

DIRECTORS' REPORT

Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 24th 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 2020 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 Organization, 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 10 March 2021.

In the year 2020, LankaBangla Finance Limited recorded remarkable growth on its core business. With a good penetration in loan products, LankaBangla made good profit growth in 2020. We are pleased to report that during the year 2020, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 978.52 million, meeting or exceeding all financial and operational objectives.

In each quarter of 2020, 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 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 2020

4.1 World Economy

Following a collapse last year caused by the COVID-19 pandemic, global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below pre-pandemic projections. Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth. In particular, the impact of the pandemic on investment and human capital is expected to erode growth prospects in emerging market and developing economies (EMDEs) and set back key development goals. The global recovery, which has been dampened in the near term by a resurgence of COVID-19 cases, is expected to strengthen over the forecast horizon as confidence, consumption, and trade gradually improve, supported by ongoing vaccination.

After an estimated 3.5 percent contraction in 2020, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The 2021 growth forecast is revised up 0.3 percentage point, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. The upgrade is particularly large for the advanced economy group, reflecting additional fiscal support—mostly in the United States and Japan—together with expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group. Consistent with recovery in global activity, global trade volumes are forecast to grow about 8 percent in 2021, before moderating to 6 percent in 2022. Services trade is expected to recover more slowly than merchandise volumes, however, which is consistent with subdued cross-border tourism and business travel until transmission declines everywhere. Even with the anticipated recovery in 2021–22, output gaps are not expected to close until after 2022. Consistent with persistent negative output gaps, inflation is expected to remain subdued during 2021–22. In advanced economies it is projected to remain generally below central bank targets at 1.5 percent. Among emerging market and developing economies inflation is projected just over 4 percent, which is lower than the historical average of the group.

Advanced economies, in general, have been able to provide expansive fiscal support to households and firms (direct tax and spending measures as well as equity injections, loans, and guarantees), and central banks have reinforced this with expanded asset purchase programs, funding-for-lending facilities, and, for some, interest rate cuts. Reflecting the strong policy support and the anticipated widespread availability of vaccines in summer 2021, the projected output loss compared with the pre-COVID forecast is relatively smaller for advanced economies than other countries. Recovery paths vary within the group, with the US and Japan projected to regain end-2019 activity levels in the second half of 2021, while in the euro area and the United Kingdom activity is expected to remain below end-2019 levels into 2022. The wide divergence reflects to an important extent differences across countries in behavioural and public health responses to infections, flexibility and adaptability of economic activity to low mobility, pre-existing trends, and structural rigidities entering the crisis. The 2021 forecast for the United States is revised up 2 percentage reflecting carryover from the strong momentum in the second half of 2020 and additional support from the December 2020 fiscal package. Similarly, the 0.8 percentage point upward revision to Japan's 2021 forecast is largely because of the additional boost from the fiscal measures introduced at the end of 2020. These upgrades are partially offset by downward revisions to the 2021 forecast for the euro area reflecting an observed softening of activity toward the end of 2020, which is anticipated to continue into early 2021 amid rising infections and renewed lockdowns.

Emerging market and developing economies are also projected to trace diverging recovery paths. Considerable differentiation is expected between China—where effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated a strong recovery—and other economies. Oil exporters and tourism-based economies within the group face particularly difficult prospects considering the expected slow normalization of cross-border travel and the subdued outlook for oil prices. As noted in the October 2020 WEO, the pandemic is expected to reverse the progress made in poverty reduction across the past two decades. Close to 90 million people are likely to fall below the extreme poverty threshold during 2020–21. Across regions, vulnerabilities, economic structure, and pre-crisis growth trends, together with the severity of the pandemic and the size of the policy response to combat the fallout, shape recovery profiles. Notable revisions to the forecast include the one for India (2.7 percentage points for 2021), reflecting carryover from a stronger-than-expected recovery in 2020 after lockdowns were eased. Scarring (persistent damage to supply potential). The projections continue to rely on economies adapting to social distancing until local transmission is brought to a low level. Although employment in some countries generally appears to have recovered more quickly from the trough of the recession than in previous downturns, large numbers of people are still unemployed and underemployed in many countries (in the United States, for example, there are 9 million fewer employed people than in February 2020). Moreover, the burden of the crisis has fallen unevenly across groups: workers with less education, women, youth, those in contact-intensive sectors, and those informally employed have suffered disproportionate livelihood and income losses. Country-specific labor market circumstances vary, implying different degrees of scarring. Economies that rely heavily on contact-intensive industries, commodity exporters, and those where school closures have inflicted large setbacks to human capital accumulation are particularly exposed to persistent damages to supply potential.

