of 8% and ceiling of 11%. Total transaction costs incurred for issuance of the subordinated bond (for the entire issue) was BDT 33,911,120. Subsequently, the subordinated bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 10.71% as per Para B5.4.1 of IFRS 9. Initially the bond was measured at fair value (BDT 1,810,000,000) less transaction costs (BDT 20,459,709 = BDT 33,911,120 × 1,810,000,000 ÷ 3,000,000,000) as per Para 5.1.1 of IFRS 9. The redemption of the bonds will start from the end of the 6th month from the issuance of the bonds and each 06 (six) months thereafter in equal instalments.

On 23 May 2019, the Company issued the second tranche of coupon bearing, nonconvertible, subordinated bond with face value of BDT 50,000,000 (with approved face value of BDT 3,000 million) for 6 years. The coupon rate of the bond is floating with a floor of 8% and ceiling of 11%. Total transaction costs incurred for issuance of the subordinated bond (for the entire issue) was BDT 33,911,120. Subsequently, the subordinated bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 10.71% as per Para B5.4.1 of IFRS 9 as on 30 Sep 2019. Initially the bond was measured at fair value (BDT 1,810,000,000) less transaction costs BDT 911,589 = (BDT 33,911,120 × 50,000,000 ÷ 1,860,000,000) as per Para 5.1.1 of IFRS 9. The redemption of the bonds will start from the end of the 6th month from the issuance of the bonds and each 06 (six) months thereafter in equal instalments.

10.1.7 Lease liability- Office premises				
Opening Balance	-	-	-	-
Addition during the year	512,773,208	-	401,836,518	-
	512,773,208	-	401,836,518	-
Repayment during the year	(154,708,848)	-	(111,174,023)	-
Closing Balance	358,064,361	-	290,662,495	-

IFRS 16 has been implemented on 1 January 2019 which recognizes present value of minimum lease payments as Lease Liability by using Company's weighted average incremental borrowing cost. No comparative information is available as the Company has applied modified retrospective method of IFRS 16. See accounting policy in note 2.9.1 and 2.18.

10.2 Outside Bangladesh				
Foreign term loan-ICD	1,361,204,352	-	1,361,204,352	-
	1,361,204,352	-	1,361,204,352	-

On 13 January 2019, LankaBangla Finance Limited received USD 19,984,730 equivalent to BDT 1,675,719,611 at the exchange rate of 83.85 against a foreign currency loan from Islamic Corporation for the Development of the private sector (ICD), a wing of Islamic Development Bank. The tenure of the foreign currency loan is 40 months. Payments will be made in 14 (fourteen) quarterly instalments starting from the end of the three months from the receipts of the loan. The mark-up rate is of the facility 5.53%. Total transaction costs incurred for this purpose was USD 321,386 equivalent to BDT 26,985,958 at the average foreign exchange rate of 83.25. The interal rate of return (IRR) of this foreign currency loan stands at 6.41% as per Para B5.4.1 of IFRS 9. Initially the bond was measured at fair value (USD 19,984,730) less transaction costs (USD 321,386) i.e. USD 19,662,894 as per Para B5.1.1 of IFRS 9.

As per Para 5.7.2 of IFRS 9 and Para 23 of IAS 2019, foreign exchange loss of BDT 21,2325,98 comprising BDT 17,397,158 unrealized foreign exchange loss and BDT 3,835,440 realized foreign exchange loss was recognized in 2019.

Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	-	-	-	-
Up to 1 month	3,488,117,235	160,452,264	3,141,527,721	62,701,780
Over 1 month but within 3 months	2,540,323,760	2,727,464,981	1,809,074,963	106,602,664
Over 3 months but within 1 year	6,607,725,774	6,272,990,895	5,077,648,072	2,487,557,045
Over 1 year but within 5 years	5,175,001,133	1,457,197,915	4,782,983,930	3,132,994,413
Over 5 years	861,070,868	5,645,134,566	801,860,966	6,849,342,963
	18,672,238,771	16,263,240,621	15,613,095,652	12,639,198,866

11 Term deposits and other deposits				
See accounting policy in note (2.25)				
Term deposits (Note - 11.1)	46,750,813,434	53,231,132,604	46,750,813,434	53,252,420,679
Other deposit (Note - 11.2)	144,149,076	173,413,815	144,149,076	173,413,815
	46,894,962,510	53,404,546,419	46,894,962,510	53,425,834,494

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
11.1 Term deposits				
Product wise break-up of term deposit				
Periodic return term deposits	2,367,742,827	2,076,957,647	2,367,742,827	2,076,957,647
Cumulative term deposits	13,011,643	20,091,544	13,011,643	20,091,544
Double money term deposits	4,663,031,936	4,039,369,139	4,663,031,936	4,039,369,139
Money builders scheme	1,199,079,877	779,162,158	1,199,079,877	779,162,158
Fixed term deposit	10,240,754,242	14,885,824,610	10,240,754,242	14,907,112,685
Flexi Deposits	6,038,978	2,345,145	6,038,978	2,345,145
SME term deposits	2,791,606,248	1,827,049,943	2,791,606,248	1,827,049,943
Retail institution deposit	2,791,048,707	1,945,332,325	2,791,048,707	1,945,332,325
Term deposit shohoj sanchoy	2,009,940,245	1,545,719,073	2,009,940,245	1,545,719,073
Term deposit quick sanchoy	100,056,794	35,303,867	100,056,794	35,303,867
Term deposit triple money	577,445,121	491,201,125	577,445,121	491,201,125
Term deposit (fixed term)-3 months	53,679,189	58,958,991	53,679,189	58,958,991
Term deposit Earn First Fixed Rate	13,813,380	31,431,654	13,813,380	31,431,654
Term deposit Agroj (Senior Citizen)	5,245,137,645	4,517,823,259	5,245,137,645	4,517,823,259
Term deposit Classic TDR 2 To 3 Years	14,678,426,603	20,974,562,124	14,678,426,603	20,974,562,124
	46,750,813,434	53,231,132,604	46,750,813,434	53,252,420,679
11.2 Other deposits against leases, loans and advances				
Other deposits				
Corporate Clients	63,867,511	101,213,818	63,867,511	101,213,818
Retail Clients	60,558,675	56,263,697	60,558,675	56,263,697
SME Clients	19,722,890	15,936,300	19,722,890	15,936,300
	144,149,076	173,413,815	144,149,076	173,413,815
11.3 Group-wise break-up of term deposits and other deposits				
Bank and Non Bank Financial Institutions (NBFI)	8,890,000,000	13,240,000,000	8,890,000,000	13,240,000,000
Corporate houses	16,825,188,464	22,497,758,999	16,825,188,464	22,519,047,074
Individual	21,179,774,046	17,666,787,420	21,179,774,046	17,666,787,420
	46,894,962,510	53,404,546,419	46,894,962,510	53,425,834,494
11.4 Remaining maturity grouping of term deposits and other deposits				
Payable on demand	-	-	-	-
In not more than 01 month	5,500,317,188	4,182,765,032	5,500,317,188	4,182,765,032
In more than 01 month but not more than 06 months	17,154,998,155	14,593,907,869	17,154,998,155	14,593,907,869
In more than 06 months but not more than 01 year	15,403,133,610	12,928,111,759	15,403,133,610	12,928,111,759
In more than 01 year but not more than 05 years	5,976,119,151	11,118,313,992	5,976,119,151	11,118,313,992
In more than 05 years but not more than 10 years	2,860,394,405	10,581,447,767	2,860,394,405	10,602,735,842
In more than 10 years	-	-	-	-
	46,894,962,510	53,404,546,419	46,894,962,510	53,425,834,494
12. Other liabilities				
See accounting policy in note (2.26),(2.27),(2.28),(2.36),(2.37) and (2.38)				
Accrued expenses	78,785,027	71,855,512	70,334,101	63,127,033
Salaries and related expenses payable	17,921,456	28,908,902	1,664,890	1,366,567
Office rent payable	10,256,950	11,522,388	843,435	3,199,150
Utility bill payable	4,098,033	4,669,877	2,350,749	2,472,974
Advance receipt against leases-adjustment A/C	457,909,727	710,963,146	457,909,727	710,963,146
CDBL expenses payable	1,269,007	2,118,647	-	-
Client positive balance	66,540,985	89,295,107	-	-
Deferred liability-employee gratuity (Note -12.1)	92,266,131	72,759,158	78,670,973	69,819,433
Deferred tax liability	13,909,298	12,181,274	-	-
Employees provident fund payable	15,037,006	9,178,857	3,809,835	99
Interest payable (Note - 12.2)	2,216,696,494	2,041,936,749	2,198,469,845	1,993,225,875
Interest suspense account (Note - 12.3)	746,226,199	654,862,371	627,878,211	518,786,559
IPO subscription payable	51,794	51,794	51,794	51,794
ITCL settlement A/C	22,535,168	18,897,699	22,535,168	18,897,699
Payable against MCBS charges	7,913	8,758	7,913	8,758
Payable against merchants claims and others	6,223,171	2,517,750	6,223,171	2,517,750
Payable against receipt from other card holders	4,064,398	4,066,398	4,064,398	4,066,398
Payable to LB Foundation	8,717,324	10,056,359	7,434,471	7,213,703
Payable to Company Welfare Fund	4,465,751	-	4,465,751	-
Payable to Government Welfare Fund	4,465,751	-	4,465,751	-
Payable DSE and CSE	20,634,491	11,364,099	-	-
Payable to share trading clients	935,022,332	1,293,521,810	-	-

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
Provisions for loans / investments (Note - 12.4)	2,728,859,619	1,941,335,083	2,178,047,560	1,473,619,666
Provision for taxation (Note - 12.5)	1,165,419,526	952,075,921	481,227,280	360,946,366
Payables/(Receivables)-other MasterCard operator (Note - 12.6)	85,597,325	28,118,485	85,597,325	28,118,485
Payable to right share holder	1,870,318	1,877,818	1,870,318	1,877,818
Payable against legal and professional fees	5,731,317	8,294,735	5,305,817	7,961,735
Payable against redemption of mortgage property	3,721,915	2,135,315	3,721,915	2,135,315
Provision for audit fee	1,098,080	1,063,580	632,500	575,000
Sundry creditors suppliers	95,581,451	41,414,399	95,581,451	41,414,399
Safety net deposit-factoring and others	8,189,973	10,504,511	8,189,973	10,504,511
Security Deposits	4,095,658	2,625,277	3,044,300	2,552,670
Unpaid dividend	109,746,207	65,293,513	107,706,070	62,784,514
Privileged creditors (Note - 12.7)	194,262,551	165,551,101	191,682,560	164,425,069
VISA settlement A/C	1,505,566	5,510,795	1,505,566	5,510,795
Brokerage sharing	7,525,442	9,392,190	-	-
Other liabilities	274,813	237,648	-	-
Mobile phone bill payable-Handset	95,027	28,896	95,027	28,896
Payable against parent health insurance	42,264	239,455	42,264	228,815
	9,140,721,458	8,286,435,375	6,655,430,108	5,558,400,989
12.1 Deferred liability - employee gratuity				
Opening Balance	72,759,158	70,683,138	69,819,433	58,564,778
Addition during the year	49,135,020	41,016,058	33,348,658	35,795,642
	121,894,178	111,699,196	103,168,090	94,360,420
Payment during the year	29,628,047	38,940,038	24,497,117	24,540,987
Closing Balance	92,266,131	72,759,158	78,670,973	69,819,433
12.2 Interest payable				
Term deposit receipts	2,122,347,282	1,905,077,072	2,122,347,282	1,905,172,573
Long term loan-Commercial Bank	25,479,982	28,422,215	25,479,982	28,422,215
Long term loan-Bangladesh Bank	987,159	1,443,284	987,159	1,443,284
Long term loan-Bangladesh Bank-IPFF	-	335,598	-	335,598
Long term loan-Bangladesh Bank-Woman	1,145,038	-	1,145,038	-
Long term loan-Bangladesh Bank-Agro Processing Industry	11,963,906	10,105,960	11,963,906	10,105,960
Long term loan-Bangladesh Bank-JICA Assisted Project-FSPDSME	1,925,710	1,785,795	1,925,710	1,785,795
Long term loan-Bangladesh Bank-ADB Project	7,505,238	4,091,930	7,505,238	4,091,930
Syndicated Term Loan	15,227,126	-	15,227,126	-
Short term borrowings	29,664,636	89,630,811	11,437,986	40,824,435
Lease finance	221,251	252,417	221,251	252,417
Call loan borrowings	229,167	791,667	229,167	791,667
	2,216,696,494	2,041,936,749	2,198,469,845	1,993,225,875
12.3 Interest suspense account				
Interest suspense on Leases, loans and advances account (Note 12.3.1)	627,878,211	518,786,559	627,878,211	518,786,559
Interest suspense on Margin Loan account	118,347,988	136,075,813	-	-
	746,226,199	654,862,371	627,878,211	518,786,559
12.3.1 Interest suspense on Leases, loans and advances account				
Corporate Finance				
Lease finance	51,166,765	49,354,790	51,166,765	49,354,790
Short term finance	2,867,998	-	2,867,998	-
Term loan	114,423,534	78,665,668	114,423,534	78,665,668
	168,458,297	128,020,458	168,458,297	128,020,458
Retail Finance				
Auto Loan	11,213,794	17,676,133	11,213,794	17,676,133
Credit Cards	36,859,935	30,363,501	36,859,935	30,363,501
Home Loan	127,345,956	145,352,600	127,345,956	145,352,600
Personal Loan	37,615,683	27,087,223	37,615,683	27,087,223
	213,035,368	220,479,456	213,035,368	220,479,456

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
SME Finance				
Term loan	208,188,666	122,367,775	208,188,666	122,367,775
Lease finance	6,037,250	16,607,743	6,037,250	16,607,743
Auto loan	7,148,487	4,003,155	7,148,487	4,003,155
Emerging and commercial	4,282,566	2,115,407	4,282,566	2,115,407
Home Loan	14,994,994	15,355,564	14,994,994	15,355,564
Real state developer finance	5,732,584	5,132,291	5,732,584	5,132,291
Short term loan	-	4,704,709	-	4,704,709
	246,384,547	170,286,644	246,384,547	170,286,644
	627,878,211	518,786,559	627,878,211	518,786,559
12.3.1 Movement of interest suspense account				
Opening Balance	654,862,371	559,724,716	518,786,559	385,621,388
Transferred to interest suspense during the year	351,384,475	282,118,238	351,384,475	282,118,238
Interest suspense realized during the year	(242,270,875)	(79,269,320)	(242,270,875)	(79,269,320)
	763,975,971	762,573,634	627,900,158	588,470,306
Write off during the year	(17,749,772)	(107,711,263)	(21,948)	(69,683,748)
	746,226,199	654,862,371	627,878,211	518,786,559
12.4 Provisions for loans, investments and other assets				
Provisions for leases, loans and advances (Note 12.4.1)	1,917,192,340	1,364,903,510	1,917,192,340	1,364,903,510
Margin loan	286,829,779	233,445,417	-	-
Provision for diminution in value of investment in equity shares	524,137,500	342,286,156	260,155,221	108,016,156
Provision for other assets	700,000	700,000	700,000	700,000
	2,728,859,619	1,941,335,083	2,178,047,560	1,473,619,666
12.4.1 Provisions for leases, loans and advances				
Corporate Finance				
Lease finance	239,237,365	186,470,216	239,237,365	186,470,216
Secured overdraft	1,034,712	1,499,576	1,034,712	1,499,576
Short term finance	25,511,224	37,430,417	25,511,224	37,430,417
Short term loan to subsidiaries	18,796,487	21,834,110	18,796,487	21,834,110
Term loan	477,159,935	165,344,113	477,159,935	165,344,113
Term loan syndication finance	3,174,755	3,828,296	3,174,755	3,828,296
Work order finance	1,954,296	1,954,296	1,954,296	1,954,296
	766,868,775	418,361,025	766,868,775	418,361,025
Retail Finance				
Auto Loan	58,616,247	111,777,877	58,616,247	111,777,877
Credit Cards	345,515,242	276,095,564	345,515,242	276,095,564
Home Loan	143,949,949	160,566,350	143,949,949	160,566,350
Personal Loan	157,446,804	142,852,425	157,446,804	142,852,425
	705,528,242	691,292,215	705,528,242	691,292,215
SME Finance				
Term loan	343,071,016	162,803,207	343,071,016	162,803,207
Lease finance	31,822,380	39,803,389	31,822,380	39,803,389
Auto loan	34,537,100	18,168,270	34,537,100	18,168,270
Emerging and commercial	16,179,997	7,734,289	16,179,997	7,734,289
Loan against deposit	60,634	-	60,634	-
Home Loan	1,570,892	2,884,780	1,570,892	2,884,780
Real state developer finance	7,238,366	3,564,183	7,238,366	3,564,183
Secured Overdraft	264,805	78,832	264,805	78,832
Short term loan	1,669,154	11,988,717	1,669,154	11,988,717
Syndication finance	616,678	460,303	616,678	460,303
Work order finance	7,764,300	7,764,300	7,764,300	7,764,300
	444,795,322	255,250,270	444,795,322	255,250,270
	1,917,192,340	1,364,903,510	1,917,192,340	1,364,903,510

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
12.4.1 Movement of provisions for loans, investments and other assets				
Opening Balance	1,941,335,083	1,434,422,523	1,473,619,666	1,243,366,277
Provision required for the year	1,131,855,871	1,278,171,385	986,060,451	779,317,967
Provision released during the year	(247,050,695)	(301,834,065)	(247,050,695)	(301,834,065)
Provision charged for the year	884,805,175	976,337,321	739,009,755	477,483,902
Write off during the year	(97,280,639)	(469,424,761)	(34,581,861)	(247,230,514)
Closing Balance	2,728,859,619	1,941,335,083	2,178,047,560	1,473,619,666
During the year 2019 and 2018, LankaBangla Finance Limited had written off its receivables of contracts as per write off policy of the Bangladesh Bank (DFIM Circular No. 02 dated 01 April 2019) and subsidiaries of LankaBangla Finance Limited had written off receivables as per their respective write off policy.				
12.4.2 Grouping of provisions for loans, investments and other assets				
General Provision				
Standard (UC)	583,830,431	471,518,667	583,830,431	471,518,667
Special Mention Account (SMA)	63,119,689	110,653,250	63,119,689	110,653,250
	646,950,120	582,171,917	646,950,120	582,171,917
Specific Provision				
Sub-standard (SS)	108,823,625	99,391,279	108,823,625	99,391,279
Doubtful (DF)	420,601,964	118,669,806	420,601,964	118,669,806
Bad Loss (BL)	740,816,630	564,670,508	740,816,630	564,670,508
	1,270,242,219	782,731,592	1,270,242,219	782,731,592
Provision for other assets	700,000	700,000	700,000	700,000
Provision for margin loan	286,829,779	233,445,417	-	-
Provision for investment in shares	524,137,500	342,286,156	260,155,221	108,016,156
	2,728,859,619	1,941,335,083	2,178,047,560	1,473,619,666
12.5 Provision for taxation				
Opening Balance	952,075,921	705,475,270	360,946,366	259,370,032
Provision during the year	214,235,553	259,278,400	120,280,914	101,576,334
	1,166,311,474	964,753,670	481,227,280	360,946,366
Adjusted during the year	891,948	12,677,749	-	-
	1,165,419,526	952,075,921	481,227,280	360,946,366
12.6 Payables/(Receivables)-other MasterCard operator				
This represents receivable/payables from the other master card operators which is created due to the use of credit card systems at the point of sales.				
Bank Asia Limited	-	(1,658,491)	-	(1,658,491)
Balance for Master Card operation (Nostro A/C)	5,584,533	5,584,533	5,584,533	5,584,533
Standard Chartered Bank	80,012,792	24,192,443	80,012,792	24,192,443
	85,597,325	28,118,485	85,597,325	28,118,485
12.7 Privileged creditors				
Three major categories of Government dues are reported. Tax deduction at source, VAT, Excise duty payable to govt. exchequer.				
VAT at source	33,339,258	23,140,983	33,169,913	22,925,659
Tax deducted at source (TDS)	114,100,369	92,037,432	111,689,723	91,126,724
Excise duty deducted form customer accounts	46,822,924	50,372,685	46,822,924	50,372,685
	194,262,551	165,551,101	191,682,560	164,425,069
13. Share capital				
Authorized capital	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
1,000,000,000 ordinary shares of Tk.10/- each				
Issued, subscribed and paid up capital	5,131,796,410	5,131,796,410	5,131,796,410	5,131,796,410

13.1 Given below the history of raising of share capital of LankaBangla Finance Limited

Date of Issue	Particulars	Number of Shares Issued		Paid up Shares (Cumulative)	Amount of Shares Capital (BDT)	Amount of Shares Capital (BDT) (Cumulative)
		Bonus Shares	Subscription			
5-Nov-96	First (Subscription as per Memorandum and Articles of Association) at the time of Incorporation	-	500,000	500,000	5,000,000	5,000,000
5-Apr-98	Subscription	-	9,500,000	10,000,000	95,000,000	100,000,000
12-Apr-03	Subscription	-	10,105,363	20,105,363	101,053,630	201,053,630
28-Jun-04	Subscription	-	4,000,000	24,105,363	40,000,000	241,053,630
3-May-05	Subscription	-	1,894,637	26,000,000	18,946,370	260,000,000
14-Sep-06	IPO	-	9,000,000	35,000,000	90,000,000	350,000,000
19-May-08	10% Stock Dividend for 2007	3,500,000	-	38,500,000	35,000,000	385,000,000
5-May-09	15% Stock Dividend for 2008	5,775,000	-	44,275,000	57,750,000	442,750,000
30-Mar-10	20% Stock Dividend for 2009	8,855,000	-	53,130,000	88,550,000	531,300,000
27-Mar-11	55% Stock Dividend for 2010	29,221,500	-	82,351,500	292,215,000	823,515,000
28-Mar-12	30% Stock Dividend for 2011	24,705,450	-	107,056,950	247,054,500	1,070,569,500
3-May-12	1:1 Right of 82,351,500 Shares	-	82,351,500	189,408,450	823,515,000	1,894,084,500
31-Mar-13	10% Stock Dividend for 2012	18,940,845	-	208,349,295	189,408,450	2,083,492,950
31-Mar-14	5% Stock Dividend for 2013	10,417,464	-	218,766,759	104,174,640	2,187,667,590
19-Mar-15	10% Stock Dividend for 2014	21,876,675	-	240,643,434	218,766,750	2,406,434,340
30-Mar-16	15% Stock Dividend for 2015	36,096,515	-	276,739,949	360,965,150	2,767,399,490
30-Mar-17	15% Stock Dividend for 2016	41,510,992	-	318,250,941	415,109,920	3,182,509,410
31-Jan-18	2:1 Right of 159,125,470 Shares	-	159,125,470	477,376,411	1,591,254,700	4,773,764,110
31-Mar-18	7.5% Stock Dividend for 2017	35,803,230	-	513,179,641	358,032,300	5,131,796,410
Total					5,131,796,410	

Details of shares holding position are as under:

Percentage 31.12.2019	2019		2018			
	Number of shares	Taka	Number of shares	Taka		
Sponsor shareholders:						
a. Foreign sponsors						
	Sampath Bank Limited, Sri Lanka	9.47%	48,606,291	486,062,910	48,606,291	486,062,910
b. Local sponsors						
	ONE Bank Limited, Bangladesh	24.09%	123,599,485	1,235,994,850	123,599,485	1,235,994,850
	Individuals	3.78%	19,393,083	193,930,830	19,393,083	193,930,830
		20.31%	104,206,402	1,042,064,020	104,206,402	1,042,064,020
General shareholders						
		66.44%	340,973,865	3,409,738,650	340,973,865	3,409,738,650
		100.00%	513,179,641	5,131,796,410	513,179,641	5,131,796,410

Shares groups	Number of share	Percentage	Number of share	Percentage
Less than 500	1,101,153	0.21	1,205,934	0.23
501 to 5000	22,340,041	4.35	24,407,737	4.76
5,001 to 10000	19,585,887	3.82	20,955,325	4.08
10,001 to 20000	24,855,516	4.84	26,504,237	5.16
20,001 to 30000	15,650,895	3.05	16,757,894	3.27
30,001 to 40000	9,776,066	1.90	11,500,504	2.24
40,001 to 50000	10,785,848	2.10	10,918,420	2.13
50,001 to 100000	31,575,301	6.15	31,458,024	6.13
100,001 to 1000000	106,375,997	20.73	105,434,483	20.55
Above 1000000	271,132,937	52.83	264,037,083	51.45
	513,179,641	100.00	513,179,641	100.00

The shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 October 2006 and 31 October 2006 respectively, also trading in the both houses from 01 November, 2006. Share trade Tk. 18.00 and Tk. 18.00 at Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2019.

13.2 Name of the directors and their shareholdings as at 31 December 2019

Sl No.	Name	Status	Share holding as on 31.12.2018	Share Holding as on 31.12.2019	% of Share holding as on 31.12.2019
1	Mr. Mohammad A. Moyeen	Chairman	21,754,807	21,754,807	4.24%
2	Mr. I. W. Senanayake (Representative of Sampath Bank PLC)	Director	48,606,291	48,606,291	9.47%
3	Mr. Nanda Fernando (Representative Sampath Bank PLC)	Director			
4	Mr. M. Fakhru Alam (Representative ONE Bank Limited)	Director	19,393,083	19,393,083	3.78%
5	Mrs. Aneesha Mahial Kundanmal	Director	39,527,471	39,527,471	7.70%
6	Mr. Mahbul Anam	Director	22,855,945	22,855,945	4.45%
7	Mr. Tahsinul Huque	Director	19,994,004	19,994,004	3.90%
8	Mrs. Jasmine Sultana	Sponsor	74,175	74,175	0.01%
9	Mrs. Zaitun Sayef	Independent Director	-	-	-
10	Mr. Abdul Malek Shamsher	Independent Director	-	-	-
Total			172,205,776	172,205,776	33.56%

13.3 Capital Adequacy Ratio (CAR)

As per section 4(GHA) of the Financial Institution Regulations 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the Company. The surplus eligible capital of the Group as well as the Company at the close of business on 31 December 2019 were Tk. 4,667.63 million and Tk. 4,250.29 million respectively.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
Core Capital (Tier-1)				
Paid-up capital (Note - 13)	5,131,796,410	5,131,796,410	5,131,796,410	5,131,796,410
Share premium	1,090,888,800	1,090,888,800	-	-
Statutory reserves (Note - 14)	1,762,635,872	1,615,433,347	1,762,635,872	1,615,433,347
General reserves	49,919,671	53,048,686	-	-
Dividend equalization reserves	-	-	-	-
Other (Share money deposit for right issue)	-	-	-	-
Retained earnings (Note - 15)	1,447,088,731	1,932,047,440	2,116,518,264	2,297,477,627
Non-controlling interest	172,699,883	111,243,608	-	-
Sub-Total	9,655,029,367	9,934,458,291	9,010,950,546	9,044,707,384
Deductions from Tier-1 (Core Capital)				
Goodwill and value of any contingent assets which are shown as assets	234,143,286	234,143,286	-	-
Any investment exceeding the approved limit	-	-	202,500,000	326,500,769
Total Eligible Tire - 1 Capital	9,420,886,082	9,700,315,005	8,808,450,546	8,718,206,615
Supplementary capital (Tier-II)				
General provision (unclassified loans up to specified limit + SMA + off balance sheet exposure)	628,150,120	582,171,917	646,950,120	582,171,917
Assets revaluation reserves up to 50%	-	-	-	-
Revaluation reserve for securities up to 45 %	-	-	-	-
Revaluation reserve for Equity Instruments up to 10%	-	-	100,698,141	129,221,660
All others preference shares	-	-	-	-
Others (if any other item approved by Bangladesh Bank) (Subordinated bond)	1,533,420,002	1,793,690,543	1,533,420,002	1,793,690,543
Sub-Total	2,161,570,123	2,375,862,461	2,281,068,263	2,505,084,121
Deduction from Tier-1 (Supplementary capital)				
Any investment exceeding the approved limit	-	-	202,500,000	326,500,769
Total Eligible Tire - 2 Capital	2,161,570,123	2,375,862,461	2,078,568,263	2,178,583,352
A) Total capital	11,582,456,204	12,076,177,466	10,887,018,810	10,896,789,967
Total assets including off -balance sheet exposures	86,057,941,456	91,937,725,554	80,876,409,574	86,009,403,185
B) Total risk weighted assets	69,148,267,518	74,639,111,048	66,367,301,857	70,368,089,828
C) Required capital based on risk weighted assets (10% on B)	6,914,826,752	7,463,911,105	6,636,730,186	7,036,808,983
D) Surplus capital (A-C)	4,667,629,453	4,612,266,361	4,250,288,624	3,859,980,985
E) Capital Adequacy Ratio	16.75%	16.18%	16.40%	15.49%
F) Core Capital to RWA	13.62%	13.00%	13.27%	12.39%
G) Supplementary Capital to RWA	3.13%	3.18%	3.13%	3.10%

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2019 Taka	31.12.2018 Taka	31.12.2019 Taka	31.12.2018 Taka
14. Statutory reserve				
See accounting policy in note (2.43)				
Opening Balance	1,615,433,347	1,472,602,021	1,615,433,347	1,472,602,021
Add: Transferred from profit during the year @ 20%	147,202,525	142,831,326	147,202,525	142,831,326
	1,762,635,872	1,615,433,347	1,762,635,872	1,615,433,347
15. Retained earnings				
Opening Balance	2,435,931,009	2,804,134,007	3,033,490,251	3,166,543,933
Add: Profit for the year	1,932,047,440	2,369,825,140	2,297,477,627	2,452,387,301
	503,883,570	434,308,867	736,012,624	714,156,632
Less: Adjustment during the year:	988,842,278	872,086,568	916,971,986	869,066,306
Transfer to statutory reserve during the year	147,202,525	142,831,326	147,202,525	142,831,326
Transfer to general reserve during the year	(3,129,015)	2,181,248	-	-
Transaction cost against right issue	-	10,170,363	-	10,170,363
Changing in non-controlling interest	74,999,307	839,014	-	-
Transferred of stock dividend	-	358,032,300	-	358,032,300
Cash dividend	769,769,462	358,032,317	769,769,462	358,032,317
	1,447,088,731	1,932,047,440	2,116,518,264	2,297,477,627
15A. Revaluation reserve for investment in subsidiaries				
See accounting policy in note (2.9.2 and 2.17.4)				
Investment in subsidiaries (at fair value as per IFRS 9)			5,651,168,371	5,923,153,566
LankaBangla Securities Limited			4,466,115,347	4,526,154,661
LankaBangla Investment Limited			235,860,268	420,727,253
LankaBangla Asset Management Company Limited			949,192,756	976,271,652
Investment in subsidiaries at cost			4,644,186,963	4,630,936,963
LankaBangla Securities Limited			1,546,237,023	1,546,237,023
LankaBangla Investment Limited			2,154,999,940	2,154,999,940
LankaBangla Asset Management Company Limited			942,950,000	929,700,000
Revaluation reserve			1,006,981,408	1,292,216,603
Change in revaluation reserve			(285,235,196)	(295,896,147)
16 Non-controlling interest				
See accounting policy in note (2.4)				
Name of Subsidiaries	Percentage in Non-controlling interest	Equity as on 31.12.2019	LankaBangla Group	
			31.12.2019 Taka	31.12.2018 Taka
LankaBangla Securities Limited	3.3513937%	5,009,458,236	167,886,669	173,054,022
LankaBangla Investments Limited	0.0000028%	235,860,274	7	12
LankaBangla Asset Management Company Limited	0.0001061%	949,193,762	1,007	20
LankaBangla Information System Limited	3.5446909%	4,719,992	167,309	149,135
BizBangla Media Limited	6.8447168%	67,860,978	4,644,892	(61,959,580)
			172,699,883	111,243,608

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
17 Interest income				
See accounting policy in note (2.34.1) (2.34.2), (2.34.3) and (2.34.4)				
Lending Finance				
Lease finance	751,359,321	511,177,672	751,359,321	511,177,672
Lending to subsidiaries	-	-	120,315,815	302,020,407
Real estate developers Finance	2,200,000	5,219,188	2,200,000	5,219,188
Short term lending	580,534,632	706,751,484	580,534,632	706,751,484
Term finance	1,578,267,584	1,072,512,557	1,578,267,584	1,072,512,557
Term loan secured overdraft	35,839,745	12,897,119	35,839,745	12,897,119
Term loan syndication finance	61,537,013	58,119,060	61,537,013	58,119,060
Auto loan	941,802,892	1,016,446,559	941,802,892	1,016,446,559
Credit card (Note- 17.1)	753,527,516	640,867,009	753,527,516	640,867,009
Home loan (Note- 17.2)	1,838,949,558	1,554,962,045	1,838,949,558	1,554,962,045
Personal loan (Note- 17.3)	769,342,895	770,126,927	767,783,139	768,670,790
Emerging and commercial	147,942,139	246,360,062	147,942,139	246,360,062
SME finance	1,259,334,057	1,181,862,758	1,259,334,057	1,181,862,758
	8,720,637,352	7,777,302,441	8,839,393,410	8,077,866,711
Treasury finance				
Fixed deposit accounts	320,652,606	326,642,956	314,195,681	325,377,078
Short term deposit accounts	349,788,098	244,756,707	268,208,096	163,881,342
	670,440,704	571,399,663	582,403,777	489,258,420
Others				
Debit balance of share trading clients	728,039,679	662,458,712	-	-
Margin loan to share trading clients	53,612,682	84,092,033	-	-
	781,652,361	746,550,745	-	-
	10,172,730,417	9,095,252,849	9,421,797,188	8,567,125,131
17.1 Credit Card				
Master card account	476,591,151	410,191,942	476,591,151	410,191,942
VISA card account	222,042,226	190,392,666	222,042,226	190,392,666
Master card ezipay account	37,338,086	27,985,781	37,338,086	27,985,781
VISA card ezipay account	17,556,054	12,296,619	17,556,054	12,296,619
	753,527,516	640,867,009	753,527,516	640,867,009
17.2 Home loan				
Bangladesh Bank refinance loan	61,890,495	60,953,119	61,890,495	60,953,119
Commercial loan	1,748,316,560	1,473,802,839	1,748,316,560	1,473,802,839
Staff loan	28,742,503	20,206,086	28,742,503	20,206,086
	1,838,949,558	1,554,962,045	1,838,949,558	1,554,962,045
17.3 Personal loan				
Term loan	693,356,158	716,571,778	693,356,158	716,571,778
Loan against deposit	60,789,350	41,875,997	60,789,350	41,875,997
Staff loan	15,197,387	11,679,152	13,637,630	10,223,015
	769,342,895	770,126,927	767,783,139	768,670,790
18. Interest expenses on deposits and borrowings				
See accounting policy in note (2.29)				
Other than Bangladesh Bank				
Term loan- commercial bank	595,061,853	525,576,745	167,297,955	108,433,101
Lease liability (Note-18.1)	44,905,963	2,543,729	33,728,992	2,081,022
Syndicated term loan	208,793,400	-	208,793,400	-
Foreign term loan-ICD (Note-18.2)	114,269,959	-	114,269,959	-
Zero Coupon Bond	34,811,248	52,684,846	34,811,248	52,684,846
Subordinated bond	182,898,579	4,150,252	182,898,579	4,150,252
Term deposits	5,302,301,037	5,047,648,770	5,307,197,108	5,049,186,576
Short term loans	520,786,854	701,554,239	520,425,466	701,554,239
Bank overdraft	168,023,579	137,165,452	168,023,579	137,165,452
Call loan	29,249,208	45,695,347	29,249,208	45,695,347
Commercial paper	-	4,135,000	-	4,135,000
	7,201,101,681	6,521,154,380	6,766,695,494	6,105,085,835
Bangladesh Bank				
Term loan- Bangladesh Bank	74,392,479	84,592,617	74,392,479	84,592,617
	74,392,479	84,592,617	74,392,479	84,592,617
	7,275,494,160	6,605,746,998	6,841,087,973	6,189,678,453

