

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

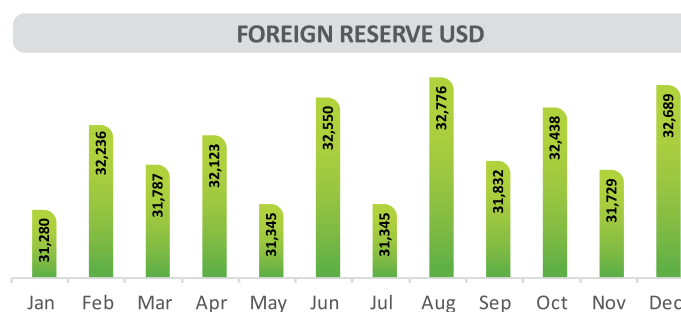
suffered a drop in imports, leading the trade deficit to widen to US \$5.62 billion in the first four months of 2019. The drop in imports means entrepreneurs were investing less in industries. Capital machinery imports dropped by 10 percent, fuel oil 15 percent and industrial raw materials around 20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

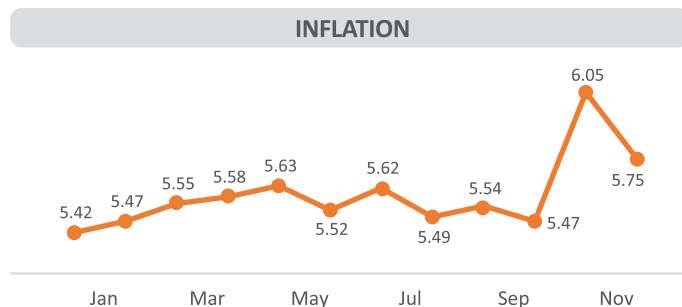
Bangladesh's Foreign Exchange Reserves was measured at 32.69 USD billion in December 2019 compared to USD 32.02 billion at the same month of previous year. Bangladesh Bank maintained stability in retaining foreign exchange reserves. The highest USD 33.68 billion reserves were recorded on September 05, 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