The main priority remains ensuring that health care systems are adequately resourced everywhere to beat back the pandemic globally. This means securing adequate funding for vaccine purchases and distribution, testing, therapies, personal protective equipment, and investment in health care facilities. Assistance from the international community through know-how and equipment for those with low health-care system capacity remains vital. The international community should also work closely to accelerate access to vaccines for all countries, including by bolstering funding for the COVAX facility, and by ensuring universal distribution of vaccines. Economic policies to limit persistent damage. Public health efforts should continue to be reinforced with well-designed economic policies tailored to the stage of the pandemic. Where local transmission remains high, and it is essential to slow down face-to-face interactions, lifelines should be maintained, including transfers to displaced workers and to otherwise viable firms that experience revenue losses. Where local transmission has been low and activity has begun to normalize, lifelines can be gradually rolled back by making their parameters less generous over time (for instance, under short-time work programs, a reduced government share of wages for unworked hours, complemented with hiring subsidies. Moreover, in those countries, broader stimulus should be deployed to support the recovery as needed. Priority areas include education spending to remedy the setback to human capital accumulation, digitalization to boost productivity growth, and green investment to enhance reliance on renewables and increase energy conservation.

Investment push coupled with initially moderate but steadily rising carbon prices would yield needed emissions reductions while supporting the recovery from the pandemic recession. Policies to address inequality. These efforts can be complemented with investment in retraining and reskilling programs to improve reemployment prospects for displaced

workers, strengthening social assistance as needed and expanding social insurance (relaxing eligibility criteria for unemployment benefits, extending the coverage of paid family and sick leave)—all of which would help address the uneven labor market impact of the crisis and curb rising inequality.

(Source: *World Economic Outlook, January 2021, World Bank*)

4.2 Regional Economy

The COVID-19 pandemic is not yet under control in South Asia, despite early containment measures. In March 2020, South Asian countries quickly imposed lockdowns and travel restrictions, but not all countries were able to contain the domestic spread of COVID-19. Due to low testing, social stigma, and a young population, the actual extent of COVID-19 infections is highly uncertain, but likely much higher than recorded numbers suggest. The crisis brought South Asia to a near standstill. Travel restrictions prevented travelers from reaching South Asia and lockdown measures triggered massive supply disruptions. Information from high frequency variables, combined in activity indicators, show an unprecedented contraction. In April 2020, activity dropped by 40% in Pakistan and by around two thirds in the other countries. Activity recovered subsequently across the region, but it remained below pre COVID-19 levels in August. High frequency approximations of GDP suggest year over year contractions during the second quarter of this year in all countries and a subsequent gradual recovery. The collapse in activity was widespread. The economic disruption is even visible from space: South Asia has darkened since March. Mobility declined strongly in nearly all districts, as a result both of national containment measures and local COVID-19 infections. Some of the observed heterogeneity across districts can be explained by voluntary reductions in mobility due to higher local prevalence of COVID-19.

During the national lockdown in India, districts with more recorded COVID-19 infections per capita experienced larger declines in mobility and nighttime lights. South Asian governments proactively stabilized economic activity through monetary easing, fiscal stimulus, and supportive financial regulation. For now, macro financial stability has been preserved. However, the situation is fragile amid weak buffers and exhausted policy tools in some countries. Regulatory adjustments to the COVID-19 pandemic have exacerbated financial sector vulnerabilities, and fiscal stimulus despite large revenue shortfalls have resulted in rising fiscal deficits. Public debt, already high in Sri Lanka and Maldives before the pandemic, has risen further.

The pandemic and related containment measures brought South Asia to a standstill. Travel restrictions prevented travelers from reaching South Asia, with immense consequences for tourism and related services. After lockdown measures were implemented mobility declined sharply, triggering unprecedented supply disruptions. These in turn impacted incomes and amplified risk aversion, which reduced demand. Services and manufacturing consequently collapsed. In countries with fiscal years ending in the summer months, official GDP growth has decelerated significantly. With travel restrictions in place across the world, visitor arrivals have fallen to almost zero since the end of March 2020, impacting significantly the smaller countries with large tourism sectors. Tourism inflows in Maldives, the country most dependent on tourism, remained anemic even after borders reopened in mid July 2020. Only 13,787 tourists visited between July 15 and September 15 2020, a 95 percent year on year decline. There are only very few international commercial flights compared to before the pandemic, and half of all resorts remain shut.

