



ANNUAL REPORT  
**2018**

**PHENIX**  
F I N A N C E  
*prepare to rise*

Being a purpose-driven organization



## Being a purpose-driven organization

Being purpose-driven is core to how we run our business. Whether it is through responsible organization, responsible business practices or creating social impact, our desire is to make a difference beyond financing to touch real people, real businesses and real lives.

## Responsible financing for the long-term

We value the relationship  
that we build with our customers.  
We genuinely want to be  
part of our customers'  
successful journey.





## Making sustainable sourcing a priority

We believe that every journey starts with a mutual commitment to excel and support each other's growth ambition. That is why we treat our customers as our partners in progress.



## Creating long-term value and effective engagement with the clients

Continue to focus on what we can control-providing our customers and clients with the best services and most comprehensive financial solutions in the market, managing our costs and doing our part to keep the economy moving forward. We look forward to your continued support, co-operation and guidance that are our constant source of encouragement in the days ahead.

## Customers first

We put our customers' needs first, always seeking to understand how to deliver real value.

## Commitment

We are personally dedicated to the success of our customers and are accountable for our actions.

## Collaboration

We achieve more working together.

## PFIL's core values

## Simplicity

We strive to simplify all the complex.

# How we create value – our business model

Our resources >

How we create value

> Our strategy

> Differentiating ourselves



*Mission*

**Mission:** We keep on going with the values of collaboration, respect, innovation, result orientation and integrity.

**Diversity:** We are specialized in offering products for different needs and customer segments. We deeply believe that each need is unique and services should be designed keeping customer's primary need in mind.



*Environment*

**Environment:** Creating a high performance Financial Institution that can survive and prosper in a rapidly changing, highly competitive, globally integrated environment.

**Innovation:** We don't remain static knowing that the world is changing every moment. Our teams are committed to reinventing services so that they reflect our passion for innovation.



*Business*

**Business:** We aim to help our customers grow and be a part of their progressive journey. That requires the right mix of profitability and risk. We are keen on building a sustainable business model.

**Focus:** We believe that this approach, driven by our principles of respect, trust and customized service, makes us more passionate to achieve success as a team.



*Products*

**Products:** Our well diversified product portfolio serves the financial aspirations of our customers. It also reflects our commitment in being relevant and progressive in the industry.



*Audit*

**Audit:** Through predictive data analytics, internal audit teams can now better monitor processes, loan sanction and disbursement and branch risk profiles. We also receive early warning of possible credit deterioration. These insights have led to better risk management through timely alerts to senior management.



*Diversity*



*Innovation*

Our business model seeks to create value for stakeholders in a sustainable way.

Our strategy is clear and simple. It defines the businesses that we will do and will not do. We use our resources to build competitive advantages. We have put in place a governance framework to ensure effective execution and risk management.

Further, we have a balanced scorecard to measure our performance and align compensation to desired behaviours.

Governing ourselves

We truly believe in growing with greatness. Our management is driving the growth agenda with timely initiatives to ensure that this organization remains at its peak performance always.

Measuring ourselves

We strive to understand our customers' businesses so that we can deliver the best products and services to help them grow.

## Our stakeholders



*Shareholders*



*Customers*



*Employees*



*Society*



*Regulators  
and policy  
makers*

# Letter of Transmittal

All Shareholders,  
Bangladesh Securities and Exchange Commission,  
Registrar of Joint Stock Companies & Firms,  
Dhaka Stock Exchange Limited and  
Chittagong Stock Exchange Limited

Dear Sir (s);

ANNUAL REPORT FOR THE YEAR ENDED ON DECEMBER 31, 2018

Enclosed please find a copy of the Annual Report together with the Audited Financial Statements for the year ended on December 31, 2018 of Phoenix Finance & Investments Limited for kind information and record.

Best Regards,

Yours sincerely



Mohammad Sayduzzaman FCA, FCS  
SEVP, Head of Investment &  
Company Secretary

# Forward Looking Statement

Certain sections of the Annual Report contain forward looking statements that are based on Management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes", "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of revenues, earnings and cash flows. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, which are:

- National political and economic conditions
- Changing in national budget
- Changing customer demand or performance for business, including the effects of economic conditions on the business:
  - Changing government policy issues
  - Withholding Tax, VAT
  - Corporate Tax Rate
  - CRR and SLR of the Financial Institutions
  - Lending rates to finance on certain items
- Volatility in interest rate
- Volatility in Capital Market
- Change in international prices of essential which is growing pressure on Foreign Exchange Market resulting to volatility in foreign exchange market
- International embargo on certain countries is likely to affect remittances and trade
- Risk management of lending portfolio often require stress testing which are based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in Finance industry is yet to acquire that sophistication.

# Company Information

52-53

## Head Office Address:

Eunoos Center (Level- 11)  
52-53, Dilkusha C/A, Dhaka-1000  
Tel : 9569007, 9555685 (Auto hunting)  
Fax : 880-2-9567787  
E-mail : mail@phoenixfinance.com.bd  
pfieldhaka@gmail.com



## Branches Address:

### Principal Branch

Eunoos Center (Level- 11)  
52-53, Dilkusha C/A, Dhaka-1000  
Tel : 9569007, 9555685  
Fax : 880-2-9567787

### Imamgonj Branch

44,45/2 Imamgonj (Ground Floor)  
Lalbagh, Dhaka-1211  
Tel : 7342995  
Fax : 880-2-7342996



### Chattogram Branch

Ayub Trade Center (2nd Floor)  
1269/B Sk. Mujib Road Agrabad C/A,  
Chattogram-4100  
Tel : 031-2516980-1, 710089  
Fax : 880-31-710086

### Dhanmondi Branch

House # 74, (2nd Floor)  
Road 5/A, Sat Masjid Road  
Dhanmondi, Dhaka-1207  
Tel : 9614410, 9614415  
Fax : 880-2-9614413



### Khulna Branch

Fatema Tower (1st Floor)  
2A, KDA Avenue, Khulna-9100  
Tel : 041-2831718  
Fax : 880-41-812931

### Gulshan Branch

Casablanca (4th Floor)  
114 Gulsan Avenue, Gulsan, Dhaka-1212  
Tel : 9850874, 9850875  
Fax : 880-2-9850876

### Bogura Branch

Satani Madrasha Building (2nd Floor)  
Eakubia School More  
Sherpur Road, Sutrapur, Bogura-5800  
Tel : 051-69828, 69769  
Fax : 880-51-69769

### SME Branch

Phoenix Bhaban (1st Floor)  
12, Dilkusha C/A, Dhaka-1000  
Tel : 9564643, 9557823, 9550519, 9565537  
Fax : 880-2-9566601

### Uttara Branch

House No. 07 (2nd Floor)  
Road No.12, Sector 06  
Uttara Model Town, Dhaka-1230  
Tel : 58954186, 5894462  
Fax : 880-2-58950504



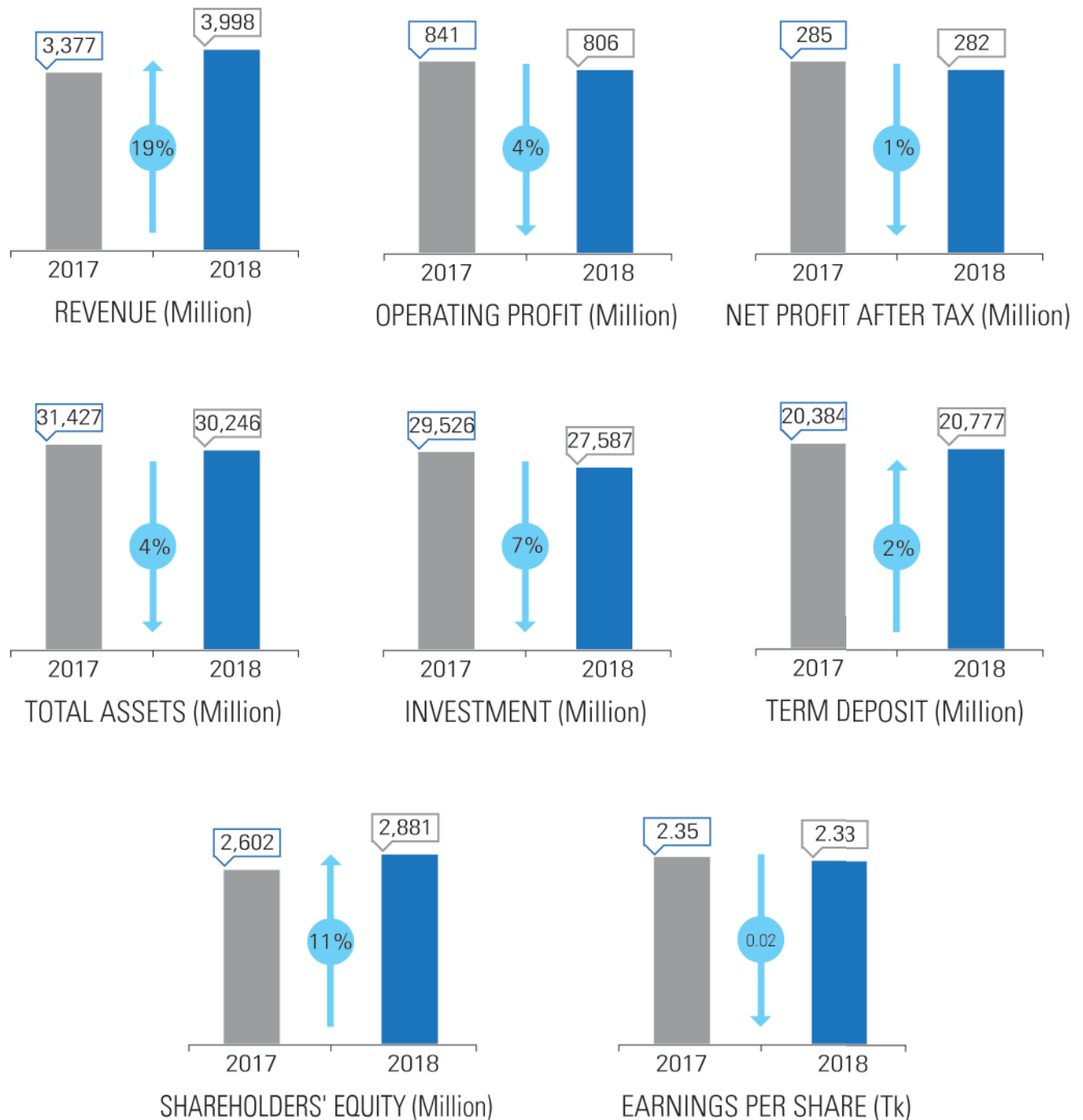
### Auditor

Mahfel Huq & Co.  
Chartered Accountants  
BGIC Tower (4th Floor)  
34, Topkhana Road  
Dhaka-1000, Bangladesh  
Phone: +88-02-9553143, 9581786  
Fax: 88-02-9571005  
E-mail: [info@mahfelhuq.com](mailto:info@mahfelhuq.com)  
Web: [www.mahfelhuq.com](http://www.mahfelhuq.com)

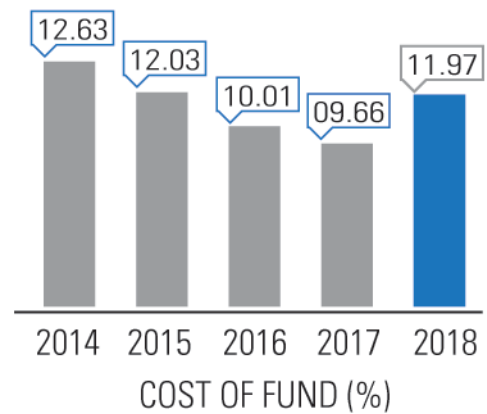
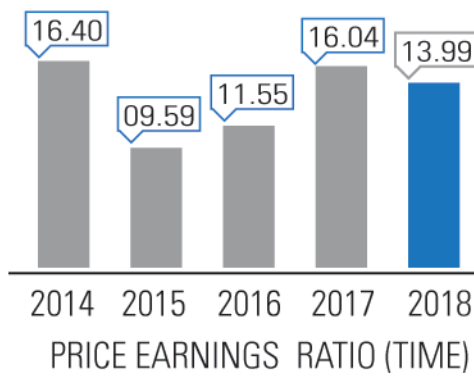
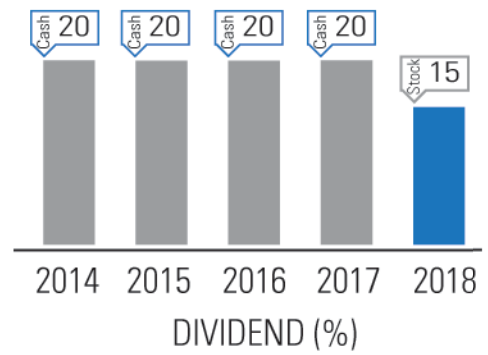
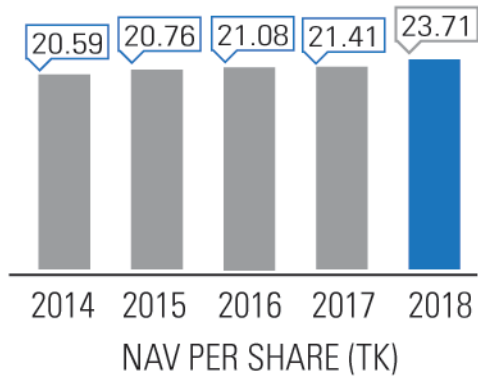


[www.phoenixfinance.com.bd](http://www.phoenixfinance.com.bd)

# Performance at a Glance



## Performance at a Glance



COST TO INCOME RATIO

**79.83%**

2017: 75.09%



ROE

**9.82%**

2017: 10.96%



NPL

**5.77%**

2017: 4.94%



ROA

**0.94%**

2017: 0.91%

## Vision

- To act as the best financial service provider in the country



## Mission

- To provide multiple financial products and services
- To provide entrepreneurship skills and enterprises
- To promote employment generation and poverty alleviation
- To accelerate the pace of industrialization for prosperous Bangladesh
- To promote passion for posterity
- To promote SME sector





## Core Values

- Collaboration: Leveraging cross functional team strengths to deliver business value
- Respect: Treat others as we expect to be treated
- Innovation: Something new or better in anything we do to deliver better value
- Result Orientation: Deliver as committed
- Integrity: Courage to do the right thing

# Overall Strategic Objectives

- Allocating scarce financial resources to capital investment through funding in capital machinery/equipment specially BMRE of the existing industrial enterprises to stimulate the industrial development of the country and also to provide financial assistance through leasing and other multi-dimensional products & services to all levels of entrepreneurs for a wider range of assets acquisition contributing to national development as well.
- Diversification of products and services to such other areas as Housing and Real Estate, Bridge Financing, Short Term and Mid Term Loan and Start-up Working Capital to cater to divergent needs of the economy.
- Providing SME financing for promoting Small and Medium Enterprises (SME) exclusively for alleviation of poverty through creation of employment and generation of income on a sustainable basis.
- Encourising small saving from the marginal Depositors with a view to giving them a competitive return as well as accumulation of Company's source of fund.
- Consistently providing the client with better value through rational innovation and productivity improvement.
- Creating a high performance Financial Institution that can survive and prosper in a rapidly changing, highly competitive, globally integrated environment.
- Promoting economic growth of the country.

# Code of Conduct or Ethical Principles

PFIL employees should strictly adhere to the following:

- Behave in such a manner that will enrich the image, dignity and reputation of the Company
- Discharge duties efficiently and faithfully
- Refrain from disclosing the confidential and sensitive information of the Company

# Milestone

|                    |   |
|--------------------|---|
| April 19, 1995     | Incorporation   |
| April 19, 1995     | Commencement of Business  |
| May 09, 1995       | Licensed under Bangladesh Bank  |
| September 21, 1995 | Signing of First Lease Agreement  |
| April, 1996        | Member, Asian Leasing & Finance Association - ALFA  |
| September 25, 1996 | Opening of Branch in Chattogram   |
| September 21, 1997 | Web Site Launched   |
| November 05, 2000  | Achieved Tk.100 crore Finance   |
| August 04, 2004    | Opening of Branch in Khulna   |
| September, 2004    | Member, Association of National Development Finance Institutions in Member countries of the Islamic Development Bank - ADFIMI |
| September 19, 2005 | Opening of Branch in Bogura   |
| January, 2006      | Member, Institute of Bankers, Bangladesh - IBB  |
| February 01, 2007  | Company changes name from PLC to PFIL   |
| February 07, 2007  | Opening of SME Branch in Dhaka  |
| February 12, 2007  | Acquisition of DSE Member Company   |
| May 20, 2007       | Prospectus issued for IPO of PFIL   |
| May 27, 2007       | Head Office shifted to Eunoos Center  |
| September 25, 2007 | Listed with Dhaka & Chattogram Stock Exchange   |
| September 27, 2007 | Trading of public shares of PFIL commenced  |
| December, 2007     | Achieved Tk. 500 Crore Finance  |
| August 28, 2008    | Opening of Uttara Branch in Dhaka   |
| May 21, 2009       | Opening of Imamgonj Branch in Dhaka   |
| August 10, 2010    | Opening of Dhanmondi Branch in Dhaka  |
| July 03, 2011      | Opening of Principal Branch in Dhaka  |
| May 24, 2012       | Opening of Gulshan Branch in Dhaka  |

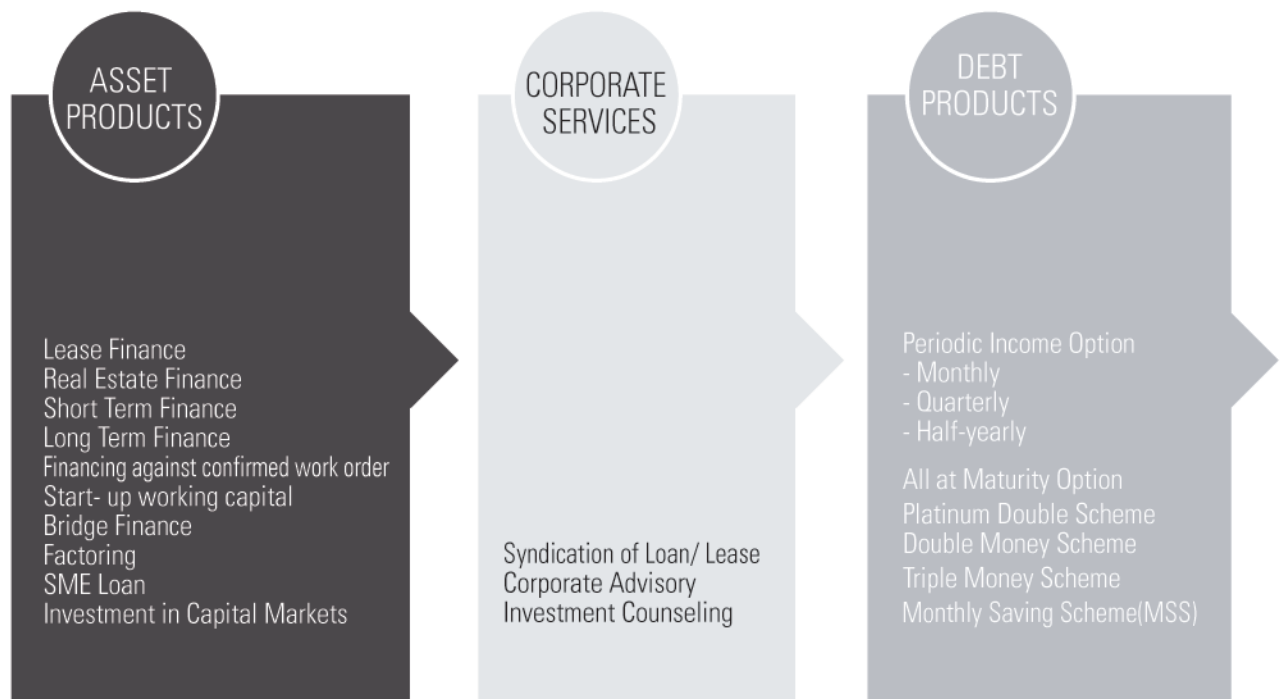
# Company Profile

Phoenix Finance & Investments Limited, one of the leading and reliable multi-products financial institutions in Bangladesh was incorporated on April 19, 1995 as a Public Limited Company under the Companies Act, 1994 and started its operation on May 9, 1995 as a Non-Banking Financial Institution named as Phoenix Leasing Company Limited under Financial Institution Act, 1993. It has changed its name to Phoenix Finance and Investments Limited (PFIL) from February, 2007 with a view to reflecting multi-dimensional financial activities of the Company and keeping a parity with the activities as it has been doing other than lease financing, which although, has remained as the prime area of the financial activities.

The authorised capital of the Company is Tk. 3,000,000,000 divided into 300,000,000 ordinary shares of Tk.10 each. Its paid-up capital stood at Tk.1,214,946,360 divided into 121,494,636 ordinary shares of Tk.10 each and the total equity of the Company stood at Tk. 2,881,026,031 as on December 31, 2018.

Sponsor shareholders of the Company include a renowned corporate body namely Phoenix Insurance Company Limited, a leading Insurance Company in Bangladesh. Others are individuals having wide range of experience in the field of commerce and industries.

PFIL now offers a wide range of financial services tailored to the needs of its customer which include:



# Financial Highlights

Amount Taka in Million

| Particulars                | 2018      | 2017      | 2016      | 2015      | 2014      |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Authorized Capital         | 3,000.00  | 3,000.00  | 3,000.00  | 3,000.00  | 3,000.00  |
| Paid up Capital            | 1,214.95  | 1,214.95  | 1,214.95  | 1,214.95  | 1,214.95  |
| Reserve & Surplus          | 1,666.08  | 1,386.76  | 1,346.06  | 1,307.49  | 1,286.38  |
| Share Holders' Equity      | 2,881.03  | 2,601.71  | 2,561.01  | 2,522.44  | 2,501.33  |
| Total Deposits             | 20,777.74 | 20,384.06 | 16,435.14 | 13,998.63 | 12,420.66 |
| Total Assets               | 30,246.42 | 31,427.29 | 24,388.60 | 20,038.04 | 17,656.25 |
| Investment Portfolio       | 27,587.37 | 29,526.19 | 22,292.59 | 17,841.19 | 15,259.32 |
| Operational Revenue        | 3,998.07  | 3,377.66  | 2,851.63  | 2,682.96  | 2,576.66  |
| Operational Expenses       | 3,191.56  | 2,536.25  | 2,170.04  | 2,002.32  | 1,921.50  |
| Operational Profit         | 806.51    | 841.41    | 681.59    | 680.64    | 655.16    |
| Net Profit Before Tax      | 474.34    | 588.59    | 556.20    | 520.19    | 437.21    |
| Income Tax                 | 191.52    | 303.48    | 273.23    | 254.76    | 238.36    |
| Net Profit after Tax       | 282.82    | 285.11    | 282.97    | 265.43    | 198.85    |
| Net Asset Value per share  | 23.71     | 21.41     | 21.08     | 20.76     | 20.59     |
| Earnings per Share         | 2.33      | 2.35      | 2.33      | 2.18      | 1.64      |
| Dividend                   |           |           |           |           |           |
| Cash                       | -         | 20%       | 20%       | 20%       | 20%       |
| Stock                      | 15%       | -         | -         | -         | -         |
| Return on Equity           | 9.82%     | 10.96%    | 11.05%    | 10.52%    | 7.95%     |
| Return on Total Assets     | 0.94%     | 0.91%     | 1.16%     | 1.32%     | 1.13%     |
| Non Performing Loans (NPL) | 5.77%     | 4.94%     | 3.76%     | 2.79%     | 4.73%     |
| Number of Branches         | 9         | 9         | 9         | 9         | 9         |
| Number of Employees        | 139       | 132       | 137       | 137       | 122       |



Registered Office: Eunoos Center (Level- 11)  
52-53, Dilkusha C/A, Dhaka-1000

# Notice of the 24th Annual General Meeting

Notice is hereby given that the 24th Annual General Meeting of Phoenix Finance & Investments Limited will be held on **June 20, 2019, Thursday at 11.30 a.m.** at "Muktijuddho Smrity Milonayaton (1st Floor)" at the Institution of Diploma Engineers, Bangladesh, 160/A Kakrail, VIP Road, Dhaka-1000 to transact the following business :

## AGENDA

1. To receive, consider and adopt the Directors' Report, Audited Financial Statements along with Auditors' Report thereon for the year ended on 31st December, 2018.
2. To declare 15% Stock Dividend for the year ended on 31st December, 2018 as recommended by the Board of Directors.
3. To elect/re-elect Directors in place of those who retired by rotation in accordance with the Articles of Association of the Company.
4. To appoint the External Auditor and Compliance Auditor of the Company for the year 2019 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board of Directors  
Sd/-  
**Mohammad Sayduzzaman** FCA, FCS  
Company Secretary

Date : May 12, 2019

## NOTES :

- The Record Date shall be **23 May, 2019 (Thursday)**.
- The shareholders whose name will appear in the Share Register of the company or in the list of the depository (CDBL) on the Record Date will be eligible to attend the meeting and will qualify for the Stock Dividend.
- Any member eligible to attend and vote at the Annual General Meeting of the Company may appoint a proxy to attend the meeting and vote on his/her behalf. Proxy Form must be affixed with revenue stamp of Tk.20.00 and should be deposited at the Share Department of the company at 'PHOENIX BHABAN' (2nd floor), 12 Dilkusha C/A, Dhaka not later than 72 hours before the time fixed for the AGM.
- Registration counter shall remain open from 9:00 am to 11.30 am on the day of AGM.
- Honorable Shareholders are requested to update mailing Address, E-mail, Bank Account no., Branch Routing no., 12 Digits taxpayer's Identification Number (e-TIN), Signature and other related information of their BO Account before record date.
- Fraction Stock Dividend amount will be credited to the respective Bank account of the shareholder through BEFTN.

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কোন ধরনের কুপন প্রদানের ব্যবস্থা থাকবে না।

# Message from the Chairman

“Trust and customized service, makes us more passionate to achieve success.”

AZIZUR RAHMAN  
Chairman



I believe that 2019 will bring new optimism and an improved platform for business, giving us the confidence that we will achieve our Business Plan for the coming year. We will remain committed to corporate and social responsibilities and in all of our actions, we will strive to ensure that all economic, environmental and social factors are taken into consideration. We believe that this approach, driven by our principles of respect, trust and customized service, makes us more passionate to achieve success under a team work.

## Respected Shareholders,

Assalamu Alaikum,

I am very inspired to have been privileged for presenting the Annual Report of the Company for the year 2018 before you. I also feel very happy to welcome you all on the event of the 24th Annual General Meeting of the Company on behalf of the Board of Directors. I would like to express our heartiest gratitude and sincere thanks for your continuous support and co-operation which has helped us to achieve the greatest success.

## Dear Shareholders,

After notable growth in 2017 and early 2018, global economic activity slowed remarkably in the second half of last year, reflecting a combination of different factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signaled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but they remain slightly more restrictive than in the fall.

Bangladesh is undergoing a transformation from a low-income to a middle-income economy. It continues to generate strong growth at 7.86% for 2018 as against the target of 7.80% driven by consumer spending and investment.

According to a United Nations Report, Bangladesh will be the third fastest growing economy in the world in terms of achieving high Gross Domestic Product (GDP) in 2019. The report titled World Economic Situation and Prospects put Bangladesh only behind South Sudan and India. Bangladesh will expand at 7.4% this year, while India at 7.6%, and South Sudan to grow at a staggering rate of 8%, it said.

The economic outlook for South Asia is highly divergent across countries. There are some economies, including Bangladesh, Bhutan and India, where economic conditions are largely positive, with GDP growth projected to remain robust in the near term.

The UN in its report, said Bangladesh economy is also set to

continue expanding at a fast pace in the near term, above 7% per year, amid strong fixed investment, vigorous private consumption and accommodative monetary policy.

As such, it may be concluded that the economy appears to be in control and the future prospects impart a positive tone. The financial system is the ultimate engine for achieving economic prosperity of a country and is involved in the mobilization of financial resources from the surplus to the deficit sector. The development of both Banks and Financial Institutions are necessary for assuring a strong and stable financial system for the country as a whole.

## Dear Shareholders,

You will be happy to know that we have made stable progress in 2018. I think you will be inspired to know that your Company posted a reasonable growth in many side in the year under review over the preceding year.

In 2018, total operational revenue remarkably increased by 18.37% from Tk. 3,377.66 million in 2017 to Tk. 3,998.07 million in 2018. Deposit stood at Tk. 20,777.74 million as on December 31, 2018 compared to Tk. 20,384.06 million of the previous year registering a growth of 1.93%. Investment portfolio stood at Tk. 27,587.37 million at the end of December 2018 registering a 6.57% decrease compared to Tk. 29,526.19 million at the end of December 2017 due to liquidity crisis in the Banks and Financial Institutions.

From collection perspective, it was a very challenging year as many businesses were affected by the liquidity crisis for a long period. The entire Management had to devote with extra efforts to ensure timely payments. At the same time, active efforts were also undertaken to recover from long standing problem exposures. The intensive and proactive monitoring yielded better result and the Non-Performing Loan ratio was kept below 6% in 2018. The level of yearly provisioning also maintained satisfactorily.

Shares of Phoenix Finance & Investments Ltd. are quoted on the Bangladeshi Stock Exchanges (DSE & CSE) and the total Market Capitalization stood at around Tk 3,960.72 million and Shareholders' Equity stood at Tk 2,881.03 million.

During the year under review, our focus and strategy was concentrated on sustainable growth of business, better deposit mix, improving the quality of assets, rationalizing operational efficiency and productivity of resources, faster customer services, strengthening the overall Risk Management and Corporate Governance.

The remarkable performance at all levels achieved mainly due to strong follow up by our energetic efforts in marketing strate-

## Message From The Chairman

gy, efficient fund management, risk analysis, diversification of products and services. I feel, this never can be achieved without continuous support and everlasting trust over us from our valued stakeholders and the untiring effort of our highly capable Management staff.

### Dear Shareholders,

I proudly announce that the Board of Directors of the Company has recommended 15% stock Dividend for the year 2018 subject to the approval of the Shareholders in the 24th Annual General Meeting. I may also make sure that the Board of Directors of your Company believes in maintaining consistent Dividend Policy. I believe, this Stock Dividend will be an event of inspiration for your investment decision. We are optimistic for receiving higher rate of dividend in the coming years.

### Dear Patrons,

Good Corporate Governance is vital for efficient and effective business operation, long-term stability and sustainable growth for any organization. The corporate governance in Phoenix Finance & Investments Limited is designed to ensure transparency and accountability at all levels in doing business. It also ensures that duties and responsibilities are appropriately segregated between the Board and Management to provide sufficient check and balance and flexibility for smooth business operations. The Board provides leadership and direction for the Management, approves strategic and major policy decisions and oversees management to attain predetermined goals and objectives of the Company, integrity and compliance throughout Phoenix Finance & Investments Ltd. are strongly encouraged by the Board.

The Board of Directors of the Company also ensures that adequate internal control systems are maintained and these are consistently complied with to provide reasonable assurance that financial records are reliable for preparation of financial statements. The Board further ensures that quality of financial reporting is also maintained, assets of the Company are safeguarded against unauthorized use or disposition and accountability for assets and business transactions are maintained.

### Dear Stakeholders,

Phoenix Finance & Investments Limited, as a leading Financial Institution of the Country has never shield away from its obligations towards the community and has continued to involve in a number of Corporate Social Responsibility (CSR) activities throughout the year, including a number of donations towards Health, Education and Charitable causes. The Company also complies with its obligation towards the environment and wishes to be a partner in sustainable development through participation agreement with Bangladesh Bank's Refinancing

Scheme in the Small & Medium Enterprise (SME) Sector, Green Banking Policy and others.

### Dear Patrons,

I believe that 2019 will bring new optimism and an improved platform for business, giving us the confidence that we will achieve our Business Plan for the coming year. We will remain committed to corporate and social responsibilities and in all of our actions, we will strive to ensure that all economic, environmental and social factors are taken into consideration. We believe that this approach, driven by our principles of respect, trust and customized service, makes us more passionate to achieve success under a team work.

### Dear Shareholders,

I take the opportunity to thank the Members of Board of Directors of the Company for their support and input during the year under review. Their collective wisdom substantially contributed to our success.

I also thank our Management and the members of the staff under the able leadership of the Managing Director for their loyalty, support and relentless efforts for Company's qualitative and quantitative improvements. I respect their zeal to work hard to reach newer heights of success.

I conclude by conveying my very sincere and special thanks and gratitude to Bangladesh Bank, the Central Bank of Bangladesh, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. Registrar of Joint Stock Companies and Firms, National Board of Revenue and all other regulatory Authorities for their support, trust and invaluable contribution. Finally, I would like to assure you that, the Board is always pursuing the best strategies to maximize profit and retain the value and goodwill of the organization.

The year 2019 will bring its own avenues of successes and challenges, but our direction is crystal clear. We will continue to focus intently on what we can control-providing our customers and clients with the best services and most comprehensive financial solutions in the market, managing our costs and doing our part to keep the economy moving forward. We look forward to your continued support, co-operation and guidance that are our constant source of encouragement in the days ahead.

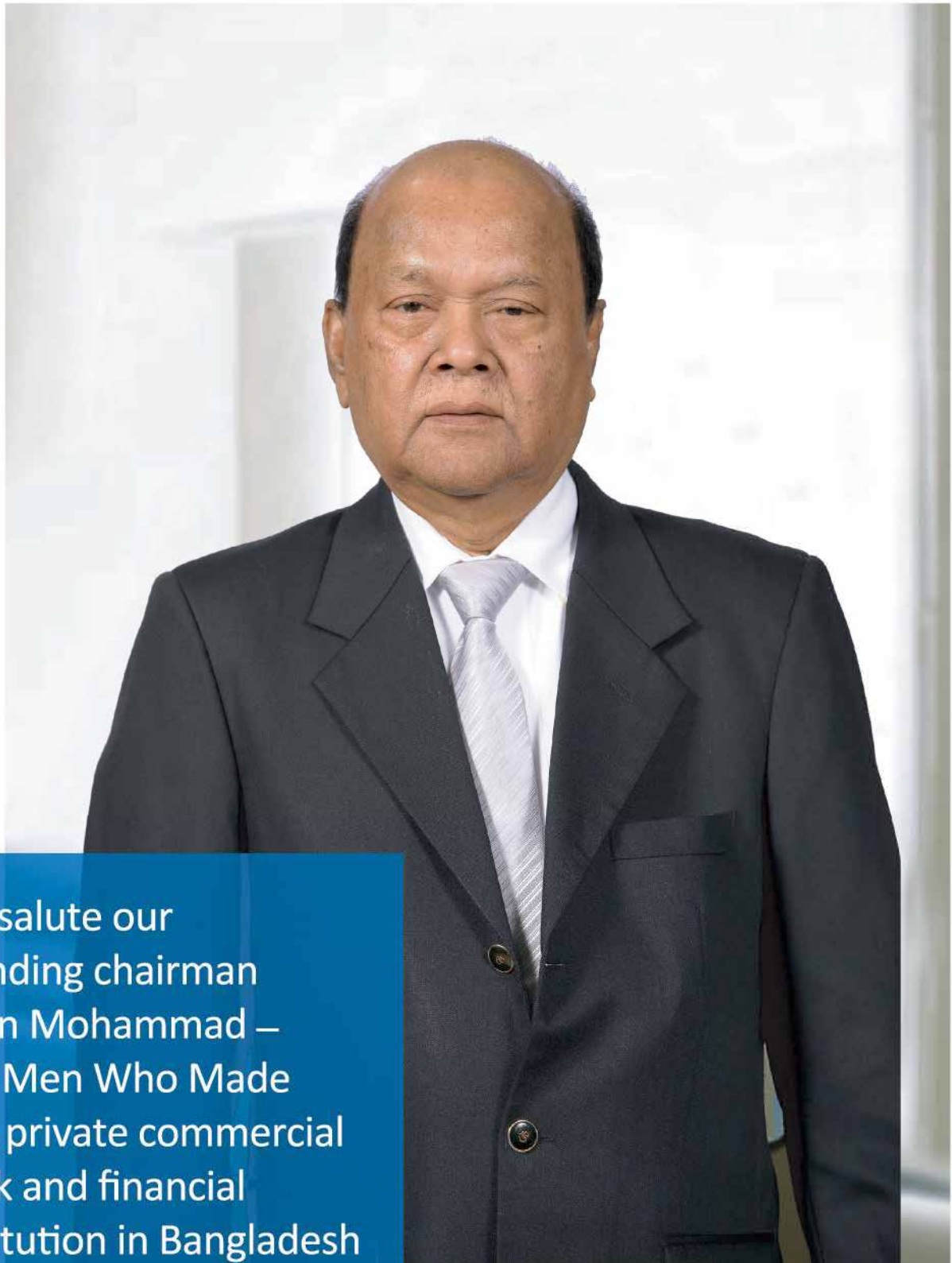
May Almighty Allah bless us.

Wishing you all the best.



AZIZUR RAHMAN  
Chairman

## The Founding Chairman & Great Entrepreneur



We salute our founding chairman Deen Mohammad – The Men Who Made first private commercial bank and financial institution in Bangladesh back in 1983.

# Board of Directors'

|   |   |   |   |   |
|---|---|---|---|---|
|  |  |  |     |        |
| <b>AZIZUR RAHMAN</b><br>Chairman<br>Representing Phoenix<br>Insurance Co. Ltd     | <b>MOBARAK ALI</b><br>Director  | <b>ABDUR RAHMAN</b><br>Director   | <b>DOST MOHAMMAD</b><br>Nominee Director<br>Representing Phoenix<br>Insurance Co. Ltd | <b>MD. RAFIUR RAHMAN</b><br>Nominee Director<br>Representing Phoenix<br>Insurance Co. Ltd |

The Board is committed to helping the company achieve long-term success. The Board provides direction to management by setting the company's strategy and overseeing its implementation. It ensures risks and rewards are appropriately balanced.



