

# DIRECTORS' REPORT

## Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 25th 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 2021 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 11 April 2022.

In the year 2021, LankaBangla Finance Limited recorded remarkable growth on its core business. With a good penetration in loan products, LankaBangla made good profit growth in 2021.

We are pleased to report that during the year 2021, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 1,305.89 million, meeting or exceeding all financial and operational objectives.

In each quarter of 2021, 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 on 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 01 and 12 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"> <li>▶ Manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust.</li> <li>▶ Float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being.</li> <li>▶ Manage and administer mutual fund, provident fund, pension fund for the purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise as per relevant rules and regulations.</li> </ul>
LankaBangla Information System Limited	ERP, Consultancy & Training, Market Data Service to International Fund Manager and Exchanges, develop specialized simulation tools for trading, outsourcing, Private Cloud Computing, ITES, Project Management, Process Management, Cloud Services, Business Process Outsourcing (BPO), Registered Educational Provider (REP) affiliating with world recognized companies, System Integrator (SI), E-Commerce, M-Commerce, IT Audit, Trading of PC, Servers, Network, Security and Accessories and many more with changes of technology and business diversities.
BizBangla Media Limited	Printing and publishing of newspaper, Journals, magazines, periodicals, books any other literary and non-literary works.

## 4. Economic Review of 2021

### 4.1 World Economy

World economic outlook is provided on from pages 149 to 150.

### 4.2 Regional Economy

Details of Bangladesh economy is provided on from pages 150 to 154.

## 5. Industry Outlook

The non-bank financial institutions (NBFIs) comprise a rapidly growing segment of the financial system in Bangladesh. The NBFIs have been contributing toward increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet the growing needs of different types of investment in the country. The non-bank financial institutions - commonly known as NBFIs - may have become exposed to market volatilities because of their overdependence on a small number of large investors and debtors.

According to Bangladesh Bank, 56.2% of all deposits in NBFIs were between Tk. 1 crore to Tk. 50 crore. Moreover, only 5,019 depositors across the entire NBF establishment were responsible for these deposits. In terms of loans, 60.6% of total funds were distributed among only 6,587 borrowers.

Experts fear that if a large chunk of these large depositors withdraws their funds for some unforeseen economic shock (like the Covid-19 pandemic) or a dip in confidence in the market, the NBFIs may face a liquidity crisis. And top of that, in 2021, Bangladesh Bank declared that 13 out of the 34 NBFIs currently operating in Bangladesh had slipped into the red zone by the end of 2020. The number used to be 10 back in 2019.

Generally, infection rate, defined as the ratio of non-performing loans to total distributed loans is the main metric for categorising financial institutions into three zones: red, yellow and green, with the colours corresponding to weak, moderate and satisfactory performance, respectively. Experts cite systemic problems such as a high degree of non-performing loans and lack of oversight from the central bank as some of the issues plaguing the NBF sector.

## 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 2021 are contained in the Chairman's Message pages from 35, the Managing Director's Review pages from 47, and the CFO's Reviews pages from 155. 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 pages from 35, the Managing Director's Review pages from 47, and the CFO's Reviews pages from 155. 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 Bangladesh Financial Reporting Standards (BFRS) 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 2021 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 235 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 97 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. 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 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 2021 and their report on those Financial Statements, as required by the Companies Act 1994 is given on page 229.

## 11. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 251 to 272 which comply with provisions of BFRSs and the Companies Act 1994.

## 12. Financial Review

Following the initial impact of economic crisis arising 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, utilizing upturn index and increased transaction volume in bourse have led to an overall success for the company.

Cost of borrowing has decreased by 1.69% in 2021 compared to 2020. Total asset of the group has increased by 9% from BDT 81.84 billion in 2020 to BDT 88.93 billion in 2021.

Total Asset disbursement of LankaBangla Finance for the year 2021 has increased by 55.7% compared to 2020, due to sufficient liquidity most of the year. Total disbursed amount in 2021 was BDT 34,269 million compared to BDT 22,007 million in 2020. On the deposit side, our total term deposits increased by 1.2% from BDT 47,427.81 million in 2020 to BDT 48,005.90 million in 2021. The percentage of classified loans (NPL) for the company has increased to 6.57% in 2021 compared to 4.70 in 2020.