With the enactment of lockdowns, mobility declined sharply across South Asia. Presence at workplaces declined steeply as people stayed more at home. At the end of March, presence at the workplace was

between 40 percent to 80 percent lower than normal. It dropped the least in Afghanistan and the most in Sri Lanka and Nepal. It recovered subsequently across the region, but it is still around 20 percent below normal levels in most countries, and nearly 40 percent below in Nepal due to new containment measures. In April 2020, industrial production collapsed to around 40 percent of its pre-COVID-19 level in India, to 50 percent in Sri Lanka, to 60 percent in Pakistan, and to 70 percent in Bangladesh. When restrictions were eased, industrial production firmed, but it remained subdued in July in India.

Among South Asian countries, only India already published GDP data for the second quarter of this year. With a decline of 23.9% YOY, India's contraction is one of the largest among all countries in the world. In Bangladesh, Bhutan, and Pakistan, the last fiscal year ended at the end of June and in Nepal it ended July 15. In all of them the final months dragged down growth. In Bangladesh, real GDP growth fell to an estimated 2.0% in FY19/20. On the demand side, exports declined by 18.5% as external demand for readymade garments (RMG) plummeted. In Bhutan and Nepal, real GDP growth is estimated to have decelerated to 1.5% and 0.2% respectively. Tourist arrivals dried-up and reduced foreign demand; shortages in critical inputs (including foreign labor) and temporary export restrictions disrupted industrial activity. In Pakistan, real GDP growth (at factor cost) is estimated to have declined from 1.9% in FY18/19 to -1.5 percent in FY19/20, reflecting the effects of COVID-19 containment measures that followed monetary and fiscal tightening prior to the outbreak.

The pandemic highlights an important fact about South Asian economies. The informal sector dominates employment, but its productivity, and thus the incomes of workers, tends to be low. Improving these workers' human capital and access to physical capital is key to maintaining high rates of growth. Thus, policies that focus on supporting productivity in the informal sector are critical to development, as well as to improving income distribution, in the region.

(Source: *South Asia Regional Update, fall 2020*)

4.3 World Commodity Price

Most commodity prices rebounded in the second half of 2020; however, the pickup in oil prices lagged the broader recovery in commodity price due to the prolonged impact of the pandemic on global oil demand. Crude oil prices averaged \$41/bbl in 2020, a 34% fall from 2019. Oil demand fell 9% last year the steepest one-year decline on record as a result of pandemic control measures and the associated plunge in global demand, which was partly offset by historically large production cuts among OPEC+ (Organization of the Petroleum Exporting Countries, as well as Russia and other non-OPEC oil exporters). Oil prices are forecast to remain close to current levels and average \$44/bbl in 2021 before rising to \$50/bbl in 2022. The main risk to this forecast relates to the evolution of the pandemic, with oil demand particularly susceptible to lockdown measures and reduced mobility; however, positive vaccine news has reduced this risk somewhat. Base metal prices were, on net, broadly flat in 2020, as sharp falls in the first half of the year were followed by a strong recovery in the second half due to rising demand from China. Prices are expected to increase 5% in 2021 alongside the expected rebound in global demand. Agricultural prices rose 4% in 2020, largely driven by supply shortfalls and stronger than expected demand in edible oils and meals. Some regions experienced localized food price spikes, and a decline in household incomes particularly among the poorest populations has increased the risk of food insecurity. Agricultural prices are forecast to see a further modest increase in 2021.

(Source: *World Bank Report, January 2021*)

4.4 Bangladesh Economy

Over the past decade Bangladesh's economic growth has steadily increased from 6 percent to 8 percent. The global novel Coronavirus (COVID-19) pandemic has adversely affected the economy of Bangladesh. According to the provisional estimates of the Bangladesh Bureau of Statistics (BBS), GDP growth in FY2019-20 stood at 5.24 percent, compared to 8.15 percent in the previous fiscal year. Growth in export and import in FY2019-20 is negative. However, remittance inflows grew by 10.87 percent has reduced the current account deficit compared to the previous fiscal year. At the same time, the increase in capital and financial account inflows has led to a surplus in the overall balance of payments. As a result, the foreign exchange reserves have increased significantly. As of June 30, 2020 the foreign exchange reserve stood at US\$ 36.04 billion, the highest ever. During this period, a marginal depreciation in exchange rate of Taka with the US dollar is being observed. To keep the country's economy afloat in the face of the ongoing Coronavirus pandemic, extra spending on healthcare, emergency humanitarian assistance has been materialised. The government has already announced a financial package of about Tk. 1.2 lakh crore for economic recovery. Some of the notable activities of this package are: create special funds for export oriented industries; provide working capital facilities to the affected industry and service sector organisations; provide working capital facilities to small (including cottage industries) and medium industrial enterprises; increase the benefits of the Export Development Fund; increase coverage of social security; direct cash transfer to targeted people, formulate various funds for the agricultural sector. As well as financial incentives, various activities including policy support such as reduction of import duty on COVID-19 related products, policy support to increase liquidity in the banking sector has been provided. As a result of these actions taken by the government, the economy is expected to turn around.