## Board Regulators

Active engagement with local and global regulators and policy makers on reforms and new initiatives that help to maintain the integrity of the financial industry.



## Deep financial knowledge and experience

More than two-thirds of the Board are professional businessmen, while the rest have extensive industry experience ranging from consumer goods to accounting.

# Board of Directors'



**RAKIBUL ISLAM KHAN**  
Nominee Director  
Representing Pakiza Cotton  
Spinning Mills (pvt.) Ltd.

**NASREEN ALI**  
Independent Director

**RESHAD IMAM**  
Independent Director

**S. M. INTEKHAB ALAM**  
Managing Director



## Board independence

A majority of our directors including the Chairman are non-executive and independent directors.



## Gender diversity

Two of ten directors are female.



## Board Review

The Members of Board of Directors of the Company for their support and input during the year under review. Their collective wisdom substantially contributed to our success.

**AZIZUR RAHMAN**

Chairman  
Representing Phoenix Insurance Co. Ltd.

Mr. Azizur Rahman, the newly appointed Chairman is an established Business personality having 40 years of experience in the Business Sector. He started his Career from the Old Town Dhaka as a Hardware Businessman. Afterwards he uplifts himself to the Service Sector of the Country and established himself in the Financial Sector accordingly. He travelled many Countries in the World and participated with various Business Programme at Home and Aboard.

**MOBARAK ALI**

Director

Mr. Mobarak Ali, Director is a renowned Business Personalty. He is a Graduate with a bright Business Career for more than 50 years. Mr. Mobarak Ali is a Founder & Sponsor of various Business Organizations such as Phoenix Insurance Co. Ltd., The City Bank Ltd., Phoenix Securities Limited and Phoenix Holdings Limited and also Steel Manufacturer like Tiger Steel Re-Rolling Mills Ltd.

**ABDUR RAHMAN**

Director

Mr. Abdur Rahman, Director obtained his graduation (B.Sc.) from Dhaka University. He obtained Diploma in ADB from Stokholm University, Sweden in the year 1976. After return home, he started his Business career with shipping and trading in 1981. In 1988 he established Appollo Steel Mills Ltd. in Tejgaon, Dhaka as founder Director which was the first corrugated Steel Sheet manufacturer in Bangladesh. Presently he is involved with Appollo Ispat Complex Ltd., Burigangga Floating Pumps Ltd., Rangdhanu Spinning Mills Ltd. etc. as Director. Mr. Abdur Rahman is engaged in many social welfare activates since long.

**DOST MOHAMMAD**

Nominee Director  
Representing Phoenix Insurance Co. Ltd.

Mr. Dost Mohammad is a successful Businessman from Dhaka, having 15 years of experience in Import & Export. He passed Bachelor Degree (Hons.) in Accounting from Jagannath University. Mr. Dost Mohammad is also established in Manufacturing Sector. He is the owner of M/S. A. M. S. Corporation & M/S. Abrar Steel Corporation through which he has been running his Steel Manufacturing Business countrywide. He travelled extensively many Countries for the purpose of Business promotional activities.

**MD. RAFIQR RAHMAN**

Nominee Director  
Representing Phoenix Insurance Co. Ltd.

Md. Rafiqur Rahman, Nominee Director is a post Graduate from Dhaka University in Accounting and completed C.A. (Inter) and LL.B. He has started his career with YOUNGONE Group, Saver, Bangladesh in 1995. Mr. Rafiqur Rahman joined in the Phoenix Insurance Company Ltd. in 2007 as Company Secretary to the rank of DGM and at present he is holding the position of the Senior General Manager. Mr. Rahman looks after the Board & legal matter of the company. Prior to this assignment, he has served with Chemical Industries (listed company of DSE), YOUNGONE group, Express Insurance Ltd. and Energypac Engineering Ltd. in various important capacities. During his service period, he attended a good number of training courses in relation to Accounts & Finance, Board, Company Law and Securities & Exchange Rules etc. He also completed a training course on "Internation Financial Reporting Standards" from the Institute of Chartered Accountants in England and Wales (ICAEW).

**RAKIBUL ISLAM KHAN**

Nominee Director  
Representing Pakiza Cotton Spinning Mills (pvt.) Ltd.

Mr. Rakibul Islam Khan, Nominee Director is a renowned young businessman of the country. His business career started in an established large dyeing & printing units in the country named Pakiza Textile Ltd. and Pakiza Spinning Mills Ltd. He is a Director of various concerns of Pakiza Group including Textile, Spinning, Cotton etc. He has traveled widely in most of the countries of the world in connection with his trading business and industries. He is a well educated young businessman and is independently managing the family business for the last 10 years. He is also involved with social and economic activities at home and abroad.

## Board of Directors' Profiles

### **NASREEN ALI**

Independent Director

Ms. Nasreen Ali has a solid educational background in home and abroad. She has completed Business Administration-Management Programme at Seneca College (1978-1982) at Toronto, Canada. She worked as Cosmetologist, Manager & Head of Accounts in various Business Organizations in Canada and voluntarily worked with various Socio-Economic Centers in Canada. Ms. Nasreen has more than 10 (ten) years of Corporate Management experience.

### **RESHAD IMAM**

Independent Director

Mr. Reshad Imam, a highly qualified young Personality has vast experience in Corporate Laws and Practice with regards to the Finance and Banking sector of Bangladesh. Mr. Reshad Imam is a Barrister-at-Law and an Advocate of the Supreme Court of Bangladesh and a Partner of one of the nation's leading Law Firm, named Akhtar Imam & Associates. He had experience of many multinational and local Companies regarding matters of legal disputes especially in the Banks and Finance Companies from the beginning of his professional Career. He did his Master of Law (LL.M) at University of Cambridge (Wolfson College) and LL.B (Hons.) at University of Buckingham. He also has teaching experience with London College of Legal Studies, Dhaka, Bangladesh.

### **S. M. INTEKHAB ALAM**

Managing Director

Young and Investment Banking personality, S. M. Intekhab Alam is currently carrying out his responsibility as the Managing Director of Phoenix Finance & Investments Ltd. since 1st January 2008. He is an MBA, major in Finance from Institute of Business Administration (IBA), University of Dhaka. S. M. Intekhab Alam started his career with the Banking Sector of Bangladesh in the year 1990. As a probationary officer of Pubali Bank Limited. As a man of great integrity and sincerity, Mr. Alam performed his duty and responsibility and enhanced his bright career in seven local and foreign banks such as Pubali Bank Limited, ANZ Grindlays Bank, Standard Chartered Grindlays Bank, BRAC Bank Limited, The Premier Bank Ltd. and Southeast Bank Ltd. in different capacities. Within a short period of time, he rose to the zenith position of banking and financial sector, which is very rare.

Mr. Alam took part in various training programs at home and abroad, which included Foreign Exchange and International Trade, Lending Risk Analysis, Relationship Banking, Corporate Finance etc. He is a Trainer of BIBM and different Institutions. He was a part time faculty member of Asian University of Bangladesh and BRAC University. He is a permanent member of Dhaka Club Limited. Mr. S. M. Intekhab Alam was awarded "Atish Dipankar Gold Medal-2008" for his outstanding performance in the financial sector. As a result of his sincere contribution to, Phoenix Finance & Investments Limited, it has been awarded with the International Star Award for Quality (ISAQ) in the Gold Category from Business Initiative Directions (BID), a prominent business organization based in Madrid, Spain for its commitment to excellence, innovation, customer satisfaction, technology, leadership and strategic planning. He attended the Prize Giving Ceremony in Geneva, Switzerland held on 06th September, 2010.

# Executive Committee of the Board of Directors

Chairman  
Azizur Rahman

Members  
Mobarak Ali  
Rakibul Islam Khan

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# Audit Committee of the Board of Directors

Chairperson  
Nasreen Ali

Members  
Azizur Rahman  
Mobarak Ali

# Senior Management



**S. M. Intekhab Alam**  
Managing Director



**Dr. M. Shah Alam**  
Deputy Managing Director



**Mohammad Sayduzzaman** FCA, FCS  
SEVP, Head of Investment & Company Secretary



**Md. Badrul Haque Patwary**  
EVP, Head of HR, Logistic & Public Relations Division and Credit Administration Division



**Md. Abu Sukkur**, FCGA, FCS  
EVP, Head of Finance & Accounts



**Mohammed Mahbub Alam**  
VP & Head of Credit Risk Management (CRM)



**Sardar Mahbub Ali**  
SAVP & Head of Internal Control and Compliance Division (ICCD)



**Mohammed Ashaduzzaman**  
AVP, Head of Treasury & Liability

**1 S. M. INTEKHAB ALAM**  
Managing Director

Young and Investment Banking personality, S. M. Intekhab Alam is currently carrying out his responsibility as the Managing Director of Phoenix Finance & Investments Ltd. since 1st January 2008. He is an MBA, major in Finance from Institute of Business Administration (IBA), University of Dhaka. S. M. Intekhab Alam started his career with the Banking Sector of Bangladesh in the year 1990. As provationary officer of Pubali Bank Limited. As a man of great integrity and sincerity, Mr. Alam performed his duty and responsibility and enhanced his bright career in seven local and foreign banks such as Pubali Bank Limited, ANZ Grindlays Bank, Standard Chartered Grindlays Bank, BRAC Bank Limited, The Premier Bank Ltd. and Southeast Bank Ltd. in different capacities. Within a short period of time, he rose to the zenith position of banking and financial sector, which is very rare. Mr. Alam took part in various training programs at home and abroad, which included Foreign Exchange and International Trade, Lending Risk Analysis, Relationship Banking, Corporate Finance etc. He is a Trainer of BIBM and different Institutions. He was a part time faculty member of Asian University of Bangladesh and BRAC University. He is a permanent member of Dhaka Club Limited. Mr. S. M. Intekhab Alam was awarded "Atish Dipankar Gold Medal-2008" for his outstanding performance in the financial sector. As a result of his sincere contribution to, Phoenix Finance & Investments Limited, it has been awarded with the International Star Award for Quality (ISAQ) in the Gold Category from Business Initiative Directions (BID), a prominent business organization based in Madrid, Spain for its commitment to excellence, innovation, customer satisfaction, technology, leadership and strategic planning. He attended the Prize Giving Ceremony in Geneva, Switzerland held on 06th September, 2010.

**2 DR. M. SHAH ALAM**  
Deputy Managing Director

Mr. Alam holds the position of the Deputy Managing Director of the Company. He Joined Phoenix Finance & Investments Limited in the year 2006 as Executive Vice President. Dr. Shah Alam started his career with Bangladesh Shilpa Bank (renamed as BDBL) as Officer Grade III in 1974. Prior to his present position he worked in almost all the functional areas in different capacities in the Banking Sector of the Country. He served as Executive Vice President in Social Investment Bank Ltd., as Head of Evaluation and Monitoring Division and Company Secretary in Grameen Bank (Project), as Deputy General Manager in Bank of Small Industries & Commerce Bangladesh Ltd. (BASIC) and in Bangladesh Shilpa Rin Sangstha (BSRS), now renamed as BDBL. Dr. Shah Alam has a very rich academic and professional track record. He obtained B.Sc. Engineering. (Mechanical) Degree from Bangladesh University of Engineering & Technology (BUET). He is also an MBA from Asian University of Bangladesh. Besides that, he obtained his Doctorate Degree (Ph.D) in Management from world reputed Oxford Trent University, Texas, USA. He took part in various training in home and abroad on Development Banking, Project Implementation Supervision, Financial Management and Policy, Portfolio Management in Financial Institutions, Risk Management etc. He also worked as Part time Teacher of Asian University of Bangladesh (AUB) and BRAC University. Earlier he taught in BIBM and Rupali Bank Training Institute. Dr. Shah Alam has been involved with social activities also. He is a Life Member of the Islamia Eye Hospital Society, Dhaka, Life Fellow of Institute of Engineers Bangladesh, Adviser, Lion's Club, Founder and Managing two schools named "Selima Alam Shishu Shikhalay", in Agailjhara, Barisal. Dr. Shah Alam is a Freedom Fighter. He took active part in the Liberation War of Bangladesh in Sector No.9.

**3 MOHAMMAD SAYDUZZAMAN** FCA, FCS  
SEVP, Head of Investment  
& Company Secretary

Mr. Sayduzzaman is working as the Senior Executive Vice President, Head of Investment & Company Secretary. He Joined the Company in August, 2005, held the position of Head of Finance & Accounts & Secretary to the Board. Mr. Sayduzzaman has a bright Academic and Professional Career. He obtained Masters Degree in Accounting from Jagannath University, Dhaka. He is a Fellow Member of both the Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Chartered Secretaries of Bangladesh (ICSB). Enlightened with a solid Professional background, Mr. Sayduzzaman, prior to joining Phoenix Finance & Investments Ltd., worked as the Company Secretary and Chief Accountant with Insurance and Manufacturing Companies. He participated in a number of Professional Training, Seminar, workshop & Symposium at Home and Abroad. Mr. Sayduzzaman is also engaged on various Educational, Professional & Social Organizations.

**4 MD. BADRUL HAQUE PATWARY**  
EVP, Head of HR, Logistics & Public  
Relations Division and Credit  
Administration Division

Having a long experience with the Banking Sector of Bangladesh, Md. Badrul Haque Patwary joined Phoenix Finance & Investments Ltd. on 14th July, 2005. During his tenure of office he held top management position in administration and at present, he is discharging the responsibility as Executive Vice President and Head of Human Resources and Logistics & Public Relation Division and Credit Administration Division of the Company. He served quite some time in Business Division also. Prior to joining Phoenix Finance, he served in various positions as Head of Branches in a first generation commercial Bank. With a brilliant academic record,

## Senior Management

Mr. Patwary obtained his graduation with Honours and Post Graduation in Management from the Faculty of Commerce, University of Dhaka. He is a Diploma Associate of Institute of Bankers Bangladesh. He also obtained Bachelor Degree in Law. A number of Professional Training, Seminar, workshop & Symposium has been participated by him at Home and Abroad.

**5 MD. ABU SUKKUR, FCGA, FCS  
EVP, Head of Finance  
& Accounts**

Md. Abu Sukkur, well educated both in academic and professional side, joined Phoenix Finance and Investments Limited (PFIL) in March, 1998. Currently he holds the position of Executive Vice President and Head of Finance & Accounts of the Company. Mr. Abu Sukkur started his career with a reputed Insurance company named National Life Insurance Company Ltd. in the year 1992. He attained vast experience in the financial sector. He obtained M.Com and LL.B Degrees under University of Dhaka. He is also an MBA with major in Finance & Banking. In his Professional career Mr. Md. Abu Sukkur is a Fellow Member of the Institute of Chartered Secretaries of Bangladesh, the Institute of Certified General Accountants of Bangladesh, Member of the Institute of Personnel Management of Bangladesh and Member of the Institute of Internal Auditors of Bangladesh.

**6 MOHAMMED MAHBUB ALAM  
VP & Head of Credit Risk  
Management (CRM)**

Experienced with a combination of Finance, Investment & Commercial Banking Mr. Alam joined Phoenix Finance in 2011 as Senior Assistant Vice President. At present, he is working as the Head of Credit Risk Management (CRM). In his educational life, he obtained Post-graduation Degree in Accounting from Dhaka University, MBA Degree from Institute of Business Studies (IBS) and also completed three and half year C.A. Articleship Course from A. Haque & Company, Chartered Accountants, Dhaka.

Mr. Alam, has over 20 years of financial services experience and held various positions. He started his career with Uttara Bank Ltd. as Officer Grade-I in 1999. Subsequently he served with National Bank Ltd. and ONE Bank Ltd. with different positions including the Head of Branch, Head of Lease Finance, Head of General Banking, Unit Manager and Relationship Manager. During his service tenure, Mr. Alam participated in various Professional and Institutional training, Seminar and Workshop conducted by BIBM, BBTI, IFC & SEDF, ICAB, ICMA, Uttara Bank Training Institute, National Bank Training Institute, ONE Bank Training Institute and BSEC.

**7 SARDAR MAHBUB ALI  
SAVP & Head of Internal  
Control and Compliance  
Division (ICCD)**

Sardar Mahbub Ali, holds the position of SAVP & Head of Internal Control & Compliance Division of the Company. He started his service career with a reputed life insurance company as Officer Grade-1 on September 23, 1995. He joined Phoenix Finance & Investments Ltd. as a Probationary Officer on February 1, 1999. During his long tenure of service with the Company he held different positions as FAVP & Asst. Manager, Khulna Branch & Bogra Branch, AVP, Finance & Accounts & Investment Division, Head Office and AVP & Manager Operation of Principal Branch of the Company. Having a bright educational background, Mr. Mahbub Ali obtained B.Com (Hons.), M. Com in Accounting under Rajshahi University. He also Completed Chartered Accountancy Articleship. He is an MBA with major in Finance from Stamford University Bangladesh. During his service Mr. Mahbub Ali participated in various training courses such as Corporate Tax Management, Lease Financing in Daily Business, Leasing and Asset based funding preparing for the New Millennium, Merchant Banking, Financing Management for Small & Medium Enterprises, SME Market Segmentation Database etc.

**8 MOHAMMED ASHADUZZAMAN  
AVP, Head of Treasury & Liability**

Mohammed Ashaduzzaman, has vast knowledge on his responsibility for Treasury Management, day to day operation of financial matters of the Company and preparation of the different types of reports and managing IT infrastructure, security, networking. He is also involved in software implementation project of the Company. Mr. Ashad joined Phoenix Finance and Investments Limited (PFIL) in March 2007. Prior to joining in Phoenix Finance, he was the Assistant Manager of Finance & Accounts Division of BD Finance Ltd. Mr. Ashad completed his Honors with 1st class and Masters in Accounting from Comilla Victoria Govt. College under National University with an excellent academic record. Thereafter, he completed Chartered Accountancy course from Rahman Rahman Huq (RRH), a member firm of KPMG International one of the big4 Audit & Accounting firms in the world. During his tenure with RRH he conducted Audit and provided advisory services to many National & Multinational Organizations. Mr. Ashad attended numerous trainings, seminars organized by reputed local and international organizations.

# Committees

## COMMITTEES

### MANAGEMENT COMMITTEE (MANCOM)

S. M. Intekhab Alam  
Managing Director

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

### ASSET LIABILITY COMMITTEE (ALCO)

S. M. Intekhab Alam  
Managing Director

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Ashaduzzaman  
Head of Treasury

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

### CREDIT COMMITTEE

S. M. Intekhab Alam  
Managing Director

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

### BASEL II IMPLEMENTATION COMMITTEE

S. M. Intekhab Alam  
Managing Director

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

### ETHICS (NAITIKATA) COMMITTEE

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

## Committees

### SUSTAINABLE FINANCE COMMITTEE

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

### ICT STEERING COMMITTEE

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

### ICT SECURITY COMMITTEE

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Board Secretariat Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

### ICT RISK MANAGEMENT COMMITTEE

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Board Secretariat Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

# FORUM/UNITS/CELLS/DESK/TEAM

## RISK MANAGEMENT FORUM

Dr. M. Shah Alam  
Deputy Managing Director

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Sardar Mahbub Ali  
Head of Internal Control & Compliance Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

## RISK ANALYSIS UNIT

Md. Sajedur Rahman  
Senior Principal Officer

Sk. Aktarul Alam  
Senior Officer

## CENTRAL COMPLIANCE UNIT (CCU)

Dr. M. Shah Alam  
Deputy Managing Director & CAMLCO

Sardar Mahbub Ali  
Head of ICCD & DCAMLCO

Mohammed Mahbub Alam  
Head of CRM

Mohammed Ashaduzzaman  
Head of Treasury

Md. Sajedur Rahman  
Senior Principal Officer, ICCD

## CENTRAL CORE RECOVERY UNIT (CCRU)

Dr. M. Shah Alam  
Deputy Managing Director

Md. Badrul Haque Patwary  
Head of Credit Administration Division

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

## WOMEN ENTREPRENEUR DEVELOPMENT UNIT

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Rahat Mahmud Bappi  
Principal Officer

Md. Anowar Hossain  
Principal Officer

## SUSTAINABLE FINANCE UNIT

Mohammed Mahbub Alam  
Head of Credit Risk Management Division

Rahat Mahmud Bappi  
Principal Officer

Md. Anowar Hossain  
Principal Officer

Mahmudul Hassan Parvez  
Officer

## CORPORATE SOCIAL RESPONSIBILITY (CSR) UNIT

Md. Badrul Haque Patwary  
Head of Human Resources Division

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Mohammed Ashaduzzaman  
Head of Treasury

Mahmudul Hassan Parvez  
Officer

## COMPLAINT CELL

Md. Badrul Haque Patwary  
Head of Human Resources Division and  
Credit Administration Division

## BASEL II IMPLEMENTATION DESK

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Md. Abdus Sobur  
Principal Officer

## FORUM/UNITS/CELLS/DESK/TEAM

## STRESS TESTING TEAM

Md. Abu Sukkur, FCGA, FCS  
Head of Finance & Accounts Division

Md. Abdus Sobur  
Principal Officer

INTEGRATED SUPERVISION SYSTEM  
(ISS) DESK

Mohammed Ashaduzzaman  
Head of Treasury Division

Razwanul Kabir  
Senior Principal Officer

Sabbirul Haque Chowdhury  
Principal Officer

Rahat Mahmud Bappi  
Principal Officer

Md. Abdus Sobur  
Principal Officer

Sk. Aktarul Alam  
Senior Officer

Mahmudul Hassan Parvez  
Officer

INTEGRITY STRATEGY IMPLEMENTA-  
TION CELL

Md. Badrul Haque Patwary  
Head of Human Resources Division

Farzana Sultana  
Assistant Vice President

Md. Sajedur Rahman  
Senior Principal Officer

Mahmudul Hassan Parvez  
Officer

## INNOVATION TEAM

Dr. M. Shah Alam  
Deputy Managing Director

Md. Badrul Haque Patwary  
Head of HR, Logistic & Public Relations Division  
and Credit Administration Division

Farzana Sultana  
Assistant Vice President

Md. Sajedur Rahman  
Senior Principal Officer

COMPUTER INCIDENT RESPONSE  
TEAM

Mohammad Sayduzzaman FCA, FCS  
Head of Investment & Company Secretary

Md. Badrul Haque Patwary  
Head of Human Resources Division and  
Credit Administration Division

Mohammed Ashaduzzaman  
Head of Treasury Division

Mohammad Arshed Rasheed  
Head of Information Technology Division

Muhammad Badrul Manir  
Senior Officer

Sk. Aktarul Alam  
Senior Officer

# Managing Director's Review

“Transparency and accountability at all levels in operation of our business and financial activities.”

S. M. Intekhab Alam  
Managing Director



Our Board of Directors provides able leadership and appropriate directions for the Management in order to implement strategic and major policy decisions to attain predetermined goals and objectives of the Company. Honesty, Integrity and compliance are strongly encouraged by the Board and maintained accordingly.

Honorable Shareholders, respected Members of the Board of Directors and my colleagues,

Assalamu Alaikum,

It is a great pleasure and opportunity for me to present the overall performance for the year 2018 and future aspirations of our esteemed Financial Institution. The year 2018 gave us an opportunity to focus on Expansion of Business, redefining our profit centers, strengthening our Human Resources and ensuring compliance and core risks. We believe that our efforts would help the Company to face unforeseen shocks and achieve sustainable growth in the years to come.

With a sustained average economic growth nearly 7% in the last ten years (2008-2018), Bangladesh now proudly stands as an emerging trade and investment destination. The country's explicit position for peace and harmony, regional stability, cooperation, economic development through international and regional trade with its trade partners and an increasing flow of remittance by expatriate Bangladeshis living across the world have helped the country to achieve and retain the impressive economic status. In FY 2017-18, GDP growth was 7.86 % and it is expected to grow around 8.25% in the FY 2018-19. A strong domestic demand, high export growth and continued expansion of infrastructural facilities attributed to the accomplishment of accelerated growth.

International Monetary Fund (IMF), in its World Economic Outlook, 2018, has ranked Bangladesh as the 44th largest economy in the world in terms of nominal GDP in 2017 and 32th in terms of purchasing power parity. Standard & Poors latest credit rating for Bangladesh stands at BB-. Moody's rating for Bangladesh sovereign debt is Ba3. The transfer and convertibility (T&C) assessment remains 'BB-'.

RMG is the main item of export of Bangladesh surpassed US\$34 billion in 2017-2018 and accounts to 83% of total exports. Remittances sent by Bangladeshi expatriates totalled US\$15 billion in 2017-18 financial year, also forms a very important pillar of the country's economy. Bangladesh has also attained a satisfactory foreign currency reserves in recent months which stands at US\$33.41 billion in the fiscal year 2017-2018.

Bangladesh Government's twin policy initiatives--'Vision 2021' and 'Digital Bangladesh' envisage Bangladesh becoming Middle-Income country by 2021 and a developed country by 2041. The World Bank upgraded Bangladesh a Lower Middle-Income country in 2015 and projected to be one of the top 30 economies in the world by 2030. In the year 2018, the UN Committee on Development Policy (CDP) declared Bangladesh's legibility for graduation from LDC to Developing country.

However, I would like to draw your attention to the satisfactory performance of Phoenix Finance & Investments Limited in many avenue of the Business amidst the global and national challenges confronted by the Finance Industry over the whole year of 2018. Term Deposit Balance of Tk.20,777.74 million as on December 31, 2018 compared to Tk.20,384.06 million of the previous year registering a growth of 1.93%. The growth was supported by Branch network and high standard products and services along with competitive interest rate offered to customers over the previous year, in the form of all traditional manners including Monthly Deposit Schemes.

The Investment portfolio stood at Tk. 27,587.37 million at the end of December 2018, showing a decreased of 6.57% as compared to the year 2017. In 2017, growth was 32.45% with a total portfolio of Tk. 29,526.19 million at the end of December 2017 compared to Tk. 22,292.59 million at the end of December 2016. As on December 31, 2018, total Assets of the Company stood at Tk.30,246.42 million showing decrease of 3.76% as against Tk.31,427.29 million in the year 2017.

The Paid up Capital of the Company recorded at Tk.1,214.95 million as on 31st December, 2018. The Company also maintains Capital Adequacy Ratio at 10.35% which is above the required Margin of Adequate Capital Ratio for NBFIS @ 10%. Reserve & Surplus Tk. 1,666.08 million and Shareholder's Equity stood at Tk. 2,881.03 million reflecting reasonable growth. Earnings per share (EPS) stood at Tk. 2.33 during 2018. NAV stood at Tk. 23.71 per share. Average Cost of Fund increased to 11.97% during the year compared to 9.66% in the preceding year due to increase of Interest Rate on borrowing.

The Non-Performing Loan (NPL) ratio was 5.77% of total loan as on December 31, 2018, which was 4.94% in the previous year which is well comparable. The Company has made adequate provisions against classified loans as per Bangladesh Bank Guidelines. Strong recovery drives continued all over the year and monitoring is done regularly to reduce the quantum of classified loan.

During the year 2018, after making all provisions including general provisions on unclassified loans, profit before tax stood at Tk.474.34 million. The Net profit of the Company stood at Tk. 282.82 million in 2018 compared to Tk. 285.11 million in 2017.

Despite a challenging environment we have been able to strengthen the basic foundation of our profit centers for a rapid and sustainable growth. The growth has mainly resulted from quality investment in large corporate Organizations. It will make you inspired to know that the Board of Directors of the Company recommended Stock Dividend @ 15% to its Shareholders for the year 2018 subject to the approval of the Shareholders in the 24th

AGM of the Company. The Board also optimized that the rate of dividend would be increased in the years to come.

I am pleased to inform you that Phoenix Finance has been rated "A+" (pronounced as single A+) and in long term and "ST-2" (Standard-2) in short term and other relevant qualitative and quantitative information up to the date of rating under the Credit Rating Companies Rules, 1996 assigned by Alpha Credit Rating Limited. The above assigned rating has been positively influenced by increased level of disbursement & revenue, well managed investment portfolio, properly diversified loan portfolio, acceptable liquidity management etc. Highly qualified management team & their relevant experience has also supported the rating to a great extent, positive attitude towards compliance requirements has been observed by sufficient CRR, SLR & higher level of provision compared to the requirement. Financial institutions rated in this category are adjudged to have adequate safety for timely repayment of financial obligations.

Corporate Social Responsibility (CSR) activities of our Company continued to rise considerably. The Company extended support to the socially relevant activities and proved its strong participation to the CSR activities through donation to promote Education, Health and for the well being of under privileged population segments and emergency support in humanitarian distresses.

A high quality and competent human resource is essential for continued growth and success of the Company, which can be achieved by improving skill, knowledge and productivity of the employees. Keeping this in view, we emphasize on the human resources development through imparting trainings both in home and abroad. In order to provide better and faster services to the clients by a team of skilled work forces, we are offering healthy working environment and competitive compensation packages.

With the increase of the branch network and product diversification, the challenge of timely recruitment of motivated human resources for the branch offices and Head Office as well for expanding businesses was met successfully.

Our Company also complied with all norms of Corporate Governance Guidelines as imposed by the Bangladesh Securities and Exchange Commission (BSEC) and the Prudential Guidelines of Bangladesh Bank, specially the best practice of Good Governance which is an integral part for running the Organization effectively and efficiently under Regulatory Requirements and also to ensure stability and sustainable growth. We ensure transparency and accountability at all levels

in operation of business and financial activities, also the duties and responsibilities and code of conduct of the Board and Management. Our Board of Directors provides able leadership and appropriate directions for the Management in order to implement strategic and major policy decisions to attain predetermined goals and objectives of the Company. Honesty, Integrity and compliance are strictly followed by the Company which are strongly encouraged by the Board and maintained accordingly.

I, on behalf of the Management would like to express my gratitude and thanks to the Government of the Peoples Republic of Bangladesh, Governor and other Officials of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE) and Registrar of Joint Stock Companies and Firms for providing their gracious help, valuable guidance and co-operation to the Company from time to time.

We are grateful to our Board of Directors for their valuable guidance, prudent and very timely decisions to drive the Company to the ultimate destination. We firmly believe that we have a committed, sincere, hardworking team who can make the dreams true by meeting financial and operational objectives of the Company as well as the needs and expectations of our customers and people of the country as well.

May Allah bless us.

Thanking you all

Wishing a prosperous coming year 2019.

Regards



S. M. Intekhab Alam  
Managing Director

# Head of Branches

We distribute value to our customers in several ways. Some manifest themselves in financial value while others bring about intangible benefits.



**Shireen Akter Karim**  
EVP & Head of  
Principal Branch



**Rebeka Akhter**  
EVP & Head of  
Uttara Branch



**Md. Aminul Hoque**  
SAVP & Head of  
Imamgonj Branch



**N. A. M. Salimullah**  
SAVP & Head of  
Bogra Branch



**Mohammad Habib Ullah Chowdhury**  
AVP & Head of  
SME Branch



**Md. Rumman Hossain**  
AVP & Head of  
Gulshan Branch



**Mohammad Mizanur Rahman**  
FAVP & Head of  
Chittagong Branch (cc)



**Mohammad Tuhin Khandaker**  
FAVP & Head of  
Dhanmondi Branch



**A. S. Mostafa Zaman**  
SPO & Head of  
Khulna Branch (cc)

**1 SHIREEN AKTER KARIM**  
EVP, Head of Principal Branch

Shireen Akter Karim has been working for Phoenix Finance & Investments Ltd. since its inception in 1995. During her tenure of Office, she held various positions in the Company and at present she is discharging the responsibility as Executive Vice President and Head of Principal Branch of the Company. She successfully held various responsible position in her long tenure of service, especially in the area of Business & Operation of the Company. In her educational life, Ms. Shireen obtained Masters Degree in Finance & Banking from Dhaka University. Besides, she participated in a number of Professional Training, Seminar, Workshop & Symposium at home and abroad.

**2 REBEKA AKHTER**  
EVP & Head of Uttara Branch

Ms. Rebeka Akhter, EVP has been working with Phoenix Finance & Investments Limited since September, 1995. After joining the company, she held various positions in the company. She worked as Divisional Head of Treasury & Liability Division. She is holding the position of Head of Uttara Branch since August, 2008. Ms. Rebeka Akhter obtained Masters Degree in Accounting under Dhaka University. She completed C.A. Article Ship from a renowned Chartered Accountancy Firm. During her long tenure of service, she participated in various professional Training, Workshop & Seminar.

**3 MD. AMINUL HOQUE**  
SAVP & Head of Imamgonj Branch

Md. Aminul Hoque is working as Senior Assistant Vice President & Head of Imamgonj Branch. He joined the Company in February 1999. He has a bright Academic 1st Class with 16th place in BSc. Examination in the year 1985 under Dhaka University. He completed C.A. article ship.

**4 N. A. M. SALIMULLAH**  
SAVP & Head of Bogra Branch

N. A. M. Salimullah, Senior Assistant Vice President & Head of Bogra Branch joined Janata Bank as Senior Officer in 1988. He served in Janata Bank for about 17 years. Then he joined in Social Islami Bank Ltd., afterwards in Peoples' Leasing & Financial Services Ltd. and worked as Head of different Branches for several years. He joined Phoenix Finance & Investments Ltd. on 1st February, 2011 as Assistant Vice President. Mr. Salimullah obtained Bsc. (Hons.), Msc. in Geology from University of Dhaka. He is a Diploma Associate of the Institute of Bankers Bangladesh. He took part in various Institutional and professional Trading, Seminar and Workshop in and outside the Country.

**5 MOHAMMAD HABIB ULLAH CHOWDHURY**  
AVP & Head of SME Branch

Mohammad Habib Ullah Chowdhury, Assistant Vice President & Head of SME Branch, obtained BBA & MBA Degree from University of Chittagong. He worked with different Commercial Banks in different levels. Prior to joining Phoenix Finance & Investments Limited, he worked in Mutual Trust Bank Ltd. as First Assistant Vice President. Mr. Habib Ullah also obtained Professional Banking Diploma DAIBB from Institute of Bankers Bangladesh. He is highly trained through participating training of Banking Foundation Course, General Banking, Internal Control & Compliance, Performance Management System and Human Resources Development for Branch Excellence organized by Banks and other Professional institutions.

**6 MD. RUMMAN HOSSAIN**  
AVP & Head of Gulshan Branch

Md. Rumman Hossain, Assistant Vice President working as the Head of Gulshan Branch, joined the Company in June 2004. Mr. Rumman has a bright Academic and Professional career. He completed Cost & Management Accountancy (Part-3 & half level) from The Institute of Cost & Management Accountants of Bangladesh (ICMAB) and also obtained EMBA from North South University. A very active, Dynamic, Energetic executive Mr. Rumman is effective and efficient with team working environment and leadership performance. During his long tenure of service with the Company, he held various positions in the company and participated different professional Training, Seminar & Workshop.

**7 MOHAMMAD MIZANUR RAHMAN**  
FAVP & Head of Chittagong Branch (C.C)

Mohammad Mizanur Rahman, First Assistant Vice President & Head of Chittagong Branch (C.C) has joined Phoenix Finance & Investments Limited, Head Office Dhaka on 5th March, 2005 as Probationary Officer. Prior to joining this company he worked in many organizations. Such as Amnesty International Bangladesh, The Medical Health & Welfare Trust, Bari Group of Industries etc. His total length of service is 19 (nineteen) years. Mr. Mohammad Mizanur Rahman obtained M.Com in Accounting from Dhaka College, Dhaka. He also completed Chartered Accountancy Article Ship from Mijan Rahman Bhuiyan & Co. Chartered Accountant, Dhaka and He has also completed MBA in Marketing from Southern University, Chittagong. Mr. Mohammad Mizanur Rahman participated in various trainings, seminars and workshops organized by Central Bank and others Professional Institutions.

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## Head of Branch

**8 MOHAMMAD TUHIN  
KHANDAKER**  
FAVP & Head of  
Dhanmondi Branch

Mohammad Tuhin Khandaker is working as the First Assistant Vice President and Head of Dhanmondi Branch. Mr. Tuhin joined with the Company in April 2007 after completion of his MBA from Jahangirnagar University. He is very Dynamic, Energetic and Conversant with team working environment and leadership performance. Within his service tenure a number of Professional Training, Seminar, Workshop and Symposium has been participated by him.

**9 A. S. MOSTAFA ZAMAN**  
SPO & Head of Khulna Branch (cc)

A. S. Mostafa Zaman, Senior Principal Officer & Head of Khulna Branch (cc) joined Phoenix Finance & Investments Ltd. on 2nd April, 2005. Prior to joining the Company, he worked as Senior Accounts Officer at Bangladesh Environmental Lawyers Association (BELA). Mr. Zaman obtained Master of Business Administration (MBA) degree from Northern University Bangladesh, Post Graduate Diploma in Financial Management (PGDFM) from Bangladesh Institute of Management (BIM) and Completed the C.A. Article ship from Howlader Yunus & Co. Mr. Zaman participated in various training & workshop organized by Central Bank and other Professional institutes.



## 23<sup>rd</sup> Annual General Meeting

Phoenix Finance & Investments Limited has a promising future with better operating environment. Though it is becoming increasingly difficult to maintain a competitive edge, we are committed to the realization of sustainable increase in corporate value through speedy business development, combination and enhancement of existing strategic business and establishment of new strategic business. We are duty-bound to meet the expectations of our customers, shareholders, the market and the society by producing attractive results speedily.



# Directors' Report 2018

The year 2018, was the focused year of Phoenix Finance & Investments Limited regarding expansion and diversification of various business lines. A strategic approach streamlining diverse business opportunities was undertaken, which facilitated the Company to complete a successful business year. The Company was able to maintain the progress in many lines of business during the year 2018 which further consolidated its position in the market in terms of quality services providing to the customers and value addition for the shareholders.