## 13. Core Business Review

### 13.1 Corporate Financial Services

LankaBangla's focus on extending its Corporate Business portfolio has continued throughout 2021. A total of BDT 13,447 million of corporate lending has been disbursed for the year 2021 compared to BDT 9,034 million of 2020, which illustrates a massive 48.9% growth compared to the previous year. Disbursement in 2021 was driven mostly by Term Loan and Factoring. Subsequently, the corporate asset portfolio has also increased by BDT 2,700 million in 2021, from BDT 23,483 million in 2020 to BDT 26,183 million in 2021, showing an 11.5% growth compared to previous year.

### 13.2 Retail Financial Services

During the year 2021, the Company has continued to concentrate more in retail financial activities. Total BDT 14,938 million was disbursed during 2021 under retail financial services in the form of auto loan, home loan, personal loan, credit card and staff loan. The disbursement growth is 40.2% in 2021 from 2020. The retail asset portfolio stood at BDT 22,645 million at the end of 2021.

#### 13.2.1 Home Loan

Total Home Loan disbursement in 2021 was BDT 888 million comprising of Mortgage Loan and Staff Home Loan. The disbursement has increased by a massive 440% compared to the home loan disbursement of 2020. Home Loan portfolio, on the other hand, has decreased by 7.9% in 2021. At the end of 2021, Home Loan portfolio stood at BDT 10,146 million which was BDT 11,017 million in 2020.

#### 13.2.2 Auto Loan

In 2021, BDT 1,478 million has been disbursed as auto loan compared to 262 million in 2020 resulting in 464.8% increase in disbursement. The auto loan portfolio has also increased by 0.48% in 2021 from BDT 4,513 million in 2020 to BDT 4,535 million at the end of 2021.

#### 13.2.3 Personal Loan

Personal Loan disbursement has increased by 75.7% in 2021 with a total figure of BDT 1,495 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2021 was BDT 3,475 million, which has reduced by 6% from BDT 3,697 million in 2020.

#### 13.2.4 Credit Card

During 2021, a total of 22,306 new credit cards were issued by LankaBangla. The card portfolio has increased by 12.4% in 2021 to BDT 4,488 million from BDT 3,995 million in 2020. Number of active credit card users has increased from 105,670 in 2020 to 107,307

in 2021 resulting in a growth of 1.5%. Monthly average spending by all credit card users has also increased in 2021 in comparison to previous year. Average monthly credit card usage in 2021 has increased to BDT 923 million from BDT 781 million in 2020.

### 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 2021, SME loan disbursement of LankaBangla Finance limited has more than doubled than that of 2020. The total SME disbursement in 2021 is BDT 5,884 million compared to BDT 2,320 million in 2020, thereby resulting in a 153.7% increase. At the end of 2021, SME portfolio stood at BDT 9,948 million compared to BDT 8,005 million in 2020 resulting in 24.3% increase 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 Term Deposit portfolio in 2021 was BDT 48,005.90 million from BDT 47,427.81 million in 2020, resulting in 1.22% increase compared to the portfolio of 2020. In this regard, the Retail and Bank & FI Liability (Treasury) 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 25,523 million at the end of 2021 which shows a significant growth of 5.4% from the portfolio of 2020. Retail liability mobilization for the year was BDT 11,161 million compared to 2021 figure of BDT 11,515 million in 2020.

#### 13.4.2 SME Liability Management

SME Liability's portfolio at the end of 2021 stood at BDT 3,918 million which shows a slight de-growth of 5.4% from 2020 portfolio. SME liability mobilization was BDT 2,077 million in 2021. 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 12,105 million at the end of 2021 decreasing by 5.4% from 2020. Corporate liability mobilization for the year was BDT 5,014 million compared to BDT 7,503 million of 2020.

### 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 through prudent projection, keeping borrowing lines open, and proper implementation of liquidity management 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 2021, 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 has solidified its relationship with the existing counterparties and developed relationship with new ones through effective relationship management practices to flare out its financial flexibility.

During 2021, Treasury sourced three long-term foreign currency loans amounting USD 36 million, one syndicated term loan of BDT 5,000 million, and has also issued a zero-coupon bond with total face value of BDT 3,000 million. Treasury also 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 3,883 million at the end of 2021 and grew by 28.34% 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 capital gain and dividend has been realized from the investment in equity shares and a portion of the provision for diminution in value of investment 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 19, 2021, with 'AA3' rating in the long term and 'ST-2' rating in the short term based on audited financial statements as of December 31, 2020, un-audited financial statements as of March 31, 2021 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 2021 was BDT 10,294 million registering a 6% growth over 9,690 million of 2020. Total revenue of LBFL for the year 2021 was BDT 7,579 million compared

to BDT 8,277 million in 2020. An analysis of the revenue is given in pages from 155 to 161 of the annual report.