(Source: Bangladesh Economic Review 2020, Ministry of Finance)

4.4.1 Fiscal Management

The Bangladesh economy, from the very beginning of the ongoing fiscal year, has been grappling with formidable challenges which have been exacerbated by the outbreak of COVID-19. Bangladesh is firmly on course to a higher economic growth achieving 8.20% gross domestic product (GDP) growth during the coming fiscal year of 2020/21. Budget for FY 2020-2021 is BDT 568,000 core (around USD 67 billion) which is 16.07% higher compared to previous fiscal year's budget. It has revenue target of BDT 2,962.01 billion which is 63.70% of total budget funding. For FY21, GDP growth target has been set at 8.2%. Public investment-GDP ratio in FY21 has been assumed to be same as FY20 (8.1%). Private investment has been estimated to be 25.3% of GDP in FY21. Growth of credit to private sector has been set at 14.80% for FY21, which is projected to reach 16.8% in FY23. Inflation is assumed to be stable at 5.4% in FY21. Inflationary trends have broadly remained stable in the closing months of FY20 (5.4 % in May, 2020). Growth target for export has been set at 15.0% in FY21 & growth target for import has been set at 10.0% in FY21. Remittance growth target for FY21 has been set at 15.0%. Exchange rate is expected to be stable reaching Tk. 84.0/USD on an average in FY21. Public debts share of GDP is at a reasonable state for Bangladesh (33.2% in FY19, 35.6% in the revised target of FY20). Currently, 18.3% of total revenue expenditure will be spent for debt servicing in FY21 of which 91.3% is for domestic debt. In

future, debt servicing for foreign-financed large infrastructure projects financing may put additional pressure –debt sustainability may become an issue.

4.4.2 Current Account Balance

Current account balance recorded a significantly surplus of US\$ 4,322 million during July-December 2020 against the deficit of US\$ 1,667.00 million during July-December 2019. Surplus in current account balance emerged from larger inflows of remittances and significantly lower deficit both in trade and service accounts. Despite having lower surplus in financial account balance, with the support of a handsome surplus in current account balance foreign exchange reserves of BB increased by US\$ 10.66 billion and stood at US\$ 43.29 billion as on 15 February 2021 from US\$ 32.63 billion as on 13 February 2020.

4.4.3 Import

Bangladesh Total Imports recorded 4.1 USD billion in November 2020, compared with a value of 3.80 USD billion in the previous month. Imports surged in January by 5.0-6.0 percent in terms of goods, not in value, driven by a substantial rise in commodities meant for the beginning in April 2020. Bangladesh Bank said the opening of letters of credit or LCs for imports has increased by 2.56% from last December. The BB said rice import ballooned to \$44.2 million, a rise of nearly 1,900% (in terms of LC opening). During the July-December time in 2019, rice import was valued just \$2.20 million. Fresh fruit and dry fruit, edible oil, medicine and drug imports were higher than the July-December 2019 period, according to the Bangladesh Bank data. It, however, said wheat, sugar and pulse imports were lower in the July-December 2020 period. Bangladesh has doled out aggressive stimulus to support the domestic demand in the virus-infected economy. However, import of cement clinkers and lime jumped to 10%, signalling that the construction sector is improving as fiscal stimulus boosts domestic demand.

4.4.4 Remittance Inflow

Inward Remittances increased by 34.95 % and stood at US\$ 14,907.35 million during July-January 2020-21 against the increase of 21.49% to US\$ 11,046.36 million during the same period of the last fiscal year. The inward remittances have significantly increased due mainly to allowing 2% incentives for sending it through the banking channels.