Bismillahir Rahmanir Rahim,

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Phoenix Finance & Investments Limited, I feel very happy to welcome you in the 24th Annual General Meeting of the Company. The Board of Directors takes the pleasure in presenting the Annual Report for the year 2018 which includes among others the Financial Statements for the year ended on December 31, 2018 and Audit Report thereon. This Annual Report has been prepared in compliance with Companies Act 1994, Financial Institutions Act 1993 and the Guidelines issued by Bangladesh Securities and Exchange Commission and Bangladesh Bank and other Regulatory Authorities. A brief overview of World Market Trend with the Performance of Bangladesh Economy has also been provided in the Report. A review of the Report would reveal continuous growth of the Company in a stiff competitive environment. Relevant disclosures and explanations have been given in the Annual Report, which they consider important to ensure transparency and good governance practices.

## WORLD ECONOMY

World economic growth continued stable at 3.1 per cent in 2018, as a fiscally induced speeding up in the United States of America offset slower growth in some other large economies. Economic activity at the global level is expected to expand at a solid pace of 3 per cent in 2019, but there are increasing signs that growth may have peaked. The growth in global industrial production and merchandise trade volumes has been tapering since the beginning of 2018, especially in trade-intensive capital and intermediate goods sectors. Leading indicators point to some softening in economic momentum in many countries in 2019, amid escalating trade disputes, risks of financial stress and volatility, and an undercurrent of geopolitical tensions. At the same time, several developed economies are facing capacity constraints, which may weigh on growth in the short term.

During the year of 2018, there was a significant rise in trade tensions among the world's largest economies, with a steep rise in the number of disputes raised under the dispute settlement mechanism of the World Trade Organization. Moves by the United States to increase import tariffs have sparked retaliations and counter-retaliations. Global trade growth has lost momentum, although stimulus measures and direct subsidies have so far offset much of the direct negative impacts on China and in the United States.

A prolonged episode of heightened tensions and spiral of additional tariffs among the world's largest economies poses considerable risk to the global trade outlook. The impact on the world economy could be significant: a slowdown in investment, higher consumer prices and a decline in business confidence. This would

create severe disruptions to global value chains, particularly for exporters in East Asian economies that are deeply embedded into the supply chains of trade between China and the United States. Slower growth in China and/or the United States could also reduce demand for commodities, affecting commodity-exporters from Africa and Latin America. There is a risk that the trade disputes could aggravate financial fragilities, especially in some emerging economies. Rising import prices, coupled with tighter financial conditions and high debt-servicing costs, could squeeze profits and cause debt distress in certain industries.

Global inflation remains moderate, but is on an upward trend in the majority of countries. Rising oil prices contributed to additional inflationary pressures in oil-importing countries over the course of most of 2018, while currency depreciation against the US dollar put upward pressure on imported prices in many countries. By contrast, some of the commodity-exporting countries in Africa and the Commonwealth of Independent States (CIS) that experienced sharp currency depreciations in response to the commodity price shocks of 2014/15 have seen inflation recede in 2018, as the exchange-rate shock has been absorbed into the price level. Ongoing trade disputes can be expected to put some upward pressure on inflation in 2019, as the impact of tariffs passes through value chains to consumer prices. In developed economies, rising capacity constraints have put some upward pressure on inflation, and headline inflation generally exceeds central bank targets in Europe and North America.

The upturn in the world economy has been associated with a slight rise in global employment. According to International Labor Organization (ILO) estimates, the global unemployment rate stood at 5.5 per cent in 2017. Developed economies have seen notable gains in recent years, with the average unemployment rate declining from a post-financial crisis high of 8.7 per cent in 2010 to 5.4 per cent in 2018. In several large economies, including Germany, Japan and the United States, unemployment rates are currently at their lowest level in decades. In all three countries, firms have reported a lack of qualified workers as a factor restraining production levels. In the United States, capacity limits in internal delivery transport by rail and trucking have pushed up prices of freight transportation sharply, while firms in Japan cite an extremely high utilization of production equipment. At the global level, falling unemployment in developed economies has been largely offset by rising unemployment in several large upper-middle-income countries, such as Argentina, Brazil and South Africa, which have been deeply impacted by political and economic crisis, inequalities, and continuous socioeconomic imbalances. Worldwide, an estimated 190 million people are currently unemployed. While the global unemployment rate has remained



*Partial view of 23<sup>rd</sup> Annual General Meeting*

23<sup>rd</sup>

**PHENIX**  
FINANCE  
*prepare to rise*

**GENERAL MEETING 2017**

**& INVESTMENTS LIMITED**

, Thursday at 11.30 a.m.

at the Auditorium, Institution of Diploma Engineers, Bangladesh

Dhaka-1000.

**PHENIX**  
FINANCE  
*prepare to rise*



## Directors' Report 2018

largely stable in recent decades, the total number of unemployed people has increased by approximately 40 per cent since the early 1990s. This means that there is a consistently growing population that is not able to fully participate and benefit from the advances in the global economy.

Rising policy uncertainties in the global economy and deepening country-specific vulnerabilities generated bouts of heightened financial market volatility in 2018, particularly in the emerging economies. Alongside the escalation in trade tensions, investor sentiments were also affected by high levels of debt, elevated geopolitical risks, oil market developments, and shifting expectations over the monetary policy path of the United States. Against this backdrop, global financial conditions experienced some tightening during the year, despite of an uneven pace across regions and countries. Notably, while liquidity remained high in most of the developed world, many emerging economies experienced a sharp tightening in financial conditions. The shift in investor preferences, particularly between the United States and the emerging markets, is in part evidenced by the divergence in stock market trends in 2018.

In many developing countries, rising public debt and government interest burdens represent a growing source of risk to financial stability. In 2018, rising fiscal sustainability concerns prompted several governments including Argentina, Barbados, Pakistan, and Sri Lanka to seek financial assistance from the IMF. For the commodity-dependent countries, particularly in Africa, Latin America and Western Asia, public finances have deteriorated rapidly over the past few years, due mainly to the collapse in commodity-related revenue. Consequently, many Governments in these regions have made cuts in social spending and SDG-related investment or resorted to ramping up borrowing in order to finance significant budget shortfalls.

### BANGLADESH ECONOMY

Bangladesh economy has maintained sustainable growth and achieved GDP growth at more than 6% on an average during the last decade. According to Bangladesh Bureau of Statistics (BBS), the GDP growth was 6.55% in FY2014-15. The GDP growth surpassed 7% in FY2015-16 and stood at 7.11%. The GDP growth increased to 7.28% in FY2016-17. As per final estimate of BBS, the GDP growth stood at 7.86% in FY2017-18.

According to the final data of BBS, GDP at current market prices stood at Tk.22,50,479 crore in FY2017-18, increased by 13.90% of the previous fiscal year. The per capita GDP increased to Tk.1,37,518 in FY2017-18 which was Tk.1,22,152 in previous fiscal year. On the other hand, per capita national income in FY2017-18 stood at Tk.1,43,789 up from Tk.1,27,401 in the previous fiscal

year. In US dollar, per capita GNI and GDP stood at US\$ 1,751 and US\$ 1,675 respectively in FY2017-18 compared to US\$ 1,610 and US\$ 1,544 respectively in FY2016-17. On the basis of Purchasing Power Parity (PPP), calculated by UNDP, the per capita GNI stood at US\$ 4,040.

According to the final data on the expenditure side, consumption increased by 2.50% from 74.67 percent of GDP in FY2016-17 to 77.17% in FY2017-18. On the other hand, domestic saving stood at 22.83% of GDP in FY2017-18; which was 25.33% in preceding fiscal year. However, national saving slightly decreased to 27.42% in FY2017-18 from 29.64% in FY2016-17.

Gross investment as percent of GDP accelerated in FY2017-18 compared to earlier year. Similarly, both public and private investment increased in FY2017-18 from previous fiscal year. The total investment rose to 31.23% in FY2017-18, which was 30.51% in FY2016-17. Public sector and private sector investment increased to 7.97% and 23.26% of GDP respectively in FY2017-18; which were 7.41% and 23.10% of GDP respectively in preceding fiscal year. In absolute term, amount of investment increased by 16.61% in FY2017-18 from previous fiscal year.

### INFLATION

From the beginning of FY2013-14 a downward trend has been observed in year-on-year inflation. Starting from 7.35% in FY2013-14 year-on-year inflation declined to 5.44% in FY2016-17 but slightly increased to 5.78% in FY2017-18. Satisfactory domestic production, favorable domestic environment, low budget deficit and prudent monetary policy coupled with low fuel and commodity prices in the international markets contributed to such sliding of overall inflation. Following downward trend food inflation declined from FY2013-14, but in FY2016-17 and FY2017-18 shifting the direction it upturned to 6.02% and 7.13% respectively. On the other hand, with an upward inclination since FY2013-14, non-food inflation shot up but after that it came down to 4.61% in FY2016-17 and 3.74% in FY2017-18.

### FOREIGN EXCHANGE RESERVE

Reflecting the current account and overall balance of payment deficit, foreign exchange market faced some pressures in 2018, and Taka against US dollar depreciated by 0.2 percent during July - December 2018, indicated a moderate level of depreciation relative to the peer economies. Forex reserves stood at USD 32.02 billion at the end of December 2018, from USD 32.94 billion in June 2018; reserve coverage of imports decreased marginally but remains broadly adequate at around 5 months of import.

## DOMESTIC CREDIT

The growth of domestic credit stood at 14.71% in FY2017-18 compared to 11.16% in FY2016-17. Of which private sector credit growth stood at 16.95% in FY2017-18 against 15.66% of the previous fiscal year. Net credit to the government decreased by 2.52% at the end of June 2018 compared to 14.78% decrease in the previous year. In FY2017-18, the share of government (excluding others public sector) and private sector credit to total domestic credit stood at 9.29% and 88.83% respectively.

## EXPORT

Export earnings stood at US\$ 36,668 million in FY2017-18, which is 5.81% higher than the export earnings (US\$ 34,656 million) of FY2016-17. During the year under report, export earnings increased due mainly to increases of export of agricultural product, ceramic products, handicraft, cotton and cotton products, knitwear, home textile, jute goods, chemical products, woven garments etc. Data on category-wise exports earnings in FY2017-18 shows that export earnings from agricultural product and ceramic products have increased by 38.55% and 32.70% respectively over the last fiscal year, followed by handicraft products (15.26%), cotton and cotton products (14.03%), knitwear (10.40%), home textile (9.95%), jute goods (9.48%), chemical products (7.66%), woven garments (7.18%), specialized textile (3.67%) and footwear (1.33%). On the other hand, export earnings decreased mainly in terms of petroleum by product (86.18%), engineering products (48.32%), tea (38.03%), plastic product (15.79%), leather and leather goods (12.03%), raw jute (7.24%) and frozen food (3.42%).

## IMPORT

Total import payments (C&F) stood at US\$ 58,865 million in FY2017-18, which is 25.23% higher than the import payments of US\$ 47,005 million of the preceding year. In terms of value of total imported commodities, China secured the first position for our import in FY2017-18. During this period 27.07% of the total imported commodities came from China. India was the second largest source of import (15.19%) while Japan held the third position (4.11%).

## BALANCE OF PAYMENTS

Trade Deficit has increased significantly at US\$ 18,258 million in the FY2017-18 compared to US\$ 9,472 million in FY2016-17 due to high import payments. In addition, Service account and Primary income account deficit also increased significantly by 39.11% and 27.91% respectively. But the Secondary income account surplus increased by 16.13% in FY2017-18 compared to previous year due to the high growth of workers' remittances. The financial account achieved a surplus of US\$ 9,076 million as compared to US\$ 4,247 million in FY2016-17. The overall balance recorded the deficit of US\$ 885 million in FY2017-18 due to higher deficit of US\$ 9,780 million of current account balance.

## MONEY MARKET

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

## CAPITAL MARKET

The total number of listed securities in Dhaka Stock Exchange Ltd. as increased from 569 in December 2017 to 578 in December 2018. At the end of December 2018 total issued capital of all listed securities stood at Tk.1,24,293.70 Crore, which was Tk.1,19,416.20 Crore in December 2017, registering 4.08% growth. Total Market Capitalization of all listed securities was Tk.4,21,875.50 Crore in December 2017, which stood at Tk.3,86,970.00 Crore in December 2018, representing 8.27% decrease.

DSE board Index (DSEX) on the closing of December 2017 was 6,244.52 points, which stood at 5,385.64 points on the closing of December 2018, decreased by 858.88 points or 13.75%. In 2018 the highest point of DSE Broad Index (DSEX) was 6,318.27 points and the lowest was 5,204.36 points. The daily average turnover decreased to BDT 5.52 billion during the year 2018 from BDT 8.75 billion in the year 2017. The DSE market capitalization stood at 17.21% of GDP at the end of December 2018.

Bangladesh's relatively high national savings can support capital market development, with the companies shifting their long-term financing away from the banking system towards the capital market, accompanied by continued improvement in governance, technology and information disclosure.

## THE COMPANY

Phoenix Finance & Investments Limited (PFIL), one of the leading and reliable multi-products Financial Institutions in Bangladesh, was incorporated in Bangladesh on April 19, 1995 as a Public Limited Company under the Companies Act 1994 and started its operation on May 9, 1995 as a Non-Banking Financial Institution named as Phoenix Leasing Co. Ltd. under Financial Institution Act, 1993. It has been renamed as Phoenix Finance and Investments Limited (PFIL) on 1st February, 2007 with a view to reflecting multidimensional financial activities of the Company and keeping parity with the activities as it has been doing other than lease financing, which although, has remained as the prime area of the financial activities.



*Partial view of 23<sup>rd</sup> Annual General Meeting*



## Directors' Report 2018

The authorized capital of the Company is Tk.3,000,000,000.00 divided into 300,000,000 Ordinary shares of Tk 10.00 each. Its paid-up capital stood at Tk.1,214,946,360.00 only in the year under review and the total Capital/Shareholders' equity of the Company stood at Tk.2,881,026,031.00 only as on December 31, 2018.

Sponsor shareholders of the Company includes a renowned corporate body namely Phoenix Insurance Company Limited, a leading Insurance Company in Bangladesh. Others are individuals having wide range of experience with their experience in the field of commerce and industries.

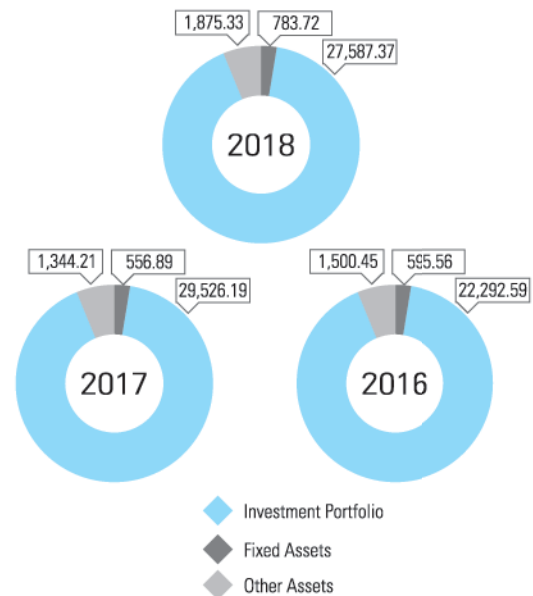
The main objective of Phoenix Finance and Investments Limited is to allocate scarce financial resources to capital investment through funding in capital machinery/equipment specially for BMRE of the existing industrial enterprises to stimulate the industrial development of the country and also to provide financial assistance through Leasing and other multi-dimensional products & services to all levels of entrepreneurs for a wider range of asset acquisition contributing to national development as well. The Company also provides a wide range of services from its nine Branches at Dhaka, Chattogram, Khulna and Bogura. Our objectives are to uphold the trust of all our valued stakeholders.

The Company has also diversified its products and services to such other areas as Housing and Real Estate, Bridge Financing, Short Term and Mid Term Loan and startup working capital to cater to the divergent needs of the economy. The Company operates a SME Branch in Dhaka for promoting Small and Medium Enterprises (SME) specially, for alleviation of poverty through creation of employment and generation of income on a sustainable basis.

### ASSETS

Total Assets of the Company decreased in this year. As on December 31, 2018 total assets stood at Tk. 30,246.42 million showing an decrease of 3.76% as against the year 2017. In 2017, total assets increased by 28.86% as compared to that of 2016. A comparative position of Asset is given below :

| Items                | Figures in Million Taka |            |           |            |           |            |
|----------------------|-------------------------|------------|-----------|------------|-----------|------------|
|                      | 2018                    | % on Total | 2017      | % on Total | 2016      | % on Total |
| Fixed Assets         | 783.72                  | 2.59       | 556.89    | 1.77       | 595.56    | 2.44       |
| Investment Portfolio | 27,587.37               | 91.21      | 29,526.19 | 93.95      | 22,292.59 | 91.41      |
| Other Assets         | 1,875.33                | 6.20       | 1,344.21  | 4.28       | 1,500.45  | 6.15       |
| Total                | 30,246.42               |            | 31,427.29 |            | 24,388.60 |            |

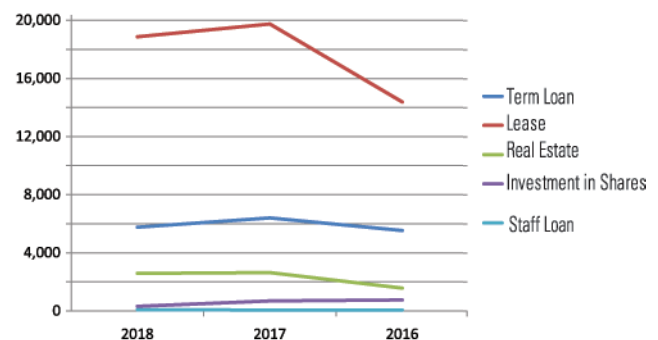


Most of the fund has been injected in Investment portfolio (91.21% of total assets in 2018) which is the main stream of earning of the Company.

### INVESTMENT PORTFOLIO

The Company recorded a 6.57% decrease in investments with a total portfolio of Tk. 27,587.37 at the end of December 2018 compared to Tk. 29,526.19 million at the end of December 2017. In 2017, the portfolio growth rate was 32.45% compared to Tk. 22,292.59 million as of December 2016.

| Items                | 2018      | % on Total | 2017      | % on Total | 2016      | % on Total |
|----------------------|-----------|------------|-----------|------------|-----------|------------|
| Lease                | 5,763.35  | 20.89      | 6,398.98  | 21.67      | 5,526.40  | 24.79      |
| Term Loan            | 18,858.50 | 68.36      | 19,738.98 | 66.85      | 14,374.65 | 64.48      |
| Real Estate Finance  | 2,576.89  | 9.34       | 2,635.33  | 8.93       | 1,573.98  | 7.06       |
| Investment in Shares | 310.50    | 1.13       | 693.11    | 2.35       | 757.44    | 3.40       |
| Staff Loan           | 78.13     | 0.28       | 59.79     | 0.20       | 60.12     | 0.27       |
| Total                | 27,587.37 |            | 29,526.19 |            | 22,292.59 |            |



Investment portfolio consists of Lease, Term Loan, Real Estate Finance and Investment in Shares. The core business of the Company is Lease Finance & Term Finance constituting of 20.89% & 68.36% respectively on total Investment portfolio in 2018 and the Company diversified its product line time to time depending on the Market situation.

### LEASE PORTFOLIO

Total Lease portfolio stood at Tk. 5,763.35 million at the end of December, 2018 recorded a 9.93% decreased compared to Tk. 6,398.98 million at the end of December, 2017. It was 15.79% growth in 2017 compared to Tk. 5,526.40 million as on December 31, 2016.

### TERM LOAN PORTFOLIO

Total Term Loan portfolio stood at Tk. 18,858.50 million at the end of December, 2018 compared to Tk. 19,738.98 million as on December 31, 2017, registering a negative growth of 4.46% whereas growth was made 37.32% in 2017 compared to Tk. 14,374.65 million as on December 2016.

### REAL ESTATE FINANCE

Total Real Estate Finance portfolio stood at Tk. 2,576.89 million at the end of December, 2018 recorded a 2.22% decreased compare to Tk. 2,635.33 million as on December 31, 2017. In 2017, there was a growth of 67.43% compared to Tk. 1,573.98 million as on December 2016.

### INVESTMENT IN SHARES

Total Share Investment portfolio stood at Tk. 310.50 million as on December 31, 2018 compared to Tk. 693.11 million as on December 31, 2017. It is decreased by 55.20%. It is notable here that the volatility in the Capital Market arose at the last quarter of 2010 and consequence of unstable Market continued round the year 2018.

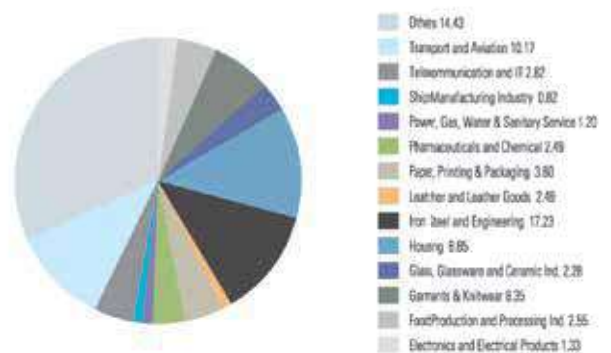
### ASSET QUALITY

As on December 31, 2018, 94.23% of the Investment portfolio (except investment in Shares) was regular while only 5.77% of the total portfolio was non-performing as compared to 4.94% of 2017. The Company made required provision as on December 31, 2018 against performing and non-performing loans as per rate and classification norm provided by Bangladesh Bank. The volume of non-performing loans stood at Tk. 1,574.36 million in 2018 from Tk. 1424.78 million in 2017. The required loan provision of Tk. 460.65 million, out of these Tk. 275.05 million was general provision including SMA, which was 59.71% of the total provision. The rest Tk. 185.60 million was against the classified accounts. The Company has kept Tk. 2.47 million as surplus provision.

### SECTOR WISE FINANCE

A wide range of industries and business sectors constitutes the Company's Investment (except Investments in Shares) portfolio. Major sectors where the Company extended finance include Textile, Garments, Engineering, Real Estate, Transports, Pharmaceuticals, Agro Industries and Services. The Company continued to support Small and Medium Enterprises (SME) and expanded financing facilities to them through its SME Department at Head office and Branch Offices.

Sector wise allocation of Investments reveals a well diversified portfolio of the Company with balanced exposure in different sectors. High concentration sectors are Iron steel & Engineering Tk. 5488.48 million, Textile Industries Tk. 2,923.78 million, Housing Tk. 2,576.89 million, Paper, Printing & Packaging Tk. 2,091.05 million, Trade & Commerce Tk. 1,781.23 million, Merchant Banking of Tk. 1,510.93 Million, Transport & Aviation Tk. 1,435.60 million, Garments & Knitwear Tk. 887.62 million, Electronics and Electrical Products Tk. 843.93 million, Cement and Allied Industry 704.58 million, Food Production & Processing Industries Tk. 683.06 million, Plastic Industry Tk. 644.47 million, Pharmaceuticals & Chemical Tk. 631.07 million, Telecommunication & IT Tk. 550.79 million, Leather and Leather Goods Tk. 403.13 million, Glass, Glassware and Ceramic Industries Tk. 291.78 million, Agriculture Tk. 248.43 million, Ship Manufacturing Industries Tk. 114.01 million, Power, Gas, Water & Sanitary Service Tk. 77.34 million, and others Tk. 3,388.69 million as on December 31, 2018.



### LIABILITY

Total liabilities of the Company stood at Tk. 27,365.39 million as on December 31, 2018 compared to Tk. 28,825.58 million as on December 31, 2017 registering a decrease of 5.06% over the last year, whereas a growth was made by 32.06% in 2017 compared to Tk. 21,827.59 million as on December 31, 2016.



*Partial view of 23<sup>rd</sup> Annual General Meeting*

23<sup>rd</sup>

# ANNUAL GENERAL MEETING 2017

PRUDENT FINANCE & INVESTMENTS LIMITED

June 23, 2017, Thursday at 11.30 a.m.

At the "Mansab" Convention Center, International Convention Center, Dhaka, Bangladesh



## Directors' Report 2018

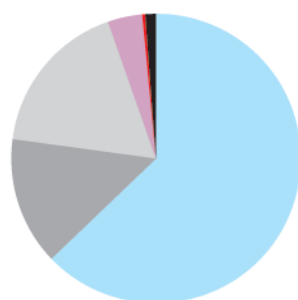
## DEPOSITS AND OTHER ACCOUNTS

The deposits base of the Company continued to register a steady growth and stood at Tk. 20,777.74 million as on December 31, 2018 compared to Tk. 20,384.06 million of the previous year registering a growth of 1.93%. The growth was supported by Branch network and high standard products and services along with competitive interest rate offered to customers.

The customers group of the Company was Individuals, Banks, FIs, Corporations, and Autonomous Bodies, School, College and Universities etc.

Average cost of Deposits was 11.97% in 2018 as against 9.66% in 2017. Deposit mix of the Company as of December 31, 2018 was as follows:

| Deposit Type                 | Amount           | %             |
|------------------------------|------------------|---------------|
| At all Maturity              | 13,058.22        | 62.85         |
| Monthly Income Option        | 2,972.19         | 14.30         |
| Quarterly Income Option      | 3,630.99         | 17.48         |
| Double Money Scheme          | 801.27           | 3.86          |
| Triple Money Scheme          | 69.52            | 0.33          |
| Monthly Savings Scheme (MSS) | 245.55           | 1.18          |
| <b>Total</b>                 | <b>20,777.74</b> | <b>100.00</b> |



- Monthly Savings Scheme (MSS)
- Triple Money Scheme
- Double Money Scheme
- Quarterly Income Option
- Monthly Income Option
- At all Maturity

## BORROWINGS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

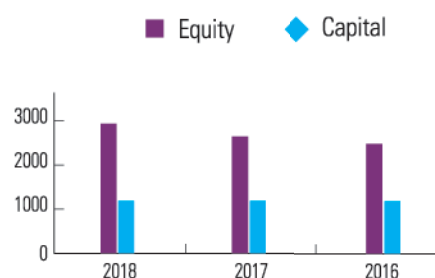
The Company meets its certain portion of fund demand from loan taken from different Banks. It represents 14.99% of total liabilities in 2018 whereas it was 20.97% of total liabilities in 2017. Total Bank Loan balances of the Company stood at Tk. 4,103.71 million as on December 31, 2018, decreased by 32.10% compared to the last year. This loan provided by different Commercial Banks including Bangladesh Bank ranging from six months to five years secured by way of first ranking Pari-Passu Security Sharing Agreement among the secured lenders on all fixed and floating assets.

## EQUITY

Phoenix Finance & Investments Limited commenced its operation on May 09, 1995 as a Non-Banking Financial Institution with an Authorized Capital of Tk. 500.00 million and Paid-Up Capital of Tk. 50.00 Million. At present the Authorized Capital of the Company stand at Tk 3,000.00 million.

Total Shareholders' Equity of the Company as on December 31, 2018 stood at Tk. 2,881.03 million and the Paid Up Capital of the Company stood at Tk 1,214.95 million on the same period.

| Particulars | 2018     | 2017     | 2016     |
|-------------|----------|----------|----------|
| Equity      | 2,881.03 | 2,601.71 | 2,561.01 |
| Capital     | 1,214.95 | 1,214.95 | 1,214.95 |



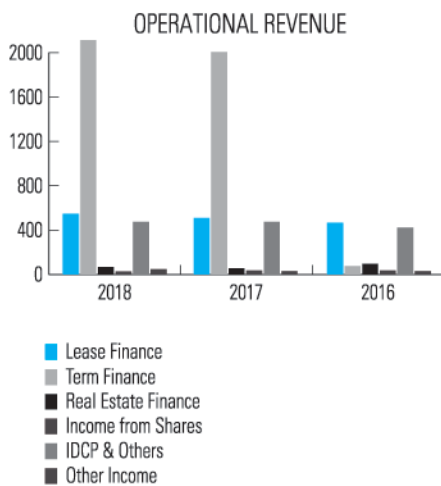
## CAPITAL ADEQUACY BASED ON BASEL-II

Capital Adequacy Ratio (CAR) of the Company at the Balance Sheet date was 10.35 percent with Tier - I ratio at 8.18 percent. The ratios have been calculated in accordance with Basel-II recommendation and Bangladesh Bank guidelines. CAR encompassing credit, operational and market risks is well above the Basel-II requisite for 10 percent. Note 35 to the Financial Statements provide further details on PFIL capital adequacy. Major contributors to strong capital adequacy ratio are high capital base, downsizing of non-performing assets that are fully provided for and low risk profile of our on-balance sheet and off-balance sheet exposure.

## OPERATIONAL REVENUE

Total Operational Revenue remarkably increased by 18.37% from Tk 3,377.66 million in 2017 to Tk. 3,998.07 million in 2018. It was increased by 18.45% in 2017 compared to Tk. 2,851.63 million in 2016.

| Head of Income      | 2018            | 2017            | 2016            | Growth (%) |         |
|---------------------|-----------------|-----------------|-----------------|------------|---------|
|                     |                 |                 |                 | 2018       | 2017    |
| Lease Finance       | 681.55          | 640.49          | 563.62          | 6.41       | 13.64   |
| Term Finance        | 2,527.78        | 1,952.15        | 1,595.01        | 29.49      | 22.39   |
| Real Estate Finance | 157.41          | 147.24          | 134.41          | 6.91       | 9.55    |
| Income from Shares  | 34.11           | 56.65           | 39.73           | (39.79)    | 42.59   |
| IDCP & Others       | 498.22          | 532.52          | 438.66          | (6.44)     | 21.40   |
| Other Income        | 99.00           | 48.61           | 80.20           | 103.66     | (39.39) |
| <b>Total</b>        | <b>3,998.07</b> | <b>3,377.66</b> | <b>2,851.63</b> |            |         |



The main revenue comes from Interest on Term Finance & Lease Finance which was 63.23% and 17.05% respectively of total revenue.

## OPERATING EXPENSES

Total Operational Expenses incurred at Tk. 3,191.56 million in 2018, increased by 25.84% compared to Tk. 2,536.25 million in 2017. It was increased by 16.87% in 2017 compared to Tk. 2,170.04 million in 2016.

Out of total Operating Expenses, 89.17% was financing expenses, 7.66% was salary & allowances, 1.05% was depreciation and 2.12% was other overhead expenses.

## OPERATING & NET PROFIT

Phoenix Finance & Investments Limited registered an operating profit of Tk 806.51 million in 2018 compared to Tk 841.41 million in 2017 registering a decrease of 4.15%. It was increased by 23.45% in 2017 compared to Tk 681.59 million in 2016.

After making all provisions including general provisions on unclassified loans, profit before tax stood at Tk. 474.34 million in 2018 compared to Tk. 588.59 million in 2017, registering a decrease of 19.41%.

The Net Profit of the Company stood at Tk. 282.82 million in 2018 compared to Tk. 285.11 million in 2017 slightly decreased by 0.80% due to some obvious reason.

## BRANCH NETWORKING

The Company has a total number of 09 (nine) Branches. All the Branches are situated in commercial places across the country to provide with multidimensional financial services to the people and the Company has a plan to add few new Branches to the existing Branch network in the coming years.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

Pursuant to condition No.1 (5) (xxvii), Status of Compliance with the Corporate Governance Code (CGC) as on December 31, 2018 with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SECICMRRCD/2006-158/207 IAdmin/80, dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is given in Annexure A, B & C in this Annual Report.

## HUMAN RESOURCE

Human Resource is the key to the success of a service oriented business organization like ours. Dynamism in a corporate body has a close relationship with the development of Human Resources. In line with the prevailing perception, the Company has sharpened its focus on human resources by a series of development activities throughout the year.

We believe that our human resources are the finest asset to contribute into Company's growth and success. It follows a structured recruitment policy, service rules and compensation package for its workforce at all tiers. The Company has recruited highly brilliant professional manpower coupled with fresh university graduates from renowned local/international educational institutions and built up the finest team to cope up with the growing business competition since its inception. The fresh



*Partial view of 23<sup>rd</sup> Annual General Meeting*





*Partial view of 23<sup>rd</sup> Annual General Meeting*





*Partial view of 23<sup>rd</sup> Annual General Meeting*

## Directors' Report 2018

graduates are recruited through competitive examination, which is conducted by the country's best Business School, IBA, Dhaka University/BIBM.

Recruitment of talent people only from the best Educational Institution is not enough to ensure the quality people. We need to groom up these talent people so that they can become future business leader in the industry. To keep this in mind, PFIL always feels the urge of quality and trained people in its HR portfolio. In the year 2018, a good number of representatives participated in training programs at home. Besides, the Company extended its training facilities from the senior level to the support staff level.

The Company also created a sense of community among the employees by encouraging interaction with each other in the Management Committee Meeting and across the Departments and Divisions. Such discussion helped employees learn each other's responsibility, grow their individual skill and develop an understanding about the Company as a whole through interpersonal communication.

In regard to the employee development, HR Training & Development wing arranged to develop the Company Officials by training, workshop, seminar, etc. and by helping them to achieve both their personal and professional goals at PFIL and beyond it. Training courses are designed through appropriate task analysis for the fresh candidates and through performance analysis for the existing officials.

Several relevant and important Training Courses have been participated by the PFIL's nominated Employees such as Foundation Course for FIs, Credit Operation and Management and Market Promotion conducted and organized by renowned Associations, Organizations and Government Agencies of the country.

Besides above, several Workshops and Seminars on Risk Management & Basel II, Internal Control & Compliance, Prevention of Money Laundering, Corporate Governance in the Banks, FIs & Central Bank and Corporate Tax Management have also been participated by a good number of nominated employees of PFIL.

A good number of employees of the Company were also sent to attend various training/ workshop/seminars on Lease Financing Business arranged by various Associations and Organizations.

### HR FUTURE PLAN FOR 2019

We envisage concentrating in the following areas in 2019 for further improvement of HR policies:

- Implementation of Revised Human Resources Policy and Procedure Manual ;
- Up graduation of integrated "Code of Ethics and Business Conduct for Employees"
- Substantial review of existing policies for providing more benefits to employees with a view to introducing superior level of job satisfaction.
- Employee's satisfaction survey etc.

### PROPOSED DIVIDEND

The Board of Directors has recommended 15% Stock Dividend subject to the approval of the Shareholders in the 24th Annual General Meeting.

### RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the provisions in the Articles of Association of the Company, the following Directors representing one-third of the number of existing Directors will retire by rotation in the next Annual General Meeting:

Mr. Mobarak Ali  
Mr. Abdur Rahman  
Mr. Rakibul Islam Khan

Being eligible they offer themselves for re-election.

### APPOINTMENT OF THE EXTERNAL AUDITOR FOR THE YEAR 2019

According to the Articles of Association, the Company at each Annual General Meeting shall appoint one or more Auditors being Chartered Accountants to hold the office until the next Annual General Meeting.

In order to comply with the regulatory directives of Bangladesh Bank issued vide DFIM circular No. 04 dated 30th August 2015 regarding Appointment of External Auditors for Financial Institutions under section 24 of the Financial Institutions Act 1993, the Company arranged for appointment of External Auditor for the Company for the year 2019. The Board considered Circular/order of Bangladesh Bank and Bangladesh Securities and Exchange Commission regarding appointment of any Chartered Accountancy Firm as the External Auditor Auditors of Financial Institutions listed with Stock Exchanges.

Accordingly, the Board of Directors of the Company recommended for re-appointment of Mahfel Huq & Co., Chartered Accountants as the External Auditor for the year 2019 at a Fee of Tk. 2,00,000.00 only excluding VAT and Tax until the next Annual General Meeting subject to the approval of Bangladesh Bank and Shareholders in the AGM.

### APPOINTMENT OF THE COMPLIANCE AUDITOR FOR THE YEAR 2019:

Bangladesh Securities and Exchange Commission through Notification on Corporate Governance Code dated June 3, 2018 imposed a condition that the company obtain certificate on compliance of this Corporate Governance Code and the Compliance Auditor shall be appointed by the shareholders in the annual general meeting

Accordingly, the Board of Directors of the Company recommended for appointment of Jasmin & Associates, Chartered Secretaries as the Compliance Auditors Fees of Tk. 40,000.00 only excluding VAT and Tax.

### OUTLOOK 2019

Phoenix Finance & Investments Ltd. will expand the core business activities, particularly in Trade Finance, Commercial Lending to SME, Structured Finance to continue its notable position. In regards to liability management, the Company remains focused on growing its core customer deposits and also improve its deposit mix to have competitive cost of fund. The Company will continue to improve its delivery standards and pursue greater cost efficiency and staff productivity by promoting a positive business process. In pursuit of its business growth, the Company will invariably adhere to good corporate governance, sound risk management policies, prudent credit policies and practices in order to support sustainable long term growth and profitability of the Company for the benefit of all stakeholders. Our Company has already chalked out strategy to achieve the business volumes targeted by all the Departments. We have a good size of portfolio and diversity in our revenue and earning stream. We are confident that the Company will be able to present better results for our shareholders in future as well.

### ACKNOWLEDGEMENT

Phoenix Finance & Investments Limited within a short span of its operation has gained the confidence of its clients. This success is primarily attributed to its teamwork, prompt and prudent decision making, efficient and cordial service, economic use of resources and introduction of new financial products and technologies. The continued endeavors of the Management and staff of the Company under wise guidance and timely support of the Board of Directors have substantially contributed to the success of the Company. The Board of Directors of the Company expresses deep appreciation and gratitude to the Management and all members of staff for their dedicated and efficient services and also to the valued clients, sponsors, shareholders, stakeholders, patrons and well wishers, whose continued support and cooperation have facilitated our path towards the glory achieved so far. The Company is grateful to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock

Exchange Limited, Chattogram Stock Exchange Limited, External Auditor, Registrar of Joint Stock Companies & Firms and Central Depository Bangladesh Limited for their continued support, prudent guidance and advice towards the notable growth of the Company.