### 15.2 Profitability

The Group has recorded increase of net profit after tax of 33% and increased in operating profit also 92% in 2021. LBFL's operating profit increased by 36% and net profit after tax reduced by 26% in 2021. Consolidated net profit after tax for the year 2021 was BDT 1,306 million which was BDT 978 million in previous year. LBFL's net profit after tax for the year 2021 was BDT 609 million compared to BDT 826 million in 2020.

Particulars	Consolidated		LBFL	
	2021	2020	2021	2020
Total Revenue	10,294.29	9,689.62	7,579.37	8,276.80
Total Expenses	7,747.04	8,360.31	6,331.85	7,360.51
Operating Profit	2,547.25	1,329.31	1,247.53	916.29
Provisions	841.85	151.03	547.67	(1.51)
Profit before Tax	1,705.40	1,178.28	699.86	917.80
Tax	399.50	199.77	90.86	92.08
Profit after Tax	1,305.89	978.52	609.00	825.72

### 15.3 Appropriation

Particulars	in million BDT
Net Profit After Tax for the year 2020	609.00
Retained Earnings brought forward	1,466.86
Profit available for appropriation	2,075.86
Less: Statutory Reserve	121.80
Amount available for declaration of dividend	1,954.06
Less: Dividend (Proposed 12.00% Cash)	538.84
Retained Earnings carried forward	1,415.22

### 15.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended 10.00% Cash Dividend i.e. BDT 1.00 per share BDT 10.00 each for the year 2021. 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 2022. Further details on liquidity position is given in page number 249 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	
	2021	2020	2021	2020
Share premium	1,090.89	1,090.89	-	-
Statutory reserve	2,049.58	1,927.78	2,049.58	1,927.78
General reserve	50.84	45.41	-	-
Capital Reserve	13.96	-	-	-
Revaluation Reserve	-	-	1,681.85	1,018.07
Retained earnings	2,085.15	1,641.73	1,954.06	2,161.28
<b>Total reserves</b>	<b>5,290.41</b>	<b>4,705.81</b>	<b>5,685.50</b>	<b>5,107.13</b>

## 17. Key Operating and Financial Data

Key operating and financial data for last five years as per Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in pages 16 to 21.

## 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 2021 amounted to BDT 372.13 million and BDT 168.35 million respectively which were BDT 377.16 million and BDT 337.87 million respectively for the year 2020. Details are given in Annexure A & B of Financial Statements.

## 20. Capital Commitments

Capital expenditures approved and contracted for, as at the reporting date is given in note number 42 (i) 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 2021 amounted to BDT 5,388.39 million consisting of 538,838,623 ordinary shares.

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

### 24.2 Debt Capital

#### Foreign term loan :

- On 25 May 2021, LankaBangla Finance Limited received USD 15,000,000, which is equivalent to BDT 1,271,700,000, as foreign currency term loan from BlueOrchard Microfinance Fund (managed by Swiss impact investment manager BlueOrchard Finance Limited). The tenure of the loan is 60 months.
- On 21 September 2021, LankaBangla Finance Limited received USD 5,000,000, which is equivalent to BDT 426,500,000, as foreign currency term loan from Financing for Healthier Lives DAC—an SPV based in Ireland, established to issue social bonds for the purpose of on-lending. The tenure of the foreign currency loan is 60 months.
- On 24 November 2021, LankaBangla Finance Limited received USD 16,000,000, which is equivalent to BDT 1,393,600,000 at the exchange rate of 87.10, as foreign currency term loan from responsAbility Investments AG, through five funds managed by it. The tenure of the foreign currency loan is 60 months.

#### 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

In 2021, Standard Chartered Bank has arranged a syndicated term loan facility of BDT 4,950 million for LankaBangla Finance Limited. Out of the raised BDT 4,950 million, LankaBangla has drawn down BDT 2,000 million in two tranches as of the reporting date. The loan will be repaid in eight (08) equal quarterly instalments (EQI) starting from the end of nine months from the initial draw down.

#### Zero Coupon Bond

LankaBangla Finance Limited received consents from Bangladesh Bank on May 25, 2021 and from Bangladesh Securities & Exchange Commission on September 5, 2021 to issue Non-Convertible, Zero Coupon Bond with face value up to BDT 3,000 million.

Details about debit capital is given in note number 10.00 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 16 to 21. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 53 and notes 13 in Financial Statements.