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
18.1 Lease liability				
See accounting policy in note (2.18)				
Lease liability-Vehicles	2,511,751	2,543,729	1,557,490	2,081,022
Lease liability- Office premises	42,394,212	-	32,171,501	-
	44,905,963	2,543,729	33,728,992	2,081,022
IFRS 16 has been implemented on 1 January 2019 which recognizes Right of Use of Assets and lease liability. As a result, interest expense is accrued from lease liability over the period at the rate of incremental borrowing rate used at the date of Implementation (January 01,2019) or 1st dte of lease agreement. No comparative information is available for Lease liability of office premises as the Company has applied modified retrospective method of IFRS 16. See accounting policy in note 2.9.1 and 2.18.				
18.2 Foreign term loan-ICD				
Profit on foreign term loan - ICD	93,037,361	-	93,037,361	-
Foreign exchange loss on ICD loan	21,232,598	-	21,232,598	-
	114,269,959	-	114,269,959	-
19. Income from investment				
See accounting policy in note (2.34.5)				
Income from investment in share (Capital gain)	164,700,298	352,638,468	113,983,057	80,397,454
Dividend income	119,549,186	74,859,327	170,183,317	24,394,088
Commercial paper	17,421,092	6,533,299	17,421,092	6,533,299
Subordinated bond	36,082,192	-	36,082,192	-
Discretionary corporate fund-LBAMCOL maximizer	2,980,811	-	2,980,811	-
	340,733,579	434,031,094	340,650,469	111,324,841
20. Commission, exchange and brokerage income				
See accounting policy in note (2.34.8)				
Brokerage commission	452,660,219	707,137,576	-	-
Underwriting commission	313,306	490,000	-	-
	452,973,525	707,627,576	-	-
21. Other operational income				
See accounting policy in note (2.34.6), (2.34.7), (2.34.8), (2.34.9), (2.22.6) and (2.35)				
Fees and documentations				
Portfolio and issue management fees	14,812,658	23,299,855	-	-
Membership fees of credit card	53,243,053	48,569,401	53,243,053	48,569,401
Other income from credit card	199,028,171	170,709,638	199,028,171	170,709,638
Fees and documentations (Note-21.1)	312,565,171	319,345,951	312,565,171	319,345,951
	579,649,054	561,924,845	564,836,395	538,624,989
Others				
Advertisement	131,055,518	146,807,093	-	-
Circulation	12,211,859	13,688,951	-	-
Late payment charge-factoring	1,539,948	2,312,987	1,539,948	2,312,987
Corporate finance fees	-	10,100,000	-	-
Foreign exchange gain/(loss)	(5,250)	(168)	(5,250)	(168)
Income from CDBL	15,697,853	23,789,169	-	-
Income from unit fund operation	14,052,540	18,993,219	-	-
Income from IPM fund operation	3,156,560	-	-	-
Miscellaneous	3,755,394	6,367,226	1,880,533	3,264,832
Write off recovery	4,643,850	3,760,183	2,343,850	3,760,183
Profit on sale of fixed asset	671,526	3,811,793	654,326	751,197
Round Table Conference	1,526,350	1,375,750	-	-
Scrap sales	2,879,097	2,279,318	-	-
Settlement fee	7,433,153	22,550,558	-	-
Sponsorship	12,799,782	5,428,429	-	-
Management fees	-	-	-	4,750,000
Selling agent fees	185,716	1,063,433	185,716	1,063,433
	211,603,893	262,327,941	6,599,122	15,902,463
	791,252,947	824,252,786	571,435,517	554,527,453

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
21.1 Fees and documentations				
Lending finance				
Lease finance	5,398,661	2,315,861	5,398,661	2,315,861
Revolving credit -secured	6,000	26,000	6,000	26,000
Short term loan	1,384,782	3,209,009	1,384,782	3,209,009
Term loan	3,624,434	4,875,472	3,624,434	4,875,472
Term loan syndication finance	754,415	7,065,413	754,415	7,065,413
Work order finance	276,500	241,000	276,500	241,000
Auto loan	14,739,651	15,330,644	14,739,651	15,330,644
Credit card	200,127,081	184,024,630	200,127,081	184,024,630
Home loan	29,194,200	32,161,712	29,194,200	32,161,712
Personal loan	18,787,300	22,160,930	18,787,300	22,160,930
SME finance	23,613,613	29,719,942	23,613,613	29,719,942
Emerging and commercial	14,658,534	18,215,339	14,658,534	18,215,339
	312,565,171	319,345,951	312,565,171	319,345,951
22. Salary and allowances				
See accounting policy in note (2.36.1) and (2.37)				
Salary and allowances	1,272,861,485	1,224,587,935	803,037,503	764,143,409
Provident fund contribution	43,938,922	36,312,863	23,584,666	17,189,442
Gratuity fund	61,087,041	51,258,390	33,013,658	35,460,642
Festival bonus	61,379,033	54,710,575	61,379,033	54,710,575
Business performance incentive	65,370,259	76,542,193	65,370,259	76,542,193
	1,504,636,741	1,443,411,956	986,385,119	948,046,260
23. Rent, taxes, insurance, electricity etc.				
See accounting policy in note (2.36)				
Office rent*	9,759,050	187,933,076	-	134,547,218
Insurance premium	26,921,838	35,654,911	18,239,004	26,136,734
Electricity	27,527,332	27,481,456	18,432,077	17,262,404
	64,208,220	251,069,443	36,671,081	177,946,355
*On 01 January 2019 LankaBangla Finance Limited and its subsidiaries have implemented IFRS 16: Leases. As per IFRS 16, there is no rental expenses instead there are expenses for depreciation of right of use asset and interest expenses for lease liability. However, some short term leases for one of subsidiaries has not been recognized as asset and liability as per IFRS 16 rather charged as expenses as per IFRS 16. Office Rent amount of BDT 9,759,050 reflects those short term leases. In comparative figure, rental expenses represent the expenses of operating lease as per previous IAS 17. For further information please see Note 2.9.1 & 2.18.				
24. Legal and professional fees	39,269,011	27,864,545	34,967,372	20,969,653
See accounting policy in note (2.36)				
25. Postage, stamp, telecommunication etc.				
See accounting policy in note (2.36)				
Postage and courier	5,235,240	3,372,599	4,988,014	2,969,512
Stamp charges	1,277,483	2,158,263	1,228,253	2,118,274
Telephone bill	22,276,213	21,243,610	16,776,754	14,704,053
	28,788,937	26,774,472	22,993,022	19,791,839
26. Stationery, printing, advertisement				
See accounting policy in note (2.36)				
Printing and stationery	27,331,516	32,559,506	19,551,857	22,701,632
Advertisement	20,499,264	19,229,837	18,826,197	15,719,482
	47,830,780	51,789,343	38,378,054	38,421,114
27. Managing director's salary and allowance				
See accounting policy in note (2.36.1) and (2.37)				
Salary and allowances	14,340,000	14,340,000	14,340,000	14,340,000
Provident fund contribution	804,000	804,000	804,000	804,000
Gratuity fund	335,000	335,000	335,000	335,000
	15,479,000	15,479,000	15,479,000	15,479,000
28. Director fees and expenses				
See accounting policy in note (2.36)				
Board meeting and audit committee attendance fees	2,638,900	2,271,200	691,200	642,800
	2,638,900	2,271,200	691,200	642,800

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
29. Audit fees				
See accounting policy in note (2.36)	1,086,750	1,155,750	632,500	575,000
30. Repairs, maintenance and depreciation				
See accounting policy in note (2.22.3) and (2.36)				
Repairs and maintenance	5,682,951	5,730,534	4,221,564	3,895,132
Software maintenance	44,189,534	32,232,589	36,905,040	22,372,939
Depreciation*	362,757,612	171,131,431	273,686,104	123,618,730
	412,630,098	209,094,554	314,812,709	149,886,801

*On 01 January 2019 LankaBangla Finance Limited and its subsidiaries have implemented IFRS 16: Leases. As per IFRS 16, there is no rental expenses instead there are expenses for depreciation of right of use asset and interest expenses for lease liability. Depreciation on Right of Use Asset in 2019 is charged on straight line basis over the lease term. Please see Annexure A & B and Note 2.9.1 & 2.18 for details.

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
31. Other expenses				
See accounting policy in note (2.36)				
AGM and related expenses	2,506,587	6,849,213	2,465,207	6,782,895
Bank charges	8,177,228	4,047,581	5,099,352	2,200,035
Business promotion	111,618,848	92,545,132	105,013,035	81,893,065
CDBL fee	19,071,464	31,361,489	153,030	190,419
CIB Charge	5,054,183	5,802,310	5,054,183	5,802,310
Commission on bank guarantee	9,285,925	10,955,706	-	-
Commission on mobile banking transaction	663,057	450,205	663,057	450,205
Computer accessories	2,539,582	829,750	2,524,732	820,600
Contact point verification fees	8,991,304	7,886,745	8,991,304	7,886,745
Conveyance	8,889,723	8,993,482	8,652,837	8,569,568
Cost of Newspaper, P. S Plates & Polyester film	18,936,267	26,016,366	-	-
Credit card accessories	12,605,623	2,178,558	12,605,623	2,178,558
Documentation fee	86,250	554,574	-	-
Donation and miscellaneous expenses	863,194	512,816	778,385	351,346
Educational expense reimbursements	112,407	241,231	58,595	177,755
Entertainment	11,741,469	14,288,856	5,186,100	6,215,359
Excise duty	4,010,787	3,516,313	3,996,137	3,464,813
Factory overhead	102,822,526	108,201,471	-	-
Fair and conference	-	963,134	-	-
Fuel expense	2,392,116	2,977,164	1,517,134	1,624,494
Hawla charges	-	262,010	-	-
HR event	7,097,746	4,381,135	7,097,746	4,381,135
Internet and e-mail	21,846,789	21,121,536	10,777,426	9,869,032
Laga charges	35,100,501	53,195,075	-	-
Contribution to workers' profit participation fund	8,931,502	-	8,931,502	-
LB foundation	8,717,324	10,056,359	7,434,471	7,213,703
Loss on sales of fixed asset	1,796,406	251,327	217,280	-
Marketing expenses	18,367,457	36,342,780	18,367,457	36,342,780
Master Card-Stand By Letter of Credit issuance charge	2,902,344	1,039,219	2,902,344	1,039,219
Master Card Consolidated Billing System charges	27,867,131	28,122,954	27,867,131	28,122,954
Meeting expense	2,409,502	2,073,951	2,409,502	2,073,951
Membership and regulatory fees	5,977,628	8,769,669	2,742,459	4,169,339
Networking charge	325,817	904,031	-	-
News paper and periodicals	734,992	541,281	552,004	258,947
Office maintenance	82,780,297	73,767,614	64,617,166	54,726,090
Other expenses	167,844	295,446	-	-
Other operational expenses credit card	39,115,031	26,030,034	39,115,031	26,030,034
Recovery commission	205,500	100,000	205,500	100,000
Recruitment expense	294,382	1,838,468	293,082	1,831,922
Selling & distribution expenses	20,409,116	17,267,779	-	-
SMS service charge	9,141,046	5,002,775	9,141,046	5,002,775
Staff welfare	2,272,069	1,923,912	2,272,069	1,923,912
Subscription	3,237,928	6,720,922	-	-
Training	14,503,885	14,192,619	13,740,614	11,780,732
Travelling	47,608,907	43,572,706	37,512,608	31,351,032
Vehicle maintenance/registration	61,540,172	51,934,649	26,081,988	22,181,331
Water and sewerage bill	2,343,361	2,215,197	1,444,717	1,316,228
	756,063,216	741,095,546	446,481,853	378,323,282

	LankaBangla Group		LankaBangla Finance Limited	
	2019 Taka	2018 Taka	2019 Taka	2018 Taka
32. Provisions for loans, investments and other assets				
See accounting policy in note (2.27)				
Provisions for leases and loans	586,870,691	368,767,746	586,870,691	368,767,746
General provision	64,778,203	48,057,404	64,778,203	48,057,404
Specific provision	522,092,488	320,710,342	522,092,488	320,710,342
Provision for margin loan	116,083,141	261,083,418	-	-
Provision for diminution in value of investments	181,851,344	342,286,156	152,139,065	108,016,156
Specific provision for other assets	-	4,200,000	-	700,000
	884,805,175	976,337,321	739,009,755	477,483,902
33. Provision for tax made during the year				
See accounting policy in note (2.38)				
Current tax expense:				
Current income tax charge	214,235,553	259,278,400	120,280,914	101,576,334
Adjustment in respect of current income tax of prior years	-	-	-	-
	214,235,553	259,278,400	120,280,914	101,576,334
Deferred tax expense/(income):				
Origination and reversal of temporary difference	2,295,644	5,351,678	-	-
Changes in tax rate	-	-	-	-
	2,295,644	5,351,678	-	-
Income tax expense reported in profit and loss account	216,531,197	264,630,078	120,280,914	101,576,334
33.1 Reconciliation of current income tax charge				
Gross receipts			10,379,898,015	9,237,978,603
Applicable tax rate*			0.60%	0.60%
Income tax charge as per applicable tax rate			62,279,388	55,427,872
Factors affecting the tax charge for current year:				
Tax savings from reduced tax rates for dividend income			(473,391)	(49,698)
Tax savings from reduced tax rates for capital gain			(501,525)	(289,431)
Additional tax charge for minimum tax under section 82C(5)			58,976,442	46,487,591
			120,280,914	101,576,334
34. Earnings Per Share (EPS)				
See accounting policy in note (2.40)				
Earning attributable to ordinary shareholders	503,883,570	434,308,867	736,012,624	714,156,632
Outstanding number of shares (Note - 34.1)	513,179,641		513,179,641	
Weighted number of shares outstanding (Note - 34.2)		508,483,839		508,483,839
Basic earnings per share (Restated- prior year)	0.98	0.85	1.43	1.40
34.1 Outstanding number of shares for the period ended 31 December 2019				
Number of shares outstanding as on 31 December 2019	513,179,641	513,179,641	513,179,641	513,179,641
	513,179,641	513,179,641	513,179,641	513,179,641
34.2 Weighted average number of shares outstanding (WANS) for the year ended 31 December 2018				

*As there was business loss for tax charge for the year ended 31 December 2019, LankaBangla Finance Limited provided for current tax expense as per Section 82C(4) and 82C(5) of the Income Tax Ordinance, 1984.

**The Group's tax charge is the accumulation of tax charged separately in individual financial statements of the Group companies.

Date	Particular	Shares	Time factor (days)	Bonus fraction	Weighted average number of shares
01 Jan 2018	Opening no. of shares	318,250,941	31/365	(41.45/30.97) * 1.075	38,889,317
31 Jan 2018	Rights issue (2 : 1R)	159,125,470			
		477,376,411	334/365	1.075	469,594,522
					508,483,839

Theoretical ex-rights price is calculated as follows:

Market price per share on 31 January 2018 was Tk. 41.40 on DSE and Tk. 41.50 on CSE; average market price is Tk. 41.45

Value of 2 shares based on average market price	82.90
Subscription	10.00
	92.90
Theoretical ex-rights price per share	30.97

Therefore, bonus fraction in rights issue is 41.45/30.97

34.3 Impact of IFRS 16: Leases on Earnings Per Share (EPS)

Particulars	LankaBangla Group		LankaBangla Finance	
	2019	2018	2019	2018
Increase in depreciation of right-of-use asset	(173,487,675)	-	(129,241,992)	-
Increase in finance costs	(43,473,449)	-	(32,171,501)	-
Decrease in Rent expenses	199,130,732	-	143,345,524	-
Increase/ (Decrease) in profit for the year	(17,830,392)	-	(18,067,969)	-
Increase/(Decrease) in Earnings Per Share (EPS) for implementation of IFRS 16	(0.03)	-	(0.04)	-
35. Net asset value per share- (NAV)				
Net asset value as at 31 December 2019	9,482,329,484	9,823,214,683	10,017,931,954	10,336,923,987
Number of shares outstanding (Note - 34.1)	513,179,641	513,179,641	513,179,641	513,179,641
	18.48	19.14	19.52	20.14
36. Net Operating Cash Flows Per Share - (NOCFPS)				
Net cash flows/(used in) from operating activities	(1,363,337,438)	1,676,093,115	(1,374,962,157)	1,707,809,354
Weighted number of shares outstanding (Note - 34.1)	513,179,641	508,483,839	513,179,641	508,483,839
	(2.66)	3.30	(2.68)	3.36

36.1 Reconciliation of net profit before tax with net cash flows from operating activities

The following reconciliation has been provided as per No. BSEC/CMRRCD/2006-158/208/Admin/81 Dated : 20 June 2018

Profit before tax	724,759,481	709,074,176	856,293,538	815,732,966
Adjustments:				
Depreciation and amortization	373,008,730	174,190,895	273,686,104	123,618,730
(Gain)/Loss on sale of fixed assets	1,124,880	(3,560,466)	(437,046)	(751,197)
Provision for loans, leases and advances & investments	884,805,175	976,337,321	739,009,755	477,483,902
Foreign exchange (gain)/loss	17,395,055	168	17,395,055	168
	2,001,093,321	1,856,042,094	1,885,947,406	1,416,084,569
Increase/(decrease) in operating assets & liabilities				
Loans and advances to customers	3,553,032,960	(2,502,462,489)	3,196,628,349	(2,470,057,910)
Other assets	94,165,068	176,556,219	54,579,996	204,541,927
Deposits from customers and others	(6,509,583,908)	1,729,388,281	(6,530,871,983)	1,750,676,356
Other liabilities	(284,126,603)	673,333,734	118,307,103	864,212,556
	(1,145,419,163)	1,932,857,839	(1,275,409,130)	1,765,457,498
Income tax paid	(217,918,275)	(256,764,724)	(99,553,027)	(57,648,144)
Net Cash flows from/(used in) Operating Activities	(1,363,337,438)	1,676,093,115	(1,374,962,157)	1,707,809,354

37. Segment report**37.1. Basis for segmentation**

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable Segments	Operations
Core Financing Business	Fees based services include Credit Card Membership Fees, Loan processing fees etc. Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Emerging and Commercial, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
Brokerage Business	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, foreign currencies, treasury bills and/or any financial instruments.
Investment Business	Trading, margin loan and corporate finance activities
Asset Management Business	Fund management activities

37.2 Information about reportable segments

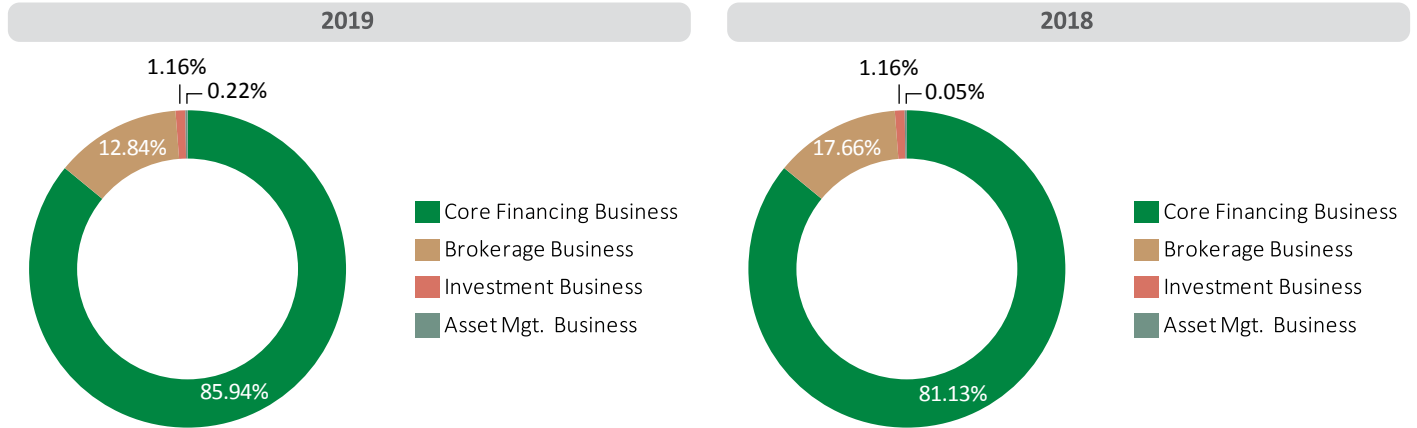
Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's management committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to the other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Particulars	Amount in Taka				
	For the year 2019				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	9,301,481,373	805,233,253	65,908,641	107,150	10,172,730,417
Revenue from investment	218,363,839	97,456,847	23,551,476	1,361,417	340,733,579
Commission, exchange and brokerage income	-	452,660,219	313,306	-	452,973,525
Other operational income	571,435,517	176,987,373	25,276,602	17,553,455	791,252,947
Total revenue from external customers	10,091,280,729	1,532,337,692	115,050,025	19,022,022	11,757,690,467
Revenues from transactions with other operating segments of the same entity :					
Interest revenue	120,315,815	-	4,896,071	-	125,211,886
Revenue from investment	122,286,630	-	-	7,590,791	-
Other operational income	-	11,134,308	-	-	11,134,308
Total revenues from transactions with other operating segments of the same entity	242,602,445	11,134,308	4,896,071	7,590,791	136,346,193
Total segment revenue	10,333,883,174	1,543,471,999	119,946,096	26,612,812	11,894,036,661
Interest expenses					
Segment interest expenses	6,836,191,902	440,380,503	469,606	1,494,006	7,276,622,478
Revenues from transactions with other operating segments of the same entity	4,896,071	19,785,343	100,530,472	-	125,211,886
Total segment interest expenses	6,841,087,973	460,165,846	101,000,078	1,494,006	7,401,834,364
Operating expenses					
Segment operating expenses	1,612,671,496	768,809,498	75,889,500	29,447,971	2,486,818,465
Revenues from transactions with other operating segments of the same entity	11,134,308	-	-	-	11,134,308
Total segment operating expenses	1,623,805,804	768,809,498	75,889,500	29,447,971	2,497,952,772
Depreciation and amortization	273,686,104	96,662,581	5,119,889	9,216,294	384,684,869
Net operating income	1,595,303,293	217,834,074	(62,063,371)	(13,545,459)	1,609,564,656
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	739,009,755	-	119,710,763	26,084,656.67	884,805,175
Profit before tax and reserve	856,293,538	217,834,074	(181,774,134)	(39,630,116)	724,759,481
Provision for tax made during the year	120,280,914	90,729,678	3,092,857	132,104	214,235,553
Deferred tax (expense)/ Income	-	1,728,022	-	567,622	2,295,644
Net profit after tax	736,012,624	125,376,374	(184,866,991)	(40,329,843)	508,228,283
Total segment assets	79,181,420,224	10,340,874,208	2,209,922,257	1,005,802,354	92,738,019,043
Inter segmental assets	1,879,648,686	-	-	-	1,879,648,686
Net segment assets	77,301,771,538	10,340,874,208	2,209,922,257	1,005,802,354	90,858,370,357
Amount of addition to non-current fixed assets	680,351,425	172,086,575	7,824,918	14,409,967	874,672,885
Segment capital employed	10,017,931,954	4,915,184,491	235,860,274	949,193,762	16,118,170,481
Segment liability	69,163,488,270	5,302,641,482	217,461,533	56,608,592	74,740,199,876
Inter segmental liabilities	-	123,048,236	1,756,600,450	-	1,879,648,686
Total segmental liability	79,181,420,224	10,340,874,208	2,209,922,257	1,005,802,354	92,738,019,043

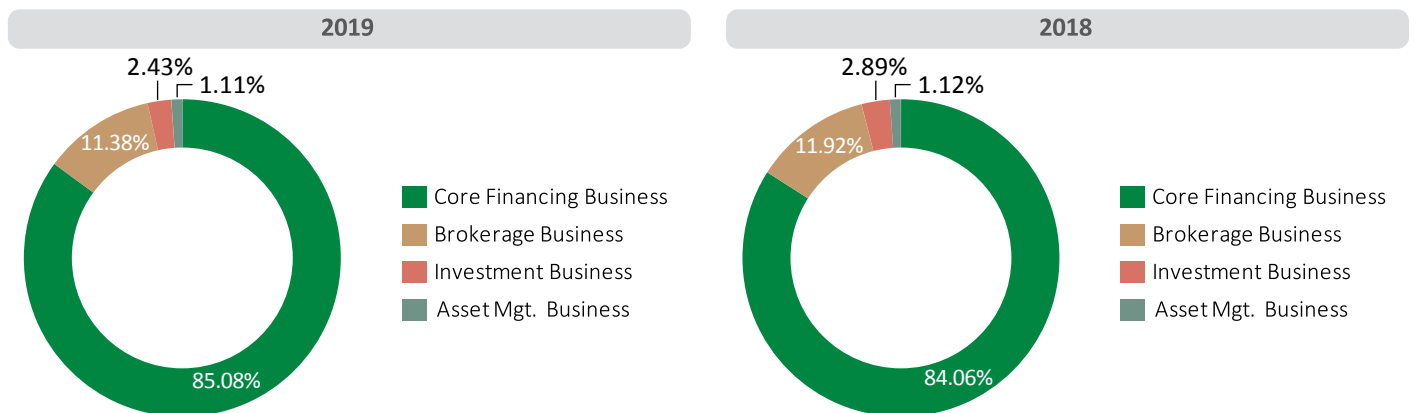
Particulars	For the year 2018					Amount in Taka
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated	
Revenue from external customers						
Interest revenue	8,265,104,724	740,691,840	89,190,287	265,997		9,095,252,849
Revenue from investment	111,324,841	353,570,838	(17,068,706)	(13,795,880)		434,031,094
Commission, exchange and brokerage income	-	707,137,576	490,000	-		707,627,576
Other operational income	549,777,453	198,042,209	57,439,905	18,993,219		824,252,786
Total revenue from external customers	8,926,207,018	1,999,442,464	130,051,487	5,463,336		11,061,164,305
Revenues from transactions with other operating segments of the same entity :						
Interest revenue	302,020,407	-	1,537,806	-		303,558,214
Revenue from investment	-	-	-	-		-
Other operational income	4,750,000	10,892,059	-	-		15,642,059
Total revenues from transactions with other operating segments of the same entity	306,770,407	10,892,059	1,537,806	-		319,200,273
Total segment revenue	9,232,977,425	2,010,334,523	131,589,294	5,463,336		11,380,364,577
Interest expenses						
Segment interest expenses	6,188,140,646	415,269,477	1,874,167	462,707		6,605,746,997
Revenues from transactions with other operating segments of the same entity	1,537,806	23,369,706	278,650,701	-		303,558,214
Total segment interest expenses	6,189,678,453	438,639,183	280,524,868	462,707		6,909,305,211
Operating expenses						
Segment operating expenses	1,615,571,315	849,744,191	90,472,692	40,026,715		2,595,814,915
Revenues from transactions with other operating segments of the same entity	10,892,059	-	-	4,750,000		15,642,059
Total segment operating expenses	1,626,463,374	849,744,191	90,472,692	44,776,715		2,611,456,974
Depreciation and amortization	123,618,730	41,090,419	5,499,308	3,982,438		174,190,895
Net operating income	1,293,216,868	680,860,729	(244,907,574)	(43,758,523)		1,685,411,497
Material non-cash items other than depreciation and amortisation						
Provision for leases, loans and advances / investments	477,483,902	234,270,000	264,583,418	-		976,337,321
Profit before tax and reserve	815,732,966	446,590,729	(509,490,992)	(43,758,523)		709,074,177
Provision for tax made during the year	101,576,334	156,691,704	891,948	118,414		259,278,400
Deferred tax (expense)/ Income	-	5,176,791	-	174,886		5,351,678
Net profit after tax	714,156,632	284,722,234	(510,382,940)	(44,051,824)		444,444,099
Total segment assets	80,668,141,733	11,134,106,826	2,700,306,864	1,048,678,860		95,551,234,283
Inter segmental assets	2,183,411,028	-	-	-		2,183,411,028
Net segment assets	78,484,730,705	11,134,106,826	2,700,306,864	1,048,678,860		93,367,823,255
Amount of addition to non-current fixed assets	405,949,383	403,212,549	5,355,420	-		814,517,352
Segment capital employed	9,044,707,384	4,924,323,283	420,727,265	976,273,605		15,366,031,537
Segment liability	71,623,434,349	6,036,080,161	269,871,954	72,405,255		78,001,791,718
Inter segmental liabilities	-	173,703,382	2,009,707,645	-		2,183,411,027
Total segmental liability	80,668,141,733	11,134,106,826	2,700,306,864	1,048,678,860		95,551,234,283

37.2 Information about reportable segments (continued)

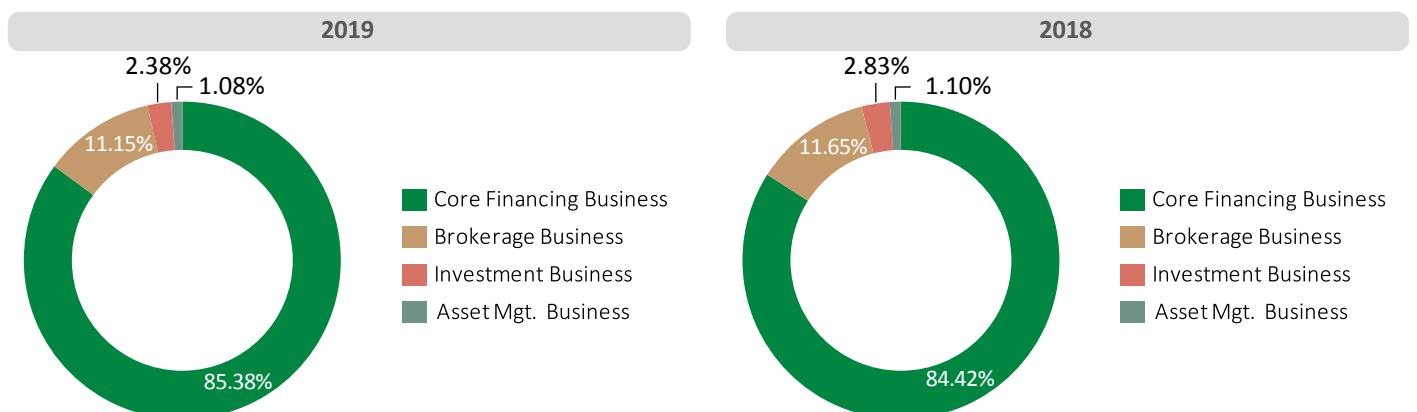
Revenue



Assets



Liabilities



38. Group subsidiaries**38.1 List of significant subsidiaries**

The table below provides details of the significant subsidiaries of the Group

Sl.	Name	Auditors Name	Place of business	Ownership Interest
1	LankaBangla Securities Limited	Ahmed Zaker & Co.	Bangladesh	96.6486063%
2	LankaBangla Investments Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9999972%
3	LankaBangla Asset Management Company Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9998939%
4	LankaBangla Information System Limited	Sayful Shamsul Alam & Co.	Bangladesh	96.4553091%
5	BizBangla Media Limited	Ahmed Zaker & Co.	Bangladesh	93.1552832%

38.2 Financial support given to structured entities

All the transactions with or among the subsidiaries are arms length transactions and are properly disclosed in the related party disclosure (**Note-39**). Other than those no other financial support has been given to any of the subsidiaries in the year 2019.