4.4.5 Foreign Exchange Reserve

Bangladesh Foreign Exchange Reserves was measured at 40.7 USD billion in January 2021, compared with 41.0 USD billion in the previous month. The reserves reached an all-time high of 41.0 USD billion in Dec 2020. In the latest reports, Bangladesh's Foreign Exchange Reserves equalled 9.4 months of Import in November 2020. Its money supply M2 increased 14.2% YoY in December 2020. Bangladesh Domestic Credit reached 160.8 USD billion in December 2020, representing an increase of 9.9% YoY. The country's non-performing loans ratio stood at 8.9% in September 2020, compared with the ratio of 9.2% in the previous quarter.

4.4.6 Inflation

Inflation on twelve-month average basis decreased to 5.64% in January 2021 from 5.69% in December 2020 due mainly to decrease in non-food inflation. The annual inflation rate in Bangladesh eased to 5.02% in January of 2021 from 5.29% in the previous month. It was the lowest inflation rate since September of 2012, amid a slowdown in prices of food (5.23 percent vs. 5.34 percent in December) and in non-food products (4.69 percent vs. 5.21 percent). On a monthly basis, consumer prices increased 0.91 percent, after falling 0.45 percent in the previous month.

4.4.7 Money Market

As the COVID-19 pandemic unfolded, central banks across the globe responded with a dramatic easing of monetary policy to provide liquidity support in the economy. The monetary policy stance and monetary program of Bangladesh Bank for FY20 was drawn-up with the dual objectives of maintaining price stability and supporting inclusive, equitable and environmentally sustainable economic growth. The Bangladesh Bank injected over Tk. 36,000 crore reserve money-considered as extra money-into the market during the pandemic situation through various methods. Towards the end of 2020 the liquidity situation of the majority of the banks started to deteriorate, which continue to affect the beginning of the year 2021. Both stock markets (Dhaka Stock Exchange and Chattogram Stock Exchange) noticed some unrest but overall both the price index and market capitalisation increased. Investors are hoping for the stable market in the year 2021.

5. Industry Outlook

In the year 2020, Non-Bank Financial Institutions (NBFIs) suffered a lot due to COVID-19 pandemic. NBFIs call for changes in regulations, practices and mass perception, and also need refinancing from the Bangladesh Bank. The NBFIs are dependent on banks and customer deposits for their funds. The lowering of the loan-deposit ratio meant banks cut back on their lending to NBFIs, leaving the latter short of funds. Pandemic situation had badly impacted a good number of NBFI clients. At the end of the third quarter of 2020, the 33 nos. of NBFIs' bad loans accounted for about 15.5% of their total outstanding loans of BDT 66,215.40 crore. Bangladesh Bank asked the NBFIs to keep classification unchanged until June to help the borrowers tide over the economic shock. The loan moratorium facility has since been extended to the end of 2020. Bangladesh Bank has already also 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 6-7, the Managing Director's Review pages 33-36, and the CFO's Reviews pages 37-42. These reports form an integral part of the Annual Report of the Board of Directors.

7. Future Developments

Since the inception of LankaBangla Finance Limited has always prioritized the sectors that present a growth potential on a long term basis. The digital transformation has enabled the financial service industry to thrive using a superior informational advantage. LBFL is now moving towards technology-driven business solutions powered by a cultural environment that prioritizes efficiency & highest ethical standards. 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. Few more branches will 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, the Managing Director's Review and the CFO's Reviews. 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) laid down by the Institute of Chartered Accountants of Bangladesh, and comply with the requirements of DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank and Bangladesh Bank's other circulars and guidelines or directives, the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing regulations of Dhaka and Chittagong Stock Exchanges. The aforementioned Financial Statements for the year ended 31st December 2020 duly signed by the Company secretary, Chief Financial Officer, Managing Director, the Chairman of the Audit Committee and the Chairman of the Board which form and 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 have been prepared in conformity with the requirements of the Bangladesh 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.

10. Auditors' Report

The Auditors of LBFL are Hussain Farhad & Co., Chartered Accountants carried out the audit on the Financial Statements of LBFL and the Group for the year ended 31st December 2020 and their report on those Financial Statements, as required by the Companies Act 1994.

11. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given which comply with provisions of IFRSs and the Companies Act 1994.

12. Financial Review

Coping with economic crisis arise from COVID-19 pandemic, LankaBangla managed to exhibit a note able progress in many of the business lines during 2021. Mentionable 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. Cost of borrowing has decreased by 1.36% in 2020 compared to 2019. Total asset of the group decreased by 03% from BDT 84.36 billion in 2019 to BDT 81.84 billion in 2020.