### GRATITUDE

The Members of the Board of Directors of Phoenix Finance & Investments Limited express their gratitude to all shareholders, valued clients, patrons, all employees and well-wishers for their continued support and cooperation without which the Company would not have been able to achieve its present amazing position.

The Board of Directors also expresses deep appreciation to the Management and all members of staff for their dedicated and efficient services and also to the clients, sponsors, shareholders, stakeholders whose patronage have facilitated our path towards the glorious achievement so far made by the Company.

Best regards and best wishes to all.

On behalf of the Board of Directors,



AZIZUR RAHMAN  
Chairman

# Declaration of CEO & CFO to the Board of Directors

Annexure-A

Date: April 29, 2019

The Board of Directors  
Phoenix Finance & Investments Limited

Subject: Declaration on Financial Statements for the year ended on 31st December, 2018.

Dear Sirs,

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

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

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31st December, 2018 and that to the best of our knowledge and belief:
  - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



(S. M. INTEKHAB ALAM)  
Chief Executive Officer (CEO)



(MD. ABU SUKKUR)  
Chief Financial Officer (CFO)



**K. M. ALAM & CO.**  
**CHARTERED ACCOUNTANTS**



**Annexure-B**

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

**Report to the Shareholders of Phoenix Finance and Investments Limited on  
compliance on the Corporate Governance Code**

We have examined the compliance status to the Corporate Governance Code by Phoenix Finance and Investments Limited for the year ended on 31<sup>st</sup> December, 2018. This Code relates to the Notification No. SECICMRRCD/2006-158/207 Admin/80, dated 3 June, 2018 of the Bangladesh Securities and Exchange Commission.


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

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

We state that we have obtained all the information and explanations except Nomination and Remuneration Committee (NRC), which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

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

**Place: Dhaka**  
**Dated: 08<sup>th</sup> May, 2019**

  
**K. M. Alam & Co.**  
**Chartered Accountants**

## Annexure-C

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

(Report under Condition No.9) [As per condition No.1 (5) (xxvii)]

| Condition No. | Title  | Compliance Status |              | Remarks (if any) |
|---------------|--|-------------------|--------------|------------------|
|               |  | Complied          | Not Complied |                  |
| 1             | Board of Directors   |                   |              |                  |
| 1(1)          | Board's size shall not be less than 5 and more than 20 (twenty)  | ✓                 |              |                  |
| 1(2)          | Independent Directors  |                   |              |                  |
| 1(2) (a)      | Independent director: At least 1/5th of the total number of directors  | ✓                 |              |                  |
| 1(2)(b)       | Independent Director means   |                   |              |                  |
| 1(2)(b)(i)    | Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;   | ✓                 |              |                  |
| 1(2)(b)(ii)   | Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who nholds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company | ✓                 |              |                  |
| 1(2)(b)(iii)  | Who has not been an executive of the company in immediately preceding 2 (two) financial years;   | ✓                 |              |                  |
| 1(2)(b)(iv)   | Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;   | ✓                 |              |                  |
| 1(2)(b)(v)    | Who is not a member or TREC (Trading Right Entitlement Certificate) holder,director or officer of any stock exchange;  | ✓                 |              |                  |
| 1(2)(b)(vi)   | Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market   | ✓                 |              |                  |

## Annexure-C

| Condition No. | Title  | Compliance Status |              | Remarks (if any) |
|---------------|--|-------------------|--------------|------------------|
|               |  | Complied          | Not Complied |                  |
| 1(2)(b)(vii)  | Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;   | ✓                 |              |                  |
| 1(2)(b)(viii) | Who is not independent director in more than 5 (five) listed companies   | ✓                 |              |                  |
| 1(2)(b)(ix)   | Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI);   | ✓                 |              |                  |
| 1(2)(b)(x)    | Who has not been convicted for a criminal offence involving moral turpitude;   | ✓                 |              |                  |
| 1(2)(c)       | The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM)   | ✓                 |              |                  |
| 1(2)(d)       | The post of independent director(s) cannot remain vacant for more than 90 (ninety) days;   | ✓                 |              |                  |
| 1(2)(e)       | The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only;   | ✓                 |              |                  |
| 1(3)          | <b>Qualification of Independent Director</b>   | ✓                 |              |                  |
| 1(3)(a)       | Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory requirements and corporate laws and can make meaningful contribution to the business;  | ✓                 |              |                  |
| 1(3)(b)(i)    | Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association  | ✓                 |              |                  |
| 1(3)(b)(ii)   | Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company; or | ✓                 |              |                  |

| Condition No. | Title  | Compliance Status |              | Remarks (if any) |
|---------------|--|-------------------|--------------|------------------|
|               |  | Complied          | Not Complied |                  |
| 1(3)(b)(iii)  | Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law; or  | ✓                 |              |                  |
| 1(3)(b)(iv)   | University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or  | ✓                 |              |                  |
| 1(3)(b)(v)    | Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification; | ✓                 |              |                  |
| 1(3)(c)       | The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);   | ✓                 |              |                  |
| 1(3)(d)       | In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.  | ✓                 |              |                  |
| 1(4)          | <b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:</b>  |                   |              |                  |
| 1(4)(a)       | The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals.   | ✓                 |              |                  |
| 1(4)(b)       | The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;  | ✓                 |              |                  |
| 1(4)(c)       | The Chairperson of the Board shall be elected from among the non-executive directors of the company;   | ✓                 |              |                  |
| 1(4)(d)       | The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer   | ✓                 |              |                  |
| 1(4)(e)       | In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.   | ✓                 |              |                  |

## Annexure-C

| Condition No. | Title  | Compliance Status |              | Remarks (if any)   |
|---------------|--|-------------------|--------------|--|
|               |  | Complied          | Not Complied |  |
| 1(5)          | The Directors' Report to Shareholders shall include  |                   |              |  |
| 1(5)(i)       | An industry outlook and possible future developments in the industry;  | ✓                 |              |  |
| 1(5)(ii)      | The segment-wise or product-wise performance;  | ✓                 |              |  |
| 1(5)(iii)     | Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;  | ✓                 |              |  |
| 1(5)(iv)      | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;   | ✓                 |              |  |
| 1(5)(v)       | Discussion on continuity of any extraordinary activities and their implications (gain or loss);  | ✓                 |              |  |
| 1(5)(vi)      | Discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;   | ✓                 |              |  |
| 1(5)(vii)     | A statement of Utilization of proceeds raised through public issues, rights issues and/or any other instruments;   | ✓                 |              | No such item exists  |
| 1(5)(viii)    | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights share Offer, Direct Listing, etc.   | ✓                 |              |  |
| 1(5)(ix)      | An explanation or any If significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;  | ✓                 |              |  |
| 1(5)(x)       | A Statement of Remuneration paid to the directors including independent directors;   | ✓                 |              | Refer to the director's report as well as the financial statements |
| 1(5)(xi)      | The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;   | ✓                 |              |  |
| 1(5)(xii)     | Proper books of account of the issuer company have been maintained;  | ✓                 |              |  |
| 1(5)(xiii)    | Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;  | ✓                 |              |  |
| 1(5)(xiv)     | International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed; | ✓                 |              |  |

## Annexure-C

| Condition No.  | Title   | Compliance Status |              | Remarks (if any)  |
|----------------|---|-------------------|--------------|---|
|                |   | Complied          | Not Complied |   |
| 1(5)(xv)       | The system of internal control is sound in design and has been effectively implemented and monitored;   | ✓                 |              |   |
| 1(5)(xvi)      | Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;                            | ✓                 |              |   |
| 1(5)(xvii)     | There is no significant doubt upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed; | ✓                 |              |   |
| 1(5)(xviii)    | An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;  | ✓                 |              |   |
| 1(5)(xix)      | Key operating and financial data of at least preceding 5 (five) years shall be summarized   | ✓                 |              |   |
| 1(5)(xx)       | An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;   | ✓                 |              | The company declared 15% stock dividend for the year 2018                 |
| 1(5)(xxi)      | Board's statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend;   | ✓                 |              |   |
| 1(5)(xxii)     | The total number of Board meetings held during the year and attendance by each director shall be disclosed;   | ✓                 |              |   |
| 1(5)(xxiii)    | The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details) held by   | ✓                 |              |   |
| 1(5)(xxiii)(a) | Parent or Subsidiary or Associated Companies and other related parties (namewise details);  | ✓                 |              | No such parent / subsidiary Associated copanies and other related parties |
| 1(5)(xxiii)(b) | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance their spouses and minor children (name-wise details).   | ✓                 |              |   |
| 1(5)(xxiii)(c) | Executives (top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance                     | ✓                 |              |   |
| 1(5)(xxiii)(d) | Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details)   | ✓                 |              |   |

## Annexure-C

| Condition No. | Title  | Compliance Status |              | Remarks (if any) |
|---------------|--|-------------------|--------------|------------------|
|               |  | Complied          | Not Complied |                  |
| 1(5)(xxiii)   | <b>Appointment or reappointment of a director, a disclosure on the following information to the shareholders:</b>  |                   |              |                  |
| 1(5)(xxiv)(a) | Brief resume of the director   |                   |              |                  |
| 1(5)(xxiv)(b) | Nature of his or her expertise in specific functional areas  | ✓                 |              |                  |
| 1(5)(xxiv)(c) | Names of companies in which the person also holds the directorship and the membership of committees of the Board;  | ✓                 |              |                  |
| 1(5)(xxv)     | <b>A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</b> |                   |              |                  |
| 1(5)(xxv)(a)  | Accounting policies and estimation for preparation of financial statements;  | ✓                 |              |                  |
| 1(5)(xxv)(b)  | Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;.                              | ✓                 |              |                  |
| 1(5)(xxv)(c)  | Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;        | ✓                 |              |                  |
| 1(5)(xxv)(d)  | Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;  | ✓                 |              |                  |
| 1(5)(xxv)(e)  | Briefly explain the financial and economic scenario of the country and the globe;  | ✓                 |              |                  |
| 1(5)(xxv)(f)  | Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;   | ✓                 |              |                  |
| 1(5)(xxv)(g)  | Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;                             | ✓                 |              |                  |
| 1(5)(xxvi)    | Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and  | ✓                 |              |                  |
| 1(5)(xxvii)   | The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C  | ✓                 |              |                  |

| Condition No. | Title   | Compliance Status |              | Remarks (if any) |
|---------------|---|-------------------|--------------|------------------|
|               |   | Complied          | Not Complied |                  |
| 1(6)          | <b>Meetings of the Board of Directors</b>   | ✓                 |              |                  |
| 1(6)          | The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code | ✓                 |              |                  |
| 1(7)          | <b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>   |                   |              |                  |
| 1(7)(a)       | The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;  | ✓                 |              |                  |
| 1(7)(b)       | The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency                     | ✓                 |              |                  |
| 2             | <b>Governance of Board of Directors of Subsidiary Company</b>   |                   |              |                  |
| 2 (a)         | Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;  | ✓                 |              |                  |
| 2 (b)         | At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;   | ✓                 |              |                  |
| 2 (c)         | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;  | ✓                 |              |                  |
| 2 (d)         | The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;  | ✓                 |              |                  |
| 2 (e)         | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company;  | ✓                 |              |                  |
| 3             | <b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)</b>  |                   |              |                  |
| 3(1)          | Appointment   |                   |              |                  |

## Annexure-C

| Condition No. | Title  | Compliance Status |              | Remarks (if any) |
|---------------|--|-------------------|--------------|------------------|
|               |  | Complied          | Not Complied |                  |
| 3(1)(a)       | The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);   | ✓                 |              |                  |
| 3(1)(b)       | The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;   | ✓                 |              |                  |
| 3(1)(c)       | The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;   | ✓                 |              |                  |
| 3(1)(d)       | The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;  | ✓                 |              |                  |
| 3(1)(e)       | The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s);   | ✓                 |              |                  |
| 3(2)          | <b>Requirement to attend Board of Directors' Meetings</b>  |                   |              |                  |
|               | The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board;   | ✓                 |              |                  |
| 3(3)          | <b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>   |                   |              |                  |
| 3(3)(a)       | The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:   | ✓                 |              |                  |
| 3(3)(a)(i)    | These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and  | ✓                 |              |                  |
| 3(3)(a)(ii)   | These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;  | ✓                 |              |                  |
| 3(3)(b)       | The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members; | ✓                 |              |                  |
| 3(3)(c)       | The certification of the MD or CEO and CFO shall be disclosed in the Annual Report   | ✓                 |              |                  |

| Condition No. | Title  | Compliance Status |              | Remarks (if any)   |
|---------------|--|-------------------|--------------|--|
|               |  | Complied          | Not Complied |  |
| 4             | <b>Board of Directors' Committee:</b><br>For ensuring good governance in the company, the Board shall have at least following sub- committees:   |                   |              |  |
| 4(i)          | Audit Committee; and   | ✓                 |              |  |
| 4(ii)         | Nomination and Remuneration Committee  |                   | ✓            | As per Bangladesh Bank guidelines, a Financial Institution (FI) can only form two subcommittees of the Board: Audit Committee (AC) and Executive Committee (EC). No other subcommittee of the Board is permitted by Bangladesh Bank. However, to comply with this clause of CGC of BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh Leasing and Finance Companies Association (BLFCA). Till the date of reporting, we have not received any direction in this regard. |
| 5             | <b>Audit Committee:</b>  |                   |              |  |
| 5(1)          | <b>Responsibility to the Board of Directors</b>  |                   |              |  |
| 5(1)(a)       | The company shall have an Audit Committee as a sub-committee of the Board;   | ✓                 |              |  |
| 5(1)(b)       | The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business; | ✓                 |              |  |
| 5(1)(c)       | The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing;  | ✓                 |              |  |
| 5(2)          | <b>Constitution of the Audit Committee</b>   |                   |              |  |
| 5(2)(a)       | The Audit Committee shall be composed of at least 3 (three) members;   | ✓                 |              |  |
| 5(2)(b)       | The Board shall appoint members of the Audit Committee who shall be nonexecutive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;                | ✓                 |              |  |

## Annexure-C

| Condition No. | Title   | Compliance Status |              | Remarks (if any)                        |
|---------------|---|-------------------|--------------|---|
|               |   | Complied          | Not Complied |   |
| 5(2)(c)       | All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;   | ✓                 |              |   |
| 5(2)(d)       | When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee; | ✓                 |              | No casual vacancies created during 2018 |
| 5(2)(e)       | The company secretary shall act as the secretary of the Committee;  | ✓                 |              |   |
| 5(2)(f)       | The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director;   | ✓                 |              |   |
| 5(3)          | <b>Chairperson of the Audit Committee</b>   |                   |              |   |
| 5(3)(a)       | The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;  | ✓                 |              |   |
| 5(3)(b)       | In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes;   | ✓                 |              |   |
| 5(3)(c)       | Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM) Meeting (AGM);  | ✓                 |              |   |
| 5(4)          | <b>Meeting of the Audit Committee</b>   |                   |              |   |
| 5(4)(a)       | The Audit Committee shall conduct at least its four meetings in a financial year;   | ✓                 |              |   |
| 5(4)(b)       | The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must;   | ✓                 |              |   |

| Condition No. | Title   | Compliance Status |              | Remarks (if any) |
|---------------|---|-------------------|--------------|------------------|
|               |   | Complied          | Not Complied |                  |
| 5(5)          | <b>Role of Audit Committee</b>  | ✓                 |              |                  |
| 5(5)(a)       | Oversee the financial reporting process;  | ✓                 |              |                  |
| 5(5)(b)       | Monitor choice of accounting policies and principles;   | ✓                 |              |                  |
| 5(5)(c)       | Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report; | ✓                 |              |                  |
| 5(5)(d)       | Oversee hiring and performance of external auditors   | ✓                 |              |                  |
| 5(5)(e)       | Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;   | ✓                 |              |                  |
| 5(5)(f)       | Review along with the management, the annual financial statements before submission to the Board for approval;  | ✓                 |              |                  |
| 5(5)(g)       | Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;   | ✓                 |              |                  |
| 5(5)(h)       | Review the adequacy of internal audit function;   | ✓                 |              |                  |
| 5(5)(i)       | Review the Management's Discussion and Analysis before disclosing in the Annual Report;   | ✓                 |              |                  |
| 5(5)(j)       | Review statement of all related party transactions submitted by the management;   | ✓                 |              |                  |
| 5(5)(k)       | Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;  | ✓                 |              |                  |
| 5(5)(l)       | Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and                | ✓                 |              |                  |

## Annexure-C

| Condition No.    | Title   | Compliance Status |              | Remarks (if any) |
|------------------|---|-------------------|--------------|------------------|
|                  |   | Complied          | Not Complied |                  |
| 5(5)(m)          | <p>Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.</p> <p>Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results:</p> <p>Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.</p> | ✓                 |              |                  |
| 5(6)             | <b>Reporting of the Audit Committee</b>   |                   |              |                  |
| 5(6)(a) (i)      | The Audit Committee shall report on its to the Board of Directors   | ✓                 |              |                  |
| 5(6)(a) (ii)     | The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-  |                   |              |                  |
| 5(6)(a) (ii) (a) | The Audit Committee shall immediately report to the Board on the following findings, if any:  | ✓                 |              |                  |
| 5(6)(a) (ii) (b) | Report on Conflicts of interests;   | ✓                 |              |                  |
|                  | Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;  | ✓                 |              |                  |
| 5(6)(a) (ii) (c) | Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and  | ✓                 |              |                  |
| 5(6)(a) (ii) (d) | Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;   | ✓                 |              |                  |
| 5(6)(b)          | <p>Reporting to the Authorities</p> <p>If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier</p>   | ✓                 |              |                  |

## Annexure-C

| Condition No. | Title   | Compliance Status |              | Remarks (if any)                          |
|---------------|---|-------------------|--------------|---|
|               |   | Complied          | Not Complied |   |
| 5(7)          | Reporting to the Shareholders and General Investors<br>Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company. | ✓                 |              |   |
| 6             | <b>Nomination and Remuneration Committee (NRC):</b>   |                   |              | As explained in condition no. 4(ii) above |
| 6(1)          | Responsibility to the Board of Directors  |                   |              |   |
| 6(1) (a)      | The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;   |                   |              |   |
| 6(1) (b)      | The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;                   |                   |              |   |
| 6(1) (c)      | The Terms of Reference (TOR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b)  |                   |              |   |
| 6(2)          | Constitution of the NRC   |                   |              |   |
| 6(2) (a)      | The Committee shall comprise of at least three members including an independent director;   |                   |              |   |
| 6(2) (b)      | All members of the Committee shall be non-executive directors;  |                   |              |   |
| 6(2) (c)      | Members of the Committee shall be nominated and appointed by the Board;   |                   |              |   |
| 6(2) (d)      | The Board shall have authority to remove and appoint any member of the Committee;   |                   |              |   |
| 6(2) (e)      | In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;  |                   |              |   |
| 6(2) (f)      | The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;          |                   |              |   |

## Annexure-C

| Condition No. | Title   | Compliance Status |              | Remarks (if any) |
|---------------|---|-------------------|--------------|------------------|
|               |   | Complied          | Not Complied |                  |
| 6(2) (g)      | The company secretary shall act as the secretary of the Committee;  |                   |              |                  |
| 6(2) (h)      | The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;  |                   |              |                  |
| 6(2) (i)      | No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.   |                   |              |                  |
| 6(3)          | Chairperson of the NRC  |                   |              |                  |
| 6(3) (a)      | The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;  |                   |              |                  |
| 6(3) (b)      | In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;                       |                   |              |                  |
| 6(3) (c)      | The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;   |                   |              |                  |
| 6(4)          | Meeting of the NRC  |                   |              |                  |
| 6(4) (a)      | The NRC shall conduct at least one meeting in a financial year;   |                   |              |                  |
| 6(4) (b)      | The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;   |                   |              |                  |
| 6(4) (c)      | The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h); |                   |              |                  |
| 6(4) (d)      | The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.  |                   |              |                  |
| 6(5)          | Role of the NRC   |                   |              |                  |
| 6(5) (a)      | NRC shall be independent and responsible or accountable to the Board and to the shareholders;   |                   |              |                  |

| Condition No.    | Title   | Compliance Status |              | Remarks (if any) |
|------------------|---|-------------------|--------------|------------------|
|                  |   | Complied          | Not Complied |                  |
| 6(5) (b)         | NRC shall oversee, among others, the following matters and make report with recommendation to the Board;  |                   |              |                  |
| 6(5) (b) (i)     | Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following; |                   |              |                  |
| 6(5) (b) (i) (a) | The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;  |                   |              |                  |
| 6(5) (b) (i) (b) | The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and  |                   |              |                  |
| 6(5) (b) (i) (c) | Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;                                |                   |              |                  |
| 6(5) (b) (ii)    | Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality   |                   |              |                  |
| 6(5) (b) (iii)   | Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;                         |                   |              |                  |
| 6(5) (b) (iv)    | Formulating the criteria for evaluation of performance of independent directors and the Board;  |                   |              |                  |
| 6(5) (b) (v)     | Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and  |                   |              |                  |
| 6(5) (b) (vi)    | Developing, recommending and reviewing annually the company's human resources and training policies;  |                   |              |                  |
| 6(5) (c)         | The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report  |                   |              |                  |

## Annexure-C

| Condition No. | Title   | Compliance Status |              | Remarks (if any)                         |
|---------------|---|-------------------|--------------|--|
|               |   | Complied          | Not Complied |  |
| 7             | External or Statutory Auditors :  |                   |              |  |
| 7 (1)         | The Issuer Company shall not engage its external or statutory auditors to perform the following services of the company, namely-  | ✓                 |              |  |
| 7 (1) (i)     | Appraisal or valuation services or fairness opinions;   | ✓                 |              |  |
| 7 (1) (ii)    | Financial information systems design and implementation;  | ✓                 |              |  |
| 7 (1) (iii)   | Book-keeping or other services related to the accounting records or financial statements;   | ✓                 |              |  |
| 7 (1) (iv)    | Broker-dealer services;   | ✓                 |              |  |
| 7 (1) (v)     | Actuarial services;   | ✓                 |              |  |
| 7 (1) (vi)    | Internal audit services or special audit services;  | ✓                 |              |  |
| 7 (1) (vii)   | Any service that the Audit Committee determines;  | ✓                 |              |  |
| 7 (1) (viii)  | Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and   | ✓                 |              |  |
| 7 (1) (ix)    | any other service that creates conflict of interest.  | ✓                 |              |  |
| 7 (2)         | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company; | ✓                 |              |  |
| 7 (3)         | Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders;   | ✓                 |              |  |
| 8             | <b>Maintaining a website by the Company –</b>   |                   |              |  |
| 8 (1)         | The company shall have an official website linked with the website of the stock exchange.   | ✓                 |              | website in:<br>www.phoenixfinance.com.bd |
| 8 (2)         | The company shall keep the website functional from the date of listing;   | ✓                 |              |  |
| 8 (3)         | The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s)   | ✓                 |              |  |

## Annexure-C

| Condition No. | Title  | Compliance Status |              | Remarks (if any)  |
|---------------|--|-------------------|--------------|---|
|               |  | Complied          | Not Complied |   |
| 9             | <b>Reporting and Compliance of Corporate Governance:</b>   |                   |              |   |
| 9 (1)         | The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report | ✓                 |              | The required Certificate is available in this Annual report |
| 9 (2)         | The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.  | ✓                 |              |   |
| 9 (3)         | The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.  | ✓                 |              |   |

# Corporate Governance

Corporate Governance is a system through which companies are directed and controlled and the Board members are made responsible to shareholders. The Board of Directors of Phoenix Finance & Investments Limited ensures that the activities of the Company are always conducted in accordance with the highest ethical standards, in the best interest of all stakeholders and the preservation of the environment.

The Company remains committed to highest standards of Corporate Governance and manage its affairs in accordance with the guideline of the Bangladesh Securities and Exchange Commission.

The objectives of the Management Structures headed by the Board of Directors of Phoenix Finance & Investments Ltd. and led by the Chairman are to deliver sustainable value to shareholders. Implement the strategy set by the Board is delegated to the Branch Management and Unit Management under the leadership of Managing Director. The Board sets the strategy and approves the annual operating plans presented by the management for achievement of strategic objectives. The Board of Directors meets regularly. Directors receive information between meetings about the activities of the Committees and developments in the Company's business. All Directors have full and timely access to all relevant information and may take independent professional advice if necessary.

The Company has taken the following measures to implement Corporate Governance as instructed by Bangladesh Bank and Bangladesh Securities and Exchange Commission:

## THE BOARD OF DIRECTORS & THEIR MEETING

The responsibility goes to a large extent to the directors of the Board and their leadership. The Board comprises of 9 (nine) members. The Board of Directors of whom three are Nominee Directors, two is Independent Director and one Executive Director who is the Managing Director. The Company has complied with the Corporate Governance Guidelines imposed by Bangladesh Securities and Exchange Commission. Board members include persons of talents, with academic & professional qualification and wide range of experience in the field of business. This gives strength for effective discharge of duties and responsibilities by the Board.

The Board of Directors endeavors to exercise effective control over the Company in formulating and implementing policies and ensuring their effective implementation. The Board is responsible for the governance of the Company on behalf of shareholders within a framework of policies and controls that provide for effective risk assessment and management. The Board provides leadership and articulates the Company's objectives. The Board approves the Company's budget and business plan and reviews the policies. The Board and Executive committee reviews the guidelines of Bangladesh Bank. The management operates the Company according to policies set out by the Board.

The Chairman of the Board and the Chief Executive Officer/Managing Director are not the same person and their responsibilities are separate. The Chairman attends the meeting of the Board of Directors. The Chairman keeps contacts with the other Directors so that they all attend the meeting and fruitful results derive from the meeting of the Directors.

Regular meeting of the Board is held, at least once in month. 11 (eleven) Board Meetings were held during the year 2018. The attendance by each Director is reported at page 92

## EXECUTIVE COMMITTEE

In order to have proper functioning and quick disposal of credit proposals, Board had delegated authority to Executive Committee of the Board to approve proposal within certain limit.

The Executive Committee of the Board of Directors is comprised of 3 (three) Non-Executive Directors and the Managing Director. The Executive Committee reviews

## Corporate Governance

the policies and guidelines issued by Bangladesh Bank regarding credit and other operations. They ensure the implementation of the policies and guidelines through management. The Executive Committee of the Board approves the credit proposals as per the approval policy of the Board. This delegation has supported the operation in positive manner. 11 (eleven) meetings were held in the year 2018.

### AUDIT COMMITTEE

The Audit Committee examines the status of implementation of the Company's policies and manuals and Bangladesh Bank Guidelines. The Audit Committee of the Board of Directors is comprised of 03 (three) members of the Board. Audit Committee sits in meeting on regular basis and verifies audit reports of different regulatory authorities. The Committee also examines the status of implementation of the Company's policies and manuals, BSEC & Bangladesh Bank's guidelines. Besides, the Committee is empowered the following:

- To review the risk management procedures for ensuring an effective internal check and control system.
- To reviews the annual financial statements to ensure consistency with the accounting standards set by the regulatory.
- To review the efficiency and effectiveness of internal audit function.
- To review that the findings and recommendations made by the external auditors for removing the irregularities detected and also running the affairs of the Company are duly considered by the management.

In the year 2018, 04 (four) meetings were held.

### MANAGEMENT COMMITTEE

The day to day activities of the Company is entrusted with the Managing Director and the Management Committee. The Committee comprises of 08 (eight) Members. The Chairman of Management Committee is the Managing Director of the Company. The Committee meets regularly to review the performance of the Company and take decisions as deemed appropriate.

### ASSET LIABILITY COMMITTEE (ALCO)

The main objectives of these Committee to manage Balance Sheet risk, especially for managing of liquidity risk and interest rate risk and assist the Management Committee in the decision making process.

The main responsibilities of this Committee is to look after the Financial Market activities, manage liquidity and interest rate risk, understand the market position and competition etc. In carrying its responsibilities, the ALCO meets regularly and review the Decisions of the meeting with due consideration of the market situation. ALCO constituted 6 (six) members. ALCO chaired by the Managing Director of the Company.

### CREDIT COMMITTEE

Credit/Financing Operation of the PFIL is of paramount importance as the greatest share of total revenue of the PFIL is generated from it, maximum risk is centered in it and even the very existence of PFIL depends on prudent management of its credit portfolio. The Committee constituted to reduce this risk. The Credit Committee chaired by the Managing Director and comprises of 5 (Five) senior executives.

### INTERNAL CONTROL & COMPLIANCE

NBFIs business is a diversified and complex financial activity. Its activity involves high risk; the issue of effective internal control system, corporate governance, transparency, accountability has become significant issues to ensure smooth performance of the operations of the Company.

Internal control is the process, affected by a Company's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. Internal Controls are the policies and procedures established and implemented alone, or in concert with other policies or procedure, to manage and control a particular risk or business activity or combination of risks and business activities to which the Company is exposed or in which it is engaged.

Phoenix Finance & Investments Ltd. has established an appropriate and effective internal control environment through the Board of Directors, Management, organizational and procedural controls and an independent audit mechanism in order to ensure that the Company is managed and controlled in a sound and prudent manner. The Company identifies its weaknesses through internal control system and takes appropriate measures to overcome the weaknesses. The Board of Directors of the Company has established an Audit Committee to monitor the effectiveness of internal control system of the Company. The Audit Committee meets the senior management periodically to discuss the effectiveness of the internal control system of the Company and ensure that the management has taken appropriate actions as per the recommendations of

the auditors and the Internal Control and Compliance Division (ICCD).

Directors are responsible for instituting a system of internal control to ensure the effective implementation of all policies and decisions of the Board. The Board ensures that the directors maintain full and effective control areas of all significant strategic, financial and organizational and compliance issues. Internal Control is the process, affected by a company's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws, regulations, and internal policies. The Company has been practicing Internal Control

System based on the guidelines framed by Bangladesh Bank. Internal Control and Compliance Division covers all areas of Company's operational activities where risks of operational losses may arise as well as to ensure that ethical standard are maintained and regulatory compliances are followed. Internal Control and Compliance process are monitored through Departmental Control Function Check List and Operational Report. These are verified periodically in each Business Unit by the Internal Control & Compliance Department (ICCD). The ICCD provides report on overall adequacy and effectiveness of the Internal Control System based on Company's policy, practice & procedure to the Board of Director/Audit Committee on regular basis.

The Management Committee of the Company also monitors the effectiveness of the Internal Control Functions time to time. The Company's internal controls are highlighted as follows:

- The definition of the organizational structure and appropriate delegation authorities to functional management.
- Procedure for the review and authorization of capital expenditure.
- Strategic planning and the related annual planning and quarterly forecasting process.
- Accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Company's accounting records.

- Reporting and review of financial results and other operating statistics as well as the Company's quarterly financial statements which are based on a standard reporting system.

## INTERNAL AUDIT & INSPECTION

To reduce the operational risks of the Company, PFIL conducts regular audit/inspection on the business affairs of the Company based on different manuals, instructions, rules, procedures laid down by Bangladesh Bank and other regulatory authorities from time to time. The Internal Control and Compliance teams of the Company carried out comprehensive, periodical, special & surprise audit of the Branches/different divisions of Head Office. The frequencies of audit/ inspection of the branches/ divisions are planned as per Annual Audit Plan approved by the Managing Director and with the concurrence of the Audit Committee of the Board. The team prepares a audit report on all branches with corrective measures and places to Audit Committee of the Board for review who suggests measures through the management for remedial and non-repetition of the lapses in carrying out the operational activities of different business units.

## AUDIT BY EXTERNAL AUDITORS

The external auditors also audited the financial statements of the Company and gives report thereon. They also discussed with the management on various issues including Internal Control and Compliance. Suggestions of the auditors are given due consideration and are implemented by the management. The reports of the auditors are also discussed in the Board and Audit Committee.

## BANGLADESH BANK REGULATIONS

The major highlights of Bangladesh Bank regulations are

- To adopt the standardized approach for credit.
- To adopt the standardized approach for market risk and basic indicator approach operational risk.
- Submission of capital adequacy report to Bangladesh Bank on a quarterly basis.
- To adopt better risk management policy.
- To formulation and Governance of Green Banking policy.

## Corporate Governance

### **AUDIT CONDUCTED BY BANGLADESH BANK**

Bangladesh Bank conducted comprehensive inspection of Head Office and 02 (two) Branches of the Company during the year 2018. They have also conducted a special Inspection on Asset Quality. The reports are reviewed by the Board and its Audit Committee. The Company gives highest importance to the inspection report and corrective measures are taken regarding the inadequacies or lapses mentioned in the report.

### **Requirement of Bangladesh Bank**

Compliance department received some reports/ letters from Bangladesh Bank during 2018 and successfully submitted compliance of all reports/letters within prescribed deadlines.

### **Corporate Governance Compliance Report**

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207 /Admin / 80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969: is given at page 69-85 Annexure – C as per condition No.1(5)(xxvii) of this Annual Report.

# Audit Committee Report 2018



**NASREEN ALI**

Independent Director, Phoenix Finance  
& Investments Limited

The Audit Committee of the Board of Phoenix Finance & Investments Limited has been constituted to serve with utmost dedication the interest of the shareholders on behalf of the Board of Directors. The Board of Directors set out the overall Business plan with broad policy framework and issues guidelines for implementation by the management for overall interest of the Company. The Audit Committee, on behalf of the Board, strives to ensure effective implementation of the processes /procedures set out in the Business Plans and Policies. The Audit Committee acts as a catalyst to the Board of Directors and is responsible to the Board for its overall activities.

## FUNCTIONS OF THE AUDIT COMMITTEE

Main function of the Audit Committee is to assist the Board in its overall responsibilities. In order to fulfill the responsibilities, among others, main responsibilities of the Audit Committee are as follows:

- Evaluating of compliance culture of the Management;
- Review of existing Risk Management procedures for ensuring an effective Internal Compliance and Control System ;
- Review of efficiency and effectiveness of Internal Audit Functions;
- Monitoring of effectiveness of removal of the irregularities detected ;
- Review of Annual Financial statements in line with the Accounting Standards set by the Regulatory Authorities ;
- Review of the findings and recommendations of the External Auditors, and
- Assessment of running the affairs of the Company by the Management is in line with the policies set out by the Board.

## Audit Committee Report 2018

In 2018, the 3(three) Members Board Audit Committee stands as under:

| Directors                  | Position in the Board of Directors | Designation in the Audit Committee | Educational Qualification |
|----------------------------|------------------------------------|------------------------------------|---------------------------|
| Ms. Nasreen Ali            | Independent Director               | Chairman                           | Masters                   |
| Ms. Evana Fahmida Mohammad | Chairman                           | Member                             | Graduate                  |
| Mr. Mobarak Ali            | Director                           | Member                             | Graduate                  |

The above members of the Board Audit Committee are all having good exposure in the core business of PFIL. They all are playing active role in the Board Meetings and in the Audit Committee Meetings as well. The Board Audit Committee has been discharging duties and responsibilities in respect of Internal Control, Publication of Financial Report, Internal Audit, External Audit, Compliance of laws and rules & regulations in force as elaborately embodied in the DFIM Circular No. 13 dated October 26, 2011 of Bangladesh Bank.

## AUDIT COMMITTEE

### A. Particulars of Audit Committee

In compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated October 26, 2011, the Board Audit Committee of Phoenix Finance and Investments Limited was reconstituted by the Board Of Directors in the 250th meeting held on December 28, 2016.

### B. Meetings of Audit Committee

During January 01 to December 31, 2018, 4 (Four) Meetings of the Board Audit Committee of the Board were held in which among others, the following issues were discussed:

- i) Regular review of the Internal and External (Including Bangladesh Bank) Inspection and Audit Reports with a view to implementing the suggestions of Internal and External Auditors in respect of Internal Control Structure and Techniques;
- ii) Regular review of the Quarterly Operations Reports on the operational functions of each Branch of Phoenix Finance and Investments Limited (PFIL) with a view to ensuring proper operational function of the Company;
- iii) Reviewed draft Financial Statements and draft Management Reports of Phoenix Finance and Investments Limited (PFIL);
- iv) Evaluated the status of compliance culture related to Internal Control System built by the Management.

### C. Internal Control

The following steps have been taken for implementation of Internal Control Procedure of Phoenix Finance and Investments Limited (PFIL):

- i) Regular monitoring has been done for the effectiveness of the quality control policies and procedures with the effect to evaluate the application of Internal Control System and Internal Audit Policy, Policy for Financial Risk and existing rules and regulations;
- ii) Regular monitoring has been done for the effectiveness of the quality control policies and procedures with the effect to evaluate the application of Internal Control System and Internal Audit Policy, Policy for Financial Risk and existing rules and regulation;

- iii) To Establish the Control Policies and Procedures and Verification that the Control Policies and Procedures are in order;
- iv) To establish Planning, Organizing and Supervising culture and monitoring of Audit and Inspection of the Branches and that of different Divisions of Head Office and conducting surprise inspections at Branches;
- v) To Monitor and Comply with Applicable Laws, Regulations and Internal Policies Including Core Risk Management Guidelines of the Company;
- vi) Strengthening the structure of compliance framework for better functioning of the operation; and
- vii) To guard against money laundering and terrorist financing.

## APPROVAL OF FINANCIAL STATEMENTS

The Committee assisted the Board of Directors and the Management to discharge their responsibilities for the preparation of true and fair financial statements in accordance with the books of accounts and Bangladesh Accounting Standards. The Audit Committee reviewed and examined the Annual Financial Statements 2018 prepared by the Management and audited by External Auditors Mahfel Huq & Co., Chartered Accountants and recommended these before the Board for consideration.

## ACKNOWLEDGEMENT

The Audit Committee would like to express its thanks to the members of the Board, key management personnel, auditors and all employees for their dedication and effort during the year 2018.