38.3 Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework within which financial subsidiaries operate. The regulatory frameworks require financial organizations to keep certain level of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

38.4 Non-controlling interest (NCI) in subsidiaries

Name	% of NCI	Profit allocated to NCI	
		2019 Taka	2018 Taka
LankaBangla Securities Limited	3.3513937%	4,310,281	9,702,755
LankaBangla Investments Limited	0.0000028%	(5)	(17)
LankaBangla Asset Management Company Limited	0.0001061%	(37)	(1)
LankaBangla Information System Limited	3.5446909%	22,149	60,634
BizBangla Media Limited	6.8447168%	12,326	371,860
Total		4,344,714	10,135,232

39. Related party disclosure

i) Names of the Directors together with list of entities in which they have interest are stated below:

Sl. #	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.
1	Mr. Mohammad A. Moyeen	Chairman	1 Airline Cargo Resources Limited
			2 Arrow Aviation Limited
			3 Anyeshan Limited
			4 AVS Cargo Management Services Ltd.
			5 APS Logistics International Limited
			6 BizBangla Media Limited
			7 Bengal Meat Processing Industries Limited
			8 Colloid Enterprises Limited
			9 Cross Freight Lines Limited
			10 Datafort Limited
			11 Expo Express Services Limited
			12 Expo Holdings (BD) Limited
			13 Freight Options Limited
			14 Freight Care Aviation Services Limited
			15 First Forwarding Limited
			16 Global Aviation Services Limited
			17 Global Ground Services Limited
			18 Interairsea Limited
			19 Innoweb Limited
			20 Infosapex Limited
			21 Joules Power Ltd.
			22 LankaBangla Securities Limited
			23 LankaBangla Investments Limited
			24 LankaBangla Information System Limited
			25 Orchid Aviation Limited
			26 SG Logistics (Pvt.) Limited
			27 Standard Paper Products Limited
			28 STS Educational Group Limited
			29 STS Holdings Limited
			30 Swift Logistics Services Limited
			31 The M & M Limited
			32 Tropica Garments Limited
			33 Technaf Solartech Energy Limited
			34 Uniworld Logistics Limited
			35 Voytech Limited
			36 WAC Logistics Limited
			37 Wings Express Limited
			38 Wings Logistics Limited
			39 Wings Ocean Freight Limited
			40 Wings Aviation Limited
			41 Wings Spence Aviation Limited
			42 Wings Tours & Travels Limited
			43 Wings Classic Tours & Travels Limited
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	1 LankaBangla Securities Limited
			2 American President Lines (Lanka) Agencies Limited
			3 IWS Holdings (Pvt.) Limited
			4 APL Lanka (Private) Limited
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)	Director	1 Lanka Financial Services Bureau Limited
			2 Lanka Clear (Pvt.) Limited
4	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	N/A

Sl. #	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.
5	Mr. Mahbubul Anam	Director	1 Allied Aviation Bangladesh Limited
			2 Airline Cargo Resources Limited
			3 Airlines Services Ltd.
			4 Aramex Dhaka Limited
			5 Aeroness International
			6 Arrow Aviation Limited
			7 Anyeshan Limited
			8 Aristeus Agriculture Limited
			9 BizBangla Media Limited
			10 Bengal Meat Processing Industries Limited
			11 Bollore Logistics Bangladesh Limited
			12 BAY Cargo Centre Limited
			13 Cargo Center Limited
			14 Colloid Enterprises Limited
			15 Cross Freight Lines Limited
			16 Cross Freight Limited
			17 Datafort Limited
			18 Expo Freight Limited
			19 Expo Express Services Ltd.
			20 Expo Holdings (BD) Limited
			21 Freight Care Aviation Services Limited
			22 First Forwarding Limited
			23 Global Aviation Services Limited
			24 Innoweb Limited
			25 Infosapex Limited
			26 Joules Power Limited
			27 LankaBangla Securities Limited
			28 LankaBangla Information System Limited
			29 Masco International Limited
			30 Orchid Aviation Limited
			31 SG Logistics (Pvt.) Limited
			32 Standard Paper Products Limited
			33 STS Educational Group Limited
			34 STS Holdings Limited
			35 The M & M Limited
			36 Tropica Garments Limited
			37 Technaf Solartech Energy Limited.
			38 Voyager Aviation Services Limited
			39 Voytech Limited
			40 Wings Spence Aviation Limited
			41 Wings Classic Tours & Travels Limited
			42 Wings Express Limited
			43 Wings Ocean Freight Limited
6	Mrs. Aneesha Mahial Kundanmal	Director	1 Royal Park Residence Hotel
7	Mr. Tahsinul Huque	Director	N/A
8	Mrs. Zaitun Sayef	Independent Director	N/A
9	Mr. Abdul Malek Shamsher	Independent Director	1 LankaBangla Securities Limited
			2 LankaBangla Investments Limited
			3 LankaBangla Asset Management Company Limited

ii)	Significant contracts where Company is a party and wherein Directors have interest during the year 2019	NIL
iii)	Shares issued to Directors and Executives without consideration or exercisable at a discount	NIL

iv) **Related party transactions**

The company in normal course of business has entered into transactions with other individuals/entities that fall within definition of related party contained in International Accounting Standards-24 (Related Party Disclosures) as noted below:

SL No.	Name of Related Party	Relationship	% of Holding	Outstanding 01.01.2019	Amount of transaction during the year 2019		Outstanding 31.12.2019	Nature of Transaction	Outstanding balance present in note
					Debit	Credit			
1	Colloid Enterprises Limited	Concern related to Directors	-	11,452,152	124,545	1,120,452	12,448,059	TDR	11.1
2	Global Aviation Services Limited	Concern related to Directors	-	16,000,000	1,580,000	1,580,000	16,000,000	TDR	11.1
3	WAC Logistics Ltd.	Concern related to Directors	-	38,663,760	444,771	4,072,709	42,291,699	TDR	11.1
4	Wings Spence Aviation Limited	Concern related to Directors	-	120,370,533	93,955,836	10,544,803	36,959,500	TDR	11.1
5	Wings Tours And Travels Ltd.	Concern related to Directors	-	10,490,000	11,171,250	681,250	-	TDR	11.1
6	LankaBangla Securities Limited	Subsidiary Company	96.55	173,703,382	19,813,598	70,468,745	123,048,236	Term loan	7.1
7	LankaBangla Investment Limited	Subsidiary Company	99.99	2,009,707,645	100,555,472	353,662,667	1,756,600,450	Term loan	7.1
8	LankaBangla Investment Limited	Subsidiary Company	99.99	21,288,075	146,501,653	125,213,578	-	TDR	11.1
9	LankaBangla Finance Limited-PF	Provident Fund of LBFL	-	182,904,054	160,892,555	99,569,492	244,227,116	TDR	11.1
10	LankaBangla Finance Limited-GF	Gratuity Fund of LBFL	-	62,227,142	106,637,139	67,843,140	101,021,142	TDR	11.1
11	LankaBangla Securities Limited	Subsidiary Company	96.55	1,546,237,023	-	-	1,546,237,023	Equity Investment	9
12	LankaBangla Asset Management Company Limited	Subsidiary Company	99.99	929,700,000	13,250,000	-	942,950,000	Equity Investment	9
13	LankaBangla Investment Limited	Subsidiary Company	99.99	2,154,999,940	-	-	2,154,999,940	Equity Investment	9
14	LankaBangla Securities Limited	Subsidiary Company	96.55	-	11,134,308	-	11,134,308	Lease of office premises	8.4.2, 10.1 & 23
15	BizBangla Media Limited	Sub-Subsidiary Company	89.40	790,852	5,609,467	5,356,474	537,859	Advertisement	

v)	Disclosure of transaction regarding Directors and their related concerns	Disclosed above (iv)
vi)	Lease agreement made with the Ex-Sponsor Director and Existing Depositor Director	NIL
vii)	Investment in the Securities of Directors and their related concern	NIL

40. Audit committee disclosures

As per clause number 3 (Ka) of Bangladesh Bank DFIM Circular No. 13 dated October 26, 2011 and clause number 2.2(b) of "Corporate Governance Code" Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 of Bangladesh Securities and Exchange Commission (BSEC) Audit Committee of LankaBangla Finance Limited (LBFL) was re-constituted in 112th meeting of the Board of Directors held on October 24, 2018.

Sl. #	Name of Member	Status in the Organization	Status in the Committee	Educational Qualification
1	Mrs. Zaitun Sayef	Independent Director	Chairperson	MBA from Institute of Business Administration (IBA) of Dhaka University
2	Mr. Nanda Fernando	Director	Member	MBA degree specializing in Marketing from Sikkim Manipal University, India.
3	Mr. Mahbubul Anam	Director	Member	B. Sc. Engineer from BUET
4	Mr. M. Fakhru Alam	Director	Member	MBA from Institute of Business Administration (IBA) of Dhaka University
5	Mr. Abdul Malek Shamsher	Independent Director	Member	Passed Higher Secondary Certificate (First Division) in 1966 from Faujdarhat Cadet College and completed part-1 of the Institute of Banker's Examination, Karachi in 1969 from Pakistan

The Company Secretary acts as Secretary of the Audit committee of the Board.

During the year 2019, the Audit Committee conducted 4 (four) meetings in which, among other things, the following issues were reviewed/discussed:

- The integrity of the financial statements of LBFL and its subsidiaries;
- The Company's external auditors' qualifications and independence,
- Performance and effectiveness of the Company's internal and external audits,
- Internal controls and the measurement of operational risk,
- Compliance by the Company with legal and regulatory requirements.
- Examine any matter relating to the financial and other connected issues to the Company.
- Monitor all internal and external audit and Bangladesh Bank's inspection program.
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of accounting policies and their adherence to statutory and regulatory compliance.
- Review the Company's annual report and accounts and interim financial statements prepared for disclosure, before submission to the Board.
- Ensure that a well-managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, regulatory authorities, management and all other stakeholders.
- Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

41. Impact of inflation and changing prices

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular IAS/IFRS specifically suggests to measure some assets/liabilities at fair value. Such as IFRS 9 requires equity investments to be measured at fair value.

42. Others

a) Reasons for significant deviation in Net Profit after Tax

Consolidated Net Profit after tax for the year 2019 was BDT 508.29 million which was 14% higher than that of 2018 (BDT 444.44 million). Reasons for the changes in profitability are as follows:

Name of the Company	2019	2018	Y-O-Y Growth		Major factors that caused changes in profitability
			Amount	%	
LankaBangla Finance Limited (LBFL)	736,012,624	714,156,631	110,208,137	3%	During the year 2019 net profit after tax remained quite constant with a 3% increase.
LankaBangla Securities Limited (LBSL)	125,376,374	284,722,234	(159,345,860)	(56%)	<p>During the year net profit after tax of LBSL reduced by 56%. The following events caused to reduce profit during the year:</p> <ul style="list-style-type: none"> LBSL's main source of income "Brokerage Commission" decreased by BDT 254,477,357 compared to 2018 due to significant slump of overall daily turnover in the stock exchanges. Investment income of LBSL has decreased by 221,136,174 during 2019 in comparison to 2018.
LankaBangla Investment Limited (LBIL)	(184,866,807)	(510,382,940)	325,516,134	64%	<p>During the year net loss of LBIL reduced by 64%. The following events caused to reduce loss during the year:</p> <ul style="list-style-type: none"> Interest expense reduced by 179,524,790 in 2019 compared to 2018. Investment income has increased by BDT 40,620,182 compared to 2018. Provision for margin has reduced by 145,000,278 in 2019 compared to 2018.

Name of the Company	2019	2018	Y-O-Y Growth		Major factors that caused changes in profitability
			Amount	%	
LankaBangla Assets Management Company Limited (LBAMCL)	(40,419,018)	(44,051,824)	3,632,805	8%	<p>During the year net loss of LBAMCL reduced by 8%. The following events caused to reduce loss during the year:</p> <ul style="list-style-type: none"> Investment income has increased by BDT 22,748,087 in 2019 compared to 2018. Out of total investment income of 22,748,087, there is an intra-company dividend of BDT 7,590,791. On the other hand, provision for diminution in value of investments has increased by 26,084,657 in 2019 compared to 2018.
Intra Company Dividend	(129,877,421)	-	(129,877,421)		<ul style="list-style-type: none"> In 2019 LBFL and LBAMCL has earned cash dividend of BDT 122,286,630 and BDT 7,590,791 respectively from one of its subsidiaries (LankaBangla Securities Limited) but in 2018 there was no dividend from subsidiaries.
Intra Company Right of Use Asset & Lease Liability	1,913,540	-	1,913,540		<ul style="list-style-type: none"> Intra-company elimination for IFRS 16
Consolidated Net Profit After Tax	508,228,283	444,444,099	63,784,184	14%	Overall consolidated net profit after tax during the year increased by 14% to 508.29 million from 444.44 million.
Other parameters					
Consolidated Net Operating Cash Flows Per Share - (NOCFPS)	(2.66)	3.30	(5.95)	(181%)	Consolidated net operating cash flows per share reduced in 2019 compared to 2018 due to 12% change in deposit position.

b) Board meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each Board Meeting. No other remuneration or special payment was made to the directors for attending the Board Meetings or otherwise during the year 2019. Nothing is due from any director of the Company as on the date of closing the accounts. During year under audit six meetings of Board of Directors were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	114 th Board meeting	February 12, 2019	9
2	115 th Board meeting	May 7, 2019	8
3	116 th Board meeting	July 30, 2019	8
4	117 th Board meeting	September 24, 2019	7
5	118 th Board meeting	October 29, 2019	8
6	119 th Board meeting	December 3, 2019	7

Notes:

Directors who could not attend meetings were granted leave of absence by the Board.

c) Meeting and directors' remuneration**i) Executive Committee (EC) meeting and directors' remuneration**

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Executive Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2019. During the year under audit five meetings of the Executive Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	80th EC meeting	March 25, 2019	3
2	81st EC meeting	April 23, 2019	3
3	82nd EC meeting	May 7, 2019	3
4	83rd EC meeting	September 19, 2019	3
5	84th EC meeting	November 20, 2019	3

Notes:

Directors who could not attend meetings were granted leave of absence.

ii) Audit Committee meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Audit Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2019. During the year under audit four meetings of Audit Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
1	55th Audit Committee meeting	February 7, 2019	4
2	56th Audit Committee meeting	May 2, 2019	4
3	57th Audit Committee meeting	July 23, 2019	3
4	58th Audit Committee meeting	October 29, 2019	4

Notes:

Directors who could not attend meetings were granted leave of absence.

d) Employees' details

No. of employee received TK.3,000 per month

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

	Year-2019	Year-2018
No. of employee received TK.3,000 per month	-	-
No. of employee received more than Tk.3,000 per month	923	896
	923	896

e) Event after the Reporting Period**i) Implications of COVID-19 on business**

We know that COVID-19 is turning the world upside-down and the current business environments is being severely disrupted. As the result of lockdowns everywhere, closed borders are disrupting business locally and internationally, we have found that global economic cooperation is easily disrupted by the closed factories in affected regions.

Due to a severe lack of business transactions, a cash shortage and a dramatic decrease in profits awaits almost every business. These companies, especially small- and medium-sized entities (SMEs), do not have enough cash to endure the several months during which sales will be significantly impacted. These types of client's businesses will soon face extreme liquidity problems with the distinct possibility of them becoming bankrupt.

Moreover, Bangladesh Bank circulated some new policy, as guided by the Government of Bangladesh, that will also impact the business of Banking and Non-Banking Financial Institutions.

Till to the date of authorized for issue of the Financial Statements of LBFL, we observed the following known events which might have impact on revenue, profitability and cash flow:

- Limiting the company's operation since March 26, 2020 to May 30, 2020 as per Government directions. Hence, the Company's incremental business has been affected.
- Loan/lease/advance classification's holiday/moratorium until 30 June 2020 proclaimed by Bangladesh Bank through DFIM circular no. 01, dated 24 March 2020 has affected favorably on the LBFL's earnings as there is no need to keep additional provision for any defaulted loans until June 30, 2020. However, this has significant adverse impact on cash flow as most of the clients have chosen to avail this opportunity (no change of classification status till June 30, 2020 regardless of installment payments);
- Credit card fees, charges and accrued interest waiver from March 2020 to May 2020 declared through BRPD Circular Letter No-20 adversely affected LBFL's earnings and cash flow from credit card; However, the effect of this is still unclear as Bangladesh Bank has not yet spelled out the treatments of blocked interest income from credit card.
- Adverse impacts on future cash flows resulting from lower sale/demand of products or services of many of our clients' businesses are quite obvious. Therefore, timely recovery of a number of loans might be at risk. As a result, non-earning assets (SMA and NPL) may rise at the end of 2020 (if the existing waiver of classification is not further extended) resulting significant provision and interest suspense.

Response to address the COVID-19 Effects:

However, the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity and profitability. However, LBFL has taken various measures to keep the Company's going concern status. Also, management assessment on current loan portfolio depicts that 10% of the borrowers are in low risk, 63% borrowers in moderate risk and only 27% borrowers are in high risk, that means majority of the borrowers are in moderate state and are not prone to higher risks.

The management has already taken and will take a number of measures to monitor and prevent the further effects of the COVID-19.

- i) This includes safety and health measures for the employees like social distancing and working from home;
- ii) The business model will be changed from traditional model to digitally Enabled Business model whereby most of the activities from business acquiring to customer service will be done by digitally;
- iii) Prudent balance sheet and cash management to ensure enough liquidity to manage all obligations;
- iv) Implementing liquidity contingency plan and monitoring it on regular basis to avoid any liquidity mismatch;
- v) Restructuring and relocating of office spaces to reduce both size of office space and per square feet rent. This initiative will save a significant amount after implementation;
- vi) Effective cost control measures are already in place to combat the unprecedented situation.
- vii) Reduce certain expenses which is required in normal business scenario but not 100% applicable during overall slowdown of macroeconomic and industry specific environment;
- viii) Strong recovery, monitoring and collections efforts.

Furthermore, the management is continuously monitoring LBFL's capital adequacy ratio, buffer liquidity reserve, line of defenses against any liquidity shock, NPL to total loan ratio and is confident enough to undertake all crisis management and business continuity measures. COVID-19 has also been addressed under the area of principal risk and uncertainties at entity level and reported in the Directors' report. The Management has analyzed the possible impact and also taken reasonably adequate mitigating measures in response. Upon a rigorous review and an assessment of the levels of facilities expected to be available to the company, the management strongly believes that the LBFL has adequate resources for a period of at least 12 months from the date (08 June 2020) of authorized for issue of the financial statements.

So, based on the facts and circumstances known at this moment, the management believes there is no material uncertainty that may cast any doubt upon the LankaBangla Finance Limited's ability to continue as a going concern and hence, whilst uncertain, we do not believe that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity.

ii) Dividend Information

The Board of Director in its 121st Meeting held on 08 June 2020 has recommended to the shareholders @ 7% of Cash Dividend and @ 5% of Stock Dividend for the year ended 31 December 2019. This will be considered for approval of shareholders at 23rd Annual General Meeting (AGM) of the Company scheduled to be held on 07 September 2020.

f) Capital expenditure commitment

There were capital expenditures contracted but not incurred or provided for LankaBangla Tower amounting to Tk. 83 crore (approx.) as on 31 December 2019. There was no other material capital expenditure authorized by the Board but not contracted for as on 31 December 2019.

g) Foreign remittances

During the year 2019, the company remitted **USD 386,532, SGD 2,835 and INR 1,472,463 (Total in BDT 34,646,374)** against Various Technical Service Fees to the Foreign Shareholders and training & services provider.

SI #	Purpose	Paid to	USD*	GBP*	SGD*	INR*	BDT
01.	Dividend Payment	Sampath Bank PLC	260,101	-	-	-	21,978,497
		Mr. Tahsinul Huque	113,678	-	-	-	9,605,816
02.	Professional fee	Design2Occupancy Services LLP, India	8,000	-	-	-	678,007
03.	Training Fee-2019	Various training providers abroad	4,753	-	2,835	1,472,463	2,384,054
Total			386,532	-	2,835	1,472,463	34,646,374

*USD = United States Dollar

*GBP = Great Britain Pound

*SGD = Singapore Dollar

*INR = Indian Rupees

h) Financial highlights

Key financial highlights of the Company are annexed as “Annexure-D”.

i) Interim financial statements

LankaBangla Finance Limited published its quarterly interim financial statements as requirement of the Bangladesh Securities and Exchange Commission and as per IAS 34 “Interim Financial Reporting”.

Interim Reporting Period	Publication Date
January to March (1 st quarter)	07 May 2019
January to June (Half Year ended)	30 July 2019
January to September (3 rd quarter ended)	29 October 2019

j) Change in and disagreement with Auditors

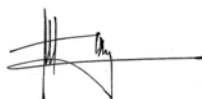
There were no changes and disagreement with the Auditors on accounting and financial disclosures.

k) Numerical presentation

Figures shown in the accounts have been rounded off to the nearest Taka. Previous year figures have been re-arranged where necessary to conform to current year’s presentation.

l) General

- All shares have been fully called up and paid up.
- Company Balances shown in the accounts are duly reconciled.
- No amount was spent by the Company for compensating any members of the board for special services rendered during the year.



Director



Director



Managing Director



Company Secretary



Chief Financial Officer

Dhaka,
08 June 2020

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED FIXED ASSETS SCHEDULE
 As at 31 December 2019

Annexure -A

Particulars	COST				DEPRECIATION				Written down value as at 31.12.2019	
	Balance as at 01.01.2019	Addition during the year	Sales/Transfer/Adjustment during the year	Balance as at 31.12.2019	Rate %	Balance as at 01.01.2019	Charged during the year	Adjustment during the year		Balance as at 31.12.2019
I. Freeholds assets										
Land	787,519,083	-	-	787,519,083		-	-	-	-	787,519,083
Building	723,845,707	-	-	723,845,707	2.5	28,910,622	8,592,596	-	37,503,218	686,342,489
Furniture and Fittings	261,408,895	38,440,421	15,655,293	284,194,023	20	154,454,690	43,575,383	11,684,932	186,345,141	97,848,882
Office Equipment	209,469,125	15,864,022	12,192,736	213,140,411	20	141,456,060	25,686,335	11,896,920	155,245,475	57,894,936
IT Equipment	214,624,545	70,987,623	4,926,593	280,685,575	33.33	118,214,157	52,742,303	4,727,931	166,228,530	114,457,045
Office Renovation	93,249,208	7,289,166	2,786,047	97,752,327	20	59,437,746	11,021,662	1,644,882	68,814,526	28,937,800
Motor Vehicles	47,533,469	2,444,163	13,543,883	36,433,749	20	30,231,299	3,936,723	8,607,829	25,560,192	10,873,557
	2,337,650,030	135,025,395	49,104,552	2,423,570,874		532,704,573	145,555,002	38,562,494	639,697,081	1,783,873,792
II. Intangible assets										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
System Software	294,200,846	51,216,752	40,000	345,377,598	25	163,672,546	47,816,274	39,999	211,448,821	133,928,777
	528,344,132	51,216,752	40,000	579,520,884		163,672,546	47,816,274	39,999	211,448,821	368,072,063
III. Capital Work In Progress										
Tangible Assets	195,064,776	131,428,938	-	326,493,714	-	-	-	-	-	326,493,714
Intangible Assets	22,005,487	8,551,098	-	30,556,585	-	-	-	-	-	30,556,585
	217,070,263	139,980,036	-	357,050,299		-	-	-	-	357,050,299
IV. Right of Use Assets										
Motor Vehicle	51,566,000	-	-	51,566,000	20	32,499,343	6,149,779	-	38,649,122	12,916,878
Office premises	-	512,773,208	4,053,652	508,719,556	Equal Monthly Lease period	-	173,487,675	4,053,652	169,434,022	339,285,534
	51,566,000	512,773,208	4,053,652	560,285,556		32,499,343	179,637,454	4,053,652	208,083,145	352,202,411
Total	3,134,630,425	838,995,392	53,198,204	3,920,427,613		728,876,462	373,008,730	42,656,146	1,059,229,047	2,861,198,566

Annexure -A

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FIXED ASSETS SCHEDULE

As at 31 December 2018

Particulars	COST			DEPRECIATION				Written down value as at 31.12.2018		
	Balance as at 01.01.2018	Addition during	Sales/Transfer/Adjustment during the year	Balance as at 31.12.2018	Rate %	Balance as at 01.01.2018	Charged during the year		Adjustment during the year	Balance as at 31.12.2018
I. Freeholds assets										
Land	779,519,083	8,000,000	-	787,519,083		-	-	-	-	787,519,083
Building	343,703,850	380,141,857	-	723,845,707	2.5	20,318,025	8,592,596	-	28,910,622	694,935,085
Furniture and Fittings	240,407,611	24,492,209	3,490,926	261,408,895	20	114,677,479	43,280,253	3,503,042	154,454,690	106,954,205
Office Equipment	202,728,970	16,191,604	9,451,449	209,469,125	20	123,856,501	26,483,780	8,884,221	141,456,060	68,013,065
IT Equipment	160,011,503	86,472,988	31,859,947	214,624,545	33.33	73,355,084	43,946,137	(912,936)	118,214,157	96,410,387
Office Renovation	99,213,922	3,937,767	9,902,481	93,249,208	20	55,989,181	13,351,046	9,902,481	59,437,746	33,811,462
Motor Vehicles	39,684,179	10,450,790	2,601,500	47,533,469	20	26,508,169	6,324,629	2,601,499	30,231,299	17,302,170
	1,865,269,117	529,687,215	57,306,302	2,337,650,030		414,704,439	141,978,441	23,978,307	532,704,573	1,804,945,457
II. Intangible assets										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
System Software	193,308,155	109,817,901	8,925,210	294,200,846	25	142,998,982	24,523,773	3,850,210	163,672,546	130,528,300
	427,451,441	109,817,901	8,925,210	528,344,132		142,998,982	24,523,773	3,850,210	163,672,546	364,671,586
III. Capital Work In Progress										
Tangible Assets	26,295,972	168,768,804	-	195,064,776	-	-	-	-	-	195,064,776
Intangible Assets	14,762,055	7,243,432	-	22,005,487	-	-	-	-	-	22,005,487
	41,058,027	176,012,236	-	217,070,263		-	-	-	-	217,070,263
IV. Right of Use Assets										
Motor Vehicle	63,026,000	-	11,460,000	51,566,000	20	36,270,663	7,688,680	11,460,000	32,499,343	19,066,657
	63,026,000	-	11,460,000	51,566,000		36,270,663	7,688,680	11,460,000	32,499,343	19,066,657
Total	2,396,804,586	815,517,352	77,691,512	3,134,630,425		593,974,084	174,190,895	39,288,517	728,876,462	2,405,753,963

Gains or losses on sale of fixed assets have been disclosed in the Note 21/Note31.

Annexure - B

LANKABANGLA FINANCE LIMITED
SCHEDULE OF FIXED ASSETS
 As at 31 December 2019

Particulars	COST			DEPRECIATION				Written down value as at 31.12.2019		
	Balance as at 01.01.2019	Addition during the year	Sales/Transfer/Adjustment during the year	Balance as at 31.12.2019	Rate %	Balance as at 01.01.2019	Charged during the year		Adjustment during the year	Balance as at 31.12.2019
I. Freeholds assets										
Land	787,519,083	-	-	787,519,083		-	-	-	-	787,519,083
Furniture & Fittings	222,754,620	36,689,189	4,961,133	254,482,676	20	137,470,094	39,300,492	4,829,570	171,941,015	82,541,661
Office Equipment	90,182,695	11,562,178	392,431	101,352,442	20	54,807,241	14,069,614	468,300	68,408,554	32,943,888
IT Equipment	211,856,230	70,987,623	4,726,166	278,117,687	33.33	115,851,639	52,382,438	4,527,504	163,706,573	114,411,114
Motor Vehicles	21,386,268	2,444,163	2,833,333	20,997,098	20	16,924,971	1,388,175	953,054	17,360,093	3,637,005
	1,333,698,895	121,683,154	12,913,063	1,442,468,986		325,053,944	107,140,719	10,778,428	421,416,235	1,021,052,751
II. Intangible assets										
Systems and Software	201,599,125	16,851,717	-	218,450,842	12.50-25.00	81,462,442	33,314,702	-	114,777,144	103,673,698
	201,599,125	16,851,717	-	218,450,842		81,462,442	33,314,702	-	114,777,144	103,673,698
III. Capital Work In Progress										
Tangible Assets	195,064,776	131,428,938	-	326,493,714		-	-	-	-	326,493,714
Intangible Assets	22,005,487	8,551,098	-	30,556,585		-	-	-	-	30,556,585
	217,070,263	139,980,036	-	357,050,299		-	-	-	-	357,050,299
IV. Leaseholds assets										
Motor Vehicles	24,857,000	-	-	24,857,000	20	12,777,683	3,988,691	-	16,766,375	8,090,625
Office premises	-	401,836,518	4,053,652	397,782,866	Equal Monthly Lease period	-	129,241,992	4,053,652	125,188,340	272,594,526
	24,857,000	401,836,518	4,053,652	422,639,866		12,777,683	133,230,683	4,053,652	141,954,715	280,685,151
Total	1,777,225,283	680,351,425	16,966,715	2,440,609,992		419,294,070	273,686,104	14,832,080	678,148,093	1,762,461,899

Annexure -B

LANKABANGLA FINANCE LIMITED

SCHEDULE OF FIXED ASSETS

As at 31 December 2018

Particulars	C O S T				D E P R E C I A T I O N				Written down value as at 31.12.2018	
	Balance as at 01.01.2018	Addition during the year	Sales/Transfer/Adjustment during the year	Balance as at 31.12.2018	Rate %	Balance as at 01.01.2018	Charged during the year	Adjustment during the year		Balance as at 31.12.2018
I. Freeholds assets										
Land	779,519,083	8,000,000	-	787,519,083		-	-	-	-	787,519,083
Furniture & Fittings	202,223,608	23,479,109	2,948,097	222,754,620	20	101,931,279	38,643,223	3,104,408	137,470,094	85,284,527
Office Equipment	86,158,298	9,068,616	5,044,219	90,182,695	20	44,679,070	14,712,297	4,584,126	54,807,241	35,375,454
IT Equipment	157,243,188	86,472,988	31,859,947	211,856,230	33.33	71,515,479	43,423,224	(912,936)	115,851,639	96,004,591
Motor Vehicles	19,322,935	2,833,333	770,000	21,386,268	20	14,874,530	2,820,442	770,000	16,924,971	4,461,297
	1,145,993,874	151,216,048	52,742,811	1,333,698,895		190,124,748	88,111,332	45,235,722	325,053,944	1,008,644,951
II. Intangible assets										
Systems and Software	106,591,025	100,083,101	5,075,000	201,599,125	25	61,434,117	20,028,325	-	81,462,442	120,136,683
	106,591,025	100,083,101	5,075,000	201,599,125		61,434,117	20,028,325	-	81,462,442	120,136,683
III. Capital Work In Progress										
Tangible Assets	26,295,972	168,768,804	-	195,064,776		-	-	-	-	195,064,776
Intangible Assets	14,762,055	7,243,432	-	22,005,487		-	-	-	-	22,005,487
	41,058,027	176,012,236	-	217,070,263		-	-	-	-	217,070,263
IV. Leaseholds assets										
Motor Vehicles	24,857,000	-	-	24,857,000	20	8,786,463	3,991,220	-	12,777,683	12,079,317
	24,857,000	-	-	24,857,000		8,786,463	3,991,220	-	12,777,683	12,079,317
Total	1,318,499,926	427,311,384	57,817,811	1,777,225,283		260,345,328	112,130,877	45,235,722	419,294,070	1,357,931,214

Gains or losses on sale of fixed assets have been disclosed in the Note 21/Note31.

LANKABANGLA FINANCE LIMITED

CLASSIFICATION OF LEASES, LOANS AND ADVANCES WITH PROVISIONS AND INTEREST SUSPENSES

As on 31 December 2019

Products	Balance Outstanding										Base for Provision				Amount of Provision Required			Interest in Suspense		
	Unclassified (UC)			Classified			SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)	SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)	Amount of Provision Required	SMA	Classified	Total		
	Standard	Standard-SME	SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)													Total	Total
Corporate Finance																				
Lease finance	3,894,031,185	3,568,902,708	-	9,892,997	-	52,007,305	263,228,175	9,310,104	-	33,019,737	142,656,712	239,237,365	159,166,581	582,892	159,166,581	-	-	159,166,581		
Secured overdraft	103,471,205	103,471,205	-	-	-	-	-	-	-	-	-	1,034,712	-	-	-	-	-	-		
Short term finance	2,373,597,216	2,358,317,405	-	15,278,794	-	-	1,017	-	-	9,640,252	-	25,511,224	1,928,050	-	1,928,050	-	-	1,928,050		
Short term loan to subsidiaries	1,879,648,686	1,879,648,686	-	-	-	-	-	-	-	-	-	18,796,487	-	-	-	-	-	-		
Term loan	9,600,427,589	8,644,931,123	-	23,470,203	246,996,340	506,451,261	178,578,662	22,447,567	246,996,340	417,298,061	49,268,460	477,159,935	307,316,759	1,022,636	308,339,395	-	-	308,339,395		
Term loan syndication finance	317,475,541	317,475,541	-	-	-	-	-	-	-	-	-	3,174,755	-	-	-	-	-	-		
Work order finance	3,454,296	-	-	-	-	-	3,454,296	-	-	-	-	1,954,296	-	-	1,954,296	-	-	-		
SUB-TOTAL	18,172,105,717	16,872,746,668	-	33,363,200	262,275,134	558,458,566	445,262,150	31,757,671	256,636,592	450,317,799	193,879,468	766,868,775	470,365,686	1,605,529	470,365,686	1,605,529	-	470,016,919		
Retail Finance																				
Auto Loan	3,477,484,850	3,320,858,769	-	97,212,352	38,850,170	8,241,239	12,322,318	93,660,963	34,289,461	7,033,737	10,349,851	58,616,247	20,724,612	3,551,389	20,724,612	-	-	24,276,001		
Credit Cards	4,118,221,707	3,542,856,885	-	194,010,975	56,449,225	40,083,963	284,820,660	178,286,602	50,951,783	36,569,033	272,697,469	345,515,242	15,724,373	21,135,562	15,724,373	-	-	36,859,935		
Home Loan	12,457,268,711	11,829,436,705	-	225,727,747	33,465,561	68,361,390	300,277,308	198,006,522	1,930,025	3,292,300	13,723,101	143,949,949	15,755,256	27,721,225	15,755,256	-	-	43,476,481		
Personal Loan	4,590,180,558	4,194,279,439	-	162,362,546	1,01,137,480	52,500,417	79,900,676	155,334,378	90,612,410	45,447,678	66,890,970	157,446,804	107,737,291	7,028,168	107,737,291	-	-	114,765,459		
SUB-TOTAL	24,643,155,825	22,887,431,799	-	679,313,620	229,902,437	169,187,008	677,320,962	625,288,465	177,783,679	92,342,748	363,661,391	705,528,242	159,941,531	59,436,344	159,941,531	59,436,344	-	219,377,875		
SME Finance																				
Term loan	10,094,881,570	-	8,787,570,070	481,844,892	128,588,592	461,881,196	234,996,820	450,006,367	85,969,285	285,202,778	119,163,205	343,071,016	278,958,451	31,838,525	278,958,451	-	-	310,796,976		
Lease finance	2,665,233,848	-	2,582,193,305	49,671,105	-	-	33,369,438	47,637,923	-	-	22,985,001	31,822,380	22,985,001	2,033,182	22,985,001	-	-	25,018,183		
Auto loan	2,303,683,539	-	2,149,880,099	108,335,960	17,549,502	9,445,685	18,472,293	105,426,745	16,655,237	8,025,912	16,547,059	34,537,100	23,891,062	2,909,215	23,891,062	-	-	26,800,278		
Emerging and commercial	995,975,069	-	966,525,957	2,502,530	8,448,792	5,474,698	13,023,092	2,276,606	7,073,334	5,314,690	9,577,840	16,179,997	13,649,852	225,924	13,649,852	-	-	13,875,776		
Loan against deposit	24,253,674	-	24,253,674	-	-	-	-	-	-	-	-	60,634	-	-	60,634	-	-	-		
Home Loan	686,974,267	-	628,356,921	-	-	-	58,617,346	-	-	-	-	1,570,892	-	-	1,570,892	-	-	-		
Real state developer finance	38,278,950	-	-	-	-	-	38,278,950	-	-	-	-	7,238,366	7,238,366	-	7,238,366	-	-	7,238,366		
Secured Overdraft	105,921,880	-	105,921,880	-	-	-	-	-	-	-	-	264,805	-	-	264,805	-	-	-		
Short term loan	667,661,588	-	667,661,588	-	-	-	-	-	-	-	-	1,669,154	-	-	1,669,154	-	-	-		
Syndication finance	246,671,273	-	246,671,273	-	-	-	-	-	-	-	-	616,678	-	-	616,678	-	-	-		
Work order finance	17,664,300	-	17,664,300	-	-	-	17,664,300	-	-	-	-	7,764,300	7,764,300	-	7,764,300	-	-	7,764,300		
SUB-TOTAL	17,847,199,956	-	16,159,034,765	642,354,488	154,586,886	476,801,579	414,422,238	605,347,641	109,697,856	298,543,381	183,275,771	444,795,322	354,487,032	37,006,846	354,487,032	37,006,846	-	391,493,879		
TOTAL	60,662,461,499	39,760,178,467	-	1,355,031,308	646,764,457	1,204,447,153	1,537,005,350	1,262,393,778	544,118,127	841,203,928	740,816,630	1,917,192,340	984,794,249	98,048,719	984,794,249	98,048,719	-	1,080,888,672		

* Segregation of outstanding (Unclassified and Classified) has been calculated based on time equivalent of amount in arrears, objective judgment and qualitative judgment.