Total Asset disbursement of LankaBangla Finance for the year 2020 reduced by 34.6% compared to 2019, due to liquidity crisis most of the year. Total disbursed amount in 2020 was BDT 22,007 million compared to BDT 33,666 million in 2019. On the deposit side, our total deposits increased by 1.4% from BDT 46,750.81 million in 2019 to BDT 47,427.81 million in 2020. NPL showed a positive picture as the percentage of classified loans for the company decreased to 4.70% in 2020 compared to 5.59% in 2019.

13. Core Business Review

13.1 Corporate Financial Services

LankaBangla focus on extending its Corporate Business portfolio has continued throughout 2020. A total of BDT 9,034 million of corporate lending has been disbursed for the year 2020 compared to BDT 16,094 million of 2019. Disbursement in Corporate Business has decreased due to the less emphasis on Corporate Business because of low margin. Disbursement in 2020 was driven mostly by Term Loan and Factoring.

13.2 Retail Financial Services

During the year 2020, the Company has continued to concentrate more in retail financial activities. Total BDT 10,653 million was disbursed during 2020 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 2020 was BDT 164 million comprising of Mortgage Loan and Staff Home Loan. Home Loan portfolio decreased by 16.2% in 2020. At the end of 2020, Home Loan portfolio stood at BDT 11,017 million which was BDT 13,144 million in 2019.

13.2.2 Auto Loan

In 2020, BDT 262 million has been disbursed as auto loan compared to 993 million in 2019 resulting an 73.6% reduction in disbursement. Also the auto loan portfolio reduced by 21.9% in 2020 from BDT 5,781 million in 2019 to BDT 4,513 million at the end of 2020.

13.2.3 Personal Loan

Disbursement of Personal Loan has been in 2020 with a total figure of BDT 851 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2020 was BDT 3,697 million, which reduced by 19.8% from BDT 4,612 million in 2019.

13.2.4 Credit Card

During 2020, a total of 19,454 new credit cards were issued by LankaBangla. The card portfolio reduced by 3% in 2020 to BDT

3,995 million from BDT 4,118 million in 2019. Number of active credit card users has decreased from 109,972 in 2019 to 105,670 in 2020 resulting in a de-growth of 3.9%. Monthly average spending by all credit card users has slightly decreased in 2020 in comparison to previous year due to the impact of Covid-19 lockdowns in the middle of the year. Average monthly credit card usage in 2020 has decreased to BDT 781 million from BDT 833 million in 2019.

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 2020, SME loan disbursement of BDT 2,320 million has been made compared to BDT 3,892 million in 2019, thereby resulting in a 40.4% reduction. At the end of 2020, SME portfolio stood at BDT 8,005 million compared to BDT 8,115 million in 2019 resulting in 1.4% decrease 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 2020 was BDT 47,427.81 million from BDT 46,750.81 million in 2019. TDR portfolio increased by 1.4% even among the Covid-19 crisis. In this regard, the Retail, Corporate and SME Liability units played an important role.

13.4.1 Retail Liability Management

Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 24,211 million at the end of 2020 which shows a growth of 8.8% from 2019 portfolio. Retail liability mobilization for the year was BDT 11,515 million compared to 2020 figure of BDT 11,498 million in 2019.

13.4.2 SME Liability Management

SME Liability's core focus on SME deposits has resulted in a portfolio of BDT 4,141 million at the end of 2020 which shows a growth of 48.3% from 2019 portfolio. Retail liability mobilization for the year was BDT 2,953 million in 2020. 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 12,799 million at the end of 2020 decreasing only by 0.1% from 2019. Corporate liability mobilization for the year was BDT 7,503 million compared to BDT 5,225 million of 2019.

13.5 Treasury Operations

The Treasury Division of LankaBangla Finance Limited plays a crucial

role in managing fund, understanding the market, taking advantage of arbitrage opportunities, making profitable investments in both equity and fixed income securities. Treasury maintained optimum liquidity buffer throughout the year maintaining adequate coverage for future cash outflows. It played a pivotal role in keeping the company resilient, especially during the lockdown period, through extensive scenario analysis, prudent projection, keeping borrowing lines open, and proper implementation of liquidity contingency plan.