## 26. Shareholding

There were 29,404 nos. of registered ordinary shareholders as at 31st December 2021 (2020: 19,100). Information on distribution of shareholding and the respective percentages are given on page 53 of the Annual Integrated Report.

Details of shareholder's composition and percentage holding of the public are given in the Investor Information section on page 53 and notes 13 in Financial Statements.

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, page 95.

## 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 2021 to 31st December 2021 are mentioned in Report on Corporate Governance from page 74 and their brief profiles are given on pages 55 to 59 of the Annual Integrated Report.

## 29. Appointment of Independent Director

In compliance with the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission, LankaBangla Finance Limited appointed two Independent Directors (as against seven shareholding directors) in the Board of the Company. Mr. Md. Mehmood Husain who was appointed as an Independent Director of the Company in the 24th Annual General Meeting held on 29 April 2021 has resigned from the Board on December 2, 2021 due to his personal reason. Subsequently, the Board in its 136th meeting held on April 11, 2022 has decided to appoint Mr. Md. Fakhru Alam as an Independent Director of the Company subject to the approval of regulatory authorities. Mr. Alam, Ex-Managing Director of ONE Bank Limited previously represented the Bank in the Board of LBFL for around 8.5 years.

## 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. Mahbulul Anam	Director
	5) Mr. Al-Mamoon Md. Sanaul Huq	Independent Director
	6) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	7) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	8) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Finance Limited)	Director
	9) 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. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director

Particulars	Name of Director	Position
LankaBangla Asset Management Company Limited	1) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Independent Director
	2) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Abul Kalam Mohammad Kamruzzaman (Nominated by LankaBangla Finance Limited)	Director
	4) Mr. Quamrul Islam (Nominated by LankaBangla Finance Limited)	Director
	5) 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 2021 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 130th Board of Director's meeting held on May 31, 2021.

### 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 74 to 76 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 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 39 to the Financial Statements which form an integral part of the Annual Integrated 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 2021	Number of shares as on 31 December 2020
1	Mr. Mohammad A. Moyeen	22,842,546	22,842,546
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	51,036,605	51,036,605
3	Mr. Nanda Fernando (Nominated by Sampath Bank PLC)		
4	ONE Bank Limited	20,362,737	20,362,737
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	41,503,844	41,503,844
6	Mr. Mahbubul Anam	23,998,741	23,998,741
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque-Alternate Director)	20,993,703	20,993,703
8	Mrs. Zaitun Sayef	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, 2021 is given in page 53 of this report.

### 36. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2021

LankaBangla Securities Limited				
Sl. No.	Name of Director	Position	Shares held on 31-Dec.-2021	Shares held on 31-Dec.-2020
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.-2021	Shares held on 31-Dec.-2020
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.-2021	Shares held on 31-Dec.-2020
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.-2021	Shares held on 31-Dec.-2020
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.-2021	Shares held on 31-Dec.-2020
1	Mr. Mohammad A. Moyeen	Chairman	749,950	749,950
2	Mr. Mahbubul Anam	Director	749,950	749,950

### 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 from 47 & 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 78.

### 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 2021, the number of employees on the payroll of LankaBangla was 779 which was 764 in previous year.

Details discloser related to human resource are given pages 182 to 186 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 confirms 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 145 of this Annual Report.

### 43. 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 and 42 (j) in 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 124 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 page 109. 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 page 109 of this Annual Integrated 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 page 69.

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-c page 80.

### 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 136th meeting held on April 11, 2022 recommended the shareholders to appoint M/s. Hussain Farhad & Co. Chartered Accountants at a remuneration of BDT 550,000. LBFL has also taken prior approval from Bangladesh Bank to appoint M/s. Hussain Farhad & Co., Chartered Accountants, until completion of conclusion of the 26th 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.

Details about auditors of subsidiaries and auditor for other audit services are given in page number 04 of the Annual Integrated 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
- ▶ 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
- ▶ SAFA Best Presented Annual Report, Corporate Governance Award 2020
- ▶ SAFA Best Presented Annual Report, Integrated Reporting Award 2020
- ▶ ICAB Integrated Reporting Award 2020
- ▶ ICAB Corporation Governance Disclosures Award 2020
- ▶ ICMAB Best Corporate Award 2020

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive seventeen years from 2006 to 2021 at Dhaka Stock Exchange (DSE) & for sixteen years from 2005 to 2021 at the Chittagong Stock Exchange (CSE).

## 53. Notice of Meeting

The 25th Annual General Meeting of LankaBangla Finance Limited will be held on 31 May 2022.

The Notice of Meeting is given on page number 442 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 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 2021 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