* Base for provision for SMA has been calculated according to total outstanding minus interest suspense.

* Base for provision for SS, DF and BL has been calculated according to total outstanding minus interest suspense.

* Interest on overdue installments classified as SMA, SS, DF and BL is transferred to interest suspense account.

* Provision has been calculated according to the following rates applied on the amount of Base for provision. Besides that, provision BDT 43.91 million, BDT 82.27 million and BDT 19.64 million have been kept against UC Corporate lease finance, Corporate term loan and SME term loan respectively with the approval of Bangladesh Bank.

Particulars	Percentage
Standard-SME (UC)	0.25%
Standard except SME Standard (UC)	1.00%
Special Mention Account (SMA)	5.00%
Sub Standard (SS)	20.00%
Doubtful (DF)	50.00%
Bad/ Loss (BL)	100.00%

HIGHLIGHTS

(As per Bangladesh Bank guidelines)


Annexure-D

Amount in taka (million)

Sl no.	Key indicators	LankaBangla Group		LankaBangla Finance Limited	
		2019	2018	2019	2018
1	Paid-up capital	5,131.80	5,131.80	5,131.80	5,131.80
2	Total capital	9,482.33	9,823.21	10,017.93	10,336.92
3	Capital surplus	4,667.63	4,612.27	4,250.29	4,053.81
4	Total assets	84,362.95	87,888.68	79,181.42	81,960.36
5	Total deposits	46,894.96	53,404.55	46,894.96	53,425.83
6	Total loans, advances and leases	65,117.08	68,676.03	60,662.46	63,784.58
7	Total contingent liabilities and commitments	1,694.99	4,049.04	1,694.99	4,049.04
8	Credit deposit ratio	1.39	1.29	1.29	1.19
9	Percentage of classified loans against total loans, advances and leases	5.20%	3.35%	5.59%	3.60%
10	Profit after tax and provision	508.23	444.44	736.01	714.16
11	Amount of classified loans during current period	3,388.22	2,298.45	3,388.22	2,298.45
12	Provisions kept against classified loans	1,270.24	782.73	1,270.24	782.73
13	Provision surplus against classified loan	-	-	-	-
14	Cost of fund	9.64%	9.92%	9.64%	9.92%
15	Interest earnings assets	73,249.33	76,431.97	67,474.52	69,815.79
16	Non-interest earnings assets	11,113.63	11,456.71	11,706.90	12,144.57
17	Return on investment (ROI)	0.63%	0.55%	0.96%	0.93%
18	Return on assets (ROA)	0.59%	0.51%	0.91%	0.89%
19	Income from investment	340.73	434.03	340.65	111.32
20	Earnings Per Share (EPS) (restated : 2018)	0.98	0.85	1.43	1.40
21	Net income per share (restated: 2018)	0.98	0.85	1.43	1.40
22	Market price per share	18.00	22.90	18.00	22.90
23	Price earnings ratio	18.33	26.81	12.55	16.30

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES LANKABANGLA SECURITIES LIMITED

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AHMED ZAKER & Co.
CHARTERED ACCOUNTANTS

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Independent Auditors' Report

To the Shareholders' of

LankaBangla Securities Limited

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of LankaBangla Securities Limited which comprise the consolidated Statement of Financial Position as at December 31, 2019, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of LankaBangla Securities Limited as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable rules & regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of consolidated the Financial Statements section of our report. We are independent of LankaBangla Securities Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable rules & regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing LankaBangla Securities Limited financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements of the company based on our audit. The assets and liabilities as at December 31, 2019 and revenue and expenses for the year ended December 31, 2019 of the company's Two subsidiaries namely BizBangla Media Ltd. and LankaBangla Information system Ltd. have been consolidated and accounted for in the consolidated financial statements. The financial statements of the subsidiary LankaBangla Information system Ltd. is audited by other auditor whose report has been furnished to us and our opinion is as so far as it relates to the amounts included in respect of the company's subsidiaries based on the reports. In addition, we have performed our audit procedure for consolidated purpose, based on which the financial statements of the subsidiary have been consolidated.

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



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Report on other legal and regulatory requirements

We also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by LankaBangla Securities Limited so far as it appeared from our examination of those books; and
- c) the consolidated statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.



Ahmed Zaker & Co.
Chartered Accountants

Location: Dhaka
Dated: June 08, 2020

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Particulars	Notes	Amount In Taka	
		31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	866,764,250	793,228,715
Long term loan to employees'	5	10,235,048	22,201,782
Long Term Investment in Shares	6	779,180,669	1,121,727,403
Intangible Assets		234,143,286	234,143,286
Total non-current assets		1,890,323,252	2,171,301,186
Current assets			
Advances, deposits and prepayments	7	38,194,199	48,303,764
Advance income tax	8	654,342,550	541,419,364
Investments	9	1,300,176,929	1,308,595,059
Inventories	10	4,053,384	3,021,076
Current portion of loans and advances	11	12,718,953	12,832,142
Accounts receivable	12	5,333,279,801	5,690,910,993
Accrued interest		1,402,211	1,123,731
Cash and bank balances	13	1,106,382,929	1,356,599,511
Total current assets		8,450,550,956	8,962,805,640
TOTAL ASSETS		10,340,874,208	11,134,106,826
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14	2,690,303,320	2,690,303,320
Share premium	15	1,200,000,000	1,200,000,000
General reserve	16	51,650,689	54,942,982
Retained earnings		970,768,235	1,033,519,124
Shareholder's Equity		4,912,722,244	4,978,765,426
Non controlling interest		2,462,247	(54,442,143)
Total equity		4,915,184,491	4,924,323,283
Liabilities			
Non-current liabilities			
Term loan	17	545,810,637	701,840,807
Zero coupon bond		157,135,481	267,645,858
Deferred tax liabilities	18	13,909,298	12,181,274
Finance lease obligation	19	42,996,897	3,420,137
Total non-current liabilities		759,852,312	985,088,077
Current liabilities			
Accounts payable	20	1,011,668,886	1,317,344,105
Short term loans	21	2,095,712,913	2,335,923,220
Provision for current tax	22	667,007,442	576,277,764
Current portion of lease obligation	23	41,749,262	1,794,402
Current portion of term loan	24	309,777,234	403,943,751
Provision for negative equity & others	25	384,240,230	384,240,230
Interest Suspense	26	118,347,988	136,075,813
Other liabilities	27	37,333,450	69,096,183
Total current liabilities		4,665,837,405	5,224,695,467
Total liabilities		5,425,689,717	6,209,783,544
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		10,340,874,208	11,134,106,826

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

Particulars	Notes	Amount in Taka	
		31.12.2019	31.12.2018
Revenue			
Interest Income	28	804,288,400	740,079,046
Income from investment	29	97,456,847	318,593,021
Brokerage income	30	452,660,219	707,137,576
Capital gain		-	34,977,817
Revenue from advertisement & circulation	31	157,593,509	167,300,224
Other operational income	32	19,393,864	28,339,885
Total Revenue		1,531,392,838	1,996,427,570
Cost of services		(635,308,629)	(655,793,954)
Interest expenses	33	460,165,846	438,639,184
Other costs directly attributable to services	34	175,142,783	217,154,771
Gross profit		896,084,210	1,340,633,615
Other non-operational income	35	12,079,161	13,906,953
Operating expenses		(690,329,296)	(673,679,840)
Salary and allowances	36	443,153,521	411,681,731
Rent, taxes, insurance, electricity etc.	37	55,179,441	64,415,036
Legal & professional fees	38	2,376,570	3,650,400
Postage, stamp, telecommunication etc.	39	4,903,834	5,974,150
Stationery, printing, advertisement	40	9,039,650	11,937,500
Director fees and expenses	41	966,750	828,000
Audit fees	42	212,750	235,750
Repairs, maintenance and depreciation	43	47,926,990	39,807,967
Other expenses	44	126,569,790	135,149,305
Operating profit before provisions		217,834,074	680,860,729
Other Provisions		-	(234,270,000)
For diminution in value of investment		-	234,270,000
Profit before tax (PBT)		217,834,074	446,590,729
Income tax income/ (expense)		(92,457,700)	(161,868,496)
Current tax expense		90,729,678	156,691,704
Deferred tax expense		1,728,022	5,176,792
Profit after tax (PAT)		125,376,374	284,722,233
Attributable to			
Shareholders of the company		125,366,677	284,392,110
Non controlling interest		9,697	330,123
		125,376,374	284,722,233
Earnings Per Share (EPS)			
Basic	45	0.47	1.06

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total
Balance at January 01, 2018	2,690,303,320	1,200,000,000	52,688,811	751,381,185	4,694,373,316	(54,772,267)	4,639,601,049
Changes in equity for 2018							
Total comprehensive income for the year	-	-	-	284,392,110	284,392,110	330,123	284,722,233
Transfer to general reserve	-	-	2,254,171	(2,254,171)	-	-	-
Balance at December 31, 2018	2,690,303,320	1,200,000,000	54,942,982	1,033,519,124	4,978,765,426	(54,442,143)	4,924,323,283
Changes in equity for 2019							
Total comprehensive income for the year	-	-	-	125,366,677	125,366,677	9,697	125,376,374
Cash dividend	-	-	-	(134,515,166)	(134,515,166)	-	(134,515,166)
Accusation of Share	-	-	-	(56,894,693)	(56,894,693)	56,894,693	-
Transfer to general reserve	-	-	(3,292,293)	3,292,293	-	-	-
Balance at December 31, 2019	2,690,303,320	1,200,000,000	51,650,689	970,768,235	4,912,722,244	2,462,247	4,915,184,491


Director


CEO & Director


Company Secretary

Signed as per our separate report of same date.

Dhaka
June 08, 2020


Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

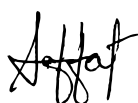
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Particulars	Amount in Taka	
	31.12.2019	31.12.2018
Cash Flows from Operating Activities		
Brokerage income	452,660,219	707,137,576
Interest Income	803,871,369	739,647,952
Received against revenue	148,535,638	148,597,619
Capital gain from investment in shares	34,666,633	275,914,712
Cash dividend income	57,212,688	39,852,754
Capital gain from sell of DSE shares	-	34,977,817
Other operational income	15,986,436	23,714,079
Non-operating Income	12,079,161	11,504,853
DSE/CSE (payment)/received	19,988,675	(104,439,733)
Clients deposit/(withdrawals)	(317,795,860)	(230,961,822)
Payment to suppliers & others	(143,894,690)	(160,296,524)
Payment to CDBL	(18,808,101)	(30,130,022)
Operating expenses	(624,750,183)	(655,140,061)
	439,751,986	800,379,200
Other Operating Activities		
Advance, deposits & prepayments	20,453,844	16,444,014
Income Tax paid	(112,923,186)	(190,925,630)
	(92,469,342)	(174,481,616)
Net cash used in operating activities	347,282,644	625,897,585
Cash Flows from Investing Activities		
Investment in Shares	350,964,865	94,018,371
Margin loan to clients	311,501,464	(263,444,732)
Leased assets	(916,019)	(2,473,661)
Sale of fixed assets	1,441,776	2,402,100
Acquisition of fixed assets	(44,474,606)	(403,212,549)
Net Cash used in Investing Activities	618,517,481	(572,710,471)
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	177,300,000	250,000,000
Zero Coupon Bond	(110,510,377)	(18,664,017)
Repayment of Loan	(415,788,132)	(382,347,342)
Interest payment	(491,193,351)	(431,352,354)
Cash dividend	(134,984,027)	(2,419,322)
Short term Loan	(240,840,819)	162,792,411
Net Cash flow from Financing Activities	(1,216,016,706)	(421,990,624)
Net increase in Cash and Cash Equivalents	(250,216,582)	(368,803,511)
Cash & Cash Equivalent as on January 01, 2019	1,356,599,511	1,725,403,022
Cash & Cash Equivalent as on December 31, 2019	1,106,382,929	1,356,599,511



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

Particulars	Notes	Amount in Taka	
		31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	847,789,566	779,357,303
Long term loan to employees'	5	10,235,048	22,201,782
Long Term Investment in Shares	6	1,180,178,669	1,440,725,403
Total non-current assets		2,038,203,283	2,242,284,488
Current assets			
Advances, deposits and prepayments	7	43,793,669	127,319,389
Advance income tax	8	646,557,768	535,736,423
Investments	9	1,298,940,763	1,307,421,258
Current portion of loans and advances	11	12,177,156	12,138,546
Accounts receivable	12	5,195,483,719	5,564,954,266
Accrued interest		1,402,211	1,123,731
Cash and bank balances	13	1,102,026,292	1,352,551,093
Total current assets		8,300,381,577	8,901,244,706
TOTAL ASSETS		10,338,584,860	11,143,529,194
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14	2,690,303,320	2,690,303,320
Share premium	15	1,200,000,000	1,200,000,000
General reserve	16	51,650,689	54,942,982
Retained earnings		1,067,504,227	1,074,087,233
Total equity		5,009,458,236	5,019,333,535
Liabilities			
Non-current liabilities			
Term loan	17	545,810,637	701,840,807
Zero coupon bond		157,135,481	267,645,858
Deferred tax liabilities	18	19,798,183	15,342,187
Finance lease obligation	19	42,346,510	3,285,813
Total non-current liabilities		765,090,812	988,114,664
Current liabilities			
Accounts payable	20	984,364,648	1,294,278,813
Short term loans	21	2,032,875,839	2,275,924,625
Provision for current tax	22	663,538,117	573,766,379
Current portion of lease obligation	23	37,454,262	1,001,930
Current portion of term loan	24	309,777,234	403,943,751
Provision for negative equity & others	25	384,240,230	384,240,230
Interest Suspense	26	118,347,988	136,075,813
Other liabilities	27	33,437,493	66,849,455
Total current liabilities		4,564,035,812	5,136,080,995
Total liabilities		5,329,126,624	6,124,195,659
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		10,338,584,860	11,143,529,194

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date

Dhaka
June 08, 2020


Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

Particulars	Notes	Amount In Taka	
		31.12.2019	31.12.2018
Revenue	28	804,149,849	739,838,768
Interest Income	29	97,456,847	318,593,021
Income from investment	30	452,660,219	707,137,576
Brokerage income		-	34,977,817
Capital gain	32	15,986,436	23,714,079
Other operational income		1,370,253,350	1,824,261,261
Total Revenue		(505,604,083)	(516,010,560)
Cost of services			
Interest expenses	33	452,220,093	433,073,626
Other costs directly attributable to services	34	53,383,990	82,936,934
Gross profit		864,649,268	1,308,250,701
Other non-operational income	35	12,079,161	13,906,953
Operating expenses		(657,860,825)	(642,453,546)
Salary and allowances	36	435,930,482	403,942,213
Rent, taxes, insurance, electricity etc.	37	54,750,761	62,984,434
Legal & professional fees	38	1,839,600	3,061,900
Postage, stamp, telecommunication etc.	39	4,620,742	5,573,538
Stationery, printing, advertisement	40	8,848,234	11,788,020
Director fees and expenses	41	966,750	828,000
Audit fees	42	143,750	143,750
Repairs, maintenance and depreciation	43	46,787,977	39,468,027
Other expenses	44	103,972,529	114,663,663
Operating profit before provisions		218,867,603	679,704,108
Other Provisions		-	(234,270,000)
For diminution in value of investment		-	234,270,000
Profit before tax (PBT)		218,867,603	445,434,108
Income tax income/ (expense)		(94,227,736)	(164,011,219)
Current tax expense		89,771,739	155,673,515
Deferred tax expense		4,455,997	8,337,704
Profit after tax (PAT)		124,639,867	281,422,889
Earnings Per Share (EPS)			
Basic	45	0.46	1.05

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

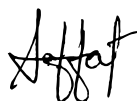
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total Equity
Balance at January 01, 2018	2,690,303,320	1,200,000,000	52,688,811	794,918,515	4,737,910,646
Changes in equity for 2018					
Total comprehensive income for the year	-	-	-	281,422,889	281,422,889
Transfer to general reserve	-	-	2,254,171	(2,254,171)	-
Balance at December 31, 2018	2,690,303,320	1,200,000,000	54,942,982	1,074,087,233	5,019,333,535
Changes in equity for 2019					
Total comprehensive income for the year	-	-	-	124,639,867	124,639,867
Cash dividend	-	-	-	(134,515,166)	(134,515,166)
Transfer to general reserve	-	-	(3,292,293)	3,292,293	-
Balance at December 31, 2019	2,690,303,320	1,200,000,000	51,650,689	1,067,504,227	5,009,458,236



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Particulars	Amount In Taka	
	31.12.2019	31.12.2018
Cash Flows from Operating Activities		
Brokerage income	452,660,219	707,137,576
Interest Income	803,871,369	739,647,952
Capital gain from investment in shares	34,666,633	275,914,712
Cash dividend income	57,212,688	39,852,754
Capital gain from sell of DSE shares	-	34,977,817
Other operational income	15,986,436	23,714,079
Non-operating Income	12,079,161	11,504,853
DSE/CSE (payment)/received	19,988,675	(104,439,733)
Clients deposit/(withdrawals)	(317,795,860)	(230,961,822)
Payment to CDBL	(18,808,101)	(30,130,022)
Operating expenses	(624,695,023)	(655,853,827)
	435,166,198	811,364,339
Other Operating Activities		
Advance, deposits & prepayments	95,453,844	11,444,014
Income Tax paid	(110,821,345)	(188,671,961)
	(15,367,501)	(177,227,947)
Net Cash used in Operating Activities	419,798,697	634,136,393
Cash Flows from Investing Activities		
Investment in Shares	269,027,230	94,084,504
Margin loan to clients	311,501,465	(263,444,732)
Leased assets	(916,019)	(1,522,102)
Sale of fixed assets	-	2,402,100
Acquisition of fixed assets	(39,733,246)	(402,427,003)
Net Cash used in Investing Activities	539,879,429	(570,907,233)
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	177,300,000	250,000,000
Zero Cupon Bond	(110,510,377)	(18,664,017)
Repayment of Loan	(415,653,807)	(382,347,342)
Interest payment	(483,305,930)	(424,824,097)
Cash dividend	(134,984,027)	(2,419,322)
Short term Loan	(243,048,786)	145,138,890
Net Cash flow from Financing Activities	(1,210,202,927)	(433,115,888)
Net increase in Cash and Cash Equivalents	(250,524,801)	(369,886,729)
Cash & Cash Equivalent as on January 01, 2019	1,352,551,093	1,722,437,821
Cash & Cash Equivalent as on December 31, 2019	1,102,026,292	1,352,551,093



Director



CEO & Director



Company Secretary

Signed as per our separate report of same date.

Dhaka
June 08, 2020



Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1.00 Company and its activities

1.01 Legal status of the company

LankaBangla Securities Limited (here in after referred to as “LBSL” or “the Company”) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated July 03, 1997 as a Private Company Limited by Shares namely: Vanik (BD) Securities Limited. Subsequently the company renamed as LankaBangla Securities Limited on April 27, 2005. On March 02, 2010 the Company was emerged as a Public Limited Company with its registered office at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Company was entitled to commence its business from July 03, 1997 and the Company is a subsidiary of LankaBangla Finance Limited, a Non Banking Financial Institution incorporated in Bangladesh under the Bangladesh Bank.

1.02 Principal activities of the company

The principal activities of the company are to act as a member of Dhaka Stock Exchanges Ltd. and Chittagong Stock Exchange Ltd. to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Islampur, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj- Narayangonj Branch.

1.03 Information regarding subsidiary companies

As on 31 December 2019 LankaBangla Securities Limited has 02 (Two) subsidiaries company to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 10, ‘Consolidated Financial Statements’. A brief description of the companies is described below:

LankaBangla Information System Limited (Subsidiary Company)

LankaBangla Information System Limited is a private limited company incorporated on 02 May 2013 in Bangladesh under the Companies Act 1994. The main objectives of the company are to restructure and improve the infrastructure to ensure the security, mobility, enhancement and service to all business concerns. LankaBangla Information System Limited holds 99.8 percent shares in its subsidiary.

BizBangla Media Limited (Subsidiary Company)

BizBangla Media Limited is a private limited company incorporated on 18 January 2011 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of printing publishes of newspaper, Journals, magazines, periodicals, books, pamphlets and other literary and non literary works and undertakings, radio, television broadcastings and any other media to deal with copy right, patent, trade mark, intellectual property and IT related products. BizBangla Media Limited holds 92.5 percent shares in its subsidiary.

2.00 Basis of preparation and Significant Accounting Policies

2.01 Components of the financial statements

The financial statements referred to here comprise:

- a) Statement of Financial Position;
- b) Statement of Profit or Loss and Other Comprehensive Income;
- c) Statement of Changes in Equity;
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements

2.02 Statement of compliance

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with the Companies Act 1994, The Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as International Financial Reporting Standards (IFRS’s) including International Accounting Standards (IASs) and other applicable laws and regulations.

2.03 Basis of measurement

The financial statements have been prepared based on historical cost convention basis, except Investment for Membership in Dhaka Stock Exchange and Chittagong Stock Exchange which have been re-measured at fair value. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

2.04 Basis of consolidation

The financial statements of the company and its subsidiary have been consolidated in accordance with International Financial Reporting Standard (IFRS) 10: 'Consolidated Financial Statements'. The consolidation of the financial statements has been prepared by using uniform accounting policies and after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiary are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the company and of its subsidiary are shown in the consolidated Statement of Financial Position. The interest of minority shareholders of the subsidiary are shown separately in the consolidated Statement of Financial Position under the heading 'Non-controlling Interest'.

2.05 Date of authorization

The Board of Directors accorded its approval and authorized these financial statements on June 08, 2020

2.06 Presentation and functional currency and level of precision

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

2.07 Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

Provisions and accrued expenses are recognized in the financial statements in line with the International Accounting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

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

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

2.08 Going concern

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

2.09 Materiality and aggregation

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

2.10 Property, Plant and equipment**i) Recognition and measurement****Freehold Assets**

The cost of an item of property and equipment is recognized as an asset if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of item can be measured reliably.

Property and Equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition includes purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use as per International Accounting Standard (IAS) 16 "Property, Plant and Equipment".

Leasehold assets

Leasehold assets of which the Company assumes substantially all the risks and rewards of ownership are accounted for as finance leases and capitalized at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payment, which ever is lower as per International Accounting Standard (IAS) 17 "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on property and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

iii) Depreciation

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognized. The rates of depreciation used on a straight-line method are as follows:

Building	2.5%
Office equipment	20%
Furniture and fixtures	10%
Office renovation	20%
Motor Vehicle	20%
Data Center & Dr.	30%
Software	33.33%
Lease Assets	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the Comprehensive Income statement.

2.11 Intangible assets and amortization of intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is treated as expense as incurred.

2.12 Investment in stock exchanges for membership

In accordance with section 8 (Gha) of the Exchanges Demutualization Act, 2013, both stock exchange membership has been converted into shares through the issuance of "Trading Right Entitlement Certificate (TREC)" by the DSE & CSE. Currently Trading Right Entitlement Certificate has no value due to the stock exchanges did not issue any TREC other than existing members.

2.13 Investment in securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to the acquisition of the shares. After initial recognition, A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. A financial asset is designated as fair value through profit or loss if the company manages such investments and make purchase and sale decisions based on their fair value in accordance with company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value.

As at the date of statement of financial position the company has financial assets and recognized the unrealized loss at fair value through Statement of profit or loss and other comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institutions and short-term liquid investments that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

Cash flow statement has been prepared in accordance with the International Accounting Standards (IAS) 7, "Cash flow statement" under direct method.

2.15 Provision for tax**Current tax**

Provision for current tax is made in accordance with the provision of Income Tax Ordinance, 1984 and subsequent amendments made thereto from time to time.

Deferred Tax

Deferred Tax is calculated as per International Accounting Standard (IAS) 12 "Income Taxes". Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences.

Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

2.16 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the International Accounting Standard (IAS) 18 "Revenue Recognition".

a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

b. Interest Income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

c. Dividend income and profit/ (loss) on sale of marketable securities

Dividend income is recognized when right to receive payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

Lease Finance: Note will be added in Final.

2.17 Earning per share

The Company calculates earning per share in accordance with International Accounting Standard (IAS) 33 "Earning per Share" which has been shown in the face of the Profit and Loss Account.

2.18 General reserve

The Board of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.

2.19 LB Foundation

The Board of LankaBangla Securities Limited has decided at 69th Board Meeting to contribute 1% of net profit after tax to LB Foundation for CSR.

2.20 Employee benefit Obligation**a. Defined contribution plan**

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by the equal contribution both by the Company and employees at a predetermined rate. This fund is invested separately from the Company's assets and is audited by an external auditor.

b. Defined benefit plan (Gratuity scheme)

The Company has an unfunded gratuity scheme for all eligible employees who have completed minimum 02 (two) years of confirmed service with the Company. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.

Following benefits are payable on retirement, death or leaving service:

<u>Year of confirmed service</u>	<u>% of entitlement</u>
2 years and above but less than 4 years	50% of last basic salary
4 years and above but less than 5 years	100% of last basic salary
5 years and above	150% of last basic salary

2.21 Related party disclosure

As per International Accounting Standards (IAS)-24 "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

Related party disclosures have been given in Note- 46.

2.22 Events after the Reporting date:

As per IAS-10 "Event after the Reporting Period" are those event favorable and unfavorable, that occur between the end of the reporting year and the date when the financial statements are authorized for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting year (adjusting events after balance sheet date); and
- Those that are indicative of conditions that arose after the reporting year (Non-adjusting events after balance sheet date).

2.23 Reclassifications

To facilitate comparison, certain relevant balances pertaining to the previous year has been rearranged/restated/reclassified whenever considered necessary to conform to current year's presentation.

2.24 Branch accounting

The Company has a total ten number of Branch offices (excluding Head Office), with no overseas branch as on December 31, 2019. Accounts of the branches are maintained at the head offices which are included in the accompanying financial statements.

2.25 Comparative:

Comparative information have been disclosed in respect of the previous year for all numerical information in the financial statements including narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Previous year's figure has been re-arranged whenever considered necessary to ensure comparability with the current year's presentation as per IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". During the year prior year adjustment has been made in the interest income, Provision for negative equity shares & others and provision for doubtful loan & advances.

2.26 Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. The following IASs are applicable for the financial statements for the period under review:

- IAS- 1 Presentation of Financial Statements
- IAS- 7 Statement of Cash Flows
- IAS- 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS- 10 Events after the Reporting Period
- IAS- 12 Income Taxes
- IAS- 16 Property, Plant and Equipment
- IAS- 17 Leases
- IAS- 19 Employees Benefit
- IAS- 23 Borrowing Cost
- IAS- 24 Related Party Disclosure
- IAS- 32 Financial Instruments Presentation
- IAS- 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS- 39 Financial Instruments : Recognition and Measurement
- IFRS- 7 Financial Instruments : Disclosures
- IFRS- 10 Consolidated Financial Statements
- IFRS- 13 Fair Value Measurement
- IFRS- 15 Revenue from Contracts with Customers

3.00 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements as per section 183 of companies Act 1994.

3.01 Reasons for significant deviation in Net Profit after Tax

LankaBangla Securities limited (LBSL) separate Net Profit after Tax (NPAT) for the year 2019 stood at BDT 124.64 million which was BDT 281.42 million in 2018 NPAT has declined by 55.71% compared to last year. Reasons for the decline are as follows:

- During the year 2019 daily average turnover of DSE has decreased by 13% compare to last year but LBSL's market share in DSE has decreased 36% .On the other hand daily average turnover of CSE has decreased by 23% compare to last year but LBSL's market share in CSE has decreased 39%.
- Income from Investment in shares has declined by BDT 221.14 million compared to last year.

Amount in Taka

	Consolidated		Separate	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
4.00 Property, Plant & Equipment				
Cost:				
Opening balance	1,067,254,238	694,078,039	1,016,689,398	644,298,745
Add: Addition during the year	44,474,606	403,212,549	39,733,246	402,427,003
	1,111,728,844	1,097,290,588	1,056,422,644	1,046,725,748
Less: Disposal during the year	9,053,621	30,036,350	2,101,798	30,036,350
Closing balance	1,102,675,223	1,067,254,238	1,054,320,846	1,016,689,398
Depreciation:				
Opening balance	274,025,523	262,720,127	237,332,095	229,426,104
Add: Charged during the year	47,613,298	41,090,419	45,338,432	37,691,014
	321,638,821	303,810,546	282,670,527	267,117,118
Less: Adjustment made during the year	7,165,161	29,785,023	2,050,166	29,785,023
Accumulated depreciation	314,473,660	274,025,523	280,620,361	237,332,095
A. Carrying amount	788,201,563	793,228,715	773,700,485	779,357,303
4.A Right of Use of Assets				
Opening balance	-	-	-	-
Add: Addition during the year	127,611,970	-	113,846,490	-
	127,611,970	-	113,846,490	-
Less: Lease expense of Right of use of Assets	49,049,283	-	39,757,408	-
B. Carrying amount	78,562,687	-	74,089,082	-
Grand Total (A+B)	866,764,250	793,228,715	847,789,566	779,357,303
A schedule of property, Plant & Equipment is given in Annexure-A				
5.00 Long term loan to employees				
Staff transport loan	6,095,014	17,262,230	6,095,014	17,262,230
Loan against salary	4,140,034	4,939,552	4,140,034	4,939,552
	10,235,048	22,201,782	10,235,048	22,201,782
6.00 Investment				
Investment in equity of unlisted company (Note-6.01)	81,704,500	74,261,310	482,702,500	393,259,310
Investment in equity of strategic company (Note-6.02)	661,476,169	1,011,466,093	661,476,169	1,011,466,093
Investment in equity of strategic company (Note-6.03)	36,000,000	36,000,000	36,000,000	36,000,000
	779,180,669	1,121,727,403	1,180,178,669	1,440,725,403
6.01 Investment in equity of unlisted company				
Particulars				
Financial Excellence Limited	3,000,000	3,000,000	3,000,000	3,000,000
DSE Membership at Cost (Note-6.01.A)	8,704,500	8,704,500	8,704,500	8,704,500
CSE Membership at Cost (Note-6.01.A)	5,000,000	5,000,000	5,000,000	5,000,000
LankaBangla Information Technology Limited	-	-	998,000	998,000
Bengal Meat Processing Industries Limited	50,000,000	50,000,000	50,000,000	50,000,000
Esquire Knitting Ltd	-	1,880,100	-	1,880,100
ADN Telecom Limited	-	569,040	-	569,040
Genex Infosys Limited	-	107,670	-	107,670
EDGE Bangladesh Mutual Fund	5,000,000	5,000,000	5,000,000	5,000,000
BizBangla Media Limited	-	-	400,000,000	318,000,000
LankaBangla 1st PE Fund	10,000,000	-	10,000,000	-
	81,704,500	74,261,310	482,702,500	393,259,310
6.01.A DSE and CSE Membership at Cost				

LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges:

Stock Exchange	Type of Shares	Number of Shares	Face Value
Dhaka Stock Exchange Limited	Floated (53.33%)	2,886,042	10
	Blocked (46.67%)	2,525,287	10
		5,411,329	
Chittagong Stock Exchange Limited	Floated (40.00%)	1,714,932	10
	Blocked (60.00%)	2,572,398	10
		4,287,330	

Valuation of membership has been shown at cost in the financial statements.