**NASREEN ALI**  
Chairperson  
Audit Committee & Independent Director

## Attendance by the Directors at the Board Meetings during the year 2018

| Sl. No. | Name of Directors / Nominated Directors   | Position             | Board Meetings Attendance |
|---------|---|----------------------|---------------------------|
| 1       | Ms. Evana Fahmida Mohammad <sup>3</sup>   | Chairperson          | 10                        |
| 2       | Mr. Mobarak Ali   | Director             | 09                        |
| 3       | Mr. Abdur Rahman  | Director             | 06                        |
| 4       | Mrs. Selina Akhter <sup>1</sup>   | Director             | 05                        |
| 5       | Mr. Azizur Rahman <sup>4</sup><br>(Representing Phoenix Insurance Com. Ltd.)      | Nominee Director     | 09                        |
| 6       | Mr. Dost Mohammad<br>(Representing Phoenix Insurance Com. Ltd.)                   | Nominee Director     | 11                        |
| 7       | Mr. Md. Rafiqur Rahman <sup>2</sup><br>(Representing Phoenix Insurance Com. Ltd.) | Nominee Director     | 05                        |
| 8       | Mr. Rakibul Islam Khan<br>(Representing Pakiza Cotton Spinning Mills (PVT.) Ltd.) | Nominee Director     | 10                        |
| 9       | Ms. Nasreen Ali   | Independent Director | 08                        |
| 10      | Mr. Reshad Imam   | Independent Director | 10                        |

1. Ms. Selina Akhter resigned from the Directorship on 30.07.2018
2. Mr. Md. Rafiqur Rahman (representing Phoenix Insurance Co. Ltd.) appointed Nominee Director on 30.07.2018
3. Ms. Evana Fahmida Mohammad resigned from the post of Director and the Chairperson on 29.04.2019
4. Mr. Azizur Rahman, Nominee Director, Representing Phoenix Insurance Co. Ltd. appointed as the Chairman on 29.04.2019

## Pattern of Shareholdings as on 31 December, 2018

| Sl. No. | Particulars  | No. of Shares | % of holding |
|---------|--|---------------|--------------|
| a)      | Parent/Subsidiary/Associated Companies   | Nil           | Nil          |
| b)      | Directors & their spouses and minor children   |               |              |
|         | Ms. Evana Fahmida Mohammad, Chairperson  | 2,430,234     | 2.00         |
|         | Mr. Mobarak Ali, Director  | 2,803,698     | 2.31         |
|         | Mr. Abdur Rahman, Director   | 2,429,970     | 2.00         |
|         | Mr. Azizur Rahman, Nominee Director  | Nil           | Nil          |
|         | Mr. Dost Mohammad, Nominee Director  | Nil           | Nil          |
|         | Mr. Md. Rafiqur Rahman, Nominee Director   | Nil           | Nil          |
|         | Mr. Rakibul Islam Khan, Nominee Director   | 151,981       | 0.13         |
|         | Ms. Nasrin Ali, Independent Director   | Nil           | Nil          |
|         | Mr. Reshad Imam, Independent Director  | Nil           | Nil          |
| i)      | Mr. S.M. Intekhab Alam, Managing Director  | Nil           | Nil          |
| ii)     | Mr. Mohammad Sayduzzamam, Company Secretary  | Nil           | Nil          |
| iii)    | Mr. Md. Abu Sukkur, Chief Financial Officer  | Nil           | Nil          |
| iv)     | Mr. Sardar Mahbub Ali, Chief Internal Auditor  | Nil           | Nil          |
| c)      | Executives (Top 5, except above b)   | Nil           | Nil          |
| d)      | Shareholders holding 10% or more voting interest : Phoenix Insurance Company Limited | 13,264,163    | 10.92        |

# Compliance Report on BANGLADESH BANK'S GUIDELINES ON CORPORATE GOVERNANCE

Bangladesh Bank requires the Financial Institutions to comply with the guidelines on Corporate Governance as per the DFIM circular no. 7 dated 25 September taken appropriate steps to comply with the guidelines and implemented the same. Status report on compliance with those guidelines is given below:

| Sl. Particulars   | Compliance status   |
|---|---|
| 01. Responsibilities and Authorities of Board of Directors<br>The responsibilities of the Board of Directors are mainly related to and developing strategy. Those are as-   | Complied<br>Refer to Board of Directors and its committee on page 26 to 30 of this Annual Report. |
| A. Work-planning and Strategic Management:  |   |
| i. The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. The Board shall make necessary amendments on the strategy on quarterly basis.                       |   |
| ii. The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the Annual General Meeting (AGM).  | Complied<br>Refer to the Directors Report on pages 46 to 66 of this Annual Report.                |
| iii. The Board shall determine Key Performance Indicators for chief executive along with other top level executives and re-assess on half-yearly basis.   | Complied  |
| B. Formation of Sub-committee:<br><br>For making timely decision, executive committee can be formed. No alternative director shall be included in this committee.   | Refer to 'Board and its committee' on page 26 to 30 of this Annual Report.                        |
| C. Financial Management:  | Complied  |
| i. Annual budget and statutory financial reports shall be authorized by the Board of Directors.   |   |
| ii. The Board shall review company's statement of income and expense, statement of loan/lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan.   | Complied<br>Refer to Directors Report on page 46 to 66 of this Annual Report.                     |
| iii. The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board. | Complied<br>Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report.     |

|   |   |
|---|---|
| iv. Bank account of the Company shall be operated by a group constituted from amongst the Management which must be approved by the Board and having dual signatures (As amended through circular number 09, dated October 08, 2007).  | Complied  |
| <b>D. Loan/Lease/Investment Management:</b>   |   |
| i. The policies, strategies, procedures etc. in respect of appraisal of loan/lease/- investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically delegate the power of sanction of loan/ lease/ investment and such delegate should desirably be made among the CEO and other top management of the company.   | Complied<br>Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report. |
| ii. No Director shall interfere directly or indirectly in the process of loan approval.   | Complied  |
| iii. Core Risk Management Guidelines shall be approved by the Board of Directors of the Company.  | Complied  |
| <b>E. Risk Management:</b>  |   |
| Approval shall be taken from Board of Directors for syndicate loan/lease/ investment and large loan, lease or investment.   | Complied  |
| <b>F. Internal Control &amp; Compliance:</b>  |   |
| Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.  | Complied<br>Refer to Report on the Audit Committee on page 90 to 91 of this Annual Report.    |
| <b>G. Human Resources Management (HRM):</b>   |   |
| Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except the positions MD, DMD and GM or equivalent. | Complied<br>Refer to the Directors Report on pages 46 to 66 of this Annual Report.            |
| <b>H. Appointment of Managing Director and Increase of Salaries &amp; Allowances:</b>   |   |
| Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director.  | Complied  |

## Compliance Report

|  |   |
|--|---|
| I. Benefit to Chairman:  | Complied  |
| Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the company subject to the approval of the Board.   | Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report. |
| <hr/>  |   |
| 02. Responsibilities and Duties of Chairman:   | Complied  |
| i. Chairman shall not personally possess the jurisdiction to apply policy making or executive or authority. He shall not participate in or interfere into the administrative or operational and routine affairs of the Company.  | Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report. |
| <hr/>  |   |
| ii. The minutes of the Board meetings shall be signed by the Chairman  | Complied  |
|  | Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report. |
| <hr/>  |   |
| iii. Chairman shall sign-off the proposal for appointment of Managing Director and revision of his salaries & allowances.  | Complied  |
|  | Refer to 'Report on Corporate Governance' on page 86 to 89 of this Annual Report. |
| <hr/>  |   |
| 03. Responsibilities of Managing Director  | Complied  |
| The Managing Director or Chief Executive Officer of the company or whatsoever be called, shall work under the following area-  |   |
| i. Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management. |   |
| <hr/>  |   |
| ii. Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.   | Complied  |
| <hr/>  |   |
| iii. All recruitment/promotion/training, except recruitment/ promotion/ training of DMD & GM (as equivalent to EVP) shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company.  | Complied  |
| <hr/>  |   |
| iv. Managing Director may re-schedule job responsibilities of employees.   | Complied  |
| <hr/>  |   |
| iv. Managing Director may re-schedule job responsibilities of employees.   | Complied  |
| <hr/>  |   |
| vi. Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no.2 dated 06 January 2009 if so authorized.   | Complied  |

# Credit Rating Report

Alpha Credit Rating Limited has assigned "A+" (pronounced as single A+) rating to Phoenix Finance & Investments Limited (PFIL) in long term based on financials up to December 31, 2017 and other relevant qualitative and quantitative information up to the date of rating under the Credit Rating Companies Rules, 1996.

The above rating was done in consideration of its fundamentals such as good Capital Base, good asset quality, established franchise value, diversified product line etc. Financial institutions rated in this category are adjusted to offer adequate safety for timely repayment of financial obligations.

Alpha also placed the Company with 'Stable outlook' in consideration of its current Portfolio with enhanced business network.

A comparative position of the Credit Rating of the Company is as follows:

| Year | Long Term | Short Term |
|------|-----------|------------|
| 2017 | A+        | ST-2       |
| 2016 | A+        | ST-2       |
| 2015 | A+        | AR-2       |
| 2014 | A+        | AR-2       |
| 2013 | A+        | AR-2       |
| 2012 | A+        | ST-2       |
| 2011 | A         | ST-2       |
| 2010 | A         | ST-2       |
| 2009 | A         | ST-2       |
| 2008 | A         | ST-2       |
| 2006 | A-        | ST-3       |
| 2005 | BBB       | ST-4       |

# Disclosures on Capital Adequacy and Market Discipline (CAMD)

for the year ended 31st December, 2018

## A) Scope of application

### Qualitative Disclosures:

- (a) The name of the top corporate entity in the group to which this guidelines applies.  
- Phoenix Finance & Investments Limited (PFIL)
- (b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).  
- PFIL owns 25% of Phoenix Securities Limited (PSL).
- (c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.  
- Not applicable.

### Quantitative Disclosures:

- (d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.  
- Not applicable.

## B) Capital structure

### Qualitative Disclosures

(a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

Tier 2 Capital includes the following:

- i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk;
- ii) Revaluation reserves:  
- 50% Revaluation reserve for fixed assets;  
- 45% Revaluation reserve for securities;  
- 10% for equity Capital;
- iii) All other preference shares.  
- Conditions for maintaining regulatory capital:

The calculation of Tier 1 capital and Tier 2 capital shall be subject to the following conditions:

- i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
- ii) 50% of revaluation reserves for fixed assets and 10% of revaluation reserves for securities are eligible for Tier 2 capital.

### Quantitative Disclosures:

(b) The amount of Tier 1 capital, with separate disclosure of:

| Particulars                                   | Amount in crore Taka |
|---|----------------------|
| Paid up capital                               | 121.49               |
| Non-repayable share premium account           | 8.74                 |
| Statutory reserve                             | 68.71                |
| General reserve                               | 0.20                 |
| Retained earnings                             | 25.32                |
| Minority interest in subsidiaries             | -                    |
| Non-cumulative irredeemable preference shares | -                    |
| Dividend equalization account                 | -                    |
| <b>Total Tier 1 capital</b>                   | <b>224.46</b>        |

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

|  |        |
|--|--------|
| (c) The total amount of Tier 2 capital | 59.33  |
| (d) Other deductions from capital      | -      |
| (e) Total eligible capital             | 283.79 |

**C) Capital Adequacy****Qualitative Disclosures**

- (a) A summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.
- Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)  
PFIL has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% as on December 2018 and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital Adequacy Ratio.
  - Strategy to achieve the required Capital Adequacy:

**Operational level:****Immediate measures:**

- » Asking unrated Corporate clients to have credit rating from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank;
- » Rigorous monitoring of overdue contracts to bring those under 90 days overdue;
- » Assessing incremental effect of capital charge over the expected net income from financing before sanctioning any appraisal, which could be one of the criteria for taking financing decision.

**Continuous measures:**

- » Concentrating on SME clients having exposure up to BDT 10 crore as this will carry 75% fixed risk weight (for regular contracts only);
- » Financing clients having good credit rating;
- » Using benefit of Credit Risk Mitigation (CRM) Technique by taking eligible financial collaterals against transactions;
- » Focusing more on booking high spread earning assets and thus increasing retained earnings.

**Strategic level:**

- » Injecting fresh capital by issuing right shares, if required.

| Quantitative Disclosures                     | Amount in crore Taka |
|--|----------------------|
| Particular                                   | 2,517.06             |
| (b) Capital requirement for Credit Risk      | 60.60                |
| (c) Capital requirement for Market Risk      | 165.53               |
| (d) Capital requirement for Operational Risk |                      |
| (e) Total and Tier 1 capital ratio:          |                      |
| • For stand alone                            |                      |
|  | Solo Basis           |
| CAR on Total capital basis (%)               | 10.35                |
| CAR on Tier 1 capital basis (%)              | 8.18                 |

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

### D) Credit Risk

#### Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:

- **Definitions of past due and impaired (for accounting purposes)**

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- **Description of approaches followed for specific and general allowances and statistical methods;**

Specific and General provisions are maintained according to the relevant Bangladesh Bank Guidelines. For Example, 1% provision is maintained against Good loans for general loans, 0.25% for SME loans, 5% against SMA loans, 20% against substandard, 50% against doubtful and 100% against bad/loss loans after deducting the amount of interest expenses and value of eligible securities from the outstanding balance of classified accounts.

- **Discussion of the FI's credit risk management policy.**

- **Implementation of various strategies to minimize risk:**

To encounter and mitigate credit risk the following control measures are taken place at PFIL:

- Looking into payment performance of customer before financing;
- Annual review of clients;
- Adequate insurance coverage for funded assets;
- Vigorous monitoring and follow up by Special Assets Management and collection Team;
- Strong follow up of compliance of credit policies by Credit Administration Department;
- Taking collateral and performing valuation and legal vetting on the proposed collateral;
- Seeking legal opinion from internal and external lawyer for any legal issues;
- Maintaining neutrality in politics and following arm's length approach in related party transactions;
- Regular review of market situation and industry exposure;
- Sector-wise portfolio is maintained within specific limits to ensure diversification of loan assets.

In addition to the industry best practices for assessing, identifying and measuring risks, PFIL also considers Guidelines for Managing Core Risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

– **Approved Credit Policy by the Board of Directors**

The Board of Directors has approved the Credit Policy for the Company where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company and group) and risk management strategies have been described/stated in detail. Credit Policy is regularly updated to cope up with the changing global, environmental and domestic economic scenarios.

– **Separate Credit Risk Management (CRM) Department**

An independent Credit Risk Management (CRM) Department is in place, at PFIL, to scrutinizing projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximizing returns from risk assets. Research team of CRM regularly reviews market situation and exposure of PFIL in various industrial sub-sectors. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

– **Special Assets Management and Collection Team**

A strong Law and Recovery Team monitors the performance of the loans & advances, identify early signs of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

- **Independent Internal Control and Compliances Department (ICC)**

Appropriate internal control measures are in place at PFIL. PFIL has also established Internal Control and Compliances Department (ICC) to ensure, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements of policies to encounter such risks.

- **Credit Evaluation**

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects considering the current global financial crisis and its probable impact on the project. Risk Grading Model (RGM) helps a Financial Institution to understand the various dimensions of risks involved in transactions related to small business clients who are running their businesses in various geographical locations across the country. PFIL has been developing and managing RGM to promote the safety and soundness of the Company by facilitating informed decision-making. This model measures credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows management and examiners to monitor changes and trends in risk levels. The process also allows the management to manage risk to optimize returns. To mitigate credit risk, PFIL search for credit report from the Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by CRM and CEC to understand the liability condition and repayment behavior of the client. Depending on the report, Banker's opinions are taken from client's Banks. Suppliers' and buyers' opinion are taken to understand the market position and reputation of our proposed customers.

- **Credit Approval Process**

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multi layer system. Depending on the size of the loan, a multi layer approval system is designed. As smaller loans are very frequent and comparatively less risky, lower sanctioning authority is set to improve the turnaround time and associated risk. Bigger loans require more scrutiny as the associated risk is higher, so sanctioning authority is higher as well.

- **Credit Quality and Portfolio Diversification**

PFIL believes in diversification in terms of products as well as sectors. To mitigate the Credit Risk, the company diversifies its loan exposure to different sectors confirming the Central Bank's requirements. Threshold limit is set for any sector so that any adverse impact on any industry has minimum effect on PFIL's total return. Central Bank's instructions are strictly followed in determining Single Borrower/Large Loan limit. Significant concentration of credit in terms of group/sector or geographical location is carefully avoided to minimize risk.

- **Early Warning System**

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It enables the company to grow its credit portfolio with ultimate objective to protect the interest of stakeholders.

- **NPL Management**

PFIL measures its loan portfolio in terms of payment arrears. The impairment levels on the loans and advances are monitored regularly.

As per FID Circular No.3 dated March 15, 2007:

1. Loan/Lease, classified as bad/loss and with 100% provision, can only be written-off.
2. Approval from the Board of Directors has to be taken before write-off.
3. The financial institutions should constantly try to recover the loan/lease written-off amount. If legal action has not been taken against the client, legal charges should be placed before the write off.
4. To expedite the legal settlement or collection of the due amount, third party agents can be appointed by the financial institutions.
5. A separate ledger should be maintained for the written off loans/leases and the accumulated written off value should be disclosed separately under the heading of "notes to the account" in the annual report/balance sheet of the financial institutions.
6. Even if the loan/lease has been written off, the client should be classified as defaulter and reported to CIB accordingly.

Detail records for all such write off accounts are meticulously maintained and followed up.

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

- **Counterparty Credit Rating**

PFIL is taking initiatives to rate the Corporate Clients of the company immediately by the External Credit Assessment Institutions (ECAIs)/Rating Agencies duly recognized by the Central Bank. Some corporate clients have already conducted their credit rating by ECAIs and we are optimistic of getting a significant number of counter party ratings by 2019.

- **Methods used to measure Credit Risk**

As per the directives of Bangladesh Bank, 'The Standardized approach' is applied by the company to measure its Credit Risk.

**Quantitative Disclosures**

(b) Total gross credit risk exposures broken down by major types of credit exposure.

| Particulars                         | Amount in crore Taka |
|-------------------------------------|----------------------|
| Lease Finance (Short Term)          | 302.98               |
| Lease Finance (Long Term)           | 273.35               |
| Short-term Finance                  | 726.64               |
| Long-term finance                   | 1,159.22             |
| House building finance (Short Term) | 16.15                |
| House building finance (Long Term)  | 241.54               |
| Staff Loan                          | 7.81                 |
| <b>Total</b>                        | <b>2,727.69</b>      |

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

| Area         | Amount in crore Taka |
|--------------|----------------------|
| Dhaka        | 2,259.69             |
| Chattogram   | 423.56               |
| Bogura       | 26.54                |
| Khulna       | 17.90                |
| <b>Total</b> | <b>2,727.69</b>      |

(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.

| Sector                               | Amount in crore Taka |
|--------------------------------------|----------------------|
| Agriculture                          | 24.84                |
| Cement and Allied Industry           | 70.46                |
| Electronics and Electrical Products  | 84.39                |
| Food Production and Processing Ind.  | 68.31                |
| Garments & Knitwear                  | 88.76                |
| Glass, Glassware and Ceramic Ind.    | 29.18                |
| Housing                              | 257.69               |
| Iron Steel and Engineering           | 548.86               |
| Leather and Leather Goods            | 40.31                |
| Merchant Banking                     | 151.09               |
| Paper, Printing & Packaging          | 209.1                |
| Pharmaceuticals and Chemical         | 63.11                |
| Plastic Industry                     | 64.45                |
| Power, Gas, Water & Sanitary Service | 7.73                 |
| Ship Manufacturing Industry          | 11.40                |
| Telecommunication and IT             | 55.08                |
| Textile                              | 292.38               |
| Trade and Commerce                   | 178.12               |
| Transport and Aviation               | 143.56               |
| Others                               | 338.87               |
| <b>Total</b>                         | <b>2,727.69</b>      |

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

| Particulars                             | Amount in crore Taka |
|---|----------------------|
| Repayable on demand                     | 45.48                |
| Over 1 month but not more than 3 months | 150.32               |
| Over 3 months but not more than 1 year  | 942.86               |
| Over 1 year but not more than 5 years   | 1,397.22             |
| Over 5 years                            | 191.81               |
| <b>Total</b>                            | <b>2,727.69</b>      |

|   | Amount in crore Taka |
|---|----------------------|
| (g) Gross Non Performing Assets (NPAs)                        | 157.44               |
| Non Performing Assets ( NPAs) to Outstanding Loans & advances | 5.77%                |

| Movement of Non Performing Assets (NPAs) | Amount in BDT crore Taka |
|--|--------------------------|
| Opening balance                          | 142.48                   |
| Additions                                | 79.72                    |
| Reductions                               | 64.76                    |
| <b>Closing balance</b>                   | <b>157.44</b>            |

| Movement of specific provisions for NPAs | Amount in BDT crore Taka |
|--|--------------------------|
| Opening balance                          | 19.02                    |
| Provisions made during the period        | 45.47                    |
| Write-off                                | (36.52)                  |
| Write-back of excess provisions          | (9.41)                   |
| <b>Closing balance</b>                   | <b>18.56</b>             |

E) Equities: banking book positions

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

- Total equity shares holdings are for capital gain purpose.

Discussion of important policies are covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

- Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and conditions of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

#### Quantitative Disclosures

(b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

|                 | Amount in crore Taka |
|-----------------|----------------------|
| Quoted shares   | 30.30                |
| Unquoted shares | 0.75                 |

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

(c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.  
Tk.1.52 crore

(d)

| Particulars  | Amount in crore Taka |
|--|----------------------|
| Total unrealized gains (losses)                      | (9.02)               |
| Total latent revaluation gains (losses)              | -                    |
| Any amounts of the above included in Tier 2 capital. | -                    |

(e) Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

- Specific Risk- Market value of investment in listed equities is BDT 30.30 crore. Capital Requirement is 10% of the said value which stand to BDT 3.030 crore.
- General Risk- Market value of investment in listed equities is BDT 30.30 crore. Capital Requirement is 10% of the said value which stand to BDT 3.030 crore.

F) Interest rate in the PFIL's book

#### Qualitative Disclosures

The general qualitative disclosure requirement includes the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits. Interest rate risk in the PFIL's book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. PFIL measure the Interest Rate Risk by calculation of Simple Sensitivity Analysis i.e. calculate all on-balance sheet Rate Sensitive(RSA) and Rate Sensitive Liabilities(RSA), plot the RSA and RSL into different time buckets on the basis of maturity, calculate maturity GAP by deducting RSL from RSA(GAP=RSA-RSL) by using the formula of  $\Delta i(\text{GAP})$

#### Quantitative Disclosures

(b) The increase/decrease in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

#### Interest Rate Risk-Increase in Interest Rate: (BDT in crore) Where applicable)

| Particulars                            | 1 to 30/31<br>day<br>(one<br>month) | Over 1<br>month<br>to<br>2 months | Over 2<br>months<br>to<br>3 months | Over 3<br>months<br>to<br>6 months | Over 6<br>months<br>to<br>1 year |
|--|-------------------------------------|-----------------------------------|------------------------------------|------------------------------------|----------------------------------|
| A. Total Rate Sensitive Liabilities(A) | 13.25                               | 11.00                             | 30.00                              | 89.00                              | 210.00                           |
| B. Total Rate Sensitive Assets(B)      | 22.69                               | 23.41                             | 45.39                              | 120.09                             | 269.57                           |
| C. Mismatch                            | 9.44                                | 12.41                             | 15.39                              | 31.09                              | 59.57                            |
| D. Cumulative Mismatch                 | 9.44                                | 21.85                             | 37.24                              | 68.33                              | 127.90                           |
| E. Mismatch (%)                        | 71.25%                              | 112.82%                           | 51.30%                             | 34.93%                             | 28.37%                           |

#### Interest Rate Risk - Increase in Interest Rate

| Magnitude of Shock                    | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------------------|------------|------------|------------|
| Change in the Value of Bond portfolio | 2%         | 4%         | 6%         |
| Net Interest Income                   | 0.00       | 0.00       | 0.00       |
| Revised Capital                       | 2.56       | 5.12       | 7.67       |
| Revised RWA                           | 286.35     | 288.91     | 291.46     |
| Revised CAR (%)                       | 2,743.19   | 2,743.19   | 2,743.19   |
|                                       | 10.44      | 10.53      | 10.63      |

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

### G) Market risk

#### Qualitative Disclosures

(a) Views of BOD on trading/investment activities

All the Market Risk related policies/guidelines are duly approved by BOD. The BOD sets limit and review and updates the compliance on regular basis aiming to mitigate the Market risk.

#### Methods used to measure Market risk

Market Risk is the probability of losing assets in balance sheet and off - balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardized (rule based) Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately.

#### Market Risk Management system

##### Policies and processes for mitigating market risk

A Policy for managing Market Risk has been set out by the Board of Directors of the company where clear instructions has been given on Loan Deposit Ratio, Whole Sale Borrowing Guidelines, Medium Term Funding, Maximum Cumulative Outflow, Liquidity Contingency Plan, Local Regulatory Compliance, Recommendation / Action Plan etc. Treasury manages the Market Risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following fashion:

##### Interest Risk Management

Treasury Division reviews the risks of changes in income of the Company as a result of movements in market interest rates. In the normal course of business, PFIL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

##### Market analysis

Market analysis over interest rate movements are reviewed by the Treasury of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and an earning perspective.

##### GAP analysis

ALCO has established guidelines in line with central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular weekly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

##### Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.

##### Equity Risk Management

Equity Risk is the risk of loss due to adverse change in market price of equities held by the Company. Equity Risk is managed by the following fashion:

PFIL minimizes the Equity Risks by Portfolio diversification as per investment policy of the company. The entire portfolio is managed by PFIL's Investment Division.

## Disclosures on Capital Adequacy and Market Discipline (CAMD)

**Quantitative Disclosures****(b) The capital requirements for Market Risk:**

| Particular  | Amount in BDT crore |
|---|---------------------|
| Interest rate risk                                    | -                   |
| Equity position risk                                  | 6.060               |
| Foreign Exchange Position and Commodity risk (if any) | -                   |

**H) Operational Risk:**

## Qualitative disclosure:

**a) Views of Board on system to reduce Operational Risk:**

All the policies and guidelines of internal control and compliances are duly approved by the Board. The Board delegates its authority to Executive Committee and to Man-Com as per company policy of delegation of authority. Audit Committee of the Board directly oversees the activities of internal control and compliance as per good governance guideline issued by Securities and Exchange Commission.

**Performance gap of executives and staffs**

PFIL's recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in the near future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. We are proud to state that favorable job responsibilities are increasingly attracting greater participation from different level of employees in the PFIL family. We aim to foster a sense of pride in working for PFIL and to be the employee of choice. As such there exists no performance gap in PFIL.

**Potential external events**

No such potential external event exists to raise operational risk of PFIL at the time of reporting.

**Policies and procedures for mitigating operational risk:**

PFIL has also established Internal Control and Compliances Department (ICC) to address operational risk and to frame and implement policies to encounter such risks. ICC assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk.

**Approach for calculating capital charge for operational risk:**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PFIL uses basic indicator approach for calculation capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

**Quantitative Disclosures:****b) Capital requirement for operational risk:**

| Particular                                | Amount in crore Taka |
|---|----------------------|
| Capital requirement for operational risk: | 16.553               |

# Statement on Green Banking

as of 31-12-2018

## Instructions:

1. This reporting format is to be duly filled in by Sustainable Finance Unit (Ref: SFD Circular No. 02/2016) of each bank/FI.
2. Filled in report along with a forwarding letter signed by Managing Director/CEO and Head of Sustainable Finance Unit of concerned FI must be submitted to 'General Manager, Sustainable Finance Department, Bangladesh Bank, Head Office' and the soft copy of the report through 'Web Upload' link under 'E-Services' of the website of Bangladesh Bank.
3. The sub-link for submitting the report under 'Web Upload' link will be termed as 'Sustainable Finance Reports'.
4. One FI, One User ID' rule will be followed to provide User IDs to FIs for submitting this report through 'Web Upload'.
5. All pages of the hard copy of the report will be sealed and signed by Head of Sustainable Finance Unit of concerned bank.
6. This report will have to be submitted on quarterly basis ('January-March', 'April-June', 'July-September', 'October-December') i.e. 4 times a year.
7. The hard copy of the report with forwarding must be reached to SFD, BB, HO within 30 days by FIs after the end of each quarter.
8. The soft copy of the report must be uploaded to aforesaid link within 30 days by FIs after the end of each quarter. The soft copy can be uploaded only once in every quarter. Before uploading, every FIs needs to put due scrutiny and diligence.
9. For any technical issues/difficulties regarding the report preparation/submission, FIs will contact to the concerned official(s) of SFD, BB, HO.

## Explanations:

1. The definition of 'Sanctioned', 'Disbursed', 'Outstanding' will be the same as the definition used by Department of Off-site Supervision of BB in reporting (Ref: DOS Circular Letter No. 19/2016 and subsequent amendment).
2. The amount of 'Sanctioned' and 'Disbursed' will be for 'during the quarter' and the amount of 'Outstanding' will be for 'end of the quarter'.
3. On-balance Sheet' will refer to 'Funded' and 'Off-balance Sheet' will refer to 'Non-Funded'.
4. Enterprises' will refer to 'all legal entities' except 'Individual person'.
5. Cottage & Micro' and 'Small & Medium' enterprises will be classified according to the definition given by SME and Special Programmes Department of BB from time to time. Other than 'Cottage & Micro' and 'Small & Medium', all enterprises will be 'Large'.
6. Definition of different types of loans (Agriculture, Industrial, Consumer etc.) will be the same as the definition used by concerned departments of BB (Agricultural Credit Department/Department of Financial Institutions & Markets/Department of Off-site Supervision).
7. In table no. 1.2. of 'Quantitative' sheet, no data against 'Staff Loans' can be given as input. Apart from that, input against 'Credit to NBF' & 'Loans to Capital market' is not usual. Thus, if any input is given against these parameter of this table, explanation has to be given in separate sheet.
8. Input for Table 3 of 'Quantitative' sheet have to be given in accordance with Guidelines on ESRM for Banks and FIs (Ref: SFD Circular No. 02/2017 and subsequent amendment).
9. Input for Table 4 of 'Quantitative' sheet have to be given in accordance with Loan Classification and Provisioning Policy of BB.
10. Input for Table 5 of 'Quantitative' sheet have to be given in accordance with Climate Risk Fund Policy of BB (Ref: GBCSRD Circular No. 04/2017 and its subsequent amendment).
11. Input for Table 7 of 'Quantitative sheet' will reflect the cumulative figure.
12. Project area to be located in the area of 'Ka' category municipalities and union parishads are treated as Urban Investment and project area located in the area of 'KHA' and 'GA' categories municipalities and union parishads are treated as rural investment.
13. In 'Qualitative' sheet, except for question no. 1-4, answers have to be given from drop down list (Yes/No) for each question.
14. Header' of 'Quantitative' & 'Qualitative' sheets are to be customized before submission.

## Statement on Green Banking

## 1. Information on Total Finance (Including Green Finance)

## 1.1. Total Finance- On-Balance Sheet (Taka in Million)

|                                     | Total Sanctioned |        |        | Total Disbursed |        |        | Total Outstanding |           |           |
|-------------------------------------|------------------|--------|--------|-----------------|--------|--------|-------------------|-----------|-----------|
|                                     | Rural            | Urban  | Total  | Rural           | Urban  | Total  | Rural             | Urban     | Total     |
| Agriculture                         | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 10.76             | 406.10    | 416.86    |
|                                     | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 8.07              | 356.36    | 364.43    |
| Term Loans                          | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 2.69              | 49.74     | 52.43     |
| Other Loans                         | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 7.63              | 15,613.12 | 15,620.75 |
| Industrial (Manufacturing)          | 0.00             | 115.24 | 115.24 | 0.00            | 60.94  | 60.94  | 0.00              | 640.71    | 640.71    |
| Working Capital                     | 0.00             | 95.00  | 95.00  | 0.00            | 5.00   | 5.00   | 0.00              | 14,972.41 | 14,976.98 |
| Term Loans                          | 0.00             | 20.24  | 20.24  | 0.00            | 55.94  | 55.94  | 4.57              | 0.00      | 3.06      |
| Other Demand Loans                  | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 3.06              | 0.00      | 4,815.62  |
| Industrial (Services)               | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 55.01             | 0.00      | 0.00      |
| Continuous (CC,OD etc.)             | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 0.00              | 0.00      | 0.00      |
| Term Loans                          | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 9.48              | 4,760.61  | 4,770.09  |
| Other Demand Loans                  | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 45.53             | 0.00      | 45.53     |
| Consumer Credit                     | 0.00             | 5.00   | 5.00   | 0.00            | 2.00   | 2.00   | 0.00              | 679.09    | 679.09    |
| Trade & Commerce (Commercial Loans) | 0.00             | 200.00 | 200.00 | 0.00            | 200.00 | 200.00 | 56.21             | 1,774.93  | 1,831.14  |
| Continuous (CC,OD etc.)             | 0.00             | 200.00 | 200.00 | 0.00            | 200.00 | 200.00 | 0.00              | 404.45    | 404.45    |
| Term Loans                          | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 51.48             | 1,370.48  | 1,421.96  |
| Other Demand Loans                  | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 4.73              | 0.00      | 4.73      |
| Loans to Capital Market             | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 0.00              | 1,515.19  | 1,515.19  |
| Other Loans                         | 0.00             | 33.65  | 33.65  | 0.00            | 74.29  | 74.29  | 51.40             | 2,272.91  | 2,324.32  |
| Continuous (CC,OD etc.)             | 0.00             | 0.00   | 0.00   | 0.00            | 47.03  | 47.03  | 0.00              | 151.78    | 151.78    |
| Term Loans                          | 0.00             | 33.65  | 33.65  | 0.00            | 27.26  | 27.26  | 8.42              | 2,115.38  | 2,123.80  |
| Other Demand Loans                  | 0.00             | 0.00   | 0.00   | 0.00            | 0.00   | 0.00   | 42.98             | 5.76      | 48.74     |
| Grand Total (Loans & Advance)       | 0.00             | 353.89 | 353.89 | 0.00            | 337.23 | 337.23 | 181.01            | 27,021.94 | 27,202.95 |
| Staff Loan                          | 0.00             | 2.64   | 2.64   | 0.00            | 2.44   | 2.44   | 0.00              | 73.91     | 73.91     |

## 1.2. Total Green Finance- On-Balance Sheet (Taka in Million)

|                                     | Total Sanctioned |       |       | Total Disbursed |       |       | Total Outstanding |        |        |
|-------------------------------------|------------------|-------|-------|-----------------|-------|-------|-------------------|--------|--------|
|                                     | Rural            | Urban | Total | Rural           | Urban | Total | Rural             | Urban  | Total  |
| Agriculture                         | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Term Loans                          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Other Loans                         | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Industrial (Manufacturing)          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 124.22 | 124.22 |
| Working Capital                     | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Term Loans                          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 124.22 | 124.22 |
| Other Demand Loans                  | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Industrial (Services)               | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Continuous (CC,OD etc.)             | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Term Loans                          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Other Demand Loans                  | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Consumer Credit                     | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Trade & Commerce (Commercial Loans) | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 1.25   |
| Continuous (CC,OD etc.)             | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Term Loans                          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Other Demand Loans                  | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 1.25              | 0.00   | 1.25   |
| Loans to Capital Market             | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Other Loans                         | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Continuous (CC,OD etc.)             | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Term Loans                          | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Other Demand Loans                  | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 0.00              | 0.00   | 0.00   |
| Grand Total (Loans & Advance)       | 0.00             | 0.00  | 0.00  | 0.00            | 0.00  | 0.00  | 1.25              | 124.22 | 125.46 |
| Staff Loan                          |                  |       | 0.00  |                 |       | 0.00  |                   |        | 0.00   |

## Statement on Green Banking

## 1.3. Number of Borrowers in Total Finance

| Enterprises |       |       |                 |       |                |       |        |       |       |       |     |  |  |
|-------------|-------|-------|-----------------|-------|----------------|-------|--------|-------|-------|-------|-----|--|--|
| Age Group   | Large |       | Cottage & Micro |       | Small & Medium |       | Others |       | Total |       |     |  |  |
|             | Rural | Urban | Rural           | Urban | Rural          | Urban | Rural  | Urban | Rural | Urban |     |  |  |
|             | 0     | 93    | 0               | 0     | 0              | 12    | 0      | 0     | 0     | 0     | 105 |  |  |
| Individual  |       |       |                 |       |                |       |        |       |       |       |     |  |  |
|             | Male  |       | Female          |       | Third Gender   |       | Total  |       |       |       |     |  |  |
|             | Rural | Urban | Rural           | Urban | Rural          | Urban | Rural  | Urban |       |       |     |  |  |
| <30 years   | 0     | 0     | 1               | 0     | 0              | 0     | 0      | 0     | 1     |       |     |  |  |
| 30-50 years | 0     | 0     | 36              | 14    | 0              | 0     | 0      | 0     | 50    |       |     |  |  |
| >50 years   | 0     | 0     | 2               | 1     | 0              | 0     | 0      | 0     | 3     |       |     |  |  |
|             | 0     | 0     | 0               | 0     | 0              | 0     | 0      | 0     | 0     |       |     |  |  |

## 1.4 Number of Borrowers in Green Finance

| Enterprises |       |       |                 |       |                |       |        |       |       |       |  |  |  |
|-------------|-------|-------|-----------------|-------|----------------|-------|--------|-------|-------|-------|--|--|--|
| Age Group   | Large |       | Cottage & Micro |       | Small & Medium |       | Others |       | Total |       |  |  |  |
|             | Rural | Urban | Rural           | Urban | Rural          | Urban | Rural  | Urban | Rural | Urban |  |  |  |
|             | 0     | 0     | 0               | 0     | 1              | 0     | 0      | 0     | 1     | 0     |  |  |  |
| Individual  |       |       |                 |       |                |       |        |       |       |       |  |  |  |
|             | Male  |       | Female          |       | Third Gender   |       | Total  |       |       |       |  |  |  |
|             | Rural | Urban | Rural           | Urban | Rural          | Urban | Rural  | Urban |       |       |  |  |  |
| <30 years   | 0     | 0     | 0               | 0     | 0              | 0     | 0      | 0     | 0     |       |  |  |  |
| 30-50 years | 0     | 0     | 0               | 0     | 0              | 0     | 0      | 0     | 0     |       |  |  |  |
| >50 years   | 0     | 0     | 0               | 0     | 0              | 0     | 0      | 0     | 0     |       |  |  |  |