Treasury ensured prudent cash management by channelling all the cash flows of the company in an effective and efficient manner, which led to optimum utilization of fund. The division has also continued to play an important role in keeping the cost of fund of the company under control. During 2020, the cost of fund has been brought down significantly by taking advantage of the low interest rate regime, carefully negotiating with counterparties leveraging the strong foundation of the company and solid repayment history, and also sourcing fund from cheaper sources. Treasury remained focused on identifying, assessing, and mitigating balance sheet risk areas to ensure long-term sustainability and growth. By remaining supple and actively engaging in the money market, the division earned sizable revenue in addition to ensuring liquidity from the short-term placements of fund in the money market.

Investment portfolio of the company stood at BDT 3,026 million at the end of 2020 and grew by 26.40% year-on-year. Treasury has contributed significantly to the bottom line of the company by proactively rebalancing the portfolio and actively dealing in capital market activities. A considerable amount of provision for diminution in value of investment in equity shares has been reversed during the year which has directly augmented the profit of the company. Moreover, a better diversification has been made in the investment portfolio by making a better mix of both equity and fixed income securities, which will ultimately ensure more stable flow of income in the future.

14. Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB) has rated LankaBangla Finance Limited on July 29, 2020, with 'AA3' rating in the long term and ST-2 rating in the short term based on audited financial statements as of December 31, 2019, un-audited financial statements as of March 31, 2020 and other relevant quantitative as well as qualitative information up to the date of rating declaration. The outlook on the rating is 'Stable.'

The rating reflects the Company's strength in strong business links and considerable brand image in the FI sector which has resulted in substantial customer base. The rating emphasizes the on sound capital base with strong tier 1 capital, relatively low large loan concentration and earning generation capacity.

15. Financial Results and Appropriations

15.1 Revenue

Total Revenue of the Group for the year 2020 was BDT 9,690 million compared to BDT 11,758 million in 2019. Total revenue of LBFL for the year 2020 was BDT 8,277 million compared to BDT 10,334 million in 2019.

15.2 Profitability

The Group has reduced in operating profit 17% and increase of net profit after tax of 93% in 2020 compare to 2019. LBFL's operating profit has decreased 27% and net profit after tax increased by 12% in 2020 compare to 2019. Consolidated net profit after tax for the year 2020 was BDT 978.52 million which was BDT 508.23 million in previous year. LBFL's net profit after tax for the year 2020 was BDT 825.72 million compared to BDT 736.01 million in 2019.

Particulars	Consolidated		LBFL	
	2020	2019	2020	2019
Total Revenue	9,689.62	11,757.69	8,276.80	10,333.88
Total Expenses	8,360.31	10,148.13	7,360.51	8,738.58
Operating Profit	1,329.31	1,609.56	916.29	1,595.30
Provisions	151.03	884.81	(1.51)	739.01
Profit before Tax	1,178.28	724.76	917.80	856.29
Tax	199.77	216.53	92.08	120.28
Profit after Tax	978.52	508.23	825.72	736.01

15.3 Appropriation

Particulars	in million BDT
Net Profit After Tax for the year 2020	825.72
Retained Earnings brought forward	1,500.70
Profit available for appropriation	2,326.42
Less: Statutory Reserve	165.14
Amount available for declaration of dividend	2,161.28
Less: Dividend (Proposed 12.00% Cash)	646.61
Retained Earnings carried forward	1,514.67

15.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended 12.00% Cash Dividend i.e. BDT 1.20 per share BDT 10.00 each for the year 2020. 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 2020.

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	
	2020	2019	2020	2019
Share premium	1,090.89	1,090.89	-	-
Statutory reserve	1,927.78	1,762.64	1,927.78	1,762.64
General reserve	45.41	49.92	-	-
Revaluation Reserve	-	-	1,018.07	1,006.98
Retained earnings	1,641.73	1,447.09	2,161.28	2,116.52
Total reserves	4,705.81	4,350.53	5,107.13	4,886.14

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 43 to 48.

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 2020 amounted to BDT 206.30 million and BDT 187.19 million respectively which were BDT 326.22 million and BDT 278.51 million respectively for the year 2019. 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 2020 amounted to BDT 5,388.39 million consisting of 538,838,623 ordinary shares as against BDT 5,131.79 million consisting of

513,179,641 ordinary shares as at 31 December 2019.

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.

Details about debt capital is given in note number 10 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 43 to 48. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 04.

26. Shareholding

There were 19,100 nos. of registered ordinary shareholders as at 31st December 2020 (2019: 21,813). Information on distribution of shareholding and the respective percentages are given on page 04 of the Annual Report.

Details of shareholder's composition and percentage holding of the public are given in the Investor Information section on page 04.

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 this report.

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 2020 to 31st December 2020 are mentioned in Report on Corporate Governance.