		Amount in Taka			
		Consolidated		Separate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
6.02	Investment in equity of strategic company (dealer)				
	IT	-	18,217,927	-	18,217,927
	Textiles	319,872,838	319,872,838	319,872,838	319,872,838
	Non Banking Financial Institution	335,912,204	335,912,204	335,912,204	335,912,204
	Mutual Fund	5,166,437	9,139,000	5,166,437	9,139,000
	Bank	524,690	328,324,125	524,690	328,324,125
		661,476,169	1,011,466,093	661,476,169	1,011,466,093
6.03	Investment in equity of strategic company				
	IT	36,000,000	36,000,000	36,000,000	36,000,000
		36,000,000	36,000,000	36,000,000	36,000,000
LankaBangla Securities Limited has invested an amount of Tk. 36,000,000/= from the sell proceed of 25% shares of Dhaka Stock Exchange Limited to full fill the requirements of DSE circular no. DSE/COM/TAD/CLR/SRO_Rate_Cap_Gain_Tax/1519-7152, Dated 04 November 2018, BSEC Directive no. SEC/SRMIC/94-231/723, Dated 13 November 2018 & RSO no. 319-Law/Income Tax/2018, Dated 30 October 2018.					
7.00	Advances, Deposits and Prepayments				
	Advances				
	Office rent	20,205,947	25,344,486	20,205,947	25,344,486
	Advance for Bank guarantee margin	1,583,633	145,833	1,583,633	145,833
	BizBangla Media Limited	-	-	12,000,000	87,000,000
	Advance against expenses	3,321,091	9,348,395	20,000	5,142,501
		25,110,672	34,838,714	33,809,580	117,632,820
	Deposits				
	Clearing house	25,000	25,000	25,000	25,000
	Lease Deposit	1,903,070	1,903,070	1,903,070	1,903,070
	PCS Bangladesh (Pvt.) Ltd.	64,000	64,000	64,000	64,000
	Jai Jai Din Printers	500,000	500,000	-	-
	Security deposit with agencies	270,069	270,069	-	-
	Security deposit with CDBL	102,500	102,500	102,500	102,500
	Security deposit for office space	5,628,590	6,307,632	3,299,220	3,299,220
		8,493,229	9,172,271	5,393,790	5,393,790
	Prepayments				
	Group and health insurance	4,039,448	3,532,504	4,039,448	3,532,504
	Insurance for office equipment	511,541	536,637	511,541	536,637
	Insurance for motor vehicle	39,311	223,639	39,311	223,639
		4,590,299	4,292,780	4,590,299	4,292,780
		38,194,199	48,303,764	43,793,669	127,319,389
8.00	Advance Income Tax				
	Opening Balance	541,419,364	350,493,534	535,736,423	347,064,462
	Add: Paid during year				
	Advance tax	17,691,183	49,762,488	17,444,443	49,722,488
	Advance tax deducted at source	21,484,970	23,365,851	19,629,869	21,151,982
	Tax deducted at source on turnover	73,747,033	117,797,491	73,747,033	117,797,491
		112,923,186	190,925,830	110,821,345	188,671,961
		654,342,550	541,419,364	646,557,768	535,736,423
	Less: Adjustment during the year	-	-	-	-
		654,342,550	541,419,364	646,557,768	535,736,423
9.00	Investments				
	Investment in listed securities dealer (Note-9.01)	1,123,384,634	1,265,855,603	1,123,384,634	1,265,855,604
	Investment in listed securities refinancing (Note-9.02)	121,366,303	-	121,366,303	-
	Fixed deposits receipt (FDR) (Note-9.03)	55,425,993	42,739,456	54,189,827	41,565,655
		1,300,176,929	1,308,595,059	1,298,940,763	1,307,421,258

		Amount in Taka			
		Consolidated		Separate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
9.01	Investment in listed securities (dealer)				
	Pharmaceuticals & Chemical	475,018,044	472,916,171	475,018,044	472,916,171
	Fuel Power	213,006,872	350,983,935	213,006,872	350,983,935
	Tannery	-	31,254,372	-	31,254,372
	Non Banking Financial Institution	-	12,487,978	-	12,487,978
	Telecommunication	356,105,471	356,105,471	356,105,471	356,105,471
	Engineering	50,474	134,920	50,474	134,920
	Paper & Printing	-	864,560	-	864,560
	IT	572,449	-	572,449	-
	Textiles	2,116,495	258,991	2,116,495	258,991
	Food Allied	-	13,500,000	-	13,500,000
	Insurance	76,471,609	26,847,292	76,471,609	26,847,292
	Mutual Fund	-	499,982	-	499,982
	Service & Leisure	37,300	-	37,300	-
	Cash form	5,919	1,931	5,919	1,931
		1,123,384,634	1,265,855,603	1,123,384,634	1,265,855,604
9.02	Investment in listed securities (refinancing)				
	IT	56,066,890	-	56,066,890	-
	Pharmaceuticals & Chemical	64,995,005	-	64,995,005	-
	Mutual Fund	304,408	-	304,408	-
		121,366,303	-	121,366,303	-
9.03	Fixed deposit receipts (FDR)				
	FDR with Standard Chartered Bank	54,189,827	41,565,655	54,189,827	41,565,655
	FDR with One Bank Limited	1,236,166	1,173,802	-	-
		55,425,993	42,739,456	54,189,827	41,565,655
10.00	Inventories				
	Newspaper	4,022,209	2,999,301	-	-
	P. S plate	9,900	500	-	-
	Polyester film	21,275	21,275	-	-
		4,053,384	3,021,076	-	-
11.00	Current portion of loans and advances				
	Loan Against Salary	2,878,257	1,896,398	2,336,460	1,202,802
	Staff Transport Loan	9,840,696	10,935,744	9,840,696	10,935,744
		12,718,953	12,832,142	12,177,156	12,138,546
12.00	Accounts receivable				
	Receivable from clients (Note - 12.01)	5,322,131,538	5,633,943,946	5,184,335,456	5,507,987,219
	Receivable from DSE & CSE (Note - 12.02)	11,148,263	56,967,047	11,148,263	56,967,047
		5,333,279,801	5,690,910,993	5,195,483,719	5,564,954,266
12.01	Receivable from clients				
	Cash dividend receivable	19,266,535	13,689,010	19,266,535	13,689,010
	Sundry debtors against advertisement	130,040,276	118,461,184	-	-
	Sundry debtors against circulation	7,320,129	7,495,542	-	-
	Receivable from foreign clients	224,756	6,482,819	224,756	6,482,819
	Margin loan	5,162,213,218	5,479,492,639	5,162,213,218	5,479,492,639
	Other clients	3,066,623	8,322,751	2,630,947	8,322,751
		5,322,131,538	5,633,943,946	5,184,335,456	5,507,987,219
	Other clients				
	Other clients includes receivable from share trading.				
12.02	Receivable from DSE & CSE				
	ABG&N	-	12,225,818	-	12,225,818
	ABG&N	-	-	-	-
	ABG&N (Spot)	808,981	7,383,599	808,981	7,383,599
	Z	985,072	7,609,096	985,072	7,609,096
	Z	847,493	6,506,005	847,493	6,506,005
	Z	2,739,906	2,920,492	2,739,906	2,920,492
	Z	795,248	3,237,288	795,248	3,237,288
	Z	2,223,129	2,853,296	2,223,129	2,853,296
	Z	1,563,884	1,821,789	1,563,884	1,821,789
	Z	149,535	1,728,128	149,535	1,728,128
	Z	440,482	2,487,306	440,482	2,487,306
	Z	357,154	5,741,711	357,154	5,741,711
	Total DSE	10,910,884	54,514,528	10,910,884	54,514,527

	Amount in Taka			
	Consolidated		Separate	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ABG&N	-	740,811	-	740,811
ABG&N (Spot)	116,101	-	116,101	-
Z	45,546	300,116	45,546	300,116
Z	1,539	76,144	1,539	76,144
Z	-	201,633	-	201,633
Z	7,950	175,048	7,950	175,048
Z	211	63,223	211	63,223
Z	-	115,915	-	115,915
Z	-	134,507	-	134,507
Z	-	243,245	-	243,245
Z	66,032	401,877	66,032	401,877
Total CSE	237,379	2,452,520	237,379	2,452,520
Grand Total DSE & CSE	11,148,263	56,967,047	11,148,263	56,967,047
13.00 Cash and bank balances				
Cash in hand	215,366	197,310	178,454	113,165
Company's Account	23,892,583	28,303,791	19,572,857	24,339,518
Company's Stock Dealer Account	1,062,513	131,153	1,062,513	131,153
Consolidated Customer Account	1,081,212,468	1,327,967,257	1,081,212,468	1,327,967,257
	1,106,382,929	1,356,599,511	1,102,026,292	1,352,551,093
14.00 Share Capital				
Authorized Capital				
500,000,000 ordinary shares of Taka 10 each	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Issued, Subscribed and Paid-up Capital	2,690,303,320	2,690,303,320	2,690,303,320	2,690,303,320
269,030,332 ordinary shares of Taka 10 each fully paid	2,690,303,320	2,690,303,320	2,690,303,320	2,690,303,320
Detail of Shareholding Position of the Company				
Name of the Sponsor & Directors Shareholders	No. of Shares	No. of Shares		
LankaBangla Finance Ltd.	244,573,260	244,573,260	2,445,732,600	2,445,732,600
Mr. Mohammad A. Moyeen	122,290	122,290	1,222,900	1,222,900
Mr. Mahbubul Anam	119,841	119,841	1,198,410	1,198,410
Mr. B W Kundanmal	2	2	20	20
Mr. Mohammed Nasiruddin Chowdhury	2,797	2,797	27,970	27,970
	244,818,190	244,818,190	2,448,181,900	2,448,181,900
General Shareholders	24,212,142	24,212,142	242,121,420	242,121,420
	269,030,332	269,030,332	2,690,303,320	2,690,303,320
15.00 Share Premium				
Premium amount received against issue of 5,000,000 shares @ 240 per share in 2010.	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000

		Amount in Taka			
		Consolidated		Separate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
16.00	General Reserve				
	Opening balance	54,942,982	52,688,811	54,942,982	52,688,811
	Add: Addition during the year	-	2,254,171	-	2,254,171
		54,942,982	54,942,982	54,942,982	54,942,982
	Less: Adjustment during the year	3,292,293	-	3,292,293	-
	Closing balance	51,650,689	54,942,982	51,650,689	54,942,982
<p>The Board of Directors of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.</p>					
17.00	Long Term Loan				
	Opening balance	701,840,807	846,504,838	701,840,807	846,504,838
	Add: Drawdown during the year	177,300,000	250,000,000	177,300,000	250,000,000
		879,140,807	1,096,504,838	879,140,807	1,096,504,838
	Less: Conversion to Short term	333,330,170	394,664,031	333,330,170	394,664,031
	Closing balance	545,810,637	701,840,807	545,810,637	701,840,807
<p>Detail of long term portion of the above balance is presented below:</p>					
	LankaBangla Finance Limited	79,323,369	137,054,366	79,323,369	137,054,366
	National Credit and Commerce Bank Ltd	24,812,579	-	24,812,579	-
	Shahjalal Islami Bank Limited 3	46,951,041	66,170,959	46,951,041	66,170,959
	Midland Bank Limited	8,993,114	21,077,510	8,993,114	21,077,510
	South Bangla Agriculture & Commerce Bank Ltd 2	-	4,105,818	-	4,105,818
	South Bangla Agriculture & Commerce Bank Ltd 3	-	16,650,237	-	16,650,237
	South Bangla Agriculture & Commerce Bank Ltd 4	76,550,566	113,152,506	76,550,566	113,152,506
	South Bangla Agriculture & Commerce Bank Ltd 5	135,606,567	165,285,894	135,606,567	165,285,894
	Phoenix Finance Ltd	97,474,489	113,720,745	97,474,489	113,720,745
	Standard Bank Limited	-	64,622,772	-	64,622,772
	Investment Corporation of Bangladesh	76,098,912	-	76,098,912	-
	Sub total	545,810,637	701,840,807	545,810,637	701,840,807
18.00	Deferred tax Liabilities				
<p>Deferred Tax has been calculated based on deductible/ taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of International Accounting Standard (IAS) 12 "Income Taxes".</p>					
	Assets:				
	WDV of fixed assets as per accounts	788,201,561	793,228,716	773,700,484	779,357,305
	WDV of fixed assets as per tax base	748,460,711	758,425,075	717,134,246	735,522,486
	Taxable /(Deductible) Temporary Difference	39,740,850	34,803,641	56,566,238	43,834,819
	Applicable Tax Rate	35%	35%	35%	35%
	Deferred Tax Liability/(Asset)	13,909,298	12,181,274	19,798,183	15,342,187
	Deferred Tax Liabilities/(Assets)	13,909,298	12,181,274	19,798,183	15,342,187
19.00	Finance lease obligation				
	Finance lease obligation-Vehicles (Note-19.01)	2,333,047	3,420,137	2,333,047	3,285,813
	Finance lease obligation-Office premises (Note-19.02)	40,663,850	-	40,013,463	-
		42,996,897	3,420,137	42,346,510	3,285,813
19.01	Finance lease obligation-Vehicles				
	Opening balance	3,420,137	5,195,419	3,285,813	4,241,214
	Add: Addition during the year	-	-	-	-
		3,420,137	5,195,419	3,285,813	4,241,214
	Less: Conversion to Short term	1,087,091	1,775,282	952,766	955,401
	Closing balance	2,333,047	3,420,137	2,333,047	3,285,813
19.02	Finance lease obligation-Office premises				
	Opening balance	-	-	-	-
	Add: Addition during the year	127,611,971	-	113,846,490	-
		127,611,971	-	113,846,490	-
	Less: Conversion to Short term	86,948,121	-	73,833,027	-
	Closing balance	40,663,850	-	40,013,463	-
20.00	Accounts payable				
	Payable to clients (Note-20.01)	933,853,276	1,253,223,547	929,735,019	1,247,530,879
	Payable to DSE and CSE (Note - 20.02)	20,634,491	11,364,099	20,634,491	11,364,099
	Accrued expenses (Note - 20.03)	57,181,120	52,756,459	33,995,138	35,383,835
		1,011,668,886	1,317,344,105	984,364,648	1,294,278,813

	Amount in Taka			
	Consolidated		Separate	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
20.01 Payable to Clients				
Payable for IPO clients	-	645,000	-	645,000
IDLC of Bangladesh Ltd	13,857	633,030	13,857	633,030
LankaBangla Investments Ltd.	-	3,224,687	-	3,224,687
Prattashee Traders	1,307,584	1,223,254	-	-
Pan Pacific Sonargoan Hotel	1,342,784	-	-	-
Reaz Enterprise	-	3,000,000	-	-
Jai Jai Din Printers	1,467,889	1,469,414	-	-
Payable suspense	2,049,392	2,068,779	2,049,392	2,068,779
Other clients	927,671,770	1,240,959,384	927,671,770	1,240,959,384
	933,853,276	1,253,223,547	929,735,019	1,247,530,879
Other Clients				
Other clients includes payable from share trading.				
20.02 Payable to DSE & CSE				
ABG&N	14,901,441	375,110	14,901,441	375,110
Z	840,629	1,983,315	840,629	1,983,315
Total DSE	15,742,071	2,358,426	15,742,071	2,358,426
ABG&N	4,865,925	8,743,722	4,865,925	8,743,722
Z	26,495	261,951	26,495	261,951
Total CSE	4,892,420	9,005,673	4,892,420	9,005,673
Grand Total DSE & CSE	20,634,491	11,364,099	20,634,491	11,364,099
20.03 Accrued Expenses				
Telephone bill	65,113	100,009	44,828	71,694
Electricity bill	1,489,856	1,794,959	1,189,528	1,441,702
Office rent	9,413,515	8,323,238	4,490,012	4,583,680
Printing & stationeries	171,045	444,337	171,045	444,337
News paper and periodicals	269,675	100,245	-	-
Office maintenance	1,233,217	1,587,851	755,795	1,279,976
Vehicle maintenance	226,711	214,447	-	-
Water and sewerage bill	149,729	115,723	149,729	115,723
Audit fees	213,730	236,730	144,730	144,730
Legal and professional fees	425,500	333,000	-	-
News agency service charge	1,337,854	1,022,260	-	-
Advertisement commission	68,368	21,757	-	-
Incentive	12,309,642	25,522,096	12,309,642	25,522,096
Contribution to provident fund	11,227,171	9,178,758	-	-
Contribution to gratuity fund	13,482,506	-	13,482,506	-
Honorarium	2,568,446	1,981,152	-	-
Salaries & Allowances	1,311,380	37,627	39,664	37,627
CDBL charges	1,217,659	1,742,271	1,217,659	1,742,271
	57,181,120	52,756,459	33,995,138	35,383,835
21.00 Short Term Loan				
Opening Balance	2,335,923,220	2,173,130,809	2,275,924,625	2,130,785,736
Loan taken during the year	-	162,792,410	-	145,138,890
	2,335,923,220	2,335,923,220	2,275,924,625	2,275,924,625
Re-scheduled/repayment during the year	240,210,306	-	243,048,786	-
Closing Balance	2,095,712,913	2,335,923,220	2,032,875,839	2,275,924,625
Detail of the above balance is presented below:				
Loan taken as a short term				
One Bank Limited	833,995,020	830,163,936	771,157,946	770,165,342
Standard Chartered Bank	539,602,853	540,009,020	539,602,853	540,009,020
Shahjalal Islami Bank Limited	107,612,500	100,391,667	107,612,500	100,391,667
Midland Bank Limited	103,626,446	103,365,987	103,626,446	103,365,987
United Finance Limited	-	251,895,834	-	251,895,834
South Bangla Agriculture & Commerce Bank Ltd	207,601,096	207,001,968	207,601,096	207,001,968
Hajj Finance Limited	200,000,000	200,000,000	200,000,000	200,000,000
National Credit and Commerce Bank Ltd	103,274,999	103,094,808	103,274,999	103,094,808
Sub total	2,095,712,913	2,335,923,220	2,032,875,839	2,275,924,625

	Amount in Taka			
	Consolidated		Separate	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
22.00 Provision for Current Tax				
Opening Balance	576,277,764	419,586,060	573,766,379	418,092,863
Add: Provision during the year	90,729,678	156,691,704	89,771,739	155,673,515
	667,007,442	576,277,764	663,538,117	573,766,379
Less: Adjustment during the year	-	-	-	-
	667,007,442	576,277,764	663,538,117	573,766,379
23.00 Current portion of lease obligation				
lease obligation-Vehicles (Note-23.01)	1,831,149	1,794,402	1,038,677	1,001,930
lease obligation-Office premises (Note-23.02)	39,918,113	-	36,415,586	-
	41,749,262	1,794,402	37,454,262	1,001,930
23.01 Current portion of lease obligation-Vehicles				
Opening balance	1,794,402	2,492,781	1,001,930	1,568,631
Add: Conversion from Long Term	1,087,091	1,775,282	952,766	955,401
	2,881,493	4,268,063	1,954,696	2,524,032
Less: Paid during the year	1,050,344	2,473,661	916,019	1,522,102
Closing balance	1,831,149	1,794,402	1,038,677	1,001,930
23.02 Current portion of lease obligation-Office premises				
Opening balance	-	-	-	-
Add: Conversion from Long Term	86,948,121	-	73,833,027	-
	86,948,121	-	73,833,027	-
Less: Paid during the year	47,030,008	-	37,417,441	-
Closing balance	39,918,113	-	36,415,586	-
24.00 Current portion of term loan				
Opening balance	403,943,751	391,627,062	403,943,751	391,627,062
Add: Conversion from Long Term	333,330,170	394,664,031	333,330,170	394,664,031
	737,273,921	786,291,093	737,273,921	786,291,093
Less: Paid during the year	427,496,687	382,347,342	427,496,687	382,347,342
Closing balance	309,777,234	403,943,751	309,777,234	403,943,751
Detail current portion of long term loan above balance is presented below:				
LankaBangla Finance Limited	43,724,867	36,649,015	43,724,867	36,649,015
Shahjalal Islami Bank Limited	-	8,762,657	-	8,762,657
National Credit and Commerce Bank Ltd	15,914,703	18,040,660	15,914,703	-
Shahjalal Islami Bank Limited 3	19,513,685	10,854,335	19,513,685	18,040,660
Midland Bank Limited	12,203,091	-	12,203,091	10,854,335
South Bangla Agriculture & Commerce Bank Ltd	-	69,679,267	-	69,679,267
South Bangla Agriculture & Commerce Bank Ltd 2	4,293,541	53,330,465	4,293,541	53,330,465
South Bangla Agriculture & Commerce Bank Ltd 3	17,834,049	24,444,358	17,834,049	24,444,358
South Bangla Agriculture & Commerce Bank Ltd 4	37,537,506	33,864,475	37,537,506	33,864,475
South Bangla Agriculture & Commerce Bank Ltd 5	31,083,388	28,788,657	31,083,388	28,788,657
Phoenix Finance Ltd	20,455,625	36,314,568	20,455,625	36,314,568
Standard Bank Limited	65,480,847	83,215,295	65,480,847	83,215,295
Investment Corporation of Bangladesh	41,735,931	-	41,735,931	-
Sub total	309,777,234	403,943,751	309,777,234	403,943,751

	Amount in Taka			
	Consolidated		Separate	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
25.00 Provision for negative equity & others				
Provision for negative equity (Note-25.01)	149,970,230	149,970,230	149,970,230	149,970,230
Diminution value of investment (Note-25.02)	234,270,000	234,270,000	234,270,000	234,270,000
	384,240,230	384,240,230	384,240,230	384,240,230
25.01 Provision for negative equity				
Opening balance	149,970,230	149,970,230	149,970,230	149,970,230
Add: Addition during the year	-	-	-	-
	149,970,230	149,970,230	149,970,230	149,970,230
Less: Write off during the year	-	-	-	-
Closing balance	149,970,230	149,970,230	149,970,230	149,970,230
25.02 Diminution value of investment				
Opening balance	234,270,000	-	234,270,000	-
Add: Addition during the year	-	234,270,000	-	234,270,000
	234,270,000	234,270,000	234,270,000	234,270,000
Less: Adjustment during the year	-	-	-	-
Closing balance	234,270,000	234,270,000	234,270,000	234,270,000
26.00 Interest Suspense				
Opening balance	136,075,813	174,103,328	136,075,813	174,103,328
Add: Addition during the year	-	-	-	-
	136,075,813	174,103,328	136,075,813	174,103,328
Less: Write off during the year	17,727,825	38,027,515	17,727,825	38,027,515
Closing balance	118,347,988	136,075,813	118,347,988	136,075,813
27.00 Other Liabilities				
Liability for Interest of Loan	18,226,650	49,312,487	18,226,650	49,312,487
Liabilities for other expenses	5,015,597	4,266,983	3,383,661	1,814,373
Brokerage sharing	3,254,613	5,704,366	3,254,613	5,704,366
Liabilities for security deposit	1,051,358	72,608	978,750	978,750
Premium brokerage service	4,270,830	3,687,825	4,270,830	3,687,825
LB Foundation	1,282,853	2,842,656	1,282,853	2,842,656
Cash dividend payable	-	927,962	-	927,962
Tax and VAT deducted at source	2,191,413	700,261	-	-
Un-claimed cash dividend	2,040,137	1,581,036	2,040,137	1,581,036
	37,333,450	69,096,183	33,437,493	66,849,455

		Amount in Taka			
		Consolidated		Separate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
28.00	Interest income				
	Interest on debit balance of clients	728,039,679	662,458,712	728,039,679	662,458,712
	Interest on bank deposit (Note-28.01)	76,248,720	77,620,334	76,110,169	77,380,055
		804,288,400	740,079,046	804,149,849	739,838,768
28.01	Interest Income				
	Interest on Bank Deposit				
	One Bank Limited	58,890,318	65,486,576	58,751,767	65,246,298
	National Credit and Commerce Bank Ltd	15,577,111	10,426,890	15,577,111	10,426,890
	Commercial Bank of Ceylon	199,339	177,762	199,339	177,762
	South Bangla Agriculture & Commerce Bank	95,001	78,130	95,001	78,130
	Shahajalal Islami Bank limited	-	181,736	-	181,736
	Midland Bank Limited	11,617	3,362	11,617	3,362
	Interest on FDR	1,475,334	1,265,877	1,475,334	1,265,877
		76,248,720	77,620,334	76,110,169	77,380,055
29.00	Income from investment				
	Capital gain from shares investment (Note-29.01)	34,666,633	275,914,712	34,666,633	275,914,712
	Dividend	62,790,214	42,678,310	62,790,214	42,678,310
		97,456,847	318,593,021	97,456,847	318,593,021
29.01	Capital gain from shares investment				
	Sales price of shares	594,438,735	1,549,808,652	594,438,735	1,549,808,652
	Less: Cost price of shares	559,701,251	1,273,862,940	559,701,251	1,273,862,940
		34,737,484	275,945,712	34,737,484	275,945,712
	Less: CDBL & Other charges	70,851	31,000	70,851	31,000
		34,666,633	275,914,712	34,666,633	275,914,712
30.00	Brokerage income				
	DSE	419,099,321	650,119,898	419,099,321	650,119,898
	CSE	33,560,897	57,017,678	33,560,897	57,017,678
		452,660,219	707,137,576	452,660,219	707,137,576
31.00	Revenue from advertisement & circulation				
	Revenue from advertisement	131,055,518	146,807,093	-	-
	Round table conference income	1,526,350	13,688,951	-	-
	Sponsorship income	12,799,782	1,375,750	-	-
	Revenue from circulation	12,211,859	5,428,429	-	-
		157,593,509	167,300,224	-	-
32.00	Other operational income				
	Service charge from clients for CDBL	15,434,053	23,529,869	15,434,053	23,529,869
	Scrap sales	2,851,197	2,279,318	531,634	121,660
	IT enable and Cloud services	1,087,865	2,468,148	-	-
	Monthly review	20,750	62,550	20,750	62,550
		19,393,864	28,339,885	15,986,436	23,714,079
33.00	Interest expenses				
	Interest on term loan	447,549,241	437,739,447	439,860,163	432,366,631
	Interest on Right of use of asset	12,026,552	-	11,842,880	-
	Interest on lease finance	590,053	899,737	517,050	706,996
		460,165,846	438,639,184	452,220,093	433,073,626
34.00	Other costs directly attributable to services				
	Service charge paid to CDBL	18,283,489	29,479,849	18,283,489	29,479,849
	Material Consumption	18,936,267	26,016,366	-	-
	Factory overhead	102,822,526	108,201,471	-	-
	Hawla charges	-	262,010	-	262,010
	Laga charges	35,100,501	53,195,075	35,100,501	53,195,075
		175,142,783	217,154,771	53,383,990	82,936,934
35.00	Other non-operational income				
	Income from office space rent	11,134,308	10,892,059	11,134,308	10,892,059
	Interest on loans and advances to employees	944,853	612,794	944,853	612,794
	Gain on disposal of fixed assets	-	2,402,100	-	2,402,100
		12,079,161	13,906,953	12,079,161	13,906,953

		Amount in Taka			
		Consolidated		Separate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
36.00	Salary and allowances				
	Salary and allowances	388,355,422	360,110,721	381,297,113	352,603,081
	Provident fund contribution	17,487,817	16,274,933	17,359,121	16,151,966
	Gratuity	25,769,527	10,577,332	25,733,493	10,468,422
	Incentive	11,540,755	24,718,745	11,540,755	24,718,745
		443,153,521	411,681,731	435,930,482	403,942,213
37.00	Rent, taxes, insurance, electricity etc.				
	Office rent	-	47,685,349	-	46,558,801
	Insurance premium	7,649,392	8,387,669	7,649,392	8,387,669
	Electricity	7,596,033	8,342,017	7,343,961	8,037,964
	Lease expense of Right of use of Assets	39,934,016	-	39,757,408	-
		55,179,441	64,415,036	54,750,761	62,984,434
38.00	Legal and professional fees				
	Legal and professional fees	2,376,570	3,650,400	1,839,600	3,061,900
		2,376,570	3,650,400	1,839,600	3,061,900
39.00	Postage, stamp, telecommunication etc.				
	Postage and courier	216,151	369,843	182,385	330,468
	Telephone and mobile bill	4,687,683	5,604,307	4,438,357	5,243,070
		4,903,834	5,974,150	4,620,742	5,573,538
40.00	Stationery, printing, advertisement				
	Printing and stationery	7,487,526	9,207,694	7,296,110	9,058,215
	Advertisement	1,552,124	2,729,805	1,552,124	2,729,805
		9,039,650	11,937,500	8,848,234	11,788,020
41.00	Director fees and expenses				
	Director fees and expenses	966,750	828,000	966,750	828,000
		966,750	828,000	966,750	828,000
42.00	Audit fees				
	Audit fees	212,750	235,750	143,750	143,750
		212,750	235,750	143,750	143,750
43.00	Repairs, maintenance and depreciation				
	Repairs and maintenance	1,449,545	1,777,012	1,449,545	1,777,012
	Depreciation	46,477,445	38,030,955	38,981,718	37,691,014
		47,926,990	39,807,967	40,431,263	39,468,027
44.00	Other expenses				
	Training	450,675	1,513,827	397,490	1,485,004
	Membership and renewal fees	2,897,978	3,768,746	2,738,484	3,297,382
	Traveling and conveyance	3,858,957	5,457,113	3,429,184	4,598,498
	Internet and e-mail	10,865,853	10,999,858	10,865,853	10,999,858
	News paper and periodicals	144,621	199,751	144,621	199,751
	Fuel expenses	326,523	449,495	326,523	449,495
	Vehicle maintenance/Registration	34,941,273	29,048,952	34,749,946	29,048,952
	Water and sewerage bill	898,644	898,969	898,644	898,969
	Office maintenance	15,410,902	15,400,457	15,141,389	15,107,184
	Entertainment	6,301,201	7,792,361	5,740,202	7,322,111
	Business promotion	6,436,982	9,259,719	6,436,982	9,259,719
	Bank charges	2,687,868	1,679,205	2,559,066	1,546,800
	AGM related expenses	41,380	66,318	41,380	66,318
	Documentation fees	86,250	551,080	86,250	551,080
	Loss on disposal of fixed assets	446,683	251,327	51,631	251,327
	LB Foundation	1,282,853	2,842,656	1,282,853	2,842,656
	Software maintenance fee	6,558,180	9,061,925	6,558,180	9,061,925
	Subscription for Bloomberg & Portal	2,798,297	6,507,272	2,798,297	6,507,272
	Commission of bank guarantee	9,285,925	10,955,706	9,285,925	10,955,706
	Selling & distribution expenses	20,409,116	18,230,913	-	-
	Subscriptions	439,631	213,649	439,631	213,649
		126,569,790	135,149,305	103,972,529	114,663,663

	Consolidated		Separate	
	2019	2018	2019	2018
45.00 Earnings per Share (EPS):				
Net profit after Tax	125,376,374	284,722,233	124,639,867	281,422,889
Number of Ordinary Shares Outstanding	269,030,332	269,030,332	269,030,332	269,030,332
Earnings Per Share (EPS)	0.47	1.06	0.46	1.05

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

*** Previous year's EPS has been restated by the current year's outstanding shares.

46.00 Related Party Disclosure

During the year the Company carried out a number of transactions with the related parties in the normal course of business on arm's length basis. Name of those related parties, nature of those transaction and their total value have been shown below in accordance with the provisions of IAS-24- "Related Party Disclosure."

Name of the Party	Relationship	Nature of Transaction	Transaction			
			Opening balance	Addition	Adjustment	Closing balance
LankaBangla Finance Ltd.	Sponsor Shareholder	Term Loan	(173,703,382)	-	50,655,146	(123,048,236)
LankaBangla Investment Ltd.	Sponsor Shareholder	IP Accounts	(3,224,687)	-	3,345,351	120,664
BizBangla Media Limited	Subsidiary	Advances	87,000,000	7,000,000	-	94,000,000

Annexure -A

LANKABANGLA SECURITIES LIMITED

Consolidated Schedule of Property, Plant & Equipment

For the year ended December 31, 2019

A. Fixed Assets

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2019
	Balance as on January 1, 2019	Additions during the year	Disposal during the year	Balance on December 31, 2019		Balance as on January 1, 2019	Charged during the year	Disposal during the year	Balance on December 31, 2019	
Land & Building	723,845,707	-	-	723,845,707	2.5%	8,592,596	-	37,503,218	686,342,489	
Furniture & Fixtures	20,261,035	584,994	217,798	20,628,231	10%	1,925,996	188,496	9,688,874	10,939,357	
Office Equipment	104,056,502	3,810,411	2,404,300	105,462,613	20%	9,297,932	2,297,916	81,885,359	23,577,254	
Data Center & Dr	76,253,017	31,003,720	-	107,256,737	30%	11,587,433	-	81,279,181	25,977,556	
Office Renovation	93,249,208	7,289,166	2,786,047	97,752,327	20%	11,021,662	1,644,882	68,814,526	28,937,800	
Motor Vehicle	17,282,127	-	3,645,476	13,636,651	20%	1,575,732	3,033,867	6,400,100	7,236,551	
Software	10,587,642	1,786,315	-	12,373,957	33%	2,448,858	-	10,263,153	2,110,804	
Leased Asset	21,719,000	-	-	21,719,000	20%	1,163,088	-	18,639,248	3,079,752	
Total December 31, 2019	1,067,254,238	44,474,606	9,053,621	1,102,675,223		47,613,298	7,165,161	314,473,660	788,201,563	

B. Right of Use of Assets

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2019
	Balance as on January 1, 2019	Additions during the year	Disposal during the year	Balance on December 31, 2019		Balance as on January 1, 2019	Charged during the year	Disposal during the year	Balance on December 31, 2019	
Right of Use of Assets	127,611,970	-	-	127,611,970	-	49,049,283	-	49,049,283	78,562,687	
Total December 31, 2019	127,611,970	-	-	127,611,970		49,049,283	-	49,049,283	78,562,687	
Grand Total (A+B) Dec 31, 2019	1,194,866,208	44,474,606	9,053,621	1,230,287,193	-	96,662,581	7,165,161	363,522,943	866,764,250	
Total December 31, 2018	694,078,039	403,212,549	30,036,350	1,067,254,238		41,090,419	29,785,023	274,025,523	793,228,715	

Annexure -A

LANKABANGLA SECURITIES LIMITED

Schedule of Property, Plant & Equipment

For the year ended December 31, 2019

A. Fixed Assets

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2019
	Balance as on January 1, 2019	Additions during the year	Disposal during the year	Balance on December 31, 2019		Balance as on January 1, 2019	Charged during the year	Disposal during the year	Balance on December 31, 2019	
Land & Building	723,845,707	-	-	723,845,707	2.5%	28,910,622	8,592,596	-	37,503,218	686,342,489
Furniture & Fixtures	19,466,034	488,294	201,498	19,752,830	10%	7,649,197	1,868,674	172,196	9,345,674	10,407,156
Office Equipment	81,054,531	2,232,982	1,900,300	81,387,213	20%	57,833,835	7,893,154	1,877,970	63,849,019	17,538,193
Data Center & Dr	76,253,017	31,003,720	-	107,256,737	30%	69,691,748	11,587,433	-	81,279,181	25,977,556
Office Renovation	81,378,356	5,105,750	-	86,484,106	20%	50,499,897	10,555,588	-	61,055,485	25,428,621
Motor Vehicle	7,602,457	-	-	7,602,457	20%	2,100,246	1,520,491	-	3,620,737	3,981,720
Software	6,770,296	902,500	-	7,672,796	33%	3,996,950	2,272,096	-	6,269,046	1,403,750
Leased Asset	20,319,000	-	-	20,319,000	20%	16,649,600	1,048,400	-	17,698,000	2,621,000
Total December 31, 2019	1,016,689,398	39,733,246	2,101,798	1,054,320,846		237,332,095	45,338,432	2,050,166	280,620,361	773,700,485

B. Right of Use of Assets

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2019
	Balance as on January 1, 2019	Additions during the year	Disposal during the year	Balance on December 31, 2019		Balance as on January 1, 2019	Charged during the year	Disposal during the year	Balance on December 31, 2019	
Right of Use of Assets	113,846,490	-	-	113,846,490	-	-	39,757,408	-	39,757,408	74,089,082
Total December 31, 2019	113,846,490	-	-	113,846,490		-	39,757,408	-	39,757,408	74,089,082
Grand Total (A+B) Dec 31, 2019	1,130,535,888	39,733,246	2,101,798	1,168,167,336	-	237,332,095	85,095,840	2,050,166	320,377,769	847,789,566
Total December 31, 2018	644,298,745	402,427,003	30,036,350	1,016,689,398		229,426,104	37,691,014	29,785,023	237,332,095	779,357,303

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES LANKABANGLA INVESTMENTS LIMITED

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Independent Auditors' Report

To the Shareholders of LankaBangla Investments Limited Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LankaBangla Investments Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2019 and Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presently fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at 31 December 2019 and (of) its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and the Companies Act 1994, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Margin loan:</p> <p>Key among the current asset balance of LankaBangla Investments Limited comprises of margin loan provided to clients of BDT 1,144,011,826.</p> <p>Margin loans were valued at BDT 1,144,011,826 and represents 52% of total assets. This was an area of focus for our audit and significant audit effort was directed.</p> <p>We focused on this area because of the significance of the investments in the financial statements especially margin loan being the primary form of investments of such companies, and also the complexity of this area.</p> <p>See notes 8 to the financial statements</p>	<p>Our audit procedures included obtaining our understanding of the process of issuing margin loan & ascertaining the loan balance and the interest charged over the financial year</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> Reviewed the carrying balance of the total outstanding loans Recalculated interest charged during the year. Carried out cut-off testing to ensure the interest was recognized in correct period. Check the subsequent positioning of this unrealized amount after the year end. Our audit approach was a combination of test of internal control and substantive procedures.