**1.5. Disbursement of Product wise Green Finance- On-Balance Sheet (Taka in Million)**  
Renewable Energy

| Solar Energy      |                        |                                 |   |                         |                      |                             |                                   |  |                                  | Total |
|-------------------|------------------------|---------------------------------|---|-------------------------|----------------------|-----------------------------|-----------------------------------|--|----------------------------------|-------|
| Solar Home System | Solar Micro/ Mini Grid | Solar Irrigation Pumping System | Surface Water Purification Plant using Solar Pump | Solar PV Assembly Plant | Solar PV Power Plant | Solar Cooker assembly Plant | Solar Water Heater Assembly Plant | Solar Air Heater & Cooling System Assembly Plant | Solar Energy Driven Cold Storage | Total |
|                   |                        |                                 |   |                         |                      |                             |                                   |  |                                  | 0.00  |

| Bio-gas  |  |                            |                         |                                   | Hydro-Power                                     | Wind-Power | Total |
|--|--|----------------------------|-------------------------|-----------------------------------|---|------------|-------|
| Setting up of Bio-gas Plant in existing Dairy & poultry Farm | Integrated Cow Rearing and Setting up of Bio-gas Plant | Organic Manure from Slurry | Mid Range Bio-gas Plant | Biomass based large Bio-gas Plant | Poultry & Dairy based large scale Bio-gas Plant | Total      | Total |
|  |  |                            |                         |                                   |   | 0.00       | 0.00  |

| Energy Efficiency   |   |  |                                   |                              | Alternative Energy  |                            |       |
|---|---|--|-----------------------------------|------------------------------|---|----------------------------|-------|
| Substitution of Conventional lighting system, electronic material, Boiler with energy efficient alternatives on the basis of Energy Audit | Auto sensor power switch assembly Plant | Energy efficient Improved Cook Stove(ICS)/ICS Renewable/Hybrid Cook Stove Assembly Plant | LED Bulb/Tube Manufacturing Plant | LED Bulb/Tube Assembly Plant | Substitution of Conventional Lime Kiln by Energy Efficient Kiln | Waste Heat Recovery System | Total |
|   |   |  |                                   |                              |   |                            | 0.00  |

| Waste Management                          |   |  |              |             |                              |                                |       |                                    |                            | Total  |                            |   |       |
|---|---|--|--------------|-------------|------------------------------|--------------------------------|-------|------------------------------------|----------------------------|--|----------------------------|---|-------|
| Liquid Waste Management                   |   |  |              |             | Solid Waste Management       |                                |       |                                    |                            | Total  |                            |   |       |
| Biological Effluent Treatment Plant (ETP) | Biological & Chemical Technology Combined ETP | Conversion of Chemical ETP to Combination type (Chemical+ Biological) of ETP | Chemical ETP | Central ETP | Waste Water Processing Plant | Sewage Liquid Processing Plant | Total | Hazardous waste treatment facility | Municipal waste to Compost | Methane Recovery from Municipal waste & to produce Power | Municipal waste to Compost | Scum Management and Processing Facility | Total |
|   |   |  |              |             |                              |                                | 0.00  |                                    |                            |  |                            |   | 0.00  |

Statement on Green Banking

| Recycling & Recyclable Product |  |  |  |  |   |  |       |
|--------------------------------|--|--|--|--|---|--|-------|
| PET Bottle Recycling Plant     | Plastic Waste Recycling Plant (PVC, PP, LDPE, HDPE,PS) | Waste Paper Recycling production of recycled paper, plate, mug, glass                                | Recyclable Baggage Manufacturing Plant   | Recyclable Poly Propylene Thread & Baggage Manufacturing Plant | Solar Battery Recycling Plant                               | Used Lead Acid Battery Recycling Plant | Total |
|                                |  |  |  |  |   |  | 0.00  |
| Green Brick Manufacturing      |  |  |  |  |   |  |       |
| Compressed Block Brick         | Autoclaved Aerated Concrete                            | Modern Tech Brick (Zigzag, Improved Zigzag, HHK, Tunnel, VSBK, Conversion of FCK to any of the above | Certified Green Industry/ Green Building | Green Featured Building/ Green Features of Building            | Ensuring Work Environment and Security of Workers Factories | Vermicom post Palm Oil Plant           | Total |
|                                |  |  |  |  |   |  | 0.00  |
| Green Establishment            |  |  |  |  |   |  |       |
|                                |  |  |  |  |   |  | 0.00  |
| Miscellaneous                  |  |  |  |  |   |  |       |
|                                |  |  |  |  |   |  | 0.00  |

1.6. Disbursement of Product wise Green Finance- On-Balance Sheet (Number of Borrowers)

| Solar Energy      |                        |                                 |   |                         |                      |                             |                                   |  |                                  |       |
|-------------------|------------------------|---------------------------------|---|-------------------------|----------------------|-----------------------------|-----------------------------------|--|----------------------------------|-------|
| Solar Home System | Solar Micro/ Mini Grid | Solar Irrigation Pumping System | Surface Water Purification Plant using Solar Pump | Solar PV Assembly Plant | Solar PV Power Plant | Solar Cooker assembly Plant | Solar Water Heater Assembly Plant | Solar Air Heater & Cooling System Assembly Plant | Solar Energy Driven Cold Storage | Total |
|                   |                        |                                 |   |                         |                      |                             |                                   |  |                                  | 0     |

| Bio-gas  |  |                            |                         |   |   |       |
|--|--|----------------------------|-------------------------|---|---|-------|
| Setting up of Bio-gas Plant in existing Dairy & poultry Farm | Integrated Cow Rearing and Setting up of Bio-gas Plant | Organic Manure from Slurry | Mid Range Bio-gas Plant | Biomass based large scale Bio-gas Plant | Poultry & Dairy based large scale Bio-gas Plant | Total |
|  |  |                            |                         |   |   | 0     |
|  |  |                            |                         |   |   | 0     |



## Statement on Green Banking

| 2. Environmental Classification of Finances (Number)* |     |          |          |       |        |       |
|---|-----|----------|----------|-------|--------|-------|
|   | Red | Orange A | Orange B | Green | Others | Total |
| Total Loans/Investment                                | 0   | 0        | 0        | 0     | 0      | 0     |
| Loans/Investment under ESDD                           | 0   | 0        | 0        | 0     | 0      | 0     |
| Green Finance   | 0   | 0        | 0        | 0     | 0      | 0     |

\*Ref. Schedule-1, The Environment Conservation Rules, 1997- <http://extwprlegs1.fao.org/docs/pdf/bgd19918.pdf>

\*Others\* field has been given for the industrial units which are not categorized according to Schedule-1 of Environmental Conservation Rules 1997 (ECR 1997)\*.

Quarterly Progress Report on Green Banking Activities (Quantitative) (PhoenixFinance Investments Ltd. (Oct-Dec 2018)

## 3. Environmental &amp; Social Risk Management

|                                   | Number of finances rated |        |      |       |  | Number of rated finances disbursed |        |      |       |       | Amount of rated finances disbursed (Taka in Million) |      |       |  |  |
|-----------------------------------|--------------------------|--------|------|-------|--|------------------------------------|--------|------|-------|-------|--|------|-------|--|--|
|                                   | Low                      | Medium | High | Total |  | Low                                | Medium | High | Total | Low   | Medium   | High | Total |  |  |
| Agriculture                       | 0                        | 0      | 0    | 0     |  | 0                                  | 0      | 0    | 0     | 0.00  | 0.00   | 0.00 | 0.00  |  |  |
| Small sectors applicable for ESDD | 0                        | 0      | 0    | 0     |  | 0                                  | 0      | 0    | 0     | 0.00  | 0.00   | 0.00 | 0.00  |  |  |
| Medium sector                     | 0                        | 0      | 0    | 0     |  | 0                                  | 0      | 0    | 0     | 0.00  | 0.00   | 0.00 | 0.00  |  |  |
| Corporate Finance                 | 1                        | 0      | 0    | 1     |  | 1                                  | 0      | 0    | 1     | 25.00 | 0.00   | 0.00 | 25.00 |  |  |
| Project Finance                   | 0                        | 0      | 0    | 0     |  | 0                                  | 0      | 0    | 0     | 0.00  | 0.00   | 0.00 | 0.00  |  |  |
| Total                             | 1                        | 0      | 0    | 1     |  | 1                                  | 0      | 0    | 1     | 25.00 | 0.00   | 0.00 | 25.00 |  |  |

| 4. Non-Performing Loans/Investment |                  |        |        |            |          |           |
|------------------------------------|------------------|--------|--------|------------|----------|-----------|
|                                    | Unclassified(UC) |        |        | Classified |          |           |
|                                    | Standard         | SMA    | SS     | DF         | B/L      | Total     |
| Total Loans/Investment             | 24,937.67        | 776.38 | 114.33 | 356.23     | 1,092.25 | 27,276.87 |
| Loans/Investment under ESDD        | 11,507.20        | 147.85 | 38.53  | 14.72      | 67.14    | 11,775.44 |
| Green Finance                      | 124.22           | 0.00   | 1.25   | 0.00       | 0.00     | 125.46    |



# Report on Risk Management

Risk management is a central part of any organization's strategic management. It is the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The focus of good risk management is the identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the organization. It marshals the understanding of the potential upside and downside of all those factors which can affect the organization. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organization's overall objectives.

Risk management should be a continuous and developing process which runs throughout the organization's strategy and the implementation of that strategy. It should address methodically all the risks surrounding the organization's activities past, present and in particular, future. It must be integrated into the culture of the organization with an effective policy and a programme led by the most senior management. It must translate the strategy into tactical and operational objectives, assigning responsibility throughout the organization with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

PFIL are always exposed to a certain amount of risk. Managing such risks has always been a primary concern of the Company. In today's challenging financial and economic environment, effective risk management is must for sustainable growth in shareholders value.

PFIL has always been in the vanguard of implementing different risk management tools and techniques. Its risk management approach is emphasizing not only for regulatory purpose but also to improve operational and financial performance of the Company. PFIL's Risk Management departments are headed by well skilled senior executives who are justifying the above mentioned risk. The prime objective of the risk management is that the Company takes well calculated business risks while protecting the Company's assets, its profitability from various risks.



**RISK MANAGEMENT PROCESS**

## RISK IDENTIFICATION

Risk identification sets out to identify an organization's exposure to uncertainty. This requires an intimate knowledge of the organization, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives. PFIL follows the following Techniques for Risk Identification -

- Brainstorming
- Questionnaires
- Business studies which look at each business process and describe both the internal processes and external factors which can influence those processes

## Report on Risk Management

- Industry benchmarking
- Scenario analysis
- Risk assessment workshops
- Incident investigation
- Auditing and inspection
- HAZOP (Hazard & Operability Studies)

### RISK DESCRIPTION

The objective of risk description is to display the identified risks in a structured format. By using a table as given below displaying the risk description to facilitate the description and assessment of risks:

#### Risk Description

|  |   |
|--|---|
| 1. Name of Risk                        |   |
| 2. Scope of Risk                       | Qualitative description of the events, their size, type, number and dependencies  |
| 3. Nature of Risk                      | Eg. strategic, operational, financial, knowledge or compliance  |
| 4. Stakeholders                        | Stakeholders and their expectations   |
| 5. Quantification of Risk              | Significance and Probability  |
| 6. Risk Tolerance/Appetite             | Loss potential and financial impact of risk<br>Value at risk<br>Probability and size of potential losses/gains<br>Objective(s) for control of the risk and desired level of performance |
| 7. Risk Treatment & Control Mechanisms | Primary means by which the risk is currently managed<br>Levels of confidence in existing control<br>Identification of protocols for monitoring and review                               |
| 8. Potential Action for Improvement    | Recommendations to reduce risk  |
| 9. Strategy and Policy Developments    | Identification of function responsible for developing strategy and policy   |

### RISK ESTIMATION

Risk estimation can be quantitative, semi quantitative or qualitative in terms of the probability of occurrence and the possible consequence. For assessing consequence and probability as high, medium or low, PFIL presented it's as a 3 x 3 matrix.

### RISK ANALYSIS METHODS AND TECHNIQUES

PFIL used a range of techniques to analyse risks. These are specific to upside or downside risk or capable of dealing with both.

#### Upside risk

- Market survey
- Prospecting
- Test marketing
- Research and Development
- Business impact analysis

## Report on Risk Management

- Dependency modeling
- SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)
- Event tree analysis
- Business continuity planning
- BPEST (Business, Political, Economic, Social, Technological) analysis
- Real Option Modeling
- Decision taking under conditions of risk and uncertainty
- Statistical inference
- Measures of central tendency and dispersion
- PESTLE (Political, Economic, Social, Technical, Legal, Environmental)

### Downside risk

- Threat analysis
- Fault tree analysis
- FMEA (Failure Mode & Effect Analysis)

### MONITORING AND REVIEW OF THE RISK MANAGEMENT PROCESS

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Board Audit Committee and Internal Control and Compliance Department carried out regular audits of policy and standards compliance and standards performance reviewed to identify opportunities for improvement.

The monitoring process provides assurance that there are appropriate controls in place for the organization's activities and that the procedures are understood and

followed. Monitoring and review process also determine whether:

- the measures adopted resulted in what was intended
- the procedures adopted and information gathered for undertaking the assessment were appropriate
- improved knowledge would have helped to reach better decisions and identify what lessons could be learnt for future assessments and management of risks

### STRUCTURE AND ADMINISTRATION OF RISK MANAGEMENT

- The Board of Directors of the Company is responsible for the proper risk management. Board of Directors approves all major risk management policies taking into account market condition and regulatory requirements.
- Executive Committee is responsible to supervise that the management and different management Committees are operating within approved limits and authorities. EC also approves credit proposals, administrative proposals of the Company.
- Audit Committee of the Board of Directors independently monitors all activities of the Company operations involving credit risk, operational risk, and market risks.
- Separate Risk Management Unit, Asset Liability Committee, Credit Committee, Basel-II Implementation Unit have been formed to ensure compliance with all relevant risk management policies of the Company.
- Internal Control & Compliance Department on a regular basis verifies compliance with all approved risk management and internal control policies. ICCD reports to the Audit Committee of the Board all kinds of risk sensitive issues.

# Environmental Risk Management (ERM) & Environmental Risk Assessment Framework

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

The physical environment of the country is deteriorating significantly in the form of land degradation, water pollution, & scarcity, air pollution, biodiversity resources and adverse impacts of natural disasters. Due to unusual weather pattern, rising greenhouse gas, declining air quality, businesses should come forward to take responsibility in safeguarding the planet. Therefore, Banks/Financial Institutions need to protect their financing from being affected by environmental condition for the sake of financial sector governance and sustainability as well as increasing awareness of environment issues amongst stakeholders, particularly community, customers, shareholders and investors.

In view of the above, Bangladesh Bank feels the necessity to introduce Environmental Risk Management(ERM) in Financial Institutions as well as in Banks for streamlining the management of environmental risks in the financial sector. In respect of credit operation of Financial Institutions, they are to encounter environmental risks, like other risks, which are facilitating elements of credit risk arising from environmental issues. In this connection, Bangladesh Bank has also prepared Guidelines on Environmental Risk Management(ERM) in a consultative manner, as a part of Green Banking Policy, outline of which has been given in their DFIM Circular No. 04 dated April 06, 2011 and the detailed 'ERM Guidelines of Bangladesh Bank for Banks and Financial Institutions in Bangladesh'(BB ERM Guidelines) has been made available in the Bangladesh Bank's website enabling all Financial Institutions to comply with the same w.e.f. July 01, 2011.

PFIL, like other Financial Institutions, is to eradicate the risks arisen due to environmental impacts caused by environmental conditions which are generally element of uncertainty or possibility of loss in the context of financial transactions. Therefore, in pursuant to the DFIM Circular No. 04 dated April 06, 2011 of Bangladesh Bank and as per outline of the 'ERM Guidelines of Bangladesh Bank for Banks and Financial Institutions in Bangladesh', PFIL's own ERM Guidelines for Phoenix Finance & Investments Limited(PFIL ERM Guidelines) have already been formulated, incorporating Environmental Risk into its Credit Risk Management Structure, which is circulated vide our Office Circular # 2011/79 dated July 26, 2011 for meticulous compliance of all concerned Branches and Head Office Divisions w.e.f. August 01, 2011. PFIL is also concentrating hard on linking its CSR(Corporate Social Responsibilities) at its highest corporate level for environmentally and socially responsible practices and engaging with borrowers in scrutiny of the environmental and social impact.

## HIGHLIGHTS OF PFIL ERM GUIDELINES

### 01.0 Purpose

- i. To examine the related environmental issue thoroughly and concerns associated with potential business activities proposed for PFIL financing;

- ii. To identify, evaluate and manage the environmental risks and the associated financial implications arising from these issues and concerns;
- iii. To ensure strict compliance of the Environment Conservation Rules-1997 and subsequent Environment Conservation (Amendment) Act-2010 in pre-sanction and post-sanction stages and obtaining Environmental Clearance Certificate as per fallen classification (Green, Orange-A, Orange-B and Red, as the case may be);
- iv. To enhance and intensify the credit appraisal process of PFIL integrating the Environmental Risk Perspectives.

### 02.0 Approach

- i. Ascertaining of risks arising out of environmental issues;
- ii. Addressing the focused environmental problems causing the risks, not towards the solution of problems in general;
- iii. Value-added oriented approach to the borrowers/lessees, not be 'policing' in nature;
- iv. Using of 'PFIL ERM Guidelines' to strengthen the customer relationship;
- v. Focusing on managing risks, not avoiding risks and/or discouraging/reducing financing. If managing of risks does not appear to be feasible, financing may be avoiding;
- vi. Ascertaining inter-relationship between environmental risk and credit risk and integration of ERM with credit risk management.
- v. No separate or parallel ERM system.

### 03.0 Applicability

PFIL ERM Guidelines' are applicable across all financing irrespective of tenure of financing (short/mid/long term finance), constitution of the borrower / lessee (Individual / Sole-proprietorship / Partnership / Ltd. Co.), nature of finance and nature of customer group(corporate,

## Environmental Risk Management (ERM) & Environmental Risk Assessment Framework

institutional, personal, SME). However, the 'PFIL ERM Guidelines' practice and exercise are mandatory if aggregate financial facilities of PFIL exceed the following thresholds irrespective of tenure of financing, constitution and customer group:

| Customer Nature                                 | Financing Thresholds |
|---|----------------------|
| For Small & Medium Enterprises (SMEs) Financing | > BDT 25.00 Lac      |
| For Corporate Financing                         | > BDT 100.00 Lac     |
| For Real Estate Financing                       | > BDT 100.00 Lac     |

The waiver of 'PFIL ERM Guidelines' exercise is applicable only for the customers fallen below the above financing thresholds. But it does not mean that the customers fallen below the above financing thresholds are exempted from the other regulatory and legal requirements as per prevailing Environment Conservation Act and Rules or other law and due diligence checks (industry, client, or location specific, as the case may be) as required. The 'PFIL ERM Guidelines' are being used for all sorts of financing required for New, BMRE, Greenfield projects.

### 04.0 Stages of ERM

The different stages of ERM as applied to financing transactions are

- (i) Identifying Risks,
- (ii) Rating Risks,
- (iii) Mitigating Risks and (iv) Monitoring & Controlling Risks.

### 05.0 ERM Procedures

Whenever a potential Borrower/Lessee approaches for financing, environmental risks are being identified. In this connection, a holistic approach is being pursued towards assessing environmental risk and look at the inherent risks posed by the overall activities of the client as opposed to constraining themselves to the specific project seeking financing. As a part of Relationship Marketing function, the applicable and relevant Environment Due Diligence (EDD) Check-List, out of the 11 (eleven) EDD Check-Lists (one General EDD Check-List and 10 Sector EDD Check-Lists) as per format given in Technical Annexes of the BB ERM Guidelines, are duly filled prior to forwarding the Credit/Lease Proposal to CRM Division of Head Office for consideration.

### 06.0 Financing Business Activities

In this Credit Risk Management function, it is required to verify whether the Environmental Risk Rating (EnvRR) has been correctly done or not. If not, the RM or the Appraisal Team is asked to review and revise the EDD Checklist rectifying necessary computations. Whether the EnvRR is 'HIGH', the Credit Risk Management function must ensure that additional conditions/covenants are incorporated in the Sanction Advice and Lease/Loan Agreement as well. Some Environmental risk-related financing conditions/ covenants are enumerated below:

- The Lessee/Borrower will conduct business by maintaining property in compliance with all environmental laws;
- The Lessee/Borrower will provide environmental clearance certificates as and when obtained and renewed;
- The Lessee/Borrower will have emergency response procedures in place;
- The Lessee/Borrower will take immediate and necessary remedial action in the event of a hazardous spill or release;
- The Lessee/Borrower will not use the property for disposing of, producing, treating, storing or using contaminants, pollutants, toxic substances of hazardous materials or wastes;
- The Lessee/Borrower will employ a separate Environmental Manager with required background and skills to address environmental problems and environmental related compliance issues on continuous basis;
- The Lessee/Borrower will ensure adequate preparedness to climate change induced extreme events such as flood, cyclone, earthquake and other natural calamities.

### 07.0 Review of ERM issues in PFIL's Portfolio Management

On an ongoing basis, Credit Risk Management (CRM) Division of Head Office is estimating the environmental risks on their financing portfolio and considers approaches to managing them annually. At a portfolio level, CRM Division classifies PFIL financing of business activities across the Department of Environment (DoE)'s categories of RED, ORANGE A, ORANGE B and GREEN (Schedule 1 of the ECR 1997). CRM Division estimates the number and financial exposure to each of these categories. In addition, CRM Division classifies PFIL financing of business activities based on their environmental risk categories i.e. 'High', 'Moderate' or 'Low' assigning the number and financial exposure to each. Based on these risk estimates, CRM Division reviews PFIL asset composition and environmental risk in the portfolio of PFIL on annual basis and places an MIS Report to the Board of Directors with comments/ views/ recommendations on the status of mitigation of environmental risks and future outlook on the same. CRM Division's review is being made in such an efficient and effective manner so that it can lead to an accurate prioritization of risks and appropriate risk management efforts. Its outcomes can be used to undertake re-balancing and counter-balancing approaches e.g. to adopt more GREEN and low environmental risk business activities if PFIL portfolio is otherwise more

## Environmental Risk Management (ERM) & Environmental Risk Assessment Framework

oriented or concentrated to the RED and 'High' environmental risk. Besides, an annual reporting is initiated on the use of ERM Guidelines in PFIL's Annual Report with a view to intimating management, shareholders and other stakeholders. Moreover, Credit Administration Division establishes and maintains a database of NPLs that is eventually fallen due to adverse environmental reasons, either in partial or full. The purpose of this database is to ensure that PFIL streamlines its own institutional knowledge for better decision-making in its future financing. If the Lessee/Borrower has indicated environmental factors as one of the reasons for delay in making repayments, then this must be noted in the Database in conformity with the Clause 2.3.7 of 'BB ERM Guidelines'.

### 08.0 Credit Processing and Approval Process: Incorporating Environmental Risk Covenant

The existing credit processing and approval processes of PFIL shall continue irrespective of ERM considerations. Whatever the EnvRR rating ('High', 'Moderate' or 'Low') is, all credit proposals is processed by CRM Division and placed to the EC/Board of Directors as per existing delegation of authority. Before placing the credit proposals having 'High' EnvRR to the EC/Board of Directors, CRM Division ensures that necessary covenants/conditions pertaining to regulatory requirements as per ECR 1997 or equivalent are duly incorporated in the same.

### 09.0 Pre-disbursement Compliances of covenants/ conditions pertaining to regulatory requirements as per ECR 1997 and others

Credit Administration Division shall monitor and ensure the pre-disbursement compliances of stipulated covenants/ conditions pertaining to regulatory requirements as per ECR 1997 or equivalent prior to accord 'Disbursement Clearance Certificate' in respect of opening of L/C or disbursement. In this connection, Credit Administration Division must be satisfied with the proof of compliance and documented evidence adhering to the covenants/conditions pertaining to regulatory requirements as per ECR 1997 or equivalent.

### 10.0 Carrying out Environmental Risk Monitoring as a Part of Credit Monitoring

All Branches and concerned Head Office Divisions are intensifying their credit monitoring activities by way of inclusion of environmental risk considerations in the following manner wherever EnvRR is rated as 'High':

- Concerned Branch shall conduct inspection to oversee the compliance of environmental management issues as per respective sanction clauses. In addition, during periodic inspections to Branches, Internal Control & Compliance Division must oversee the status of adoption of environmental management as per respective sanction clauses retaining documented evidences. For doing this, EDD Checklist may be used. Whenever the monitoring requires more than the usual management expertise e.g. specific technical expertise, external Consultants may be deployed at the cost of concerned Lessee/Borrower.

- All Branches shall follow-up with the Lessee/ Borrower on the findings and recommendations of the inspections. Each concerned Lessee/Borrower should send written documentation on the action taken maintaining record thereof. All concerned should take into cognizance of the commitment to follow-up on these findings and recommendations in taking decisions to deal with the concerned Lessee/Borrower.

### 11.0 Technical Manual Overview

'PFIL ERM Guidelines' are formulated based on prevailing laws and 'BB ERM Guidelines'. The prevailing laws contain provisions regarding conservation of environment, improvement of standards and control of environmental pollution from various sources. Out of those laws, Bangladesh Environmental Conservation Act(ECA) 1995 in the umbrella Act. In exercise of the power conferred under ECA-1995, the Environmental Conservation Rules (ECR) 1997 were issued by the Government of Bangladesh.

Together-ECA 1995 and ECR 1997-provide the framework of environmental regulations relevant to industries. Subsequently, Environmental Conservation (Amendment) Rules 2010(ECAR-2010) were issued by the Government on October 5, 2010.

### 12.0 Procedural Requirements

All activities need to adhere to the provisions of this Act and associated Rules. In procedural terms, no business activity(i.e. industrial unit or project) shall be established or undertaken without obtaining, in the manner prescribed by the accompanying Rules, an Environmental Clearance Certificate from the Director General of Environment Department. This procedural requirement must be followed. For the purpose of issuing the Environmental Clearance Certificate, the industrial unit and projects shall in consideration of their location and impact on the environment be classified in 4(four) categories which are GREEN, ORANGE-A, ORANGE-B and RED. This categorization indicates that GREEN is least polluting and RED is most polluting, with the 2(two) ORANGE categories regarded as having medium-scale impacts. In its Schedule I, ECR-1997 includes a list of 22 industrial units or projects under GREEN, 26 types under ORANGE-A, 69 types under ORANGE B and further 69 types under RED. For each category of industries, there are different levels of documents to be provided at the time of seeking the Environmental Clearance Certificate. ECR-1997 prescribes various performance standards requirements these are both general and industry specific. The prescribed standards are, Water (Schedule 3), Sound (Schedule 4), Sewage Discharge(Schedule 9), Waste from industries (Schedule 10), Gaseous Emissions (Schedule 12). When operating the industries financed by PFIL, these performance standards must be met in order to ensure that there is no legal non-compliance. Before allowing disbursement, Credit Administration Division looks into it.

## Environmental Risk Management (ERM) & Environmental Risk Assessment Framework

### 13.0 Preliminary Environmental Risk Review

Upon receiving the proposal for Lease/Loan financing, every Branch must conduct a preliminary environmental risk review using Environmental Due Diligence(EDD) Check-List. In this regard, Bangladesh Bank has prepared 1(one) General EDD Check-List, 10(ten) Sector EDD Check-List in the following sectors and a Guidance Matrix:

- i. Agri-Business (poultry & Dairy);
- ii. Cement;
- iii. Chemicals (Fertilizers, Pesticides and Pharmaceuticals);
- iv. Engineering and Basic Metal;
- v. Housing;
- vi. Pulp & Paper;
- vii. Sugar & Distilleries;
- viii. Tannery;
- ix. Textile and Apparels; &
- x. Ship Breaking.

General EDD Check-List is being used irrespective of sectors fallen under Financing Thresholds as mentioned above. If Lease/Loan proposal falls under any of the above mentioned 10(ten) sectors or 'RED' category as per ECR-1997 under the purview of Financing Thresholds as mention in Para 3.00 above, both General EDD Check-List and pertinent Sector EDD Check-List are simultaneously being used. If any 'RED' categorized Lease/Loan proposal falls beyond the above stipulated 10 (ten) sectors, an exclusive Sector EDD Check-List is being prepared by CRM Division in such special case with a view to ascertaining its overall EnvRR. Potential Borrowers/Lessee shall submit various documents to the DoE for obtaining the Environmental Clearance Certificate. This is required for both new and expansion of existing business activities. All Business units/Branches must obtain copies of these documents as a background for completing the EDD Check-Lists. However, discussion with the potential Borrowers /Lessee may form the basis for administering the EDD Check-List.

All Branches and CRM Division integrate the overall EnvRR as per following matrix given by Bangladesh Bank combining the Financing Thresholds, both the outcomes of the General and Sector specific EDD Check-Lists:

#### Categorization as per ECR 1997 (GREEN/ORANGE-A/ORANGE-B/RED)

| Customer Nature<br>(SME/Corporate<br>/Rea Estate) | Amount<br>Sought<br>thresholds | Applicable<br>Financing<br>thresholds | Amount excess<br>over financing<br>Guidelines<br>(2-3) | Applicability<br>of PFIL<br>ERM<br>(YES/NO) |
|---|--------------------------------|---------------------------------------|--|---|
| 1   | 2                              | 3                                     | 4  | 5   |
|   |                                |                                       |  |   |

Profile of EnvRR MATRIX(If Applicability of PFIL ERM Guidelines is found 'YES'):

| Outcome of<br>General EDD | Outcome of<br>Sector-Specific EDD | Overall<br>EnvRR |
|---------------------------|-----------------------------------|------------------|
| LOW                       | LOW                               | LOW              |
| MODERATE                  | LOW                               | MODERATE         |
| LOW                       | MODERATE                          | MODERATE         |
| HIGH                      | LOW/MODERATE/HIG                  | HIGH             |
| LOW/MODERATE/HIGH         | HIGH                              | HIGH             |

If the EnvRR is unclear, then it is required to collect more information from the Borrower /Lessee so as to gain an understanding of the inherent risks and arrive at a High/Moderate/Low decision. Should a risk factor not be applicable, it may be excluded from the total number of questions used in calculating.

### 14.0 Detailed Risk Review

According to the advice of Bangladesh Bank, the detailed Environmental Risk Review is required for all business activities, which are identified in the RED Category under the ECR 1997 being implemented by the DoE. Our concerned Branch may engage external Consultants at the expenses of the concerned customer to do a detailed Environmental Risk Review Report on the basis of the Environmental Impact Assessment and associated environment management plans prepared. The detailed Environmental Risk Review must consider all sources of environmental risk, the likelihood of their occurrence and assess the implications for PFIL. Based on the detailed review, the external Consultant must advise whether the overall EnvRR will be 'HIGH' or 'MODERAE' or 'LOW'. Apart from the above exercise of ERM and computation of EnvRR in the above manner, the concerned also, our Branch subjectively highlights the environmental threats and risks in the 'Site Visit Report' as well as in SWOT Analysis while appraising the financing proposal. Besides, CRM Division must evaluate the observations made in the 'Site Visit Report' on environmental issues and the SWOT Analysis including environmental threats and risks as furnished by the Branch and make necessary endorsement in the Board Memo in this regard.

# Corporate Social Responsibility



- A cheque for Tk.50,000/- is being handed over to Mr. Jahangir Alam for his daughters educational purpose.

Phoenix Finance & Investments Limited conscious of Corporate Social Responsibility (CSR) from the very beginning of its operation in 1995. The Company looks beyond short-term quantities gains and concentrates on issues which make the institution socially responsible. The Company always expects sustainable and balanced growth of the society.

The Company is deeply conscious of its obligations to the Bangladeshi society and people and remains committed to their welfare within the possessions on hand to it, at any time.

Employees of Phoenix Finance & Investments Ltd. make a unique contribution to our ultimate success. A talent officer can win the heart of a customer by delivering prompt service. We want to set the standard of distinction in the FIs with our employees who are devoted to deliver truly great service. Our success depends on our employees and thus by enhancing their skill and knowledge base,

we are able to innovate with more success. The Company provides every facility to the employees as it can, respecting their worth and dignity.

The Company engaged in business activities and the companies invest the funds in the real production. At the same time employments are also created in these companies: people work there, earn their income and lead their families. The Company's also contribute to the nation through paying Tax.

Phoenix Finance & Investments Ltd. is committed to contributing to the growth of the SME sector and is a significant player in the economic development of our nation. The Company provides service and product information, customer briefing and instant loan processing for Small & Medium entrepreneurs.

## Corporate Social Responsibility



- A cheque for Tk.50,000/- is being handed over to Mr. Ataur Rahman for the Brain Treatment of Humaira Begum, daughter of Mr. Rahman

The Company believes that a warm association with the customers' drives a service oriented Organization to reach its long term sustainability. Customer's needs are different with the change of time and technology. The Company serves the customers as per their varied needs. A variety of loan products have been developed considering the needs of the people. The Company provides professional services to the customer. Every employee has been given enough information and power to make customer pleasing decisions.

Phoenix Finance & Investments Ltd. has donated an amount of Tk. 3,47,000/- during the year 2018 for promotion of Education, Health and for the well being of under privileged population segments and emergency support in humanitarian distresses.



- Blankets are being distributed to the cold affected distressed people of various places of Dhaka City.

### EDUCATION

PFIL participated with a number of education promotion activities during 2018.

### HEALTH

Phoenix Finance & Investments Limited has donated for the purpose of treatment of sufferers from cancer diseases.

### DISASTER MANAGEMENT

As part of the Corporate Social Responsibility, the Company distributed Blankets to cold affected people of Lalmonirhat and Bogura.

# Shareholder's Information

|                       |                   |
|-----------------------|-------------------|
| <b>Share Capital:</b> | <b>31.12.2018</b> |
| Authorised Capital :  | 3,000,000,000.00  |
| Paid up Capital :     | 1,214,946,360.00  |

## Composition of Shareholdings

Composition of Shareholdings as on 31 December, 2018 as under :

| Group :                       | No. of Shares      |                    | Percentage    |               |
|-------------------------------|--------------------|--------------------|---------------|---------------|
|                               | 2018               | 2017               | 2018          | 2017          |
| Sponsors (Institutions)       | 13,264,163         | 13,264,163         | 10.92         | 10.92         |
| Sponsors (Individuals)        | 26,839,810         | 30,116,280         | 22.09         | 24.79         |
| General Public (Institutions) | 31,435,649         | 32,732,045         | 25.87         | 26.94         |
| General Public (Individuals)  | 49,955,014         | 45,382,148         | 41.12         | 37.35         |
| <b>Total</b>                  | <b>121,494,636</b> | <b>121,494,636</b> | <b>100.00</b> | <b>100.00</b> |

## Classification of shareholders by holding (Regulation 37 of the listing Regulation of DSE Limited : 31.12.2018)

| Share Holding Range | Number of Share holders | Share              | Percentage      |
|---------------------|-------------------------|--------------------|-----------------|
| 1 - 500             | 1,446                   | 204,036            | 0.168%          |
| 501 - 5000          | 1,541                   | 2,773,416          | 2.283%          |
| 5001 - 10000        | 186                     | 1,352,336          | 1.113%          |
| 10001 - 20000       | 93                      | 1,354,897          | 1.115%          |
| 20001 - 30000       | 47                      | 1,186,702          | 0.977%          |
| 30001 - 40000       | 15                      | 524,027            | 0.431%          |
| 40001 - 50000       | 9                       | 418,725            | 0.345%          |
| 50001 - 100000      | 22                      | 1,631,783          | 1.343%          |
| 100001 - 1000000    | 54                      | 18,890,239         | 15.548%         |
| 1000001 - 10000000  | 35                      | 79,894,312         | 65.760%         |
| 10000001-100000000  | 1                       | 13,264,163         | 10.918%         |
| <b>Total :</b>      | <b>3,449</b>            | <b>121,494,636</b> | <b>100.000%</b> |

| Year                   | 2018  | 2017  | 2016  | 2015  | 2014  |
|------------------------|-------|-------|-------|-------|-------|
| Number of Shareholders | 3,449 | 4,241 | 5,635 | 6,931 | 8,482 |

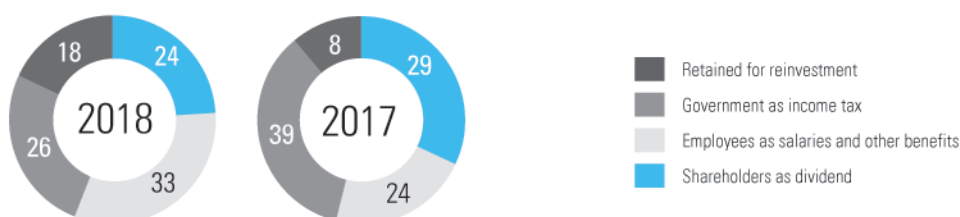
# Value Added Statement

The value added statement provides a detail account of the distribution of the value created by an organization. The following table indicates how much value Phoenix Finance & Investments Limited added for the shareholders, employees, Government and how much retained within the company for further investment:

| Particular  | 2018          |               | 2017          |               |
|---|---------------|---------------|---------------|---------------|
|   | Taka          | %             | Taka          | %             |
| Operational Revenue   | 3,899.07      |               | 3,329.06      |               |
| Cost of Borrowing   | (2,845.77)    |               | (2,216.73)    |               |
| Other Income  | 99.00         |               | 48.61         |               |
| Provision for Future losses                                 | (332.18)      |               | (252.82)      |               |
| "Operating Expenses<br>Excluding Staff Cost & Depreciation" | (68.16)       |               | (70.79)       |               |
| <b>Value added</b>  | <b>751.96</b> | <b>100.00</b> | <b>837.33</b> | <b>100.00</b> |
| <b>Distribution of value addition</b>                       |               |               |               |               |
| Shareholders as dividend                                    | 182.24        | 24.24         | 242.99        | 29.02         |
| Employees as salaries and other benefits                    | 244.46        | 32.50         | 204.69        | 24.45         |
| Government as income tax                                    | 192.00        | 25.53         | 325.30        | 38.85         |
| <b>Sub Total</b>  | <b>618.70</b> | <b>82.27</b>  | <b>772.98</b> | <b>92.32</b>  |
| <b>Retained for reinvestment</b>                            |               |               |               |               |
| Depreciation  | 33.17         | 4.41          | 44.04         | 5.26          |
| Retained earnings and other reserves                        | 100.57        | 13.37         | 42.13         | 5.03          |
| Deferred tax  | (0.48)        | (0.06)        | (21.82)       | (2.61)        |
| <b>Sub Total</b>  | <b>133.26</b> | <b>17.72</b>  | <b>64.35</b>  | <b>7.68</b>   |
| <b>Total Distribution</b>                                   | <b>751.96</b> | <b>99.99</b>  | <b>837.33</b> | <b>100.00</b> |

## Employee Statistics

|                                 |       |       |
|---------------------------------|-------|-------|
| Number of employees at year end | 139   | 132   |
| Revenue earning per employee    | 28.76 | 25.59 |
| Value added per employee        | 5.41  | 6.34  |



# Economic Value Added Statement

Economic value added (EVA) is the financial performance measure that attempts to determine the true economic profit of an organization. It provides a measurement of company's economic success (or failure) over a period of time. Such a metric is useful for investors who wish to determine how well a company has added value for its investors and it can be compared against company's peers for a quick analysis of how well a company is operating in its industry.