29. 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

30. 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 2020 were as follows:

30.1 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.

30.2 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 128th Board of Director's meeting held on March 10, 2021.

30.3 Nomination & Remuneration Committee

In Compliance with the clause no. 6 of Corporate Governance Code dated 3 June 2018 of Bangladesh Securities & Exchange Commission (BSEC) the Nomination & Remuneration Committee of LankaBangla Finance Limited was constituted in 128th Board of Director's meeting held on March 10, 2021.

31. 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 in this report.

32. Related Party Transactions

Directors have also disclosed transactions, that could be classified as Related Party Transactions in terms of Bangladesh Accounting Standard-BAS 24 (Related Party Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in note number 37 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

33. Directors' Interest in Ordinary Shares

The shareholdings of Directors are as follows:

Sl. No.	Name of Director	Number of shares as on 31 December 2020	Number of shares as on 31 December 2019
1	Mr. Mohammad A. Moyeen	22,842,546	21,754,807
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	51,036,605	48,606,291
3	Mr. Nanda Fernando (Nominated by Sampath Bank PLC)		
4	Mr. M. Fakhru Alam (Nominated by ONE Bank Limited)	20,362,737	19,393,083
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	41,503,844	39,527,471
6	Mr. Mahbubul Anam	23,998,741	22,855,945
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque-Alternate Director)	20,993,703	19,994,004
8	Mrs. Zaitun Sayef	Nil	Nil
9	Mr. Abdul Malek Shamsher	Nil	Nil

34. 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, 2020 is given in page 04 of this report.

35. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2020

LankaBangla Securities Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2020	Shares held on 31-Dec.-2019
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
4	Mrs. Aneesha Mahial Kundanmal	Shareholder	2	2
5	Mr. Tahsinul Huque	Shareholder	635,884	635,884

LankaBangla Investments Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2020	Shares held on 31-Dec.-2019
1	Mr. Mohammad A. Moyeen	Director	1	1
2	Mr. Mahbubul Anam	Shareholder	1	1

LankaBangla Asset Management Company Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2020	Shares held on 31-Dec.-2019
1	Mr. Mohammad A. Moyeen	Shareholder	1	1
2	Mr. Mahbubul Anam	Shareholder	90	90

LankaBangla Information System Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2020	Shares held on 31-Dec.-2019
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.-2020	Shares held on 31-Dec.-2019
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

36. Directors' Remuneration

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

37. Management discussion and analysis

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

38. Declaration by the CEO and the CFO

Declaration by the Managing Director and Chief Financial Officer has been given in this report.

39. 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 2020, the number of employees on the payroll of LankaBangla was 764 which was 923 in previous year.

40. Environmental Protection

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

41. 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.

42. Outstanding Litigations

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

43. 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.

44. 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.

45. Risk Management and Internal Control

45.1 Material Foreseeable Risk Factors

LankaBangla has an ongoing process in place to identify, evaluate and manage the risks that are faced by it. The Directors, on a regular basis review the above mentioned process.

45.2 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.

46. 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.

47. 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.

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 this report.

48. 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.

49. 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.

50. Auditors

the Board in its 128th meeting held on 10 March 2021 has recommended to appoint Hussain Farhad & Co., Chartered Accountants at a remuneration of BDT 550,000. LBFL has also taken prior approval from Bangladesh bank to appoint Hussain Farhad & Co., Chartered Accountants, until completion of conclusion of the 25th AGM.

Based on the declaration provided by Hussain Farhad & 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.

51. 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
- ▶ ICMA Best Corporate Award 2016
- ▶ ICMA Best Corporate Award 2017
- ▶ SAFA Best Presented Annual Report 2018
- ▶ ICAB Integrated Report Award 2018
- ▶ ICAB Best Presented Annual Report 2018
- ▶ SAFA Best Presented Annual Report, Integrated Reporting Award and SAARC Anniversary Award 2019
- ▶ ICAB Integrated Reporting Award 2019
- ▶ ICAB Corporation Governance Disclosures Award 2019
- ▶ ICAB Best Presented Annual Report 2019

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive fifteen years from 2006 to 2020 at Dhaka Stock Exchange (DSE) & for fifteen years from 2005 to 2020 at the Chittagong Stock Exchange (CSE).

52. Notice of Meeting

The 24th Annual General Meeting of LankaBangla Finance Limited will be held on 29 April 2021.

The Notice of Meeting is given on page number 3 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.

53. 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 Hussain Farhad & 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 2020 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