Risk	Our response to the risk
	<ul style="list-style-type: none"> We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the determination of margin loans are within a reasonable range and that policies were consistently applied by the management of the company. We assessed the design and operating effectiveness of the company's key controls supporting the identification, measurement and oversight of any form of risk of financial assets. We tested the calculations of provision for negative equity and checked the presentation and disclosure of investment in compliance with BSEC circular # SEC/CMRRCD/2009-193/203 and dated 28 December 2017, subsequent BSEC Direction dated, 30 January 2020
<p>Investment and provision for diminution in value of investment:</p> <p>The investment portfolio of the LankaBangla Investments Limited comprises investments in marketable ordinary shares of BDT 435,860,779 (Held For Trading), and Strategic investments of BDT 399,886,359 (Held For Dividend Income).</p> <p>Investments in securities are valued at BDT 835,747,138 and represent 38% of total assets. This was an area of focus for our audit and significant audit effort was directed.</p> <p>Investments in quoted shares and unquoted shares are valued at average cost. However, the company made provision for diminution in value of investment as per FID circular no. 8 dated 3 August 2002 and BSEC circular # SEC/CMRRCD/2009-193/203 dated 28 December 2017 and subsequent BSEC notification dated 19 December 2019.</p> <p>We focused on this area because of the significance of the investments in the financial statements, and departure from the recognition and presentation criteria of IFRS 9 & IFRS 7 to comply the above circular of Bangladesh Bank for determining the valuation methodology and presentation to be applied by the management of the company.</p> <p>See notes 6, 10.01 and 21.02 to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their investment portfolio.</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> Obtained year-end share holding positions from the company and through directional testing assessed the completeness of the report. Reviewed the assumptions used for the valuation models for any unquoted securities. Recalculated unrealized gain or loss at the year end. Carried out cut-off testing to ensure unrealized gain or loss was recognized in correct period. Check the subsequent positioning of this unrealized amount after the year end. Our audit approach was a combination of test of internal control and substantive procedures. We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the management of the company. We assessed the design and operating effectiveness of the company's key controls supporting the identification, measurement and oversight of valuation risk of financial assets. We verified the existence and legal ownership of equity investments by confirming investment holdings with Portfolio statement and record from CDBL & Firm appropriate. <p>We tested the calculations of provision for diminution in value of investment and checked the presentation and disclosure of investment in compliance with FID circular no. 8 dated 3 August 2002 and BSEC circular # SEC/CMRRCD/2009-193/203 dated 28 December 2017 and subsequent BSEC notification dated 30 January 2020.</p>

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Risk	Our response to the risk
<p>Right of Use of Asset, depreciation of right use of asset, Lease Obligation and Interest Expense:</p> <p>Right-of-Use Asset of LankaBangla Investments Limited is measured at present value of total cash outflows in future and advance before initial application of IFRS-16 of BDT 5,379,747.</p> <p>Depreciation was duly charged of the right of use assets amounting to BDT 585,245 Calculated from the date of initial application in accordance to IFRS 16.</p> <p>This was an area of focus for our audit and significant audit effort was directed.</p> <p>The Lease Obligation of the LankaBangla Investments Limited comprises both Non-current maturity of BDT 2,086,402 and current term maturity of BDT 2,636,050 of Office Space.</p> <p>Interest Expense of Lease Liability is BDT 108,218 for the current year.</p> <p>We focused on this area because of this year being the first year of application of IFRS 16-Leases. We also had to ensure that the required adjustments to be done in relation to the new standards and being compliant to the requirements of IFRS for required presentation and disclosures</p> <p>See note no 4, 22.03 and 29.02 to the financial statements</p>	<p>Our audit procedures included updating our understanding of the recognition of: a right-of-use asset and lease liability, interest expense (on the lease liability) & depreciation expense (on the right-of-use asset) as per the requirements of IFRS 16 adopted by ICAB.</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> • Obtained lease agreements from the company and through directional testing assessed the completeness of the report. • Reviewed the Modified Retrospective Approach used for the valuation models for office rent space. • Recalculated interest expense and lease liability at the year end. • Carried out cut-off testing to ensure interest expense and lease liability was recognized in correct period. • Check the subsequent positioning of this interest expense after the year end. • Our audit approach was a combination of test of internal control and substantive procedures. • We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the ROU and Lease Liability are within a reasonable range and that valuation policies were consistently applied by the management of the company. • Finally assessed the appropriateness and presentation of disclosures against IFRS 16 Leases.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the financial statement, disclosures and in evaluating the effect of misstatements, on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall materiality: Tk. 1,117,858
(2018: Tk. 1,317,241)

How we determined it: 0.5% of average revenue of the last 5 years

Rational for benchmark applied: Based on the benchmarks used in the Audit Report, total revenue is a key measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark.

Performance materiality

is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level & the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the company's overall control environment, our judgment was that the performance materiality was 75% (2018: 75%) of our planning materiality namely Tk. 838,393 (2018: Tk. 987,930) for the financial statements.

Other Matter

Prior to signing of the audit report, from March, there was an outbreak of the global pandemic COVID-19 on 11 March 2020. COVID-19 poses existential threats on the ability of a business to survive, which in turn have significant financial reporting impacts – from going concern and liquidity to recoverability and valuation of assets. Changes in the economic activity caused by the Pandemic will cause the company to renegotiate the terms of existing contracts and arrangements, and even cancellation of contracts/orders. If the company is

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offering concessions to its customers, that could have a dramatic impact on its revenue recognition. The key potential financial reporting impacts after Covid-19 are summarized as follows (Company may use forecast information for multiple purposes for these too):

The impairment of non financial assets, fair value measurement (affecting the Note no-6, 10 & 26), changes in the remuneration policies (affecting the notes no- 3.15, 9.01, 9.02, 15, & 32), Deferred tax asset/liability (affecting the notes no-20), Leases (affecting the notes no-2.11, 2.11.1, 2.11.2, 2.11.3, 2.11.4, 2.11.4.1, 2.11.4.2, 4, 16, 16.01, 22.02, 22.03, 23 and Annexure-A to the financial statements) and Revenue Recognition (affecting the note no-23, 24, 25, 26, 26.01, 27 & 28). Because of COVID-19 impact, preparation of reliable forecast information can be challenging and need to be closely monitored as this can have impact across multiple elements of financial statements.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements:

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Place: Dhaka
Dated: 08 June 2020



Md. Syful Islam, FCA, FCMA
Engagement Partner
Syful Shamsul Alam & Co.
Chartered Accountants

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LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31.12.2019 Taka	31.12.2018 Taka
ASSETS			
Non-current assets			
Property, plant and equipment	4.00	6,654,155	10,883,125
Intangible assets	5.00	1,487,501	1,057,002
Long term investments in shares	6.00	399,886,359	415,591,029
Deferred tax asset	20.00	-	-
Other non-current assets	7.00	3,213,090	5,335,895
Total non-current assets		411,241,105	432,867,051
Current assets			
Margin loan	8.00	1,144,011,826	1,538,262,645
Advances, deposits and prepayments	9.02	23,347,843	23,497,672
Investments.	10.00	455,860,779	349,419,407
Accounts receivable	11.00	42,681,603	54,486,084
Cash and cash equivalents	12.00	132,779,100	289,096,256
Total current assets		1,798,681,152	2,254,762,064
TOTAL ASSETS		2,209,922,257	2,687,629,115
EQUITY AND LIABILITIES			
Equity			
Share capital	13.00	2,155,000,000	2,155,000,000
Retained earnings		(1,919,139,726)	(1,734,272,735)
Total equity		235,860,274	420,727,265
Liabilities			
Non current liabilities			
Term loan	14.01	1,696,575,450	-
Defined benefit obligations (gratuity)	15.00	-	-
Lease liability-Non-current portion	16.00	2,086,402	-
Total non-current liabilities		1,698,661,852	-
Current liabilities			
Accounts payable	17.00	67,057,220	90,655,884
Short term loans	18.00	-	2,089,707,645
Current portion of term loan	14.01	60,025,000	-
Provision for current tax	19.00	4,949,042	2,748,133
Provision for margin loan & others	21.00	140,487,172	83,475,187
Other liabilities	22.00	2,881,696	315,001
Total current liabilities		275,400,130	2,266,901,850
Total liabilities		1,974,061,983	2,266,901,850
TOTAL EQUITY AND LIABILITIES		2,209,922,257	2,687,629,115

The annexed notes 01 to 47 form an integral part of these financial statements.



Director



Director



Chief Executive Officer (C.C.)



Company Secretary

Signed as per our separate report of same date.



Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Date: 08 June 2020

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Revenue		119,918,196	130,927,802
Interest income	23.00	53,612,682	84,092,033
Income from portfolio managements	24.00	4,381,254	6,142,018
Settlement and transaction fees	25.00	7,433,153	22,550,558
Income from investment	26.00	23,551,476	(17,068,706)
Income from Investment Banking	27.00	10,744,710	27,747,069
Other operational income	28.00	20,194,921	7,464,829
Cost of services		101,634,523	282,207,590
Interest expenses	29.00	101,000,078	280,524,868
Other costs directly attributable to services	30.00	634,445	1,682,722
Gross profit/(Loss)		18,283,673	(151,279,788)
Other non-operational income	31.00	(1,104,544)	661,492
Operating expenses		79,242,500	94,289,278
Salary and allowances	32.00	50,267,873	59,101,968
Rent, insurance, utilities etc.	33.00	9,699,879	11,997,358
Legal & professional fees	34.00	1,925,069	705,325
Postage, stamp, telecommunication etc.	35.00	799,752	945,742
Stationery, printing, advertisement	36.00	444,493	2,389,030
Director fees and expenses	37.00	621,750	552,000
Audit fees	38.00	143,750	201,250
Repairs, maintenance and depreciation	39.00	7,476,469	9,188,959
Other expenses	40.00	7,863,465	9,207,647
Net Operating Income/(Loss)		(62,063,371)	(244,907,574)
Provisions for loans / investments		119,710,763	264,583,418
Provision for margin loan	21.01	116,083,141	261,083,418
Provision for diminution in value of investments	21.02	3,627,623	-
Provision for other assets	21.03	-	3,500,000
Profit before tax (PBT)		(181,774,134)	(509,490,992)
Income tax expense / (income)		3,092,857	891,948
Current tax expense / (income)	19.01	3,092,857	891,948
Deferred tax expense / (income)		-	-
Profit after tax (PAT)		(184,866,991)	(510,382,940)
Other comprehensive income/(expense), net of tax		-	-
Total comprehensive income		(184,866,991)	(510,382,940)
Earnings Per Share (EPS)	41.00	(0.86)	(2.37)

The annexed notes 01 to 47 form an integral part of these financial statements.



Director



Director



Chief Executive Officer (C.C.)



Company Secretary

Signed as per our separate report of same date.



Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Date: 08 June 2020

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019

Particulars	Share Capital	Retained Earnings	Total Equity
Balance at 01 January 2018	1,670,000,000	(1,223,889,794)	446,110,206
Issuance of Share Capital	485,000,000	-	485,000,000
Total comprehensive income for the year	-	(510,382,940)	(510,382,940)
Balance at 31 December 2018	2,155,000,000	(1,734,272,735)	420,727,265
Balance at 01 January 2019	2,155,000,000	(1,734,272,735)	420,727,265
Issuance of Share Capital	-	-	-
Total comprehensive income for the year	-	(184,866,991)	(184,866,991)
Balance at 31 December 2019	2,155,000,000	(1,919,139,726)	235,860,274

The annexed notes 01 to 47 form an integral part of these financial statements.



Director



Director



Chief Executive Officer (C.C.)



Company Secretary

Place : Dhaka

Date: 08 June 2020

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 2019

	2019 Taka	2018 Taka
A) Cash flows from operating activities		
Cash received from:		
- Fees and other income	24,409,415	23,744,302
- Repayment of staff loan	1,898,888	1,259,297
Cash paid for:		
- Rental expenses	(8,289,911)	(10,958,155)
- Interest payment for lease hold properties-office premises	(108,218)	-
- Advance for lease hold properties-office premises	(120,000)	-
- IT related expenses	(378,186)	(628,784)
- PF bank account	(3,862,493)	(3,982,200)
- Gratuity bank account	(1,678,889)	(12,157,508)
- Employees' salaries and allowances	(47,835,170)	(50,938,831)
- Staff loan	(2,205,877)	(4,645,000)
- Other operating expenses	(29,868,682)	(20,532,104)
Cash generated from operating activities before changes in operating assets and liabilities	(68,039,123)	(78,838,983)
Settlement with LankaBangla Securities Limited	476,868,048	424,814,908
Client deposits	187,344,414	341,397,095
Own portfolio investment	(176,920,000)	(173,000,000)
Client withdrawals	(262,276,976)	(498,593,102)
	225,015,487	94,618,901
Cash generated from operating activities	156,976,363	15,779,918
Income taxes paid-Corporate	-	-
Income taxes paid-Others	(910,151)	(569,409)
Net cash from operating activities	156,066,212	15,210,509
B) Cash flows from investing activities		
Proceeds from sale of own portfolio securities	135,675,000	162,840,000
Proceeds from sale of disposed assets	5,359,774	658,500
Dividend on own portfolio investment	2,503,113	7,127,664
Interest income on Fixed Deposits Receipt	8,658,036	1,442,306
Return for Non-allotted securities	22,035,004	25,799,460
Investment in Fixed Deposits Receipt	(481,830,921)	-
Encashment of Fixed Deposits Receipt	461,830,921	-
Advance for Right Shares	(4,956,280)	-
Advance for Bidding/Underwriting share	(24,515,000)	(59,812,000)
Advance for CWIP	-	(352,381)
Procurement of property, plant and equipment	(2,150,276)	(5,402,875)
Net cash used in investing activities	122,609,372	132,300,674
C) Cash flows from financing activities		
Lease payment-office premises	(537,295)	-
Loan received from MIDAS Financing Limited	160,000,000	240,000,000
Repayment of loan from MIDAS	(240,000,000)	(160,000,000)
Interest payment on Loan from MIDAS	(817,777)	(1,417,778)
Repayment of loan from LankaBangla Finance Limited	(186,496,772)	(20,000,000)
Interest payment on loan from LankaBangla Finance Limited	(167,140,895)	(154,695,833)
Net cash used in financing activities	(434,992,739)	(96,113,611)
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	(156,317,155)	51,397,572
E) Cash and cash equivalents at beginning of the year	289,096,256	237,698,683
F) Cash and cash equivalents at the end of the year	132,779,100	289,096,256



Director



Director



Chief Executive Officer (C.C.)



Company Secretary

Place : Dhaka

Date: 08 June 2020

LANKABANGLA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1.00 Reporting entity

1.01 Company profile

LankaBangla Investments Limited (hereinafter referred to as “LBIL” or “the Company”) was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C 83568/10 dated 29 March 2010 as a private limited company under the Companies Act, 1994. Later on, the company converted itself into a public limited company with effect from 12 June 2013. The Company has obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Bangladesh Securities and Exchange Commission on 2 January 2011. The registered office of the Company is at 20, Kemal Ataturk Avenue, Banani, Dhaka-1213; Besides the registered office, corporate address of the company is at Assurance Nazir Tower, 65/B, Level-6, Kemal Ataturk Avenue, Dhaka – 1213. This Company is a fully owned subsidiary of LankaBangla Finance Limited.

Currently the company has following licenses, Membership and legal approvals :

SI No.	License/ Membership	Registration/ Membership No.	Date of issue	Issuing Authority	Renewed up to
1	Registration Number	C 83568/10	29 March 2010	Registrar of Joint Stock Companies and Firms (RJSC)	N/A
2	Trade License	0532513	07 July 2010	Dhaka South City Corporation (DSCC)	FY 2019-2020
3	Merchant Banking License	MB-57/2010	2 January 2011	Bangladesh Securities and Exchange Commission (BSEC)	N/A
4	Tax Identification Number (e-TIN)	383900505101	30 July 2013	National Board of Revenue (NBR)	N/A
5	VAT Registration Number (Online)	001115794	29 March 2019	National Board of Revenue (NBR)	N/A
6	Membership of Dhaka Chamber of Commerce & Industries	01302	27 April 2013	Dhaka Chamber of Commerce & Industries (DCCI)	N/A
7	Membership of Bangladesh Merchant Bankers' Association (BMBA)	N/A	N/A	Bangladesh Merchant Bankers' Association (BMBA)	December 2019

1.02 Nature of business

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.

2.00 Basis of preparation

2.01 Components of the financial statements

The financial statements comprise of :

- Statement of Financial Position as at 31 December 2019;
- Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019;
- Statement of Changes in Equity for the year ended 31 December 2019;
- Statement of Cash Flows for the year ended 31 December 2019; and
- Notes to the Financial Statements.

2.02 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), rules and regulations issued by Bangladesh Securities and Exchange Commission and Companies Act 1994. In case of any rules and regulations issued by Bangladesh Securities and Exchange Commission differs from those of other regulatory authorities, the rules and regulations issued by Bangladesh Securities and Exchange Commission shall prevail.

2.03 Disclosure of departure

The departures from and IFRS in the financial statements for 31 December 2019 are stated below:

SI No.	Nature of Departure	Title of the IFRS	Treatment of the IFRS	Treatment adopted as per regulator	Financial or presentation effect of departure
1	Valuation of Investments in quoted and unquoted shares	IFRS 9 'Financial Instruments'	IFRS 9 requires all equity investments to be measured at fair value. At initial recognition an entity can make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is held for trading. In all other cases, investments in equity instruments measured at fair value are recognized through profit or loss. In limited circumstances, cost can be an appropriate estimate of fair value for investments in unquoted shares.	As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively to align with parent company's adopted policy. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only. * As per circular of Bangladesh Securities and Exchange Commission circular # BSEC/SRI/MB/Policy-5/2020/132) and dated 30 January 2020, required provisions against unrealised loss on own portfolio has been kept for the year 2019.	If the IFRS 9 would be followed value of investments presented would be lower by BDT 18,138,113 and the same figure would be for 'Unrealized Loss'. There is BDT 18,138,113 of unrealized loss(portfolio basis) as at 31 December 2019 and LBIL kept provision for unrealized loss as per said circular.
2	Provision for Margin Loan (Loans and receivables)	IFRS 9 'Financial Instruments'	An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses (ie present value of all cash shortfalls) over the expected life of the financial instrument. For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.	As per circular of Bangladesh Securities and Exchange Commission circular #BSEC/SRI/MB/Policy-5/2020/132) and dated 30 January 2020, required provisions against unrealised loss on principal portion of margin loan has been kept for the year 2019.	As per the requirement of the BSEC circular LBIL kept only erosion of principal portion of Margin Loan as provision. As on 31 December 2019 provision on margin loan is amounting BDT 136,859,549.

2.04 Basis of accounting and measurement

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and financial instruments at fair value through profit or loss.

2.05 Functional and presentation currency and level of precision

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

2.06 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

2.07 Going concern

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

2.08 Materiality and aggregation

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

2.09 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, LankaBangla Investments Limited applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS-8.

2.10 Contingent asset and contingent liability

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

2.11 Changes in significant accounting policies**2.11.1 Leases**

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016 that is effective for annual periods that begin on or after 1 January 2019).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The date of initial application of IFRS 16 for the company is 1 January 2019

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported. The details of the changes in accounting policies are disclosed below. Additionally,

the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

2.11.2 Impact of the new definition of a lease

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the company.

2.11.3 Impact on lessee accounting

As a lessee, the company leases corporate office premises. IFRS 16 changes the rent expenses of office premises as follows-

- (a) Recognises right-of-use assets and lease liabilities in Statement of Financial Position, initially measured at the present value of the future lease payments; i.e. these leases are on-balance sheet.
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in Statement of Profit and Loss and Other Comprehensive Income;
- (c) Total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in Statement of Cash Flows.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

On transition, for these leases, lease liabilities and Right-of-use assets were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate (weighted average) as at 1 January 2019 (see Note 2.11.4.1). Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

2.11.4 Financial Impact of the initial application of IFRS 16

2.11.4.1 Impact on transition

On transition to IFRS 16, As Right of use of assets was equivalent to the lease liabilities at the date of initial application, no cumulative effect was necessary in retained earnings at the date of initial application. The impact on transition as at 1 January 2019 is summarized below.

Particulars	Amount in BDT
Right-of-use assets	5,379,747
Deferred tax asset	-
Lease liabilities	5,379,747
Retained earnings	-

When measuring lease liabilities for leases, the company discounted lease payments using its incremental borrowing rate. at 1 January 2019 The weighted average rate applied is 10.18%.

2.11.4.2 Impact on Profit or Loss for the year ended 31 December 2019

Particulars	Amount in BDT
Increase in depreciation of right-of-use asset	585,245
Increase in finance costs	108,218
Decrease in Rent expenses	(645,513)
Increase/ (Decrease) in profit/(loss) for the year	(47,950)

2.12 Books of account

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

2.13 Reporting period

The financial period of the Company has been determined to be from 1 January to 31 December each period. These financial statements cover the period from 01 January 2019 to 31 December 2019.

2.14 Events after the Reporting Period

Where necessary, all the material events after the reporting period is considered and appropriate adjustments /disclosures is made in the financial statements in accordance with IAS 10 - Events After Balance Sheet Date.

2.15 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December, 2019 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2018 have been rearranged whenever necessary to ensure comparability with the current period.

2.16 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

2.17 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 11 February 2020.

2.18 Corporate Accounting Standards Practiced

The following IAS's are applicable to the financial statement under review:

IAS	1	Presentation of Financial Statements
IAS	7	Cash Flow Statements
IAS	8	Accounting policies, Changes in Accounting Estimates and Errors
IAS	10	Events after the Balance Sheet Date
IAS	12	Income Taxes
IAS	16	Property, Plant and Equipment
IAS	19	Employee Benefit
IAS	23	Borrowing Costs
IAS	24	Related Party Disclosures
IAS	32	Financial Instrument: Presentation
IAS	33	Earnings per Share
IAS	37	Provisions, Contingent Liabilities and Contingent Assets
IAS	38	Intangible Assets
IFRS	9	Financial Instruments
IFRS	15	Revenue from Contracts with Customers
IFRS	16	Leases

3.00 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.01 Recognition and measurement (PPE)

Items of property, plant and equipment are measured initially at cost and subsequently at cost less accumulated depreciation in compliance with International Accounting Standard (IAS) 16 *Property, Plant and Equipment*. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the asset to its working condition for its intended use. Expenditures incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. Software and all upgradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.02 Subsequent costs of PPE

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.03 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in Statement of profit or loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. For addition to property, plant and equipment, depreciation is charged from the month of capitalization and no depreciation is charged in the month of disposal. Land is not depreciated.

The rates at which property, plant and equipment are depreciated for current and comparative years are as follows:

<u>Category of assets</u>	<u>Rate of Depreciation</u>
Office equipment	33.33%
Furniture and fixture	15%
Motor vehicle	25%
Interior works movable	15%
Interior works immovable	18%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.04 Disposal of PPE

Gains and losses on disposal of an item of property, plant and equipment are to be determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment disposed off and are recognized net with "other non-operational income" in profit or loss.

3.05 Impairment of PPE

The carrying amounts of PPE are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized in Statement of profit or loss and Other Comprehensive Income if the carrying amount of an asset exceeds its estimated recoverable amount. However, no such condition that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

3.06 Margin Loan

Margin loan represents outstanding loan balance provided to portfolio clients. Margin loan is provided as per the guidelines of Bangladesh Securities and Exchange Commission (BSEC). Margin loan is provided only against the purchase of marginable shares. Margin loan is created if a client purchases shares in excess of his own fund. Margin loan is presented in the financial statements as net of suspense (if any) created against the loan.

3.07 Intangible assets

Intangible assets are to be initially recognized at cost including any directly attributable cost. Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Intangible assets include software, integrated systems along with related hardware. Amortization is to be provided on a straight-line basis at 20% to write off the cost of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.08 Financial instruments

Non-derivative financial instruments comprise investments in shares and FDR, trade receivables, cash and cash equivalents, margin loans, share capital and interest - bearing borrowings.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred indicating a negative effect on the estimated future cash flows from that asset. All impairment losses are recognized in Statement of Profit or Loss and Other Comprehensive Income.

3.09 Investment in FDR (Fixed Deposit Receipt)

If the Company has the positive intent and ability to hold FDR to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3.10 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment or expenses. Deposits are measured at present value. Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to statement of comprehensive income.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Other assets

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

3.13 Share capital

Only ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognized as a deduction from equity, net of any tax effects.

3.14 Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method.

3.15 Employee benefits

The Company operates a recognized gratuity scheme, provision in respect of which is made periodically covering all its permanent eligible employees. This scheme is qualified as defined benefit plan. There is also a recognized provident fund for all permanent employees of the Company. This qualifies as defined contribution plan.

3.15.1 Defined contribution plans (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognized Employees Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

The Company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

3.15.2 Defined benefit plans (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The Company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

The Company operates a funded gratuity scheme. Employees are entitled to get gratuity benefit at the following rates:

Year of Confirmed Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

3.15.3 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

3.16 Corporate Tax

3.16.1 Current tax

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Merchant Bank"; hence the applicable corporate tax rate is 37.50% as per the Finance Act 2019.

3.16.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized (IAS-12, Para-24). Deferred tax assets is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

3.16.3 Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.18 Contingencies

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3.19 Revenue recognition

As per IFRS 15 revenue is only recognised when it meets the following five steps model framework.

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

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

3.19.1 Interest on Margin Loan

Interest is charged on client's balance (due to LBIL) on daily basis at the applicable rate. Interest charged to margin loan that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company.

3.19.2 Portfolio management fee

Portfolio management fees are recognised on the market value of the clients' portfolio on monthly basis and charged to client's balance on quarterly basis. Management fee charged to a client that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company. Whenever the probability arises that the benefit will flow to the company this is recognized to income.

3.19.3 Settlement and transaction fees

Settlement and transaction fees/brokerage commission is recognised as income when selling or buying order are executed.

3.19.4 Dividend income

Dividend income on shares is recognised when the shareholder's right to receive payment is established.

3.19.5 Realized gain/(loss) on listed securities

Gain or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

3.19.6 Income from investment banking

Investment banking services are associated with the underwriting commission, issue management fee, registrar to the issue fee and corporate advisory fee. Fees based income are recognised according to the stage of completion of services as agreed and defined in the respective agreement between company.

3.19.7 Earnings Per Share (EPS)

Earnings Per Share (EPS) is calculated by dividing total earnings available for ordinary share holders by weighted average number of shares outstanding for the year.

3.20 Statement of cash flows

The net cash flow from operating activities is determined for the year under direct method as per International Accounting Standard (IAS)- 7 Statement of Cash Flows.

3.21 Financial risk management

The company has provided in separate notes the information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risks and the company's management of capital.

- Credit risk
- Liquidity risk
- Market risk

	31.12.2019 Taka	31.12.2018 Taka		
4.00 Property, plant & equipment				
Cost				
Opening balance	32,685,124	29,287,604		
Add: Addition during the year	7,037,418	5,355,420		
	39,722,541	34,643,024		
Less: Disposal during the year	26,901,721	1,957,900		
	12,820,820	32,685,124		
Less: Accumulated depreciation				
Opening balance	21,801,998	18,329,253		
Add: Charged during the year	4,762,889	5,430,641		
	26,564,887	23,759,894		
Less: Adjustment on disposal	20,398,222	1,957,896		
	6,166,665	21,801,998		
	6,654,155	10,883,125		
<i>A schedule of property, plant & equipment is given in Annexure-A.</i>				
5.00 Intangible assets				
Cost				
Opening balance	2,045,654	1,045,654		
Add: Addition during the year	787,500	1,000,000		
	2,833,154	2,045,654		
Less: Disposal during the year	40,000	-		
	2,793,154	2,045,654		
Less: Accumulated amortization				
Opening balance	988,652	919,985		
Add: Charged during the year	357,000	68,667		
	1,345,652	988,652		
Less: Adjustment on disposal	39,999	-		
	1,305,653	988,652		
	1,487,501	1,057,002		
<i>A schedule of intangible assets is given in Annexure-B.</i>				
6.00 Long term investments in shares				
Investment in equity of non-listed company	30,000,000	30,000,000		
Investment in equity of strategic company (Note-6.01)	369,886,359	385,591,030		
	399,886,359	415,591,029		
6.01 Investment in equity of strategic company				
	Particulars	Cost Price	Market Price as on 31.12.2019	Unrealized Gain/(Loss)
	IT Sector	209,726,359	191,465,946	(18,260,413)
	Financial Institutions	160,160,000	263,384,000	103,224,000
		369,886,359	454,849,946	84,963,587
7.00 Other non-current assets				
Non current portion:				
Advances (Note- 9.01)		3,008,590	4,310,975	
Deposits (Note- 9.01)		204,500	1,024,920	
		3,213,090	5,335,895	
8.00 Margin loan				
Revolving margin loan to clients		1,144,011,826	1,538,262,645	
		1,144,011,826	1,538,262,645	

Margin loan refers to the amount provided by the company to the clients for buying shares in proportionate to their own equity as per BSEC guidelines.

	31.12.2019 Taka	31.12.2018 Taka
9.00 Advances, deposits and prepayments		
Advances (Note-9.01 and 9.02)	26,155,522	27,543,028
Deposits (Note- 9.01)	204,500	1,024,920
Prepayments (Note- 9.01 and 9.02)	200,911	265,619
	26,560,933	28,833,567
9.01 Non current portion		
Advances		
Loan to employees	3,008,590	4,310,975
	3,008,590	4,310,975
Deposits		
Security deposit	204,500	1,024,920
	204,500	1,024,920
	3,213,090	5,335,895
9.02 Current portion		
Advances		
Loan to employees	815,958	1,291,388
Advance against expenses	22,940	63,566
Advance income tax (Note- 9.02.01)	22,001,129	19,323,298
Advance for investment in shares	306,904	2,553,800
	23,146,932	23,232,053
Prepayments		
Prepayment against expenses	200,911	265,619
	200,911	265,619
	23,347,843	23,497,672
9.02.01 Advance income tax		
Opening balance	19,323,298	24,295,139
Add: Addition during the year	3,569,779	7,705,908
	22,893,077	32,001,047
Less: Adjustment for prior year:		
Assessment year 2018-2019	-	12,677,749
Assessment year 2019-2020	891,948	-
	891,948	12,677,749
	22,001,129	19,323,298

*As assessment year 2019-2020 have been completed, so respective assessed amount has been reflected in the accounts in accordance with IAS 10.

10.00 Investments		
Investment in listed securities (Note-10.01)	435,860,779	349,419,407
Fixed deposits receipts (FDRs) (Note-10.03)	20,000,000	-
	455,860,779	349,419,407
10.01 Investment in listed securities		

Particulars	Cost Price	Market Price as on 31.12.2019	Unrealized Gain/(Loss)
Bank	58,733,234	27,373,232	(31,360,002)
Cement	39,367,624	12,360,000	(27,007,624)
Engineering	34,434,975	19,557,503	(14,877,472)
Financial Institutions	3,600,000	7,680,000	4,080,000
Food & Allied	13,707,348	7,425,000	(6,282,348)
Fuel & Power	136,721,328	136,395,000	(326,328)
IT Sector	515,545	538,557	23,011
Pharmaceuticals & Chemicals	141,277,365	117,512,243	(23,765,122)
Services & Real Estate	5,349,564	1,910,480	(3,439,084)
Textile	2,116,496	1,845,333	(271,162)
Travel & Leisure	37,300	161,731	124,431
	435,860,779	332,759,079	(103,101,700)

		31.12.2019 Taka	31.12.2018 Taka
10.02	Break-up of Investments in listed securities		
	Particulars	Cost Price	Market Price as on 31.12.2019
			Unrealized Gain/(Loss)
	Non-current portion (Note- 6.01)	369,886,359	454,849,946
	Current portion (Note-10.01)	435,860,779	332,759,079
		805,747,138	787,609,025
			(18,138,113)
10.03	Fixed deposits receipts (FDRs)		
	One Bank Limited		20,000,000
			-
			20,000,000
			-
	* The maturity of fixed deposits receipts (FDR) is more than 3 (three) months.		
11.00	Accounts receivable		
	Receivable from group entities (Note - 11.01)	-	6,880,901
	Other receivables (Note - 11.02)	42,681,603	47,605,183
		42,681,603	54,486,084
11.01	Receivable from group entities		
	LankaBangla Securities Limited	-	6,880,901
11.02	Other receivables		
	Registrar to the Issue fees receivable	2,000,000	3,400,000
	Issue management fees receivable	6,134,783	8,224,783
	Corporate advisory fees receivable	4,020,000	6,300,000
	Accounts receivables-portfolio operation	24,775,600	28,394,577
	Interest Receivable	162,361	95,502
	Dividend Receivable-Own Portfolio	5,488,859	1,190,322
	Other Receivable	100,000	-
		42,681,603	47,605,184
12.00	Cash and cash equivalents		
	Cash in hand	12,059	11,089
	Cash at bank (Note- 12.01)	132,767,041	267,797,092
	Fixed deposits receipts (FDRs) (Note-12.02)	-	21,288,075
		132,779,100	289,096,256
12.01	Cash at bank		
	One Bank Limited	132,003,970	266,044,764
	Dhaka Bank Limited	-	209,487
	Shahjalal Islami Bank Limited	-	144,043
	The City Bank Limited	-	79,055
	Standard Chartered Bank	763,071	1,319,742
		132,767,041	267,797,092
12.02	Fixed deposits receipts (FDRs)		
	LankaBangla Finance Limited	-	21,288,075
		-	21,288,075

		For the period ended	
		31.12.2019 Taka	31.12.2018 Taka
13.00 Share capital			
Authorized:			
300,000,000 Ordinary shares of Tk 10 each		3,000,000,000	3,000,000,000
Issued, subscribed and paid-up:			
215,500,000 Ordinary shares of Tk 10 each		2,155,000,000	2,155,000,000

13.01 Particulars of shareholdings

The shareholding position at the date of statement of financial position was as follows:

Name of shareholders	December 2019			December-2018		
	Number of shares	Value of shares Taka	% of share holding	Number of shares	Value of shares Taka	% of share holding
LankaBangla Finance Limited	215,499,994	2,154,999,940	99.99999618%	215,499,994	2,154,999,940	99.99999618%
Mr. Mohammad A. Moyeen	1	10	0.00000064%	1		0.00000064%
Mr. Md. Abdullah Al Karim	1	10	0.00000064%	1		0.00000064%
Mr. Al-Mamoon Md. Sanaul Huq	1	10	0.00000064%	1		0.00000064%
Mr. Mahbubul Anam	1	10	0.00000064%	1		0.00000064%
Mr. Khwaja Shahriar	1	10	0.00000064%	1		0.00000064%
Mr. Mohammad Amir Hossain	1	10	0.00000064%	1		0.00000064%
	215,500,000	2,155,000,000	100%	215,500,000	2,155,000,000	100%

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and entitled to vote per share at meetings of the Company.

		31.12.2019 Taka	31.12.2018 Taka
14.00 Term loan			
Opening balance		-	-
Add: Transferred from short term loan (Note- 18)		1,865,379,308	-
Addition during the period		25,000	
		1,865,404,308	-
Less: Repayment during the year		108,803,858	-
		1,756,600,450	-

As per sanction letter from LankaBangla Finance Limited, Ref.No. 21/015889-A/2019, dated 22 December, 2019, loan facilities has been restructured as term loan amounting BDT 1,865,379,308 for 180 months which is effective from 01 July 2019.