Economic value added is calculated by taking a Company's net profit after tax, adding with it, the amount of provision charged against profit to absorb the probable losses inherent in the investments. EVA is calculated as under:

Economic Value Added (EVA) = (Net Profit After Tax (NPAT) - Cost of Average Equity)

## NPAT

NPAT is the net profit after tax plus the provision for doubtful losses charged against profit.

## Equity

Equity is the total amount of shareholders' fund at the year end plus accumulated provision charged against profit for doubtful losses.

## Cost of equity

It is the opportunity cost i.e. the expected risk free return on investments, plus a risk premium. Interest on Bangladesh Government Sanchaya Patra plus a certain percentage of risk premium has been assumed to be the cost of equity.

The following table indicates the EVA

| Particulars  | in BDT Million  |                 |
|--|-----------------|-----------------|
|  | 2018            | 2017            |
| <b>Capital employed as on December 31</b>          |                 |                 |
| Shareholders' equity                               | 2,881.03        | 2,601.71        |
| Accumulated provision for Loans, Advances & Leases | 553.30          | 586.36          |
| Average shareholders' equity                       | <u>3,311.20</u> | <u>3,138.51</u> |
| <b>Economic value added</b>                        |                 |                 |
| Net profit after tax (NPAT)                        | 282.82          | 285.11          |
| <b>Charges for Capital</b>                         |                 |                 |
| Capital employed                                   | 2,881.03        | 2,601.71        |
| Cost of equity (%)                                 | 9.34%           | 10.29%          |
| Capital charge                                     | 269.09          | 267.72          |
| Economic value added                               | 13.73           | 17.39           |

# Market Value Added Statement

Market Value added (MVA) Statement is the difference between the total Market Value and the total book value of shares of an organization. A high MVA indicates that the organization has created substantial wealth of the Shareholders. The Share Market Value of PFIL stood at Tk. 3,960.72 million whereas the book value of share stood at Tk. 2,881.03 million, resulting a Market Value Added of Tk. 1,079.69 million as on December 31, 2018. The calculation of Market Value added is given below:

| Particulars               | Number of Share | Value per Share | Total amount<br>in million |
|---------------------------|-----------------|-----------------|----------------------------|
| Market Value              | 121,494,636     | 32.60           | 3,960.72                   |
| Book Value                | 121,494,636     | 23.71           | 2,881.03                   |
| <b>Market Value added</b> |                 |                 | <b>1,079.69</b>            |

## STOCK DETAILS

| Particulars<br>Stock Symbols      | DSE<br>PHOENIXFIN  | CSE<br>PHFIN       |
|-----------------------------------|--------------------|--------------------|
| Company Code                      | 11144              | 25016              |
| Listing Year                      | 2007               | 2007               |
| Market Category                   | A                  | A                  |
| Electronic Share                  | yes                | yes                |
| Face value                        | Tk 10              | Tk 10              |
| <b>Total number of Securities</b> | <b>121,494,636</b> | <b>121,494,636</b> |

## INVESTORS' INQUIRIES

Share Department  
Phoenix Bhaban (2nd Floor)  
12, Dilkusha C/A, Dhaka - 1000  
Phone : 9565573 (D), 9565537, Ext. 151

# Financial Statements 2018





**Mahfel Huq & Co.**  
Chartered Accountants

The first registered accounting firm in independent Bangladesh



An independent member firm of AGN International

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# Independent Auditor's Report

to the Shareholders of  
Phoenix Finance & Investments Limited  
Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of **Phoenix Finance & Investments Limited** (the "Company"), which comprise the Balance Sheet as at 31 December 2018 and the Profit and Loss account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Chartered Accountants  
The first registered accounting firm in independent Bangladesh



| Description of Key Audit Matters  | Our Response to the risk   |
|---|--|
| <b>Measurement of provision for loans, advances and leases</b>  |  |
| <p>The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end the Company reported total gross loans, advances and leases of BDT 27,276,866,938 (2017: BDT 28,833,081,731) and provision for loans, advances and leases of BDT 463,120,778 (2017: BDT 476,862,330)</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> <li>• Completeness and timing of recognition of loss events in accordance with criteria set out in Bangladesh Bank FID circular no 03 dated March 15, 2007;</li> <li>• For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows;</li> <li>• Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</li> </ul> | <p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>• Credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li> <li>• Identification of loss events, including early warning and default warning indicators;</li> <li>• Reviewed quarterly Classification of Loans (CL);</li> </ul> <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the adequacy of the companies general and specific provisions;</li> <li>• Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul> |

See note no 6 and 30 to the financial statements



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### IT systems and controls

Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.

Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.

We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting.

We tested IT general controls (logical access, changes in management and aspects of IT operational controls). This included testing as to whether requests for access to systems were appropriately reviewed and authorized.

We tested the Company's periodic review of access rights.

We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

### Reporting on other information

Management is responsible for the other information. The other information comprises all the information in the Annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and on the other information obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, the Financial Institutions Act 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- I. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- II. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- III. the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- IV. the expenses incurred were for the purposes of the Company's business;
- V. the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- VI. adequate provisions have been made for loans, advances, leases, investment and other assets which are in our opinion doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- VII. the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- VIII. the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- IX. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;



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- X. taxes and other duties were collect to be and deposited in the government treasury by the company as per Government instructions found satisfactory based on test checking;
- XI. nothing has come to our attention that the company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- XII. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- XIII. based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company satisfactory and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- XIV. the Company has complied with relevant laws pertaining to capital reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- XV. we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1000 person hours for the audit of the books and accounts of the Company;
- XVI. the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- XVII. the Company has complied with the 'First Schedule' of Financial Institutions Act 1993 in preparing those financial statements; and,
- XVIII. all other issues in which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dated: 29-Apr-2019  
Dhaka

  
Mahfel Huq & Co.  
Chartered Accountants

# Balance Sheet

As at 31 December 2018

|   |       | Figures in Taka       |                       |
|---|-------|-----------------------|-----------------------|
| PROPERTY AND ASSETS   | Notes | 2018                  | 2017                  |
| <b>Cash</b>   | 3     |                       |                       |
| In hand (including foreign currencies)                                    |       | 115,510               | 260,595               |
| Balance with Bangladesh Bank and its agent (including foreign currencies) |       | 335,970,452           | 296,391,988           |
|   |       | <u>336,085,962</u>    | <u>296,652,583</u>    |
| <b>Balance with other banks and financial institutions</b>                |       |                       |                       |
| In Bangladesh   |       | 1,299,036,312         | 804,068,173           |
| Outside Bangladesh  |       | -                     | -                     |
|   |       | <u>1,299,036,312</u>  | <u>804,068,173</u>    |
|   |       | <u>1,635,122,274</u>  | <u>1,100,720,756</u>  |
| <b>Money at call and short notice</b>                                     | 4     | -                     | -                     |
| <b>Investments</b>  | 5     |                       |                       |
| Government  |       | -                     | -                     |
| Others  |       | 310,503,221           | 693,110,061           |
|   |       | <u>310,503,221</u>    | <u>693,110,061</u>    |
| <b>Loans, advances and leases</b>   |       |                       |                       |
| Loans, advances and leases etc.   | 6     | 27,276,866,938        | 28,833,081,731        |
| Bills purchased and discounted  | 7     | -                     | -                     |
|   |       | <u>27,276,866,938</u> | <u>28,833,081,731</u> |
| <b>Fixed assets including land, building, furniture and fixtures</b>      | 8     | 783,721,511           | 556,888,073           |
| <b>Other assets</b>   | 9     | 240,202,836           | 243,487,192           |
| <b>Non - business assets</b>  |       | -                     | -                     |
| <b>Total assets</b>   |       | <u>30,246,416,780</u> | <u>31,427,287,813</u> |
| <b>LIABILITIES AND CAPITAL</b>  |       |                       |                       |
| <b>Liabilities</b>  |       |                       |                       |
| Borrowings from other banks, financial institutions and agents            | 10    | 4,103,712,266         | 6,043,711,757         |
|   |       | <u>4,103,712,266</u>  | <u>6,043,711,757</u>  |
| <b>Deposits and other accounts</b>  | 11    |                       |                       |
| Current and other accounts  |       | -                     | -                     |
| Bills payable   |       | -                     | -                     |
| Savings account   |       | -                     | -                     |
| Term deposits   |       | 20,532,191,828        | 20,129,183,810        |
| Bearer certificates of deposit  |       | -                     | -                     |
| Other deposits  |       | 245,547,617           | 254,874,597           |
|   |       | <u>20,777,739,445</u> | <u>20,384,058,407</u> |
| <b>Other liabilities</b>  | 12    | 2,483,939,038         | 2,397,810,523         |
|   |       | <u>2,483,939,038</u>  | <u>2,397,810,523</u>  |
| <b>Total liabilities</b>  |       | <u>27,365,390,749</u> | <u>28,825,580,687</u> |



|   | Notes | 2018                  | 2017                  |
|---|-------|-----------------------|-----------------------|
| Figures in Taka   |       |                       |                       |
| <b>Capital/shareholders' equity</b>                                   |       |                       |                       |
| Paid up capital   | 13    | 1,214,946,360         | 1,214,946,360         |
| Share Premium   |       | 87,408,700            | 87,408,700            |
| Statutory Reserve   | 14    | 687,120,963           | 630,557,003           |
| General Reserve   |       | 2,000,000             | 2,000,000             |
| Revaluation Reserve   |       | 636,314,136           | 414,592,274           |
| Retained Earnings   | 15    | 253,235,872           | 252,202,784           |
|   |       | <u>2,881,026,031</u>  | <u>2,601,707,126</u>  |
| <b>Total liabilities and shareholders' equity</b>                     |       | <u>30,246,416,780</u> | <u>31,427,287,813</u> |
| <b>OFF-BALANCE SHEET ITEMS</b>  |       |                       |                       |
| <b>Contingent liabilities</b>   |       |                       |                       |
| Acceptances and endorsements  |       | -                     | -                     |
| Letters of guarantee  |       | 50,000,000            | 100,000,000           |
| Irrevocable letters of credit   |       | -                     | 211,993,123           |
| Bills for collection  |       | -                     | -                     |
| Other contingent liabilities  |       | -                     | -                     |
|   |       | <u>50,000,000</u>     | <u>311,993,123</u>    |
| <b>Other commitments</b>  |       |                       |                       |
| Documentary credits and short term trade-related transactions         |       | -                     | -                     |
| Forward assets purchased and forward deposits placed                  |       | -                     | -                     |
| Undrawn note issuance and revolving underwriting facilities           |       | -                     | -                     |
| Undrawn formal standby facilities, credit lines and other commitments |       | -                     | -                     |
|   |       | -                     | -                     |
| <b>Total Off-Balance Sheet items including contingent liabilities</b> |       | <u>50,000,000</u>     | <u>311,993,123</u>    |
| <b>Net Asset Value per share</b>                                      |       | <u>23.71</u>          | <u>21.41</u>          |

Note: The accompanying notes form an integral part of this financial statement.

  
Company Secretary

  
Managing Director

  
Director

  
Director

As per our separate report of even date

Dated: 29-Apr-2019  
Dhaka

  
Mahfel Huq & Co.  
Chartered Accountants

# Profit and Loss Account

For the year ended 31 December 2018

|   | Notes | 2018                 | 2017                 |
|---|-------|----------------------|----------------------|
| Interest income                             | 17    | 3,864,957,363        | 3,272,402,627        |
| Interest paid on deposits, borrowings, etc. | 18    | 2,845,773,875        | 2,216,728,882        |
| <b>Net interest income</b>                  |       | <b>1,019,183,488</b> | <b>1,055,673,745</b> |
| Income from Investment                      | 19    | 34,111,915           | 56,654,544           |
| Commission, exchange and brokerage          | 20    | -                    | -                    |
| Other operating income                      | 21    | 99,002,491           | 48,607,246           |
|   |       | <b>133,114,406</b>   | <b>105,261,790</b>   |
| <b>Total operating income (A)</b>           |       | <b>1,152,297,894</b> | <b>1,160,935,535</b> |
| Salaries and allowances                     | 22    | 232,456,688          | 195,093,127          |
| Rent, taxes, insurance, electricity etc.    | 23    | 25,311,654           | 25,311,718           |
| Legal expenses                              |       | 791,620              | 114,540              |
| Postage, stamp, telecommunication etc.      | 24    | 3,246,956            | 2,221,188            |
| Stationery, printing, advertisements etc.   | 25    | 4,986,352            | 10,479,764           |
| Managing Director's Remuneration            |       | 12,000,000           | 9,600,000            |
| Directors' fees                             | 26    | 984,000              | 1,000,000            |
| Auditors' fees                              |       | 250,000              | 250,000              |
| Charges on loan losses                      |       | -                    | -                    |
| Depreciation and repair of assets           | 27    | 33,665,925           | 44,536,562           |
| Other expenses                              | 28    | 32,090,108           | 30,914,023           |
| <b>Total operating expenses (B)</b>         |       | <b>345,783,303</b>   | <b>319,520,922</b>   |
| <b>Profit before provision (C=A-B)</b>      |       | <b>806,514,591</b>   | <b>841,414,613</b>   |
| <b>Provision for Future Losses (D)</b>      | 29    | <b>332,179,432</b>   | <b>252,820,863</b>   |
| <b>Total profit before tax (C-D)</b>        |       | <b>474,335,159</b>   | <b>588,593,750</b>   |
| <b>Provision for tax</b>                    |       |                      |                      |
| Current                                     |       | 192,000,000          | 325,300,000          |
| Deferred                                    |       | (484,617)            | (21,820,943)         |
|   |       | <b>191,515,383</b>   | <b>303,479,057</b>   |
| <b>Net profit after tax</b>                 |       | <b>282,819,776</b>   | <b>285,114,693</b>   |

Figures in Taka



|  | Notes | 2018               | 2017               |
|--|-------|--------------------|--------------------|
| Retained Earnings brought forward from previous year |       | 9,213,512          | 6,355,965          |
| Amortized of Revaluation Reserve                     |       | 19,180,638         | 19,180,638         |
|  |       | <b>311,213,926</b> | <b>310,651,296</b> |
| <b>Appropriations</b>                                |       | <b>57,978,054</b>  | <b>58,448,512</b>  |
| Statutory reserve                                    |       | 56,563,955         | 57,022,939         |
| General reserve                                      |       | -                  | -                  |
| Proposed dividend                                    |       | -                  | -                  |
| CSR fund   |       | 1,414,099          | 1,425,573          |
| Retained surplus                                     | 30    | <b>253,235,872</b> | <b>252,202,784</b> |
| Earnings per share                                   |       | <b>2.33</b>        | <b>2.35</b>        |

Note: The accompanying notes form an integral part of this financial statement.

  
Company Secretary

  
Managing Director

  
Director

  
Director

As per our separate report of even date

Dated: 29-Apr-2019  
Dhaka

  
Mahfel Huq & Co.  
Chartered Accountants

# Cash Flow Statement

For the year ended 31 December 2018

|  | Notes | 2018                 | 2017                 |
|--|-------|----------------------|----------------------|
| Figures in Taka  |       |                      |                      |
| <b>Cash Flow from Operating Activities</b>                                 |       |                      |                      |
| Interest received  | 31    | 3,901,202,088        | 3,318,101,952        |
| Interest payment   | 32    | (2,767,380,115)      | (1,949,322,107)      |
| Dividend received  |       | 18,912,154           | 32,822,203           |
| Fees and Commission received   |       | -                    | -                    |
| Cash Payments to Employees   |       | (244,456,688)        | (204,693,127)        |
| Cash Payments to Suppliers   |       | (4,986,352)          | (10,479,764)         |
| Income Tax Paid  |       | (199,359,279)        | (290,626,241)        |
| Received from other Operating activities                                   | 33    | 91,671,202           | 80,717,449           |
| Payments for other Operating activities                                    | 34    | (63,001,860)         | (60,308,975)         |
| <b>Operating Profit before changes in Operating Assets and Liabilities</b> |       | <b>732,601,150</b>   | <b>916,211,390</b>   |
| <b>Changes in Operating Assets and Liabilities</b>                         |       |                      |                      |
| Purchases/Sale of Trading Securities                                       |       | -                    | -                    |
| Loans and Lease Finance to Customers                                       |       | 1,556,214,793        | (7,297,934,328)      |
| Other Assets   |       | 3,284,356            | 32,347,057           |
| Deposits received from Bank and Financial Institutions                     |       | (2,367,312,542)      | 5,146,033,421        |
| Deposits received from Customers   |       | 820,994,089          | 1,379,176,729        |
| Other Liabilities  |       | 86,128,515           | 472,780,028          |
| <b>Sub Total</b>   |       | <b>99,309,211</b>    | <b>(267,597,093)</b> |
| <b>A) Net Cash Flow from Operating Activities</b>                          |       | <b>831,910,361</b>   | <b>648,614,297</b>   |
| <b>Cash flows from Investing Activities</b>                                |       |                      |                      |
| Purchase/sale of securities  |       | 382,606,840          | 64,331,561           |
| Proceeds from Sale of fixed assets   |       | 19,410,000           | 712,000              |
| Purchase/sale of Property, Plant and Equipments                            |       | (20,435,898)         | (5,364,931)          |
| Purchase/Sale of Subsidiaries  |       | -                    | -                    |
| <b>B) Net Cash Flow from Investing Activities</b>                          |       | <b>381,580,942</b>   | <b>59,678,630</b>    |
| <b>Cash flows from Financing Activities</b>                                |       |                      |                      |
| Increase/(decrease) of borrowings  |       | (436,100,513)        | (589,195,213)        |
| Payments for redemption of loan capital and debt securities                |       | -                    | -                    |
| Received from issue of ordinary shares                                     |       | -                    | -                    |
| Dividend Paid  |       | (242,989,272)        | (242,989,272)        |
| <b>C) Net Cash Used By Financing Activities</b>                            |       | <b>(679,089,785)</b> | <b>(832,184,485)</b> |
| <b>D) Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>     |       | <b>534,401,518</b>   | <b>(123,891,558)</b> |



|  | Notes | 2018          | Figures in Taka<br>2017 |
|--|-------|---------------|-------------------------|
| Effect of Exchange rate changes on cash and cash equivalents |       | -             | -                       |
| E) Cash and cash equivalents at the beginning of the year    |       | 1,100,720,756 | 1,224,612,314           |
| F) Cash and cash equivalents at the end of the year (D+E)    |       | 1,635,122,274 | 1,100,720,756           |
| Cash and cash equivalents at the end of the year represent   |       |               |                         |
| Cash in Hand   |       | 115,510       | 260,595                 |
| Balance with Bangladesh Bank and its agent bank              |       | 335,970,452   | 296,391,988             |
| Balance with other banks and financial institutions          |       | 1,299,036,312 | 804,068,173             |
| Money at call on short notice                                |       | -             | -                       |
|  |       | 1,635,122,274 | 1,100,720,756           |
| Net Operating Cash Flow Per Share                            |       | 6.85          | 5.34                    |

Note: The accompanying notes form an integral part of this financial statement.

  
Company Secretary

  
Managing Director

  
Director

  
Director

As per our separate report of even date

Dated: 29-Apr-2019  
Dhaka

  
Mahfel Huq & Co.  
Chartered Accountants

# Statement of Changes in Equity

For the year ended 31 December 2018

| Particulars                                | Paid-up Capital      | Statutory Reserve  | Share Premium     | General Reserve  | Revaluation Reserve | Retained Earnings  | Total                |
|--|----------------------|--------------------|-------------------|------------------|---------------------|--------------------|----------------------|
| Balance as at 01 January 2018              | 1,214,946,360        | 630,557,008        | 87,408,700        | 2,000,000        | 414,592,274         | 252,202,784        | 2,601,707,126        |
| <b>Items involved in Changes in equity</b> |                      |                    |                   |                  |                     |                    |                      |
| Net profit for the period                  | -                    | -                  | -                 | -                | -                   | 282,819,776        | 282,819,776          |
| Dividends ( Bonus Share)                   | -                    | -                  | -                 | -                | -                   | (242,989,272)      | (242,989,272)        |
| Dividends (Cash)                           | -                    | -                  | -                 | -                | -                   | -                  | -                    |
| Issue of share capital                     | -                    | -                  | -                 | -                | -                   | -                  | -                    |
| Appropriation made during the period       | -                    | 56,563,955         | -                 | -                | -                   | (56,563,955)       | -                    |
| Revaluation of Land and Land Development   | -                    | -                  | -                 | -                | 240,902,500         | -                  | 240,902,500          |
| Amortized of Revaluation Reserve           | -                    | -                  | -                 | -                | (19,180,638)        | 19,180,638         | -                    |
| Transferred to CSR Fund                    | -                    | -                  | -                 | -                | -                   | (1,414,099)        | (1,414,099)          |
| <b>Balance as at 31 December 2018</b>      | <b>1,214,946,360</b> | <b>687,120,963</b> | <b>87,408,700</b> | <b>2,000,000</b> | <b>636,314,136</b>  | <b>253,235,872</b> | <b>2,881,026,031</b> |

|  |                      |                    |                   |                  |                    |                    |                      |
|--|----------------------|--------------------|-------------------|------------------|--------------------|--------------------|----------------------|
| Balance as at 01 January 2017              | 1,214,946,360        | 573,534,069        | 87,408,700        | 2,000,000        | 433,772,912        | 249,345,237        | 2,561,007,278        |
| <b>Items involved in Changes in equity</b> |                      |                    |                   |                  |                    |                    |                      |
| Net profit for the period                  | -                    | -                  | -                 | -                | -                  | 285,114,693        | 285,114,693          |
| Dividends ( Bonus Share)                   | -                    | -                  | -                 | -                | -                  | -                  | -                    |
| Dividends (Cash)                           | -                    | -                  | -                 | -                | -                  | (242,989,272)      | (242,989,272)        |
| Issue of share capital                     | -                    | -                  | -                 | -                | -                  | -                  | -                    |
| Appropriation made during the period       | -                    | 57,022,939         | -                 | -                | -                  | (57,022,939)       | -                    |
| Amortized of Revaluation Reserve           | -                    | -                  | -                 | -                | (19,180,638)       | 19,180,638         | -                    |
| Transferred to CSR Fund                    | -                    | -                  | -                 | -                | -                  | (1,425,573)        | (1,425,573)          |
| <b>Balance as at 31 December 2017</b>      | <b>1,214,946,360</b> | <b>630,557,008</b> | <b>87,408,700</b> | <b>2,000,000</b> | <b>414,592,274</b> | <b>252,202,784</b> | <b>2,601,707,126</b> |



Company Secretary



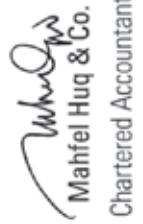
Managing Director



Director



As per our separate report of even date



Mahfel Huq & Co.  
Chartered Accountants

Dated: 29-Apr-2019  
Dhaka

# Liquidity Statement

Assets and Liabilities Maturity Analysis  
As at 31 December 2018

| Particulars   | Up to 01 Month     |                      | 01-03 Months          |                       | 03-12 Months         |          | 01-05 Years |          | More than 05 Years |                       | Total    |          |
|---|--------------------|----------------------|-----------------------|-----------------------|----------------------|----------|-------------|----------|--------------------|-----------------------|----------|----------|
|   | Taka               | Taka                 | Taka                  | Taka                  | Taka                 | Taka     | Taka        | Taka     | Taka               | Taka                  | Taka     | Taka     |
| <b>Assets</b>   |                    |                      |                       |                       |                      |          |             |          |                    |                       |          |          |
| Cash in hand  | 115,510            | -                    | -                     | -                     | -                    | -        | -           | -        | -                  | -                     | 115,510  | -        |
| *Balance with other banks and financial institutions*                     | 127,834,216        | 253,690,536          | 540,940,322           | 376,571,238           | 335,970,452          | -        | -           | -        | -                  | 1,635,006,764         | -        | -        |
| Money at Call on Short Notice   | -                  | -                    | -                     | -                     | -                    | -        | -           | -        | -                  | -                     | -        | -        |
| Investment in securities  | 3,518,621          | 36,533,292           | 189,592,569           | -                     | 80,858,739           | -        | -           | -        | -                  | 310,503,221           | -        | -        |
| Investment (Loans and Advances)   | 454,782,513        | 1,503,185,946        | 9,428,553,306         | 13,972,216,248        | 1,918,128,925        | -        | -           | -        | -                  | 27,276,866,938        | -        | -        |
| Fixed assets including land, building, furniture and fixtures             | 2,450,000          | 4,900,000            | 22,050,000            | 117,600,000           | 636,721,511          | -        | -           | -        | -                  | 783,721,511           | -        | -        |
| Other Assets  | 6,354,271          | 25,454,950           | 120,709,102           | 87,684,513            | -                    | -        | -           | -        | -                  | 240,202,036           | -        | -        |
| Non-business Assets   | -                  | -                    | -                     | -                     | -                    | -        | -           | -        | -                  | -                     | -        | -        |
| <b>Total assets (i)</b>   | <b>595,055,131</b> | <b>1,823,764,724</b> | <b>10,301,845,299</b> | <b>14,554,071,999</b> | <b>2,971,679,627</b> | <b>-</b> | <b>-</b>    | <b>-</b> | <b>-</b>           | <b>30,246,416,780</b> | <b>-</b> | <b>-</b> |
| <b>Liabilities</b>  |                    |                      |                       |                       |                      |          |             |          |                    |                       |          |          |
| Financing (Borrowing) from Other banks, financial institutions and agents | 152,416,355        | 363,602,811          | 1,483,097,290         | 2,104,595,810         | -                    | -        | -           | -        | -                  | 4,103,712,266         | -        | -        |
| Deposits and other accounts   | 254,361,527        | 1,087,060,846        | 7,719,475,063         | 11,532,480,778        | 184,361,241          | -        | -           | -        | -                  | 20,777,739,445        | -        | -        |
| Provision and other liabilities   | 177,489,864        | 359,835,166          | 1,024,211,732         | 880,749,342           | 41,652,934           | -        | -           | -        | -                  | 2,483,939,038         | -        | -        |
| <b>Total Liabilities (ii)</b>   | <b>584,267,746</b> | <b>1,810,498,823</b> | <b>10,226,784,075</b> | <b>14,517,825,930</b> | <b>226,014,175</b>   | <b>-</b> | <b>-</b>    | <b>-</b> | <b>-</b>           | <b>27,365,390,749</b> | <b>-</b> | <b>-</b> |
| <b>Net Liquidity Gap (i-ii)</b>   | <b>10,787,385</b>  | <b>13,265,901</b>    | <b>75,061,224</b>     | <b>36,246,069</b>     | <b>2,745,665,452</b> | <b>-</b> | <b>-</b>    | <b>-</b> | <b>-</b>           | <b>2,881,026,031</b>  | <b>-</b> | <b>-</b> |

Note: The accompanying notes form an integral part of this financial statement.

  
Company Secretary

  
Managing Director

  
Director

  
Director

As per our separate report of even date

Dated: 29-Apr-2019  
Dhaka

  
Mahfel Huq & Co.  
Chartered Accountants

# Notes to the Financial Statements

For the year ended 31 December 2018

## 1 LEGAL STATUS AND NATURE OF THE COMPANY

### 1.1 Legal Status of the Company

Phoenix Finance and Investments Limited was incorporated in Bangladesh on 19th April 1995 as a Public Limited Company under the Companies Act, 1994. The Company obtained License from Bangladesh Bank as a Financial Institution on the 9th May 1995 as required under Section 4(1) of the Financial Institution Act, 1993. The Company has changed its name to Phoenix Finance and Investments Limited from Phoenix Leasing Company Limited with effect from 1st February 2007 complying with all the legal requirements in that respect. The company issued shares through Initial Public Offering (IPO) in June 2007 and its shares were listed in both Dhaka Stock Exchange Limited and Chattogram Stock Exchange Limited on September 25, 2007.

### 1.2 Nature of Business Activities

The company extends Lease Finance for Capital Machinery, Construction and Medical Equipment, Energy Generating Equipment, Office Equipment, all kinds of Road/Marine Transports, Household and other essential items and Equipment for Business Enterprises like Mills, Factories, Financial Institutions, Banks and Insurance Companies as well as Educational Institutions, Clinics, Hospitals, Corporate Bodies and Individuals. The company also extends Direct Finance such as Short Term Finance, Term Finance, Real Estate Finance and Factoring facilities to Established Business Enterprises, Industrial Units and Individuals.

### 1.3 Head office and Branch offices

The registered office of the company is located at Eunoos Centre (Level-11), 52-53 Dilkusha C/A, Dhaka-1000, Bangladesh. The company is being operated through its Branch offices located at Chattogram, Khulna, Bogura and Dhaka districts in the country.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Accounting

The accounts are prepared on going concern basis in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh except the circumstances where local regulations differ, the Companies Act, 1994, the Financial Institutions Act, 1993 and the Securities and Exchange Commission Rules, 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and other applicable rules and regulation.

The presentation of the Financial Statements has been made as per the requirements of DFIM Circular No.11, dated December 23, 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the Financial Institutions, have been excluded in preparing the Financial Statements.

### 2.2 Going Concern Estimation

The Financial Statements, namely, Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and relevant notes to the Financial Statements and disclosures thereto, of the FI are prepared under historical cost convention on the going concern basis. Management of the FI has made an estimation that there are no possibility to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

## Notes To The Financial Statements

**2.3 Accounting for Leases**

The Leased Equipment under the possession of the Lessees are accounted for under direct financing method in accordance with IAS-17 "Leases". The aggregate lease receivable including unguaranteed residual value throughout the lease term are recorded as gross lease receivable while the excess of gross lease receivable over the total acquisition cost including interest during the year of acquiring the lease equipment constitutes the unearned lease income.

The unearned lease income is amortized to revenue on a monthly basis over the lease term yielding a constant rate of return over the year. Unrealized income is suspended where necessary in accordance with the requirements of relevant circulars issued by Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

**2.4 Accounting for Direct Finance**

Direct Finance consists of Short-Term Finance, Long-Term Finance and Real Estate Finance. Outstanding loans along with the accrued interest thereon are accounted for as Direct Finance Receivable.

**2.5 Investments**

Investment in marketable ordinary shares has been shown at cost. Investment in non-marketable shares has been valued at cost. Full provision for diminution in value of shares as on closing of the year, if required, has been taken into account.

**2.6 Revenue Recognition**

Interest income from loans and other sources is recognized on an accrual basis of accounting

**Lease Income:**

The excess of aggregate rentals receivable over the cost of the leased asset constitutes the total unearned lease income. The unearned lease income is recognized on installment date as revenue on an accrual basis over the terms of the lease. However, lease income is not recognized if capital or interest receivable is in arrears for more than three months.

**Interest on term finance and short term finance:**

Interest on term finance and short term finance are recognized as revenue on an accrual basis and interest income on term finance is not recognized where any portion of interest is in arrear for more than three months.

**Interest on real estate finance:**

Interest on real estate finance is recognized as revenue on an accrual basis and no interest on real estate finance is accounted for as revenue where any portion of capital or interest is in arrear for more than six months.

**Dividend income and profit or loss on sale of securities:**

Dividend is recognized as income when the right to receive income is established whereas profit or loss arising from the sale of securities is accounted for only when the securities are sold/ offloaded.

## Notes To The Financial Statements

### 2.7 Interest Suspense Account

Accrued interest on lease, term finance and housing loan classified as Special Mention Account, Sub-Standard, Doubtful and Bad/Loss are not recognized as income as per Bangladesh Bank's Guidelines. Such amount is transferred to Interest Suspense Account. The income is recognized on recovery of overdue amounts on cash basis.

### 2.8 Recognition of Fixed Assets

1. The land and buildings are shown at fair value, based on the valuation by an external independent value less subsequent depreciation for building valuation is performed with sufficient regulatory to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.
2. Accumulated depreciation is restated proportionately with the changes in the gross carrying amount of the land and building so that the carrying amount after revaluation equals its revalued amount.
3. Assets revaluation reserve is transferred to retained earnings each year equivalent to depreciation charged against revalued assets (Except Land).

### 2.9 Depreciation on Fixed Assets

Land is not depreciated. Depreciation on other fixed asset is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful life. Addition to fixed asset is depreciated from the date of acquisition of the asset at applicable rate.

Rates of depreciation on Fixed Assets as on December 31, 2018 are as follows:

| Asset Category                  | Rate (%) p. a. |
|---------------------------------|----------------|
| Air Conditioner                 | 20             |
| Building                        | 5              |
| Computer                        | 20             |
| Electrical and Office Equipment | 20             |
| Flat                            | 10             |
| Furniture and Fixture           | 12.50          |
| Land                            | Nil            |
| Machinery Lease                 | 20             |
| Motor Vehicle                   | 25             |
| Office Decoration               | 20             |
| Telephone and Fax               | 20             |

## Notes To The Financial Statements

### 2.10 Disposal of Fixed Assets

On disposal of Fixed Assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the Profit and Loss Account, which is determined with reference to the written down value of the assets and net sale proceeds.

### 2.11 Impairment of Assets

The carrying amount of the company's assets is reviewed at each Balance Sheet date whenever there is any such indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the assets or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the Profit and Loss Account.

### 2.12 Receivables and Others

Receivables at the balance sheet are stated at amounts, which are considered realizable.

### 2.13 Accrued Expenses and Other Payables

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether or not billed by the creditors.

### 2.14 Statutory Reserve

The Company transfers 20% of profit to its Reserve Fund in accordance with The Financial Institution Regulations, 1994.

### 2.15 Corporate Social Responsibility (CSR) Fund

As per DOS Circular No-01 dated 01 June, 2008 issued by Bangladesh Bank the Company transfers 0.50% of profit to its CSR Fund.

### 2.16 Cash and Cash Equivalent

Cash and Cash equivalent consists of short-term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.17 Cash Flow Statements

Cash Flow Statements is prepared principally in accordance with IAS-7 "Statement of Cash Flows" and the cash flow from the operating activities has been presented under direct method.

### 2.18 Earnings Per Share (EPS)

The company calculates Earning per Share (EPS) by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year. In accordance with IAS-33 "Earnings Per Share" which has been shown on the face of Profit and Loss Account and the computation of EPS is stated in Note-30.

Basic Earning represents earning for the year attributable to ordinary shareholders. As there were no preference dividends, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

## Notes To The Financial Statements

Weighted Average number of ordinary shares outstanding during the year represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor.

### 2.19 Transactions and Translation of Foreign Currencies

Transactions in foreign currencies are translated into Bangladeshi Taka at the rate ruling on the transaction date and the assets and liabilities denominated in foreign currencies outstanding at closing date of accounts have been translated into Bangladeshi Taka at the closing date rate.

Foreign exchange gains/losses (if any) arising from such translations are recognized in the Profit and Loss Account.

### 2.20 Employees' Retirement Benefit-Gratuity

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

- A. On completion of 5 (Five) years Confirmed Service: 1 (One) month's basic pay for each completed year;
- B. On completion of 7 (Seven) years Confirmed Service: 1.5 (One and a half) month's basic pay for each completed year;
- C. On completion of 10 (Ten) years Confirmed Service: 2 (Two) month's basic pay for each completed year.

### 2.21 Employees' Provident Fund and Group Insurance Scheme

The company operates a Contributory Provident Fund approved by the NBR and Group Insurance Scheme for its permanent employees. Provident fund is administrated by a Board of Trustees and is funded by contribution partly from employees and partly from company at a predetermined rate.

### 2.22 Provisions

Provisions have been recognized in the Financial Statements as follows:

- i. When the company has a present obligation, legal or constructive, as a result of past event;
- ii. When it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation;
- iii. When a reliable estimate can be made of the amount of the obligation.