	31.12.2019 Taka	31.12.2018 Taka
14.01 Term loan		
Non-current portion of term loan	1,696,575,450	-
Current portion of term loan	60,025,000	-
	1,756,600,450	-
15.00 Defined benefit obligations (gratuity)		
Opening balance	-	10,383,654
Add: Addition during the year	1,678,889	4,015,398
	1,678,889	14,399,051
Less: Paid during the year	-	2,521,753
Transferred to Gratuity Fund Account	1,678,889	11,877,298
	-	-
16.00 Lease liability (non-current portion)		
Lease liability-Office premises (Note-16.01)	2,086,402	-
16.01 Lease liability-Office premises		
Opening balance	-	-
Add: Addition during the year	2,086,402	-
Less: Paid during the year	-	-
	2,086,402	-
Less: Transferred to Current portion (Note-22.02)	-	-
	2,086,402	-
17.00 Accounts payable		
Payable to clients (Note-17.01)	66,540,985	89,295,107
Payable to group entities (Note - 17.02)	116,307	-
Accrued expenses (Note - 17.03)	399,928	1,360,777
	67,057,220	90,655,884
17.01 Payable to clients		
Client positive balance (IPA)	53,265,167	67,811,363
Client positive balance (BDA)	2,545,593	959,884
Client positive balance (Nischinto)	10,389,317	19,959,035
Client positive balance-Equity share	340,908	444,356
Customer Deposits -LBIL Islamic Investment Scheme	-	120,469
	66,540,985	89,295,107
17.02 Payable to group entities		
LankaBangla Securities Limited	116,307	-
	116,307	-

	31.12.2019 Taka	31.12.2018 Taka
17.03 Accrued expenses		
Audit fee	143,750	143,750
CDBL charges	51,348	376,376
Security service payable	-	51,750
Office maintenance	-	40,000
Electricity bill	-	125,000
Telephone and mobile payable	40,271	57,734
Internet expenses payable	2,314	3,478
Accrued interest payable	-	456,389
Medical Insurance Costs Payable	-	10,640
Liabilities for Fixed Assets	131,208	-
Payable for other expenses	31,037	95,660
	399,928	1,360,777
18.00 Short term loan		
Opening balance	2,089,707,645	2,390,752,778
Add: Addition during the year	100,530,472	598,650,701
	2,190,238,117	2,989,403,479
Less: Repayment during the year	324,858,809	899,695,834
Transferred to Term loan (Note- 14)	1,865,379,308	-
	-	2,089,707,645
18.01 Break up of short term loan		
LankaBangla Finance Limited		2,009,707,645
MIDAS Financing Ltd	-	80,000,000
	-	2,089,707,645
19.00 Provision for current tax		
Opening balance	2,748,133	14,533,934
Add: Provision made during the year	3,092,857	891,948
	5,840,990	15,425,882
Less: Adjustment for prior year:	891,948	12,677,749
Assesment year 2018-2019	-	12,677,749
Assesment year 2019-2020	891,948	-
	4,949,042	2,748,133
19.01 Tax expense		
Current tax	3,092,857	891,948
Deferred tax expense/(income)	-	-
	3,092,857	891,948

		31.12.2019 Taka	31.12.2018 Taka
20.00 Deferred tax asset/liability			
Deferred tax assets are arrived at as follows:			
	Carrying amount on the date of statement of financial position		(Taxable)/ deductible temporary difference
	<u>Taka</u>	<u>Tax base Taka</u>	<u>Taka</u>
<u>Year: 2019</u>			
Property, plant and equipment (Note: 4)	3,347,154	5,867,127	2,519,972
Temporary difference			2,519,972
Income tax rate			37.50%
Deferred tax asset (B)			944,990
<u>Year: 2018</u>			
Property, plant and equipment (Note: 4)	10,883,125	19,148,577	8,265,452
Temporary difference			8,265,452
Income tax rate			37.50%
Deferred tax asset (A)			3,099,544
Deferred tax income for 2019 (A-B)			(2,154,554)
Deferred tax assets/(income) amounting Tk. 2,154,554 has not been recognised due to prudence concept of accounting			
21.00 Provision for margin loan & others			
Provision for margin loan (Note-21.01)		136,859,549	83,475,187
Provision for unrealized loss - own portfolio (Note-21.02)		3,627,623	-
Provision for other asstes (Note-21.03)		-	-
		140,487,172	83,475,187
21.01 Provision/suspense for negative equity			
Opening balance		83,475,187	41,086,016
Add: Provision during the period *		116,083,141	261,083,418
		199,558,328	302,169,434
Less: Write off during the period		62,698,779	218,694,247
Closing balance		136,859,549	83,475,187

* As per circular of Bangladesh Securities and Exchange Commission circular # BSEC/SRI/MB/Policy-5/2020/132) and dated 30 January 2020, required provisions against unrealised loss on principal portion of margin loan has been kept for the year 2019.

	31.12.2019 Taka	31.12.2018 Taka
21.02 Provision for unrealized loss - own portfolio		
Opening balance	-	-
Add: Provision during the period *	3,627,623	-
	3,627,623	-
Less: Write off during the period	-	-
	3,627,623	-
* As per circular of Bangladesh Securities and Exchange Commission circular # BSEC/SRI/MB/Policy-5/2020/132) and dated 30 January 2020, required provisions against unrealised loss on own portfolio has been kept for the year 2019.		
21.03 Provision for other asstes		
Opening balance	-	-
Add: Provision during the period	-	3,500,000
	-	3,500,000
Less: Write off during the period	-	3,500,000
	-	-
22.00 Other liabilities		
Deposit suspense account	112,568	50,239
Withholding tax payable (Note-21.01)	133,078	264,762
Lease liability (current portion)(Note- 22.02)	2,636,050	-
	2,881,696	315,001
22.01 Withholding tax payable		
TDS from suppliers	4,063	11,217
TDS on professional fees	20,556	2,389
TDS payable on director fees	9,000	-
TDS from rent	10,855	36,068
VAT payable on suppliers	3,671	4,009
VAT payable on professional fees	30,833	3,583
VAT Payable on others	12,534	76,792
VAT Payable on fee income	-	22,500
VAT payable on director fees	9,000	-
VAT Payable on rent	32,566	108,204
	133,078	264,762
22.02 Lease liability (current portion)		
Lease liability-Office premises (Note-22.03)	2,636,050	-

	31.12.2019 Taka	31.12.2018 Taka
22.03 Lease liability-Office premises		
Opening balance	-	-
Add: Addition during the year (Note-23)	2,636,050	-
Add: Transfer from Non-current portion	-	-
Less: Paid during the year	-	-
	2,636,050	-
22 (A) Lease liability-Office premises		
Lease liability (non-current portion)	2,086,402	
Lease liability (current portion)	2,636,050	
	4,722,452	-

	2019 Taka	2018 Taka
23.00 Interest income		
Interest on margin loan	53,612,682	84,092,033
	53,612,682	84,092,033
24.00 Income from portfolio managements		
Management fees	4,381,254	6,142,018
25.00 Settlement and transaction fees		
Brokerage commission	7,433,153	22,550,558
26.00 Income from investment		
Dividend income	7,377,091	5,451,765
Realised gain/(loss) from investments in unlisted securities	-	(160,000)
Realized gain/(loss) on listed securities (Note- 26.1)	16,174,385	(22,360,471)
	23,551,476	(17,068,706)
26.01 Realized gains on listed securities		
Sales price of securities	232,783,548	1,615,197,098
Less: Cost price	216,609,163	1,637,265,822
Add: Realized gain/(loss) on LankaBangla Equity sharing scheme		(291,747)
	16,174,385	(22,360,471)
27.00 Income from Investment Banking		
Underwriting commission	313,306	490,000
Issue management fees	2,500,000	14,857,069
Registrar to the Issue fees	500,000	2,300,000
Corporate advisory fees	7,431,404	10,100,000
	10,744,710	27,747,069
28.00 Other operational income		
Documentation charges	46,000	317,800
Gain on CDBL annual fees payment	263,800	259,300
Gain on IP client dividend collection	16,300	-
Client portfolio maintenance	2,651	768
Income on excess margin loan from purchase power	374,140	250,900
Interest income on STD balances	6,699,466	4,254,912
Interest income on staff loan	614,903	843,343
Interest Income on FDR	9,877,661	1,537,806
Bad debt recovery	2,300,000	-
	20,194,921	7,464,829
29.00 Interest expenses		
Interest on short term loan (Note- 29.01)	100,891,860	280,524,868
Interest on lease liability (Note-29.02)	108,218	-
	101,000,078	280,524,868

	2019 Taka	2018 Taka
29.01 Interest on short term loan		
Interest on short term loan (Group entities)	100,530,472	278,650,701
Interest on short term loan - MIDAS Financing Limited	361,388	1,874,167
	100,891,860	280,524,868
29.02 Interest on lease liability		
Lease liability-Office premises	108,218	-
30.00 Other costs directly attributable to services		
CDBL settlement transfer fee	628,445	1,674,293
CDBL CDS connection fee	6,000	6,000
Corporate action	-	2,429
	634,445	1,682,722
31.00 Other non-operational income		
Gain on disposal of fixed assets	(1,132,444)	658,496
Sale proceeds from scrapes items	27,900	2,996
	(1,104,544)	661,492
32.00 Salary and allowances.		
Salary and allowances	46,657,738	53,094,370
Provident fund contribution	1,931,247	1,992,200
Gratuity fund	1,678,889	4,015,398
	50,267,873	59,101,968
33.00 Rent, insurance, utilities etc.		
Office rent	8,088,903	9,954,768
Insurance premium	733,541	812,709
Utilities	877,435	1,229,881
	9,699,879	11,997,358
* Office rent expense is treated short term lease		
34.00 Legal and professional fees		
Regulatory fees	1,173,130	436,920
Membership and renewal fees	220,350	219,850
Other professional fees	531,589	48,555
	1,925,069	705,325
35.00 Postage, stamp, telecommunication etc.		
Postage and courier	31,005	33,019
Stamp charges	33,990	30,599
Telephone and mobile bill	531,247	629,479
Internet expense	203,510	252,645
	799,752	945,742
36.00 Stationery, printing, advertisement		
Printing	98,201	410,964
Stationery	73,768	107,100
Advertisement	103,693	756,411
Promotional expense	168,831	1,114,555
	444,493	2,389,030

	2019 Taka	2018 Taka
37.00 Director fees and expenses	621,750	552,000
	621,750	552,000
38.00 Audit fees	143,750	201,250
	143,750	201,250
39.00 Repairs, maintenance and depreciation		
Repairs and maintenance (Note-39.01)	2,356,580	3,689,651
Depreciation (Note-4 & Annexure-A)	4,762,889	5,430,641
Amortization (Note-5 & Annexure-B)	357,000	68,667
	7,476,469	9,188,959
39.01 Repairs and maintenance		
Office maintenance	912,878	1,081,023
Office maintenance-supplier	416,744	892,088
Software maintenance fees	253,814	324,535
Vehicle maintenance	270,050	486,578
Cleaning	244,584	334,102
Fuel costs	258,510	571,325
	2,356,580	3,689,651
40.00 Other expenses		
Travel and accomodation (Note- 40.01)	6,432,987	7,004,305
Training and business development (Note- 40.02)	298,397	673,308
Bank Charges	361,541	140,025
Security expenses	492,000	621,000
Newspapers and journals	19,311	57,564
Other IT and telecommunication	239,717	601,896
Gain on IP client dividend collection	-	7,364
Other expenses - own portfolio	2,712	18,588
Staff recruitment expense	1,300	6,546
Other fees and charges	15,500	77,050
	7,863,465	9,207,647
40.01 Travel and accomodation		
Conveyance	209,652	378,299
Traveling	6,177,509	6,340,562
Airfare	19,526	137,782
Per diem	14,500	98,753
Accommodation	11,800	48,909
	6,432,987	7,004,305

	2019 Taka	2018 Taka
40.02 Training and business development		
Meeting	-	-
Corporate conference	55,647	313,677
Training and development	212,750	293,341
Welfare	30,000	66,290
	298,397	673,308
41.00 Earning Per Share (EPS)		
Earning attributed to ordinary shareholders	(184,866,991)	(510,382,940)
Number of ordinary shares outstanding	215,500,000	215,500,000
	(0.86)	(2.37)

42 Related parties**42.01.01 Parent company**

LankaBangla Finance Limited has 99.9999618% shareholdings of the company. As a result, the controlling party of the company is LankaBangla Finance Limited.

42.01.02 Related party disclosures

During the period, the Company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of IAS 24: *Related Party Disclosures*.

Name of the party	Relationship with the entity	Nature of transaction	2019	2018
LankaBangla Finance Limited	Parent	Funding	186,496,772	426,927,778
		Interest expense	100,530,472	278,650,701
		LBIL Fixed Deposits Receipts	-	21,288,075
LankaBangla Securities Limited	Subsidiary of parent	Share trading settlement	1,005,706,528	1,683,328,764
		LBIL Portfolio	4,357	3,656,214
		LBSL Portfolio	229,550	931
LankaBangla Asset Management Company Limited	Subsidiary of parent	LBAML Portfolio	575	442

43 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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

43.01 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

43.01.01 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
Margin loan	1,144,011,826	1,538,262,645
Investments	855,747,138	765,010,436
Receivable from group entities (LBSL)	-	6,880,901
Other receivables	42,681,603	47,605,183
Cash and cash equivalents	132,767,041	289,096,256
	2,175,207,608	2,646,855,421

43.02 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

43.03 Market risk

Market risk is the risk that any change in market prices, such as interest rates and capital market condition will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

44 Contingencies and commitments

There are no contingent assets or liabilities and unrecognized contractual commitments at the date of statement of financial position.

45 Number of employees

	2019	2018
No. of employees received Tk. 3,000 per month	-	-
No. of employees received more than Tk. 3,000 per month(including contractual)	36	53
	36	53

46 Capital expenditure commitment

There was no capital expenditure commitment as at 31 December 2019.

47 Events after reporting period

Income tax assessment of LBIL for the AY 2019-2020 have been completed. As per IAS 10- Events after reporting balance sheet date has been reflected in the financial statements as adjusting events.

Implications of COVID-19 on business:

We know that COVID-19 is turning the world upside-down and the current business environments is being severely disrupted. As the result of lockdowns everywhere, closed borders are disrupting business locally and internationally, we have found that global economic cooperation is easily disrupted by the closed factories in affected regions.

Till to the date of authorized for issue of the Financial Statements of LBIL, we observed the following known events which might have impact on revenue, profitability and cash flow:

Due to significant changes in macro-economic environment which results in volatility in most of the businesses' earnings, profitability and cash flow, share price of listed Companies is likely to be reduced significantly by the end of the year. This may result significant amount of provision for investment in shares of capital market and reduced earnings from capital market. However, Government may take proper initiatives to keep the capital market vibrant in the event of which no adverse thing would be happened.

Revenue from Income from investment will be significantly reduced as a result of bearish capital market as this revenue is directly linked to the trading of shares in capital market.

As a result of negative impact on macro-economic environment, most of the Companies which will try to listing in capital market, will not to the situation for the listing meet up contingency come out of the pandemic. Therefore, one of the major revenue source of the Company which is Income from Investments Banking may be affected badly.

Response to address the COVID-19 Effects:

However, the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity and profitability. However, LBIL has taken and will take various measures to keep the Company's going concern status:

- i) This includes safety and health measures for the employees like social distancing and working from home;
- ii) Prudent balance sheet and cash management to ensure enough liquidity to manage all obligations;
- iii) Implementing liquidity contingency plan and monitoring it on regular basis to avoid any liquidity mismatch;
- iv) Effective cost control measures are already in place to combat the unprecedented situation;
- v) Reduce certain expenses which is required in normal business scenario but not 100% applicable during overall slowdown of macroeconomic and industry specific environment;
- vi) Emergency support from parents for any major financial and/or liquidity threat

Furthermore, the management is continuously monitoring LBIL's key ratios and is confident enough to undertake all crisis management and business continuity measures. The Management has analyzed the possible impact and also taken reasonably adequate mitigating measures in response. Upon a rigorous review and an assessment of the levels of facilities expected to be available to the company, the management strongly believes that the LBIL has adequate resources for a period of at least 12 months from the date of authorized for issue of the financial statements.

So, based on the facts and circumstances known at this moment, the management believes there is no material uncertainty that may cast any doubt upon the LBIL's ability to continue as a going concern.

Annexure-A

LANKABANGLA INVESTMENTS LIMITED

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019

Particulars	Amount in Taka							Total
	Office equipment	Furniture and fittings	Motor vehicles	Interior work (movable)	Interior work (immovable)	Right of Use (ROU) Office premises		
Cost								
Balance at 1 January 2018	12,419,822	1,382,710	6,701,574	1,970,161	6,813,337	-		29,287,604
Acquisition/addition during the period	911,416	173,744	3,995,000	-	275,260	-		5,355,420
Disposal/adjustment	126,400	-	1,831,500	-	-	-		1,957,900
Balance at 31 December 2018	13,204,838	1,556,454	8,865,074	1,970,161	7,088,597	-		32,685,124
Balance at 1 January 2019	13,204,838	1,556,454	8,865,074	1,970,161	7,088,597	-		32,685,124
Acquisition/addition during the period	491,433	-	-	-	1,166,238	5,379,747		7,037,418
Disposal/adjustment	9,392,005	1,173,868	7,065,074	1,970,161	7,300,613	-		26,901,721
Balance at 31 December 2019	4,304,266	382,586	1,800,000	-	954,222	5,379,747		12,820,820
Accumulated depreciation								
Balance at 1 January 2018	8,378,277	1,015,211	5,914,071	1,748,663	1,273,032	-		18,329,253
Depreciation for the year/period	2,401,530	130,979	1,365,521	221,467	1,311,144	-		5,430,641
Disposal/adjustment	126,397	-	1,831,499	-	-	-		1,957,896
Balance at 31 December 2018	10,653,411	1,146,190	5,448,092	1,970,130	2,584,176	-		21,801,998
Balance at 1 January 2019	10,653,411	1,146,190	5,448,092	1,970,130	2,584,176	-		21,801,998
Depreciation for the year/period	1,945,638	79,698	972,815	31.00	1,179,461	585,245		4,762,889
Disposal/adjustment	9,126,703	979,325	4,620,909	1,970,161	3,701,124	-		20,398,222
Balance at 31 December 2019	3,472,345	246,563	1,799,999	-	62,513	585,245		6,166,665
Carrying amount								
At 1 January 2018	4,041,544	367,499	787,504	221,498	5,540,305	-		10,958,350
At 31 December 2018	2,551,427	410,264	3,416,982	31	4,504,421	-		10,883,125
At 31 December 2019	831,921	136,023	1	-	891,709	4,794,501		6,654,155

LANKABANGLA INVESTMENTS LIMITED

SCHEDULE OF INTANGIBLES


As at 31 December 2019

Annexure-B
Amount in Taka

Particulars	Intangible Assets	Total
Cost		
Balance at 1 January 2018	1,045,654	1,045,654
Acquisition/addition during the period	1,000,000	1,000,000
Disposal/adjustment	-	-
Balance at 31 December 2018	2,045,654	2,045,654
Balance at 1 January 2019	2,045,654	2,045,654
Acquisition/addition during the period	787,500	787,500
Disposal/adjustment	40,000	40,000
Balance at 31 December 2019	2,793,154	2,793,154
Accumulated amortisation		
Balance at 1 January 2018	919,985	919,985
Amortisation for the period	68,667	68,667
Disposal/adjustment	-	-
Balance at 31 December 2018	988,652	988,652
Balance at 1 January 2019	988,652	988,652
Amortisation for the period	357,000	357,000
Disposal/adjustment	39,999	39,999
Balance at 31 December 2019	1,305,653	1,305,653
Carrying amount		
At 1 January 2018	125,669	125,669
At 31 December 2018	1,057,002	1,057,002
At 31 December 2019	1,487,501	1,487,501

AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

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Independent Auditors' Report

To the Shareholders of

LankaBangla Asset Management Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LankaBangla Asset Management Company Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2019 and Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and the Companies Act 1994, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Investment and provision for diminution in value of investment</p> <p>The investment portfolio of the LankaBangla Asset Management Company Limited comprises investments in marketable ordinary shares of BDT 138,405,630, non-marketable ordinary shares of BDT 569,040 and Strategic investments of BDT 813,886,283.</p> <p>Investments in securities are valued at BDT 138,974,670 and represent 13.82% of total assets. This was an area of focus for our audit and significant audit effort was directed.</p> <p>Investments in quoted shares and unquoted shares are valued at average cost. However, the company made provision for diminution in value of investment of BDT 26,084,657 for the current year as per FID circular no. 8 dated 3 August 2002.</p> <p>We focused on this area because of the significance of the investments in the financial statements, and departure from the recognition and presentation criteria of IFRS 9, IFRS 7 & IAS 32 to comply the above circular of Bangladesh Bank for determining the valuation methodology and presentation to be applied by the management of the company.</p> <p>See notes 3.3, 6, 6.01, 10, 10.01 & 10.02 to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their investment portfolio.</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> • Obtained year-end share holding positions from the company and through directional testing assessed the completeness of the report. • Reviewed the assumptions used for the valuation models for any unquoted securities. • Recalculated unrealized gain or loss at the year end. • Carried out cut-off testing to ensure unrealized gain or loss was recognized in correct period. • Check the subsequent positioning of this unrealized amount after the year end. • Our audit approach was a combination of test of internal control and substantive procedures. • We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the management of the company.

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Risk	Our response to the risk
	<ul style="list-style-type: none"> We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risk of financial assets. We verified the existence and legal ownership of equity investments by confirming investment holdings with Portfolio statement. <p>We tested the calculations of provision for diminution in value of investment and checked the presentation and disclosure of investment in compliance with FID circular no.8 dated 3 August 2002 issued by Bangladesh Bank.</p>
<p>Finance Lease Obligation, Interest Expense, Right of Use of Asset and Depreciation on Right of Use of Asset</p> <p>Right-of-Use Asset of LankaBangla Asset management Company Limited is measured at Present Value of Total cash outflows in future and advance before initial application of IFRS16-Lease of BDT 13,622,467 for Office Space for the Current year. Motor Vehicle was recognized at BDT 4,990,000 in previous years.</p> <p>Depreciation was duly charged of the right of use assets amounting to BDT 6,287,292 and Motor vehicle at BDT 998,000. Depreciation for ROU-Office Space was calculated from the date of initial application in accordance to IFRS 16.</p> <p>The Finance Lease Obligation of the LankaBangla Asset Management Company Limited comprises both Non-current maturity of BDT 2,285,891 (2018: 2,187,352) and current term maturity of BDT 7,915,482 (2018: 989,610) of Car Lease and Office Space rental lease.</p> <p>As Lease Liability was recognized, it led the Office rent expense to turn to Zero.</p> <p>Interest Expense of Lease Liability is BDT 1,494,006 for the current year (2018: 462,707).</p> <p>Income from Sub-lease is 315,000 for the current year.</p> <p>We focused on this area because of this year being the first year of application of IFRS 16-Leases. We also had to ensure that the required adjustments to be done in relation to the new standards and being compliant to the requirements of IFRS for required presentation and disclosures</p> <p>See notes 2.10, 2.10.1, 2.10.2, 2.10.3, 2.10.4, 2.10.4.1, 2.10.4.2, 4, 16, 16.01, 16.02, 20, 20.01, 20.02, 28, 29 & 31 and Annexure-A to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the recognition of: a right-of-use asset and lease liability, interest expense (on the lease liability) & depreciation expense (on the right-of-use asset) as per the requirements of IFRS 16 adopted by ICAB.</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> Obtained agreements from the company and through directional testing assessed the completeness of the report. Reviewed the Modified Retrospective Approach used for the valuation models for Office rent space. Recalculated interest expense and lease liability at the year end. Carried out cut-off testing to ensure interest expense and lease liability was recognized in correct period. Check the subsequent positioning of this interest expense after the year end. Our audit approach was a combination of test of internal control and substantive procedures. We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the ROU and Lease Liability are within a reasonable range and that valuation policies were consistently applied by the management of the company. Finally assessed the appropriateness and presentation of disclosures against IFRS 16 Leases.

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Risk	Our response to the risk
<p>Valuation of defined benefits and pension obligation</p> <p>The Company operates a funded gratuity scheme. In accordance with the rules of the Gratuity Fund, a benefit becomes due when a member ceases to be a member of the Fund. These results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognize the liability related to such benefits. At year end the Company reported a net funded gratuity liability of BDT 112,652 (2018: BDT 2,939,725).</p> <p>The benefits payable to members are calculated in terms of section-4 of the rules of the Fund. Methodologies applied in the calculation of the benefits payable to members as disclosed in note 3.8 and 21 of the financial statements which include:</p> <p>Liability for gratuity is provisioning on the presumption that all the employees are retiring on the balance sheet date rather than actuarial calculation of the gratuity. This fund was formed during this year. Therefore, valuation of the benefits payable provision is considered as a key audit matter.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their defined benefit plan.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used to determine the liability for defined benefit plan.</p> <p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation of the defined benefits payable provision.</p> <p>We examined the basis on which gratuity is payable to the employee and is worked out the liability for gratuity on the presumption that all employees retire on the balance sheet date.</p> <p>We ensured that the basis of computing gratuity is valid; verify the computation of liability on aggregate basis.</p> <p>We checked the amount of gratuity paid to employees who retired during the year with reference to the number of years of service rendered by them.</p> <p>We tested the employee data used in calculating obligation.</p> <p>We assessed the appropriateness and presentation of disclosures against IAS 19 Employee Benefits.</p>

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the financial statements, disclosures and in evaluating the effect of misstatements, the financial statements.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial Statements
Overall materiality	BDT 10,016,107 (2018: BDT 8,231,213)
How we determined it	1% average of Total Assets of the last 5 years.
Rational for benchmark applied	Based on the benchmarks used in the Annual Audited Financial Statements, total revenue is a key measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark.

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality namely BDT 7,512,080 (2018: BDT 6,173,410) for the financial statements of the Company.

Other Matter

Prior to signing of the audit report, from March, there was an outbreak of the global pandemic COVID-19 on 11 March 2020. COVID-19 poses existential threats on the ability of a business to survive, which in turn have significant financial reporting impacts – from going concern and liquidity to recoverability and valuation of assets. Changes in the economic activity caused by the Pandemic will cause the company to renegotiate the terms of existing contracts and arrangements, and even cancellation of contracts/orders. If the company is offering concessions to its customers, that could have a dramatic impact on its revenue recognition. The key potential financial reporting impacts after Covid-19 are summarized as follows (Company may use forecast information for multiple purposes for these too):

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The impairment of nonfinancial assets, fair value measurement (affecting the Note no-6, 10 & 27), changes in the remuneration policies (affecting the notes no- 3.8, 7, 21, 23 & 30), Deferred tax assets (affecting the notes no-8), Leases (affecting the notes no-2.10, 2.10.1, 2.10.2, 2.10.3, 2.10.4, 2.10.4.1, 2.10.4.2, 4, 16, 16.01, 16.02, 20, 20.01, 20.02, 28 & 31 and Annexure-A to the financial statements), Revenue Recognition (affecting the note no-24, 25, 26 & 27). Because of COVID-19 impact, preparation of reliable forecast information can be challenging and need to be closely monitored as this can have impact across multiple elements of financial statements.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements:

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Place: Dhaka
Dated: 08 June 2020



Md. Syful Islam, FCA, FCMA
Engagement Partner
Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Amount in Taka	
		31-Dec-2019	31-Dec-2018
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	13,009,612	8,510,622
Intangible assets	5	679,219	-
Investments (Long Term)	6	813,886,283	800,636,283
Long term loan to employees	7	866,644	1,266,652
Deferred tax assets	8	785,522	1,353,144
Total Non-Current Assets		829,227,279	811,766,701
Current Assets			
Advances, deposits and prepayments	9	20,026,227	18,095,818
Investments (Current Term)	10	138,974,670	151,688,786
Accounts receivable	11	11,742,746	9,309,058
Cash and cash equivalents	12	5,831,433	57,818,497
Total Current Assets		176,575,076	236,912,159
TOTAL ASSETS		1,005,802,355	1,048,678,860
EQUITY AND LIABILITIES			
Equity			
Share capital	13	900,000,000	500,000,000
Share money deposit	14	42,951,000	429,701,000
Retained earnings	15	6,242,762	46,572,605
Total Equity		949,193,762	976,273,605
Liabilities			
Non-Current Liabilities			
Lease liability (Non- current portion)	16	2,285,891	2,187,352
Total Non-Current Liabilities		2,285,891	2,187,352
Current Liabilities			
Accounts payable	17	236,558	216,199
Payable to clients	18	4,964,992	50,356,240
Provision for current tax	19	12,235,763	12,103,659
Lease liability (Current portion)	20	7,915,482	989,610
Payable to gratuity fund	21	112,652	2,939,725
Provision for diminution in value of investments	22	26,084,657	-
Other liabilities	23	2,772,598	3,612,469
Total Current Liabilities		54,322,701	70,217,903
Total Liabilities		56,608,592	72,405,255
TOTAL EQUITY AND LIABILITIES		1,005,802,355	1,048,678,860
Net Asset Value per Share	40	10.55	19.53

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



Director



Director



Chief Executive Officer



Company Secretary

Signed as per our separate report of same date



Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Dated: 08 June 2020

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Amount In Taka	
		2019	2018
Revenue			
Income from unit fund operation	24	14,052,540	18,993,219
Income from IPM fund operation	25	3,156,560	-
Interest income	26	107,150	265,997
Income from investment	27	8,952,207	(13,795,880)
Total Revenue		26,268,457	5,463,336
Cost of Services			
Interest expenses	28	1,494,006	462,707
		1,494,006	462,707
Gross Profit/(Loss)		24,774,451	5,000,629
Other non-operating income	29	344,355	-
		344,355	-
Operating Expenses			
Salary and allowances	30	24,830,227	24,581,997
Rent, taxes, insurance, electricity etc.	31	921,689	7,602,754
Legal and professional fees	32	-	2,539,166
Postage, stamp, telecommunication etc.	33	295,839	315,386
Stationery, printing, advertisement	34	137,414	156,254
Directors' fees & expenses	35	359,200	358,800
Audit fees	36	97,750	143,750
Repairs, maintenance and depreciation	37	9,700,636	4,514,018
Other expenses	38	2,321,509	8,547,027
Total Operating Expenses		38,664,265	48,759,153
Net Operating Income/(Loss)		(13,545,459)	(43,758,523)
Provision for Investment			
Provision for diminution in value of investments	22	26,084,657	-
Profit Before Tax (PBT)		(39,630,116)	(43,758,523)
Income Tax Expense/(Income)		699,727	293,300
Current tax expense/(income)		132,104	118,414
Deferred tax expense/(income)		567,622	174,886
Profit After Tax (PAT)		(40,329,843)	(44,051,824)
Other comprehensive income, net of tax		-	-
Total Comprehensive Income		(40,329,843)	(44,051,824)
Earnings Per Share	39	(0.47)	(0.88)

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



Director



Director



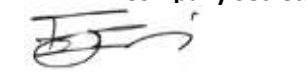
Chief Executive Officer



Company Secretary

Signed as per our separate report of same date

Place : Dhaka
Dated: 08 June 2020



Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total Equity
	Taka	Taka	Taka	Taka
Balance as at 01 January 2018	500,000,000	429,701,000	90,624,429	1,020,325,429
Share Money Deposit	-	-	-	-
Issue of share capital	-	-	-	-
Total comprehensive income	-	-	(44,051,824)	(44,051,824)
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2018	500,000,000	429,701,000	46,572,605	976,273,605
Changes in Equity for 2019				
Share money deposit	-	13,250,000	-	13,250,000
Issue of share capital	400,000,000	(400,000,000)	-	-
Total comprehensive income	-	-	(40,329,843)	(40,329,843)
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2019	900,000,000	42,951,000	6,242,762	949,193,762



Director



Director



Chief Executive Officer



Company Secretary

Place : Dhaka

Dated: 08 June 2020

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Amount In Taka	
	2019	2018
Cash Flows from Operating Activities		
Interest received	107,150	271,842
Dividend received	7,262,746	764,578
Received from unit fund operation	14,336,106	18,699,205
Paid to employees	(20,087,562)	(20,667,672)
Other non-operational income	311,405	-
PF & GF bank account	(5,322,426)	-
Bank charges paid	(28,448)	(28,631)
Withholding Tax and VAT payment	(3,042,271)	(3,259,607)
Income taxes paid	(40,783)	(283,986)
Paid for other operating expenses	(5,436,621)	(15,893,511)
Cash Generated from Operating Activities before changes in operating assets and liabilities	(11,940,703)	(20,397,783)
Increase/(decrease) in Operating Assets & Liabilities		
Settlement with LankaBangla Securities Ltd.	(302,656,331)	23,078,000
Settlement with LankaBangla Popular Life Growth Fund	-	(10,000)
Settlement with LB 1st PE Fund	-	(50,000)
Client deposits	271,426,645	50,356,240
Settlement with Vision Capital Management Ltd.	-	5,096,812
Settlement with Al-Arafah Shariah Unit Fund	-	85,700
Settlement with LB Gratuity Wealth Builder Fund	-	(25,000)
Payable to Provident Fund	-	(3,721,199)
Advance & Prepayment	(365,553)	(1,797,130)
Total Increase/(Decrease) in Operating Assets & Liabilities	(31,595,239)	73,013,423
Net Cash used in Operating Activities	(43,535,942)	52,615,640
Cash Flows from Investing Activities		
Investments in securities	(14,385,730)	3,276,750
Proceeds from sale of fixed assets	32,664	-
Acquisition of intangible assets	(750,000)	-
Net Cash from Investing Activities	(15,103,066)	3,276,750
Cash Flows from Financing Activities		
Proceed from share money deposit	13,250,000	-
Repayment of lease finance	(6,598,056)	(876,288)
Net Cash from Financing Activities	6,651,944	(876,288)
Net increase in Cash and Cash Equivalents	(51,987,064)	55,016,102
Opening Cash & Cash Equivalents	57,818,497	2,802,395
Closing Cash & Cash Equivalents	5,831,433	57,818,497
Closing Cash & Cash Equivalents include:		
Cash in hand	10,707	25,612
Dhaka Bank Limited	305,145	7,368,742
Standard Chartered Bank	17,184	9,993
One Bank Limited	5,498,396	50,414,151
	5,831,433	57,818,497
Net operating cash inflows per share	(0.48)	1.05



Director



Director



Chief Executive Officer



Company Secretary

Place : Dhaka

Dated: 08 June 2020

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 Company and its activities

1.1 Legal status of the company

LankaBangla Asset Management Company Limited (herein after referred to as "LBAMCL" or "the company") was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration # C-67738(289)/2007 dated July 16, 2007 as a private limited company under the Companies Act, 1994. Later on, the company converted itself into a public limited company with effect from 12 February 2018. It got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration code: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company. It also received registration certificate from BSEC on December 20, 2016 vide registration number: AIFM-06/2016 to act as an Alternative Investment Fund Manager. The address of the company's registered office at Safura Tower (11th Floor), 20, Kemal Ataturk Avenue, Banani, Dhaka - 1213. The company is a subsidiary of LankaBangla Finance Limited.

1.2 Principal activities of the company

The principal activities of the company include the following:

- a. To 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 as relevant rules.
- b. To float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being as relevant rules.
- c. To manage and administer mutual funds, provident funds, pension funds, royalty funds, alternative investment funds, hedge funds, private equity funds, venture capital funds, mezzanine funds, leveraged buyout (LBO) funds, growth capital funds, fixed-income funds, bond funds, money market funds, specialty funds, ethical funds, index funds, exchange traded funds (ETF), funds of funds and other collective investment schemes for purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise relevant rules and regulation permit.

2 Basis of preparation of financial statements

2.1 Components of the financial statements

The financial statements comprise of :

- a) Statement of Financial Position as at 31 December 2019;
- b) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019;
- c) Statement of Changes in Equity for the year ended 31 December 2019;
- d) Statement of Cash Flows for the year ended 31 December 2019; and
- e) Notes to the Financial Statements.

2.2 Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

2.3 Basis of accounting and measurement

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

2.4 Functional currency

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

2.5 Use of estimates and judgments

The preparation of these financial statements in conformity with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations. The company has foreseen losses over the past two years, however the company has long term business plans as discussed in the board meeting dated 03 December 2019 to ensure that the company continues as a going concern in the foreseeable future.

2.7 Reporting period

The financial period of the Company has been determined to be from 01 January to 31 December each period. These financial statements cover the period from 01 January 2019 to 31 December 2019.

2.8 Cash flow statement

Statement of cash flows is prepared principally in accordance with "IAS 7: Cash Flow Statement" and the cash flow from operating activities have been presented under Direct Method as required by the Securities and Exchange Rules 1987 and considering the provisions that "Enterprises are Encouraged to Report Cash Flow from Operating Activities using the Direct Method".

2.9 Corporate Accounting Standards Practiced

The following IAS's are applicable to the financial statement under review:

IAS	1	Presentation of Financial Statements
IAS	7	Cash Flow Statements
IAS	8	Accounting policies, Changes in Accounting Estimates and Errors
IAS	10	Events after the Balance Sheet Date
IAS	12	Income Taxes
IAS	16	Property, Plant and Equipment
IAS	19	Employee Benefit
IAS	23	Borrowing Costs
IAS	24	Related Party Disclosures
IAS	32	Financial Instrument: Presentation
IAS	33	Earnings per Share
IAS	37	Provisions, Contingent Liabilities and Contingent Assets
IAS	38	Intangible Assets
IFRS	9	Financial Instruments
IFRS	15	Revenue from Contracts with Customers
IFRS	16	Leases

2.10 Changes in significant accounting policies

2.10.1 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016 that is effective for annual periods that begin on or after 1 January 2019).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The date of initial application of IFRS 16 for the company is 1 January 2019

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

2.10.2 Impact of the new definition of a lease

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the company.

2.10.3 Impact on lessee accounting

As a lessee, the company leases corporate office premises. IFRS 16 changes the rent expenses of office premises as follows-

- Recognises right-of-use assets and lease liabilities in Statement of Financial Position, initially measured at the present value of the future lease payments; i.e. these leases are on-balance sheet.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in Statement of Profit and Loss and Other Comprehensive Income;
- Total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in Statement of Cash Flows.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

On transition, for these leases, lease liabilities and Right-of-use assets were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate (weighted average) as at 1 January 2019 (see Note 2.10.4.1). Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

2.10.4 Financial Impact of the initial application of IFRS 16

2.10.4.1 Impact on transition

On transition to IFRS 16, As Right of use of assets was equivalent to the lease liabilities at the date of initial application, no cumulative effect was necessary in retained earnings at the date of initial application. The impact on transition as at 1 January 2019 is summarized below.

Particulars	Amount in BDT
Right-of-use assets	13,622,467
Deferred tax asset	-
Lease liabilities	13,622,467
Retained earnings	-

When measuring lease liabilities for leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 10.18%.

2.10.4.2 Impact on Profit or Loss for the year ended 31 December 2019

Particulars	Amount in BDT
Increase in depreciation of right-of-use asset	6,287,292
Increase in finance costs	1,129,798
Decrease in Rent expenses	(6,739,920)
Increase/ (Decrease) in profit/(loss) for the year	(677,171)

3 Significant accounting policies**3.1 Property, plant & equipment****3.1.1 Recognition and measurement (PPE)**

Tangible fixed assets are accounted for according to "IAS 16: Property, plant and equipment". Items of property, plant and equipment are measured at cost or revaluation less accumulated depreciation. The cost of acquisition of an asset comprises its purchase price and any direct attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the year in which it incurs. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

3.1.2 Depreciation

Depreciation is calculated using 'Straight Line Method' at the following rates so as to write off the assets over their expected useful life. Depreciation is charged based on the month of the year of acquisition while no depreciation is charged in the month of disposal.

Rates of depreciation of assets considering their useful lives are as follows:

<u>Category of assets</u>	<u>Rate of Depreciation</u>
Furniture & Fixtures	15%
Office equipment	20%
Computer Equipment	33%
Electric Equipment	20%
IT Equipment	33%
Motor Vehicle	20%

3.2 Intangible Assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are recognized when all the conditions for recognition as per IAS 38: Intangible Assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

3.2.1 Amortization

Amortization is calculated using straight line basis over the estimated useful lives of intangible assets, from the month that they are available for use. The estimated amortization rate is as follows:

<u>Category of assets</u>	<u>Rate of Amortization</u>
Computer Programs (Software)	33%

3.3 Investment

Investment in securities is measured at cost.

3.4 Revenue recognition

a. Mutual fund management fee is recognised on accrual basis. Such income is calculated considering average weekly Net Asset Value of the fund.

The company charges management fee on the fund managed by them which is paid to the company on semi-annual or annual basis. The annual rates of management fee on weekly average Net Asset Value are as follows:

Weekly Average Net Asset Value at market price	Rate
1 - 50,000,000	2.50%
50,000,000- 250,000,000	2.00%
250,000,000 - 500,000,000	1.50%
500,000,000 & Over	1.00%

- b. Mutual Fund formation fee is recognised as mentioned in the published prospectus of the fund approved by Bangladesh Securities & Exchange Commission (BSEC).
- c. Institutional portfolio management fees are recognised on the weighted average NAV at market price of the client's portfolio on daily accrual basis.
- d. Interest income is calculated on a time proportion basis.
- e. Dividend income is recognized on the declaration of dividend and subsequently approved in the Annual General Meeting.
- f. Gain/losses arising on sale of investment are included in the statement of comprehensive income on the day at which transaction takes place.

3.5 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and with banks on current and deposit accounts and short term investments which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

3.6 Taxation

3.6.1 Current Tax

The Company has made income tax provision for quarter concerned as per Finance Act 2019 and also in compliance with International Accounting Standards -12 (IAS-12: Income Taxes).

3.6.2 Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized (IAS-12, Para-24). Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7 Provisions

As per "IAS 37: Provisions, Contingent Liabilities and Contingent Assets" a provision is recognized on the date of statement of financial position if, as a result of past events, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8 Employee benefits

a. Provident fund

The company operates a contributory provident fund for its permanent employees. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

b. Gratuity

The company has an funded gratuity scheme for all eligible employees who have completed minimum 03 (three) years of confirmed service with the company. Employees are entitled to gratuity benefit at the following rates:

Year of confirmed services	% of entitlement
3 years and above but less than 4 years	50% of last one month basic salary for each completed year
4 years and above but less than 5 years	100% of last one month basic salary for each completed year
5 years and above	150% of last one month basic salary for each completed year

3.9 Contingencies

Contingencies arising from claim, litigation assessment, fines, penalties etc. are recorded when it is probable that a liability has been incurred and the amount can be measured reliably in accordance with "IAS 37: Provisions, Contingent Liabilities and Contingent Assets".

3.10 Earnings Per Share

This has been calculated in compliance with the requirements of "IAS 33: Earnings Per Share" by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

3.11 Basic earnings

This represents earnings for the period attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit for the period has been considered as fully attributable to ordinary shareholders. Basic earnings per share have been calculated by dividing the net profit or loss by the number of ordinary shares outstanding during the period.

3.12 Comparative figures

Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

3.13 Event after the reporting period

Implications of COVID-19 on business:

We know that COVID-19 is turning the world upside-down and the current business environments is being severely disrupted. As the result of lockdowns everywhere, closed borders are disrupting business locally and internationally, we have found that global economic cooperation is easily disrupted by the closed factories in affected regions.

Till to the date of authorized for issue of the Financial Statements of LBAMCL, we observed the following known events which might have impact on revenue, profitability and cash flow:

- Due to significant changes in macro-economic environment which results in volatility in most of the businesses' earnings, profitability and cash flow, share price of listed Companies is likely to be reduced significantly by the end of the year. This may result significant amount of provision for investment in shares of capital market and reduced earnings from capital market. However, Government may take proper initiatives to keep the capital market vibrant in the event of which no adverse thing would be happened.
- Revenue from management fee of fund will be significantly reduced if NAV of fund will be reduced significantly as a result of bearish capital market as this revenue is directly linked to the NAV price of shares.
- As a result of negative impact on macro-economic environment, Companies will try to give no or less cash dividend to conserve cash flow to meet up contingency come out of the pandemic. Therefore, one of the major revenue source of the Company which is dividend may be affected badly.

Response to address the COVID-19 Effects:

However, the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity and profitability. However, LBAMCL has taken and will take various measures to keep the Company's going concern status:

- i) This includes safety and health measures for the employees like social distancing and working from home;
- ii) Prudent balance sheet and cash management to ensure enough liquidity to manage all obligations;
- iii) Implementing liquidity contingency plan and monitoring it on regular basis to avoid any liquidity mismatch;
- iv) Restructuring and relocating of office spaces to reduce both size of office space and per square feet rent. This initiative will save a significant amount after implementation;
- v) Effective cost control measures are already in place to combat the unprecedented situation;
- vi) Reduce certain expenses which is required in normal business scenario but not 100% applicable during overall slowdown of macroeconomic and industry specific environment;

Furthermore, the management is continuously monitoring LBAMCL's key ratios and is confident enough to undertake all crisis management and business continuity measures. The Management has analyzed the possible impact and also taken reasonably adequate mitigating measures in response. Upon a rigorous review and an assessment of the levels of facilities expected to be available to the company, the management strongly believes that the LBAMCL has adequate resources for a period of at least 12 months from the date of authorized for issue of the financial statements.

So, based on the facts and circumstances known at this moment, the management believes there is no material uncertainty that may cast any doubt upon the LBAMCL's ability to continue as a going concern.

		Amount In Taka	
		31-Dec-2019	31-Dec-2018
4.00	Property, plant and equipment		
	Cost		
	Opening balance	17,561,433	17,561,433
	Addition during the year	13,622,467	-
		31,183,900	17,561,433
	Adjustment / (Disposal) during the year	(236,147)	-
	Closing balance	30,947,753	17,561,433
	Less: Accumulated depreciation		
	Opening balance	9,050,811	6,050,223
	Charged during the year	9,108,013	3,000,588
		18,158,824	9,050,811
	Adjustment / (Disposal) during the year	(220,683)	-
	Closing balance	17,938,141	9,050,811
	Carrying amount	13,009,612	8,510,622
	A schedule of property, plant and equipments are given in Annexure-A		
5.00	Intangible assets		
	Cost		
	Opening balance	3,715,408	3,715,408
	Addition during the year	787,500	-
		4,502,908	3,715,408
	Adjustment / (Disposal) during the year	-	-
	Closing balance	4,502,908	3,715,408
	Less: Accumulated amortization		
	Opening balance	3,715,408	2,733,558
	Charged during the year	108,281	981,850
		3,823,689	3,715,408
	Adjustment / (Disposal) during the year	-	-
	Closing balance	3,823,689	3,715,408
	Carrying amount	679,219	-
	A schedule of intangible assets are given in Annexure-B		
6.00	Investments (Long Term)		
	Strategic equity investment (Note:6.01)	813,886,283	800,636,283
		813,886,283	800,636,283
6.01	Strategic equity investment		
	Particulars	No. of Shares	Cost Price
	LankaBangla Securities Limited	15,440,841	813,886,283
		15,440,841	813,886,283
			Market Price
			N/A
			-
7.00	Long term loan to employees		
	Staff transport loan	866,644	1,266,652
		866,644	1,266,652

8.00 Deferred tax assets

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

Particulars	Carrying Amount at December 31, 2019	Tax Base	(Taxable)/ Deductible temporary difference
Property, plant and equipment	5,674,437	7,806,134	2,131,697
Gratuity payable	112,652	-	112,652
Total	5,787,089	7,806,134	2,244,349
Applicable Tax Rate			35%
Deferred tax asset as on December 31, 2019			785,522
Deferred tax asset as on December 31, 2018			1,353,144
Deferred tax expense accounted for during the year			567,622

9.00 Advances, Deposits and Prepayments

Advances (Note-9.01)

Deposits (Note-9.02)

Prepayments (Note-9.03)

9.01 Advances

Advance income tax

Advance for expenses

Staff transport loan (Current Portion)

9.02 Deposits

Security deposit - Office Rent

Security deposit - Lease Finance

9.03 Prepayments

Prepayment for insurance

10.00 Investments (Current Term)

Investment in listed securities (Note : 10.01)

Investment in non listed securities (Note : 10.02)

10.01 Investment in listed securities

Particulars	Cost Price	Market Price as on 31.12.2019	Unrealized Gain/(Loss)
Bank	15,255,051	12,706,680	(2,548,371)
Pharmaceuticals & Chemicals	72,940	243,097	170,157
IT Sector	121,774,490	97,991,442	(23,783,048)
Engineering	47,410	116,983	69,573
Travel & Leisure	37,300	161,731	124,431
Textile	1,218,439	1,101,041	(117,398)
	138,405,630	112,320,973	(26,084,657)

Amount in Taka	
31-Dec-2019	31-Dec-2018
17,123,287	15,213,328
2,772,000	2,772,000
130,940	110,489
20,026,227	18,095,818
16,531,423	14,659,139
191,856	154,181
400,008	400,008
17,123,287	15,213,328
2,664,000	2,664,000
108,000	108,000
2,772,000	2,772,000
130,940	110,489
130,940	110,489
138,405,630	149,000,066
569,040	2,688,720
138,974,670	151,688,786

Investments in listed securities are revalued at market price at the balance sheet date. As on December 31, 2019, the investment in listed securities at cost price was BDT 138,405,630 and at market price was BDT 112,320,973. The treatment was provided as per FID circular No. 08 dated 03 August 2002 of Bangladesh Bank (BB) applicable for LankaBangla Finance Limited (LBFL), the parent company of LankaBangla Asset Management Company Ltd. (LBAMCL) which directs to make provision for any loss arising from diminution in value of investment and in case of any unrealized gain, no such gain can be recognized and investments are recognised at cost only. LBAMCL as 99.99% owned subsidiary of LBFL, followed the similar accounting policy for recognising Investment in Listed Securities. If the investment was reported at fair market value as per IFRS-9 "Financial Instruments", the value of investment would be lower by BDT 26,084,657 and the same figure would have been recognised as Unrealised Loss in the "Statement of Profit or Loss & Other Comprehensive Income".

10.02 Investment in non listed securities

Particulars	No. of Shares	Cost Price	Market Price
ADN Telecom Limited	18,968	569,040	N/A
	18,968	569,040	-

11.00 Accounts receivable

	Amount in Taka	
	31-Dec-2019	31-Dec-2018
Dividend receivable	1,340,393	1,343,164
Receivable from LankaBangla Investments Ltd.	575	442
Receivable from LankaBangla Securities Ltd.	3,169,873	449,980
Receivable from LankaBangla 1st Balanced Unit fund	3,750,079	3,938,912
Receivable from LankaBangla Al-Arafah Shariah Unit Fund	2,797,874	3,491,560
Receivable from LB Gratuity Wealth Builder Fund	25,000	25,000
Receivable from LankaBangla 1st PE Fund	50,000	50,000
Receivable from LB Gratuity Opportunities Fund	608,953	10,000
	11,742,746	9,309,058

12.00 Cash and cash equivalent

Cash in hand	10,707	25,612
Cash at Bank (Note: 12.01)	5,820,726	57,792,885
	5,831,433	57,818,497

12.01 Cash at bank

Dhaka Bank Limited	305,145	7,368,742
Standard Chartered Bank	17,184	9,993
One Bank Limited	5,498,396	50,414,151
	5,820,726	57,792,885

13.00 Share Capital

Authorized Capital

100,000,000 Ordinary Shares of Taka 10 each	1,000,000,000	1,000,000,000
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Issued, subscribed and paid up capital

90,000,000 Ordinary Shares of Taka 10 each fully paid up	900,000,000	500,000,000
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Detail of Shareholding Position of the Company

Name of the Sponsor & Directors Shareholders	No. of Shares	% of share holding	2019	2018
LankaBangla Finance Limited	89,999,900	99.9998889	899,999,000	499,999,000
Mr. Mahbubul Anam	90	0.0001000	900	900
Mr. A. Malek Shamsher	-	0.0000000	-	60
Mr. Mohammad A. Moyeen	1	0.0000011	10	10
Mr. Mohammed Nasir Uddin Chowdhury	1	0.0000011	10	10
Mr. Khwaja Shahriar	6	0.0000067	60	10
Mr. A. K. M. Kamruzzaman	1	0.0000011	10	10
Mr. Shamim Al Mamun	1	0.0000011	10	-
	90,000,000	100.00	900,000,000	500,000,000

*Share Units were transferred in the name of the shareholders from Share Money Deposit. Form-XV-Return of Allotment has been updated.

		Amount In Taka	
		31-Dec-2019	31-Dec-2018
14.00	Share money deposit		
	Opening balance	429,701,000	429,701,000
	Add: Addition during the year	13,250,000	-
		442,951,000	429,701,000
	Less: Issue of share capital	(400,000,000)	-
	Closing balance	42,951,000	429,701,000
	*Share Units were transferred in the name of the shareholders from Share Money Deposit. Form-XV-Return of Allotment has been updated.		
15.00	Retained earnings		
	Opening balance	46,572,605	90,624,429
	Add: Profit during the year	(40,329,843)	(44,051,824)
		6,242,762	46,572,605
	Less: Adjustment during the year	-	-
	Closing balance	6,242,762	46,572,605
16.00	Lease liability (Non- current portion)		
	Lease liability-Vehicles	1,065,787	2,187,352
	Lease liability- Office premises	1,220,104	-
		2,285,891	2,187,352
	*After applying IFRS-16, Lease Liability was calculated for Office space lease.		
16.01	Lease liability-Vehicles		
	Opening balance	2,187,352	3,151,054
	Add: Addition during the year	-	-
		2,187,352	3,151,054
	Less: Paid during the year	(987,934)	(876,288)
		1,199,418	2,274,766
	Less: Transfer to current portion	(133,631)	(87,414)
	Closing balance	1,065,787	2,187,352
16.02	Lease liability- Office premises		
	Opening balance	-	-
	Add: Addition during the year	13,622,467	-
		13,622,467	-
	Less: Paid during the year	(5,610,122)	-
		8,012,345	-
	Less: Transfer to current portion	(6,792,241)	-
	Closing balance	1,220,104	-
17.00	Accounts payable		
	Provision for audit fees	108,100	108,100
	Accrued expenses	128,458	108,099
		236,558	216,199
18.00	Payable to clients		
	Client positive balance - Maximizer	1,595,881	50,356,240
	Client positive balance - Prudent	3,369,111	-
		4,964,992	50,356,240
19.00	Provision for current tax		
	Opening balance	12,103,659	11,985,245
	Add: Provision made during the year	132,104	118,414
		12,235,763	12,103,659
	Less: Adjustment during the year	-	-
	Closing balance	12,235,763	12,103,659
20.00	Lease liability (Current portion)		
	Lease liability-Vehicles	1,123,241	989,610
	Lease liability- Office premises	6,792,241	-
		7,915,482	989,610

*After applying IFRS-16, Lease Liability was calculated for Office Premises Lease.

		Amount In Taka	
		31-Dec-2019	31-Dec-2018
20.01	Lease liability-Vehicles		
	Opening balance	989,610	902,196
	Add: Transfer from non-current portion	133,631	87,414
		1,123,241	989,610
	Less: Paid during the year	-	-
	Closing balance	1,123,241	989,610
20.02	Lease liability- Office premises		
	Opening balance	-	-
	Add: Transfer from non-current portion	6,792,241	-
		6,792,241	-
	Less: Paid during the year	-	-
	Closing balance	6,792,241	-
21.00	Payable to gratuity fund		
	Opening balance	2,939,725	1,734,706
	Add: Provision made during the year	624,968	1,205,019
		3,564,693	2,939,725
	Less: Transferred to gratuity fund	(3,452,041)	-
	Closing balance	112,652	2,939,725
22.00	Provision for diminution in value of investments		
	Opening balance	-	-
	Add: Provision made during the year	26,084,657	-
		26,084,657	-
	Less: Adjustment during the year	-	-
	Closing balance	26,084,657	-
	*Provision was kept as there was a significant difference between the Cost Price and market price resulting in an unrealized loss.		
23.00	Other liabilities		
	Withholding Tax Payable	174,759	160,773
	Withholding VAT payable	80,741	236
	Salary & related expenses payable	67,098	1,461
	Payable to LankaBangla Finance Limited	2,450,000	3,450,000
		2,772,598	3,612,469

		Amount in Taka	
		2019	2018
24.00	Income from unit fund operation		
	Management fee - Unit Fund	14,052,540	14,878,219
	Formation fee - Unit Fund	-	4,115,000
		14,052,540	18,993,219
25.00	Income from IPM fund operation		
	Management fee - Maximizer	2,614,869	-
	Management fee - Prudent	541,691	-
		3,156,560	-
	*Institutional Portfolio Management fund were introduced in this year resulting in income from maximizer and Prudent Fund.		
26.00	Interest income		
	Interest on Fixed Deposit Receipt (FDR)	-	-
	Interest on Short Term Deposit (STD) account	107,150	265,997
		107,150	265,997
27.00	Income from investment		
	Net income on sale of securities	(123,776)	(16,131,044)
	Dividend income	9,075,983	2,335,164
		8,952,207	(13,795,880)
	*Realized loss has decreased from Sale of Securities from last year and higher dividend income was received compared to last year.		
28.00	Interest expenses		
	Interest on loan	-	-
	Interest on lease	1,494,006	462,707
		1,494,006	462,707
28.01	Interest on lease		
	Lease liability-Vehicles	364,208	462,707
	Lease liability- Office premises	1,129,798	-
		1,494,006	462,707
	*After applying IFRS 16, Interest expense has been accrued (Both Office space lease and Car lease are included here).		
29.00	Other non-operational income		
	Income from office space rent*	315,000	-
	Gain on disposal of fixed asset	17,200	-
	Miscellaneous earnings	12,155	-
		344,355	-
	*Income from Sub-lease was generated as the lease agreement was executed from 1st October, 2019.		
30.00	Salary and allowances		
	Salary and allowances	23,270,067	22,520,691
	Provident fund contribution	935,192	856,288
	Gratuity fund	624,968	1,205,019
		24,830,227	24,581,997
31.00	Rent, taxes, insurance, electricity etc.		
	Office rent	-	6,637,800
	Insurance premium	299,902	317,800
	Utility expenses	621,787	647,154
		921,689	7,602,754
	*As Office space is now recognized as ROU as per the requirement of IFRS 16, Office rent is zero.		
32.00	Legal and professional fees		
	Legal and professional fees	-	2,539,166
		-	2,539,166

		Amount In Taka	
		2019	2018
33.00	Postage, stamp, telecommunication etc.		
	Postage and courier	70	225
	Stamp charges	15,240	9,390
	Telephone and mobile bill	280,529	305,771
		295,839	315,386
34.00	Stationery, printing & advertisement		
	Printing and stationery	120,164	132,116
	Advertisement	17,250	24,138
		137,414	156,254
35.00	Directors' fees & expenses		
	Directors' fees & expenses	359,200	358,800
		359,200	358,800
	*Board meeting & audit committee meeting attendance fee.		
36.00	Audit fees		
	Audit fees	97,750	143,750
		97,750	143,750
37.00	Repairs, maintenance and depreciation		
	Repairs and maintenance	11,842	58,390
	Software maintenance	472,500	473,190
	Depreciation	9,108,013	3,000,588
	Amortization	108,281	981,850
		9,700,636	4,514,018
38.00	Other expenses		
	Training, Seminar and Meeting	14,200	114,352
	Regulatory fees and charges	120,771	25,934
	Membership & Annual fee	179,000	137,500
	Registration & License fee	37,420	668,150
	Conveyance	27,234	45,615
	Travelling expenses	14,007	138,555
	Data connectivity charge	86,100	114,035
	Computer accessories	14,850	9,150
	Fuel expenses	289,949	331,850
	Vehicle maintenance / registration	246,862	217,787
	Office Cleaning and maintenance	470,423	482,704
	Management fee	-	4,750,000
	Business promotional expense	-	277,794
	Entertainment expense	254,168	281,136
	Bank charges and others	28,468	28,631
	Other fees & charges	134,632	3,494
	CDBL fee	500	8,500
	Share Bidding Fee	15,000	43,000
	Newspaper & periodicals	19,056	25,019
	Educational expenses reimbursement	53,812	63,476
	Security Services	202,500	207,000
	Overtime allowance	13,100	23,150
	Excise duty	14,650	51,500
	Commission	-	149,126
	Website development expense	-	188,100
	Miscellaneous	84,809	161,470
		2,321,509	8,547,027
39.00	Earnings Per Share (EPS)		
	Earning attributable to ordinary shareholders	(40,329,843)	(44,051,824)
	Weighted average number of ordinary shares outstanding	85,199,210	50,000,000
	Earnings Per Share (EPS)	(0.47)	(0.88)

As per Financial Reporting Council's guideline share money deposit has been considered as 'Potential Share Capital' for calculating EPS. LBAMCL has share money deposit of Tk. 42,951,000 for which 4,295,100 number of shares have been included for calculating Weighted average number of ordinary shares.

	Amount In Taka	
	2019	2018
40.00 Net Asset Value (NAV) per share		
Net assets (total assets - total liabilities)	949,193,763	976,273,605
Total number of ordinary shares outstanding	90,000,000	50,000,000
Net Asset Value (NAV) per share	10.55	19.53

41.00 Related party disclosure

During the period, the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of IAS 24 : Related Party Disclosures.

Name of the Party	Relationship	Nature of transaction	Amount in Taka	
			2019	2018
LankaBangla Finance Limited	Parent	TDR	-	-
LankaBangla Investments Ltd.	Subsidiary of Parent	Strategic Investment & Others	575	442
		Rental income	315,000	-
LankaBangla Securities Ltd.	Subsidiary of Parent	Investment in Securities	3,169,873	449,980

42.00 Others**a) Board meeting and directors' remuneration**

Each director is entitled to receive Tk. 8,000 for attending each Board Meeting. No other remuneration or special payment was made to the directors for attending the Board Meetings or otherwise during the year 2019. Nothing is due from any director of the Company as on the date of closing the accounts. During the year under audit five meetings of Board of Directors were held. Details are as under:

SL No.	Meeting No.	Date of Meeting	No. of Presences
1	59th Board Meeting	12-Feb-19	6
2	60th Board Meeting	07-May-19	6
3	61st Board Meeting	30-Jul-19	5
4	62nd Board Meeting	29-Oct-19	6
5	63rd Board Meeting	03-Dec-19	6

Notes:

* Directors who could not attend meetings were granted leave of absence by the Board.

b) Audit Committee meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each meeting Audit Committee . No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2019. During the year under audit four meetings of Audit Committee were held. Details are as under:

SL No.	Meeting No.	Date of Meeting	No. of Presences
1	5th Audit Committee Meeting	07-Feb-19	3
2	6th Audit Committee Meeting	02-May-19	3
3	7th Audit Committee Meeting	23-Jul-19	2
4	8th Audit Committee Meeting	24-Oct-19	3

Notes:

* Directors who could not attend meetings were granted leave of absence.

c) Employees' details

No. of employees received Tk. 3,000 per month
No. of employees received more than Tk. 3,000 per month

	2019	2018
No. of employees received Tk. 3,000 per month	-	-
No. of employees received more than Tk. 3,000 per month	18	21
	18	21

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019

Annexure-A

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at 31.12.2019	
	Balance as at 01.01.2019	Addition during the year	Adjustment / (Disposal) during the year		Balance as at 31.12.2019	Charged during the year	Adjustment / (Disposal) during the year		Balance as at 31.12.2019
Freehold Assets:									
Furniture & Fittings	7,778,027	-	(31,720)	7,746,307	1,089,705	(16,256)	4,406,175	3,340,132	
Office Equipment	1,854,685	-	(4,000)	1,850,685	352,281	(4,000)	1,350,371	500,314	
Computer Equipment	1,566,074	-	(200,427)	1,365,647	291,315	(200,427)	1,323,440	42,207	
Electric Equipment	170,406	-	-	170,406	20,870	-	128,846	41,560	
IT Equipment	1,202,241	-	-	1,202,241	68,550	-	1,198,517	3,724	
Sub-Total	12,571,433	-	(236,147)	12,335,286	1,822,721	(220,683)	8,407,349	3,927,937	
Leasehold Assets:									
Right of Use Asset- Motor Vehicle	4,990,000	-	-	4,990,000	998,000	-	3,243,500	1,746,500	
Right of Use Asset- Office Premises	-	13,622,467	-	13,622,467	6,287,292	-	6,287,292	7,335,174	
Sub-Total	4,990,000	13,622,467	-	18,612,467	7,285,292	-	9,530,793	9,081,674	
Total:	17,561,433	13,622,467	(236,147)	30,947,753	9,108,013	(220,683)	17,938,141	13,009,612	

As at 31 December 2018

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at 31.12.2018	
	Balance as at 01.01.2018	Addition during the year	Adjustment / (Disposal) during the year		Balance as at 31.12.2018	Charged during the year	Adjustment / (Disposal) during the year		Balance as at 31.12.2018
Freehold Assets:									
Furniture & Fittings	7,778,027	-	-	7,778,027	1,090,894	-	3,332,726	4,445,301	
Office Equipment	1,854,685	-	-	1,854,685	363,356	-	1,002,090	852,595	
Computer Equipment	1,566,074	-	-	1,566,074	375,040	-	1,232,551	333,523	
Electric Equipment	170,406	-	-	170,406	25,424	-	107,976	62,430	
IT Equipment	1,202,241	-	-	1,202,241	147,873	-	1,129,967	72,274	
Sub-Total	12,571,433	-	-	12,571,433	2,002,588	-	6,805,311	5,766,122	
Leasehold Assets:									
Motor Vehicle	4,990,000	-	-	4,990,000	998,000	-	2,245,500	2,744,500	
Sub-Total	4,990,000	-	-	4,990,000	998,000	-	2,245,500	2,744,500	
Total:	17,561,433	-	-	17,561,433	3,000,588	-	9,050,811	8,510,622	

Annexure-B

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

SCHEDULE OF INTANGIBLE ASSETS

As at 31 December 2019

Particulars	COST			Rate (%)	AMORTIZATION			Written down value as at 31.12.2019
	Balance as at 01.01.2019	Addition during the year	Adjustment / (Disposal) during the year		Balance as at 01.01.2019	Charged during the year	Adjustment / (Disposal) during the year	
Computer Programs (Software)	3,715,408	-	-	33	3,715,408	-	-	3,715,408
Software	-	787,500	-	33	787,500	108,281	-	108,281
Total:	3,715,408	787,500	-	-	3,715,408	108,281	-	3,823,689

As at 31 December 2018

Particulars	COST			Rate (%)	AMORTIZATION			Written down value as at 31.12.2018
	Balance as at 01.01.2018	Addition during the year	Adjustment / (Disposal) during the year		Balance as at 01.01.2018	Charged during the year	Adjustment / (Disposal) during the year	
Computer Programs (Software)	3,715,408	-	-	33	2,733,558	981,850	-	3,715,408
Total:	3,715,408	-	-	-	2,733,558	981,850	-	3,715,408

COMMUNICATION TO SHAREHOLDERS

LankaBangla Finance Limited is listed in both the bourses of the country. Investors can monitor the ticker in the name of LANKABAFIN in both DSE and CSE. Any price sensitive information is disseminated timely. Annual Report of the company summarizes the company's financial performance and provides an overview of the company's major activities. The annual report is duly submitted to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange & Chittagong Stock Exchange in timely manner. Each stockholder is sent copy of the report before AGM. Annual Report, Quarterly Reports and Supplements to the reports are available on the company's website, www.lankabangla.com or copies are available with the Board Secretariat at LankaBangla Finance Limited.

On top of the above information, the company makes available each material information or achievement to the shareholders through the company's web portal. For additional information about the subsidiary companies and the financials, the investors can visit our web portals, www.lankabangla.com.

Redressal of Investors' complaint

Investor Relations Department of LankaBangla Finance Limited always gives extreme priority in mitigating investors' complaints (if any) regarding any inconvenience. Investors can approach to Investor Relations Department with a complaint or can make an email at company's designated e-mail id for investor relations at ir@lankabangla.com. An Investor can make a written complaint to LankaBangla Finance Limited also. Upon receipt of the complaint, designated cell at LankaBangla takes immediate steps to resolve the complaint.



ADDITIONAL INFORMATION

[Financial Highlights](#)

[Financial Reports](#)

[Price Sensitive Information](#)

[Notice For Shareholder](#)

[Share Trading Information](#)



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Proxy Form

I/ We
 of
 being a shareholders of LankaBangla Finance Limited do hereby appointment Mr./Mrs.....
 of
 (or failing) Mr./ Mrs.
 of
 and vote on my/our behalf at the 23rd Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on September 07, 2020 at 11:00 a.m. using digital platform meeting link (**<https://lankabanglafinance.bdvirtualagm.com>**) at any adjournment thereof or any ballot to be taken in consequence thereof.

Signed this day of September, 2020

 (Signature of the proxy)

Revenue Stamp Tk. 20/-

 Signature of shareholder (s)

BO ID No.

No. of shares being held

Note

- ▶ The "Proxy Form", duly filled, signed and stamped at BDT 20.00 must be sent through email at share.lbfl@lankabangla.com not later than 48:00 hours before commencement of the AGM.
- ▶ Signature of the Shareholders should agree with the Specimen signature registered with the Company.



Corporate Office

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