### 2.23 Provision for Loans, Leases and Advances

Provision for lease finance, term and house building finance has been made in accordance with FID circular no. 08 dated 03 August 2002, FID circular no. 03 dated 03 May 2006, FID circular no. 06 dated 20 August 2006 and DFIM circular no. 03 dated 29 April 2013 issued by Bangladesh Bank at the following rates:

|                               |              |       |
|-------------------------------|--------------|-------|
| Standard (STD):SME            | Unclassified | 0.25% |
| Standard (STD):General        |              | 1%    |
| Special Mention Account (SMA) |              | 5%    |
| Substandard (SS)              | Classified   | 20%   |
| Doubtful (DF)                 |              | 50%   |
| Bad/Loss (BL)                 |              | 100%  |

The provision made up to the Balance Sheet date is considered adequate to meet probable losses.

## Notes To The Financial Statements

### 2.24 Events after the Balance Sheet Date

All material events occurring after the Balance Sheet date are adjusted where felt necessary or disclosed in Note -37.

### 2.25 Use of Accounting Estimates

The preparation of Financial Statements in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 2.26 Income Tax

#### Current Tax

The company is a Financial Institution and therefore, the effective tax rate is 37.50%. Considering temporary allowable and disallowable expenses and income as per Income Tax Law, adequate provision for Income Tax has been provided for the year. However, any short provision if arises shall be accounted for in the year of finalization of assessment.

#### Deferred Tax

Pursuant to IAS 12 "Income Taxes" deferred tax is to be provided using the balance sheet method for all temporary differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes.

### 2.27 Disclosure of Deviations

Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance of Bangladesh Bank's requirements. Bangladesh Bank (the local Central Bank) is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS and IFRS. As such the Company has departed from those contradictory requirements of IAS/IFRS in order to comply with the rules and regulations of Bangladesh Bank.

As per FID circular No. 08 dated 03 August 2002 investments in listed shares and unlisted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively.

Provision should be made for any loss arising from diminution in value of investment. As such the Company measures and recognizes investment in quoted and unquoted shares at cost if the year-end market value (for quoted shares) and book value (for unquoted shares) are higher than the cost. At the year-end the Company's market value and book value of quoted and unquoted shares was lower than the cost price by BDT 90.18 million. In order to comply with the requirement specified in DFIM Circular No. 11, the company has charged the entire amount of difference in market value and cost price of marketable securities to the profit and loss account. However as per requirements of IAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

## Notes To The Financial Statements

As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision cannot satisfy the conditions of provision as per IAS 39. At the year end the Company has recognized an accumulated general provision of BDT 275.05 million (out of accumulated provision of BDT 460.65 million) under liabilities.

As per Bangladesh Bank guidelines financial instruments are categorized, recognized and measured differently from those prescribed in IAS 39. As such some disclosures and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.

Bangladesh Bank has issued templates for financial statements which shall strictly be followed by all Banks and FIs. The templates of Financial Statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to be included in the Single Comprehensive Income (SCI) Statement. As such the Company does not prepare the other comprehensive Income Statement. However the company does not have any elements of OCI to be presented.

### 2.28 Authorization

The Financial Statements were authorized for issue by the Board of Directors of the company on 29 April, 2019.

### 2.29 Others

- i. The figures in the Financial Statements represent Bangladesh Currency (Taka), which has been rounded off to the nearest Taka;
- ii. Comparative information has been shown in respect of year 2017 for all numerical information in the Financial Statements and also the narrative and descriptive information when it is relevant for understanding of the current year's Financial Statements;
- iii. Figures of the year 2017 have been rearranged whenever considered necessary to ensure comparability with the current year.

## Notes To The Financial Statements

|          |   | Figures in Taka             |                             |
|----------|---|-----------------------------|-----------------------------|
|          |   | 2018                        | 2017                        |
| <b>3</b> | <b>CASH</b>   |                             |                             |
|          | Cash in hand  |                             |                             |
|          | Local currency                                      | 115,510                     | 260,595                     |
|          | Foreign currencies                                  | -                           | -                           |
|          |   | <u>115,510</u>              | <u>260,595</u>              |
|          | Balance with Bangladesh Bank and its agent bank     |                             |                             |
|          | Local currency                                      | 335,970,452                 | 296,391,988                 |
|          | Foreign currencies                                  | -                           | -                           |
|          | Balance with other Banks and Financial Institutions | <u>1,299,036,312</u>        | <u>804,068,173</u>          |
|          | <b>Total</b>  | <u><u>1,635,122,274</u></u> | <u><u>1,100,720,756</u></u> |

**3.1 Cash Reserve Requirement (CRR) Statutory Liquidity Ratio (SLR)**

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with Bangladesh Bank directives.

**3.1.1 Cash Reserve Requirement (CRR)**

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
| Required reserve         | 263,085,352              | 242,229,315              |
| Actual reserve held      | 348,763,581              | 330,624,672              |
| <b>Surplus/(deficit)</b> | <u><b>85,678,229</b></u> | <u><b>88,395,357</b></u> |

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the Cash Reserve Requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain (minimum 2% is required to be maintained in a single day) with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2018 there was no shortage in CRR.

**3.1.2 Statutory Liquidity Requirement (SLR)**

|                          |                           |                           |
|--------------------------|---------------------------|---------------------------|
| Required reserve         | 750,347,265               | 678,738,441               |
| Actual reserve held      | 865,857,822               | 907,137,816               |
| <b>Surplus/(deficit)</b> | <u><b>115,510,557</b></u> | <u><b>228,399,375</b></u> |

Fixed deposit maintained with other commercial Banks and Financial Institutions for maintaining Statutory Liquidity Reserve as required by Bangladesh Bank. Bangladesh Bank regulations require maintaining Statutory Liquidity Reserve (SLR) @ 5% including the CRR of 2.5% on total liabilities, excluding loans from banks and financial institutions.

**3.2 Balance with Other Banks and Financial Institutions**

|                       |                                    |                                  |
|-----------------------|------------------------------------|----------------------------------|
| Current Account       |                                    |                                  |
| Short Term Deposit    | 7,922,505                          | 10,261,054                       |
| Fixed Deposit Receipt | 872,947,598                        | 381,885,607                      |
| <b>Total</b>          | <u><b>418,166,209</b></u>          | <u><b>411,921,512</b></u>        |
|                       | <u><u><b>1,299,036,312</b></u></u> | <u><u><b>804,068,173</b></u></u> |

## Notes To The Financial Statements

|            |   |                      | Figures in Taka        |                          |
|------------|---|----------------------|------------------------|--------------------------|
|            |   |                      | 2018                   | 2017                     |
| <b>3.3</b> | <b>Maturity-wise grouping</b>   |                      |                        |                          |
|            | On Demand   |                      | 115,510                | 260,595                  |
|            | Up to 1 month   |                      | 127,834,216            | 122,232,529              |
|            | Not more than 3 months  |                      | 253,690,536            | 158,286,174              |
|            | More than 3 months but less than 1 year   |                      | 540,940,322            | 338,146,223              |
|            | More than 1 year but less than 5 years  |                      | 376,571,238            | 199,472,475              |
|            | More than 5 years   |                      | 335,970,452            | 282,322,760              |
|            |   |                      | <u>1,635,122,274</u>   | <u>1,100,720,756</u>     |
| <b>4</b>   | <b>MONEY AT CALL AND SHORT NOTICE</b>   |                      | -                      | -                        |
| <b>5</b>   | <b>INVESTMENTS</b>  |                      |                        |                          |
|            | This represents investment made by the company both in listed and unlisted securities. The investment is made up as under:  |                      |                        |                          |
|            | Government securities   |                      | -                      | -                        |
|            | Other investments (Note 5.1)  |                      | 310,503,221            | 693,110,061              |
|            |   |                      | <u>310,503,221</u>     | <u>693,110,061</u>       |
| <b>5.1</b> | <b>Other investments</b>  | <b>No of Company</b> | <b>Market Value</b>    | <b>Cost -2018</b>        |
|            | Listed securities   | 24                   | 212,826,624            | 303,003,221              |
|            | Unlisted securities   | 1                    | 7,500,000              | 7,500,000                |
|            | <b>Total</b>  | <u>25</u>            | <u>220,326,624</u>     | <u>310,503,221</u>       |
| <b>5.2</b> | <b>Cost and Market Value of Investments</b>   |                      |                        |                          |
|            | <b>Listed Securities</b>  |                      |                        |                          |
|            | Investments have been recorded at cost and adequate provision for probable future losses has been made as per Bangladesh Bank guidelines. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date was 27th December 2018). |                      |                        |                          |
|            | <b>Sectors</b>  |                      | <b>Cost Price 2018</b> | <b>Market Value 2018</b> |
|            | Insurance companies   |                      | 136,873,780            | 51,453,907               |
|            | Investment companies  |                      | 161,926,661            | 156,245,799              |
|            | Manufacturing companies and others  |                      | 4,202,780              | 5,126,918                |
|            | <b>Total Listed Securities</b>  |                      | <u>303,003,221</u>     | <u>212,826,624</u>       |
|            | <b>Unlisted Securities</b>  |                      | <u>7,500,000</u>       | <u>7,500,000</u>         |
|            | <b>Total Investments</b>  |                      | <u>310,503,221</u>     | <u>220,326,624</u>       |
| <b>5.3</b> | <b>Maturity-wise grouping</b>   |                      |                        |                          |
|            | Up to 1 month   |                      | 3,518,621              | 21,843,612               |
|            | Not more than 3 months  |                      | 36,533,292             | 161,509,213              |
|            | More than 3 months but less than 1 year   |                      | 189,592,569            | 428,898,497              |
|            | More than 1 year but less than 5 years  |                      | -                      | -                        |
|            | More than 5 years   |                      | 80,858,739             | 80,858,739               |
|            |   |                      | <u>310,503,221</u>     | <u>693,110,061</u>       |

## Notes To The Financial Statements

|            |   | Figures in Taka       |                       |
|------------|---|-----------------------|-----------------------|
|            |   | 2018                  | 2017                  |
| <b>6</b>   | <b>LOANS, ADVANCES AND LEASES</b>   |                       |                       |
| a)         | Inside Bangladesh   |                       |                       |
|            | Lease Finance (a.i)   | 5,763,348,189         | 6,398,976,163         |
|            | Term Finance (a.ii)   | 18,858,495,933        | 19,738,983,717        |
|            | Real Estate Finance (a.iii)   | 2,576,892,566         | 2,635,326,393         |
|            | Staff Loan (a.iv)   | 78,130,250            | 59,795,458            |
|            |   | <u>27,276,866,938</u> | <u>28,833,081,731</u> |
| a.i)       | Lease Finance   |                       |                       |
|            | Gross lease rental receivable   | 5,055,537,334         | 6,332,514,190         |
|            | Less: Unearned interest income  | (976,535,143)         | (1,243,469,863)       |
|            | Net Investment in Lease Finance   | <u>4,079,002,191</u>  | <u>5,089,044,327</u>  |
|            | Accounts Receivable   | 484,009,794           | 464,238,493           |
|            | Advance Against Lease Finance   | 1,200,336,204         | 845,693,343           |
|            | Total Investment in Lease Finance   | <u>5,763,348,189</u>  | <u>6,398,976,163</u>  |
| a.ii)      | Term Finance  |                       |                       |
|            | Principal Outstanding   | 17,660,938,880        | 18,963,458,397        |
|            | Accounts Receivable   | 1,197,557,053         | 775,525,320           |
|            |   | <u>18,858,495,933</u> | <u>19,738,983,717</u> |
| a.iii)     | Real Estate Finance   |                       |                       |
|            | Principal Outstanding   | 2,170,782,922         | 2,147,807,192         |
|            | Advance Against House Building Finance  | 95,866,641            | 303,641,821           |
|            | Accounts Receivable   | 310,243,003           | 183,877,380           |
|            |   | <u>2,576,892,566</u>  | <u>2,635,326,393</u>  |
| a.iv)      | Staff Loan  |                       |                       |
|            | This represent outstanding amount given to the eligible employees under Employee Benefit Scheme as per Company's approved policy. |                       |                       |
|            | Loan Against Provident Fund   | 20,076,004            | 14,012,890            |
|            | Staff Car Loan  | 28,201,751            | 12,315,403            |
|            | Staff Consumer Loan   | 22,067,241            | 21,980,587            |
|            | Staff House Building Loan   | 7,785,254             | 11,486,578            |
|            |   | <u>78,130,250</u>     | <u>59,795,458</u>     |
| b)         | Outside Bangladesh  | -                     | -                     |
|            | Total Loans, Advances and Leases (a+b)  | <u>27,276,866,938</u> | <u>28,833,081,731</u> |
| <b>6.1</b> | <b>Maturity wise Grouping</b>   |                       |                       |
|            | Up to 1 month   | 454,782,513           | 613,507,318           |
|            | Not more than 3 months  | 1,503,185,946         | 1,567,223,269         |
|            | More than 3 months but less than 1 year   | 9,428,553,306         | 10,434,932,133        |
|            | More than 1 year but less than 5 years  | 13,972,216,248        | 14,547,071,924        |
|            | More than 5 years   | 1,918,128,925         | 1,670,347,087         |
|            |   | <u>27,276,866,938</u> | <u>28,833,081,731</u> |

## Notes To The Financial Statements

|   | Figures in Taka       |                       |
|---|-----------------------|-----------------------|
|   | 2018                  | 2017                  |
| <b>6.2 Loans, advances and leases on the basis of significant concentration:</b>  |                       |                       |
| Loans, advances and leases to Allied Concern of Directors (Note-36)   | 465,895,787           | 495,955,264           |
| Loans, advances and leases to Executives/Officers   | 78,130,250            | 59,795,458            |
| Loans, advances and leases to Customer Groups   | 4,584,300,059         | 3,540,908,047         |
| Industrial loans, advances and leases   | 18,804,466,293        | 19,834,601,822        |
| Other loans, advances   | 3,344,074,549         | 4,901,821,140         |
|   | <b>27,276,866,938</b> | <b>28,833,081,731</b> |
| <b>6.3 Loans, advances and leases allowed to individual customer or Group of Customer exceeding 15% of Financial Institution's total capital:</b> |                       |                       |
| Outstanding amount to such customers at end of the year   | 11,476,639,727        | 11,220,386,260        |
| Number of such types of customers   | 31                    | 29                    |
| Amount of Classified Loans, advances and leases thereon   | 31,300,453            | 312,893,829           |
| Measures taken for recovery :   | Not applicable        | Not applicable        |

The amount represents the sum of total Loans, advances and leases (both Funded and Non-Funded) to each group of customer exceeding Tk. 432,153,905 (Forty Three Crore Twenty One Lac Fifty Three Thousand Nine Hundred Five) only which is computed @ 15% of total capital of Phoenix Finance and Investments Limited i.e. Tk.2,881,026,031 (Two Hundred Eighty Eight Crore ten Lac Twenty Six Thousand Thirty One) only as at 31 December 2018.

| 6.4 Sector-wise Loans, Leases and Advances:<br>Sectors | 2018            | 2018                  | 2017                  |
|--|-----------------|-----------------------|-----------------------|
|  | Composition (%) |                       |                       |
| 1 Trade and Commerce                                   | 6.53            | 1,781,228,990         | 1,117,401,953         |
| 2 Industry   |                 |                       |                       |
| A) Garments and Knitwear                               | 3.25            | 887,623,038           | 1,872,236,252         |
| B) Textile   | 10.72           | 2,923,783,542         | 2,511,573,712         |
| C) Jute and Jute Products                              | 0.00            | -                     | -                     |
| D) Food Production and Processing Ind.                 | 2.50            | 683,063,967           | 735,004,346           |
| E) Plastic Industry                                    | 2.36            | 644,472,407           | 684,456,751           |
| F) Leather and Leather Goods                           | 1.48            | 403,130,567           | 579,857,359           |
| G) Iron Steel and Engineering                          | 20.12           | 5,488,480,667         | 5,978,351,572         |
| H) Pharmaceuticals and Chemical                        | 2.31            | 631,066,969           | 843,967,449           |
| I) Cement and Allied Industry                          | 2.58            | 704,580,537           | 381,301,559           |
| J) Telecommunication and IT                            | 2.02            | 550,786,549           | 560,040,963           |
| K) Paper, Printing and Packaging                       | 7.67            | 2,091,046,275         | 1,370,795,961         |
| L) Glass, Glassware and Ceramic Ind.                   | 1.07            | 291,782,074           | 451,685,849           |
| M) Ship Manufacturing Industry                         | 0.42            | 114,012,973           | 134,704,689           |
| N) Electronics and Electrical Products                 | 3.09            | 843,928,725           | 679,518,606           |
| O) Power, Gas, Water and Sanitary Service              | 0.28            | 77,339,657            | 278,374,026           |
| P) Transport and Aviation                              | 5.26            | 1,435,597,764         | 2,775,877,329         |
| <b>Industry Total</b>                                  | <b>65.15</b>    | <b>17,770,695,711</b> | <b>19,837,746,423</b> |

## Notes To The Financial Statements

|   |                               | 2018                  | Figures in Taka       |                       |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|
|   |                               | Composition (%)       | 2018                  | 2017                  |
| <b>Sectors</b>  |                               |                       |                       |                       |
| 3   | Agriculture                   | 0.91                  | 248,430,962           | 470,564,155           |
| 4   | Housing                       | 9.45                  | 2,576,892,565         | 2,206,016,188         |
| 5   | Others                        |                       |                       |                       |
|   | A) Merchant Banking           | 5.54                  | 1,510,925,886         | 1,505,390,771         |
|   | B) Margin Loan                | 0.00                  | -                     | -                     |
|   | C) Others                     | 12.42                 | 3,388,692,824         | 3,695,962,241         |
|   | <b>Others Total</b>           | <b>17.96</b>          | <b>4,899,618,710</b>  | <b>5,201,353,012</b>  |
|   | <b>Grant Total</b>            | <b>100.00</b>         | <b>27,276,866,938</b> | <b>28,833,081,731</b> |
| <b>6.5 Geographical Location-wise loans advances and leases:</b>                                  |                               |                       |                       |                       |
|   | Bogura                        | 0.97                  | 265,455,645           | 400,715,932           |
|   | Chattogram                    | 15.53                 | 4,235,580,183         | 4,306,907,981         |
|   | Dhaka                         | 82.84                 | 22,596,860,227        | 23,931,668,952        |
|   | Khulna                        | 0.66                  | 178,970,883           | 193,788,866           |
|   | <b>Total</b>                  | <b>100</b>            | <b>27,276,866,938</b> | <b>28,833,081,731</b> |
| <b>6.6 Grouping of Loans, advances and Leases as per Classification Rules of Bangladesh Bank:</b> |                               |                       |                       |                       |
|   | Standard                      | 91.42                 | 24,937,680,187        | 26,793,853,372        |
|   | Special Mention Account (SMA) | 2.80                  | 764,829,063           | 614,448,757           |
|   | Substandard                   | 0.35                  | 94,578,940            | 571,776,303           |
|   | Doubtful                      | 1.42                  | 387,528,130           | 424,429,077           |
|   | Bad or Loss                   | 4.00                  | 1,092,250,618         | 428,574,222           |
|   | <b>Total</b>                  | <b>100</b>            | <b>27,276,866,938</b> | <b>28,833,081,731</b> |
| <b>6.7 Particulars of provision for Loans, advances and Leases/Investments</b>                    |                               |                       |                       |                       |
| <b>Status</b>   | <b>Rate</b>                   | <b>Basis for</b>      |                       |                       |
| <b>General Provision (Unclassified)</b>   | <b>(%)</b>                    | <b>provision</b>      |                       |                       |
| Standard (General)  | 1%                            | 23,719,196,376        | 237,191,969           | 254,238,039           |
| Standard (SME)  | 0.25%                         | 1,218,483,811         | 3,046,210             | 3,425,124             |
| Special Mention Account (SMA)   | 5%                            | 696,240,961           | 34,812,048            | 27,949,460            |
|   |                               | <b>25,633,921,148</b> | <b>275,050,227</b>    | <b>285,612,623</b>    |
| <b>Specific Provision (Classified)</b>  |                               |                       |                       |                       |
| Substandard   | 20%                           | 74,335,758            | 14,867,152            | 74,013,930            |
| Doubtful  | 50%                           | 71,549,338            | 35,774,671            | 61,540,994            |
| Bad or loss   | 100%                          | 134,958,270           | 134,958,270           | 54,687,870            |
|   |                               | <b>280,843,366</b>    | <b>185,600,093</b>    | <b>190,242,794</b>    |
| Required provision for Loans, Advances and Leases   |                               |                       | 460,650,320           | 475,855,417           |
| Required provision for Investments  |                               |                       | 90,176,597            | 12,901,670            |
| <b>Total Provision Required</b>   |                               |                       | <b>550,826,917</b>    | <b>488,757,087</b>    |
| Total provision maintained (Note - 12.1)  |                               |                       | 553,297,375           | 586,362,330           |
| Surplus Provision   |                               |                       | 2,470,458             | 97,605,243            |

## Notes To The Financial Statements

|   | Figures in Taka       |                       |
|---|-----------------------|-----------------------|
|   | 2018                  | 2017                  |
| <b>6.8 Particulars of Loans, advances and leases:</b>   |                       |                       |
| (i) Loans, Advances and Leases considered good in respect of which the Financial Institution is fully secured   | 19,174,849,691        | 19,793,853,372        |
| (ii) Loans, Advances and Leases considered good for which the Financial Institution holds no other security than the debtor's personal security   | 7,352,454,907         | 8,162,916,336         |
| (iii) Loans, Advances and Leases considered good and secured by personal undertaking of one or more parties in addition to the personal security of the debtors   | 749,562,340           | 876,312,023           |
| (iv) Loans, Advances and Leases adversely classified; provision not maintained there against  | -                     | -                     |
|   | <u>27,276,866,938</u> | <u>28,833,081,731</u> |
| (v) Loans, Advances and Leases due by directors or officers of the Financial Institution or any of them either severally or jointly with any other person   | 544,026,037           | 555,750,722           |
| (vi) Loans, Advances and Leases due by companies or firms in which the directors of the Financial Institution are interested as directors, partners or managing agents or, in the case of private companies as members  | 465,895,787           | 495,955,264           |
| (vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Financial Institution or any of them either severally or jointly with any other persons   | 3,000,000             | 2,050,000             |
| (viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in whom the directors of the Financial Institution are interested as directors, partners or managing agents or in the case of private companies as members | 3,000,000             | 2,050,000             |
| (ix) Due from Bank and Financial Institutions   | 16,512,579            | 53,585,908            |
| (x) Amount of classified Loan, Advances and Leases on which interest has not been charged, should be mentioned as follows:  |                       |                       |
| (A) a. Increase/ (Decrease) in provision during the year  | (4,642,701)           | 48,274,989            |
| b. Amount of Loan, Advances and Leases written off  | 404,182,334           | 239,657,431           |
| c. Amount realized against Loan, Advances and Leases previously written off   | 2,171,890             | -                     |

## Notes To The Financial Statements

|  | Figures in Taka             |                             |
|--|-----------------------------|-----------------------------|
|  | 2018                        | 2017                        |
| (B) Amount of provision kept against classified Loan, Advances and Leases as Bad or Loss on the reporting day of Balance Sheet | 134,958,270                 | 54,687,870                  |
| (C) Amount of Interest chargeable to the interest Suspense Account   | 242,826,332                 | 207,423,992                 |
| (xi) Loans Written off:  |                             |                             |
| Current Year   | 404,182,334                 | 239,657,431                 |
| Cumulative to-date   | 1,103,430,442               | 699,248,108                 |
| The amount of written off Loan, Advances and Leases for which lawsuit filed  | 1,103,430,442               | 699,248,108                 |
| <b>7 BILLS PURCHASED AND DISCOUNTED</b>  | <u>-</u>                    | <u>-</u>                    |
| <b>8 FIXED ASSETS INCLUDING PREMISES, FURNITURE and FIXTURES</b>   |                             |                             |
| <b>A. Cost:</b>  |                             |                             |
| Opening balance  | 1,072,470,569               | 1,069,627,006               |
| Addition during the year   | 451,163,398                 | 5,364,931                   |
| Less: Disposal during the year   | (217,510,118)               | (2,521,368)                 |
| <b>Closing balance at cost</b>   | <u><b>1,306,123,849</b></u> | <u><b>1,072,470,569</b></u> |
| <b>B. Depreciation:</b>  |                             |                             |
| Opening balance  | 515,582,496                 | 474,064,807                 |
| Addition during the year   | 33,338,403                  | 44,039,057                  |
| Less: Adjustment on disposal during the year   | (26,518,561)                | (2,521,368)                 |
| <b>Accumulated Depreciation</b>  | <u><b>522,402,338</b></u>   | <u><b>515,582,496</b></u>   |
| <b>Carrying value*</b>   | <u><b>783,721,511</b></u>   | <u><b>556,888,073</b></u>   |

\*For details please refer to Annexure-A

Land of carrying value Tk. 20,429,593 and building of carrying value Tk. 101,787,241 as on 31.12.2009 were revalued on 13.10.2010. The board of director appointed G. K. Adjusters Limited for the above revaluation. Land was valued using current market price basis and buildings were valued replacement cost basis.

Again Land was revalued on 30.09.2018 with having carrying value Tk. 189,825,000 as on 31.12.2017. The board of director appointed Malek Siddiqui Wali for the above revaluation. Land was valued using current market price basis. The following revaluation surpluses included in the above total carrying value and addition during the year of Fixed Assets:

|  | Land                      | Building                  |
|--|---------------------------|---------------------------|
| Revaluation Surplus as on 13.10.2010         | 169,395,407               | 383,612,759               |
| Addition during the year                     | 240,902,500               | -                         |
| Amortization on Revaluation Surplus          | -                         | (157,596,530)             |
| <b>Carrying Value as on 31 December 2018</b> | <u><b>410,297,907</b></u> | <u><b>226,016,229</b></u> |

## Notes To The Financial Statements

|  | Figures in Taka    |                    |
|--|--------------------|--------------------|
|  | 2018               | 2017               |
| <b>9 OTHER ASSETS</b>                          |                    |                    |
| <b>Income generating other assets :</b>        |                    |                    |
| Interest Accrued on Fixed Deposit Receipt      | 4,039,280          | 4,881,665          |
| Interest Accrued on Staff Loan                 | 7,811,377          | 8,972,324          |
|  | <u>11,850,657</u>  | <u>13,853,989</u>  |
| <b>Non income generating other assets:</b>     |                    |                    |
| Advance office rent                            | 12,406,901         | 11,932,250         |
| Advance Against Expenses                       | 3,208,414          | 976,425            |
| Advance Against Investments In Share           | 10,039,616         | 1,349,114          |
| Advance Corporate tax                          | 29,606,675         | 51,423,665         |
| Deferred tax asset (Note-9.1)                  | 91,204,697         | 90,720,081         |
| Interest During the Construction Period (IDCP) | 6,837,109          | 5,488,118          |
| Investment in Associates                       | 67,048,767         | 67,735,489         |
| Others   | 8,000,000          | 8,061              |
|  | <u>228,352,179</u> | <u>229,633,203</u> |
| <b>Total</b>                                   | <u>240,202,836</u> | <u>243,487,192</u> |

**9.1 Deferred Tax**

Deferred tax has been calculated based on deductible/ taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of International Accounting Standard (IAS)-12 "Income Taxes".

Deferred Tax Assets is arrived as follows:

|  | Carrying amount<br>at Balance Sheet | Tax Base           | (Taxable)/<br>Deductible<br>temporary<br>difference |
|--|-------------------------------------|--------------------|---|
| <b>Assets:</b>   |                                     |                    |   |
| Fixed assets net of depreciation as on December 31, 2018 | 783,721,511                         | 939,152,172        | 155,430,661   |
| <b>Liabilities:</b>                                      |                                     |                    |   |
| Employee Gratuity as on December 31, 2018                | 87,781,865                          | -                  | 87,781,865  |
| <b>Total</b>   | <u>871,503,376</u>                  | <u>939,152,172</u> | <u>243,212,526</u>                                  |

|   |                |
|---|----------------|
| Applicable Tax Rate                                   | 37.50%         |
| Deferred tax asset as on December 31, 2018            | 91,204,697     |
| Deferred tax asset maintained as on December 31, 2017 | 90,720,080     |
| Deferred tax income accounted for during the year     | <u>484,617</u> |

**10 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS**

|                                       | 2018                 | 2017                 |
|---------------------------------------|----------------------|----------------------|
| <b>In Bangladesh</b>                  |                      |                      |
| Bank loan (Note 10.1)                 | 4,076,406,410        | 6,011,130,117        |
| Fund from Bangladesh Bank (Note 10.4) | 27,305,856           | 32,581,640           |
|                                       | <u>4,103,712,266</u> | <u>6,043,711,757</u> |
| <b>Outside Bangladesh</b>             | -                    | -                    |
| <b>Total</b>                          | <u>4,103,712,266</u> | <u>6,043,711,757</u> |

**10.1 In Bangladesh**

|  |                      |                      |
|--|----------------------|----------------------|
| Term Loan from other Banks ( Note-10.2)      | 3,784,811,332        | 5,390,473,978        |
| Short term loan from other banks (Note-10.3) | 291,595,078          | 620,656,139          |
|  | <u>4,076,406,410</u> | <u>6,011,130,117</u> |

## Notes To The Financial Statements

|   | Figures in Taka       |                       |
|---|-----------------------|-----------------------|
|   | 2018                  | 2017                  |
| <b>10.2 Term loan from other banks and FI</b> |                       |                       |
| Al-Arafah Islami Bank Limited                 | 318,889,329           | 470,618,285           |
| Bank Asia Limited                             | 193,412,379           | 260,776,446           |
| BASIC Bank Limited                            | 203,197,929           | 263,053,164           |
| Dutch Bangla Bank Limited                     | 173,724,683           | 419,659,923           |
| Jamuna Bank Limited                           | 373,532,020           | 464,384,178           |
| Midland Bank Limited                          | 465,793,364           | 559,496,651           |
| Modhumoti Bank Limited                        | 362,582,804           | 454,406,330           |
| Mutual Trust Bank Limited                     | 218,970,983           | 177,428,778           |
| National Credit and Commerce Bank Limited     | 65,633,495            | 136,119,704           |
| One Bank Limited                              | 146,024,761           | 266,447,286           |
| Prime Bank Limited                            | 241,613,342           | 381,163,490           |
| Pubali Bank Limited                           | 200,431,160           | 293,000,000           |
| Shahjalal Islami Bank Limited                 | 253,606,802           | 330,459,090           |
| Southeast Bank Limited                        | 148,541,310           | 182,998,406           |
| The UAE-Bangladesh Investment Company Limited | -                     | 2,873,468             |
| United Commerce Bank Limited                  | 157,409,312           | 169,826,234           |
| Uttara Bank Limited                           | 261,447,659           | 557,762,545           |
|   | <b>3,784,811,332</b>  | <b>5,390,473,978</b>  |
| <b>10.3 Short Term Loan from other banks</b>  |                       |                       |
| Bank Overdraft                                | 1,595,078             | 50,656,139            |
| Money at Call and Short Notice                | 290,000,000           | 570,000,000           |
|   | <b>291,595,078</b>    | <b>620,656,139</b>    |
| <b>10.4 Fund from Bangladesh Bank</b>         |                       |                       |
| Refinance against SME Loan                    | 3,129,568             | 5,551,790             |
| Refinance against Housing Loan                | 24,176,288            | 27,029,850            |
|   | <b>27,305,856</b>     | <b>32,581,640</b>     |
| <b>10.5 Maturity wise Grouping</b>            |                       |                       |
| Within 1 month                                | 152,416,355           | 154,233,627           |
| Over 1 months but not more than 6 months      | 363,602,811           | 368,677,872           |
| Over 6 months but not more than 1 year        | 1,483,097,290         | 1,840,079,520         |
| Over 1 year but not more than 5 years         | 2,104,595,810         | 3,680,720,738         |
| Over 5 years                                  | -                     | -                     |
|   | <b>4,103,712,266</b>  | <b>6,043,711,757</b>  |
| <b>11 DEPOSITS AND OTHER ACCOUNTS</b>         |                       |                       |
| <b>Institutions</b>                           |                       |                       |
| Banks and Other Financial Institutions        | 7,484,240,192         | 7,911,553,243         |
| Other Institutions                            | 6,122,422,812         | 6,811,310,159         |
|   | <b>13,606,663,004</b> | <b>14,722,863,402</b> |
| <b>Individuals</b>                            |                       |                       |
| Term Deposit Receipt                          | 6,925,528,824         | 5,406,320,408         |
| Monthly Savings Scheme                        | 245,547,617           | 254,874,597           |
|   | <b>7,171,076,441</b>  | <b>5,661,195,005</b>  |
| <b>Total</b>                                  | <b>20,777,739,445</b> | <b>20,384,058,407</b> |

## Notes To The Financial Statements

|  | Figures in Taka       |                       |
|--|-----------------------|-----------------------|
|  | 2018                  | 2017                  |
| <b>11.1 Movement of deposits :</b>   |                       |                       |
| Balance at 1 January   | 20,384,058,407        | 16,435,143,896        |
| Received/renewed during the year   | 7,028,221,788         | 8,174,406,698         |
| Repayment during the year  | (6,634,540,750)       | (4,225,492,187)       |
| Balance as on 31 December  | <u>20,777,739,445</u> | <u>20,384,058,407</u> |
| <b>11.2 Maturity wise Grouping</b>   |                       |                       |
| Within 1 month   | 254,361,527           | 409,144,623           |
| Over 1 months but not more than 6 months   | 1,087,060,846         | 1,080,390,348         |
| Over 6 months but not more than 1 year   | 7,719,475,053         | 7,924,331,182         |
| Over 1 year but not more than 5 years  | 11,532,480,778        | 10,753,882,391        |
| Over 5 years   | 184,361,241           | 216,009,863           |
|  | <u>20,777,739,445</u> | <u>20,384,058,407</u> |
| <b>12 OTHER LIABILITIES</b>  |                       |                       |
| Provision for Loans, advances and leases/ Investments (Note 12.1)  | 553,297,375           | 586,362,330           |
| Provision for tax (Note 12.2)  | 266,159,599           | 294,882,255           |
| Interest suspense (Note 12.3)  | 242,826,332           | 207,423,992           |
| Financial expenses payable (Note 12.4)   | 1,084,851,753         | 1,006,457,993         |
| Advance and security deposit (Note 12.5)   | 153,782,114           | 168,538,976           |
| Accrued expenses and other payable (Note 12.6)   | 183,021,865           | 134,144,977           |
| <b>Total</b>   | <u>2,483,939,038</u>  | <u>2,397,810,523</u>  |
| <b>12.1 Provision for Loans, advances and leases/Investments</b>   |                       |                       |
| Provision for Loans, advances and leases   | 463,120,778           | 476,862,330           |
| Provision for Investments  | 90,176,597            | 109,500,000           |
| <b>Total</b>   | <u>553,297,375</u>    | <u>586,362,330</u>    |
| <b>12.2 Provision for tax</b>  |                       |                       |
| Balance at 1 January   | 294,882,255           | 249,258,652           |
| Provision made during the year   | 192,000,000           | 325,300,000           |
| Transferred to/(from)  | (220,722,656)         | (279,676,397)         |
| Balance at 31 December   | <u>266,159,599</u>    | <u>294,882,255</u>    |
| <b>Provision for current tax</b>   |                       |                       |
| The company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2018. |                       |                       |
| <b>12.3 Interest suspense</b>  |                       |                       |
| Balance as on 1 January  | 207,423,992           | 163,343,240           |
| Add: Transferred during the year   | 107,674,120           | 159,913,400           |
| Less: Amount of interest suspense recovered  | (33,333,833)          | (70,562,533)          |
| Write off during the year  | (38,937,947)          | (45,270,115)          |
| <b>Balance as on 31 December</b>   | <u>242,826,332</u>    | <u>207,423,992</u>    |

## Notes To The Financial Statements

Bangladesh Bank FID circular # 3 of 2006 requires that interest on loans/leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

|   | Figures in Taka      |                      |
|---|----------------------|----------------------|
|   | 2018                 | 2017                 |
| <b>12.4 Financial expenses payable</b>          |                      |                      |
| Interest Payable on Term Deposits Receipt (TDR) | 894,549,954          | 858,120,045          |
| Interest Payable on Monthly Savings Scheme      | 56,904,645           | 57,265,301           |
| Interest Payable on Term Loan                   | 133,397,154          | 91,072,647           |
|   | <u>1,084,851,753</u> | <u>1,006,457,993</u> |

**12.5 Advance and security deposit**

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Balance at 1 January             | 168,538,976        | 139,559,186        |
| Received during the year         | 890,680,939        | 3,295,436,451      |
| Repayment during the year        | (905,437,801)      | (3,266,456,661)    |
| <b>Balance as on 31 December</b> | <u>153,782,114</u> | <u>168,538,976</u> |

Breakup of advances and security deposits on the basis of category of finance is as under:

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Lease finance deposit       | 101,939,528        | 118,790,124        |
| Term finance deposit        | 5,853,277          | 5,240,684          |
| Real Estate finance deposit | 1,454,099          | 2,079,606          |
| Sundry Deposit              | 44,519,340         | 42,412,692         |
| Security Deposit            | 15,870             | 15,870             |
| <b>Total</b>                | <u>153,782,114</u> | <u>168,538,976</u> |

Advance and security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.

**12.6 Accrued expenses and other payable**

|   |                    |                    |
|---|--------------------|--------------------|
| Accounts Payable                        | 1,145,932          | 4,250,217          |
| CSR Fund                                | 8,409,693          | 7,590,119          |
| Dividend Payable-Custody Account        | 3,357,118          | 3,433,295          |
| Other payables                          | 1,148,719          | 9,058,541          |
| Provident Fund                          | 138                | 143,732            |
| Provision for Employees' Gratuity       | 87,781,865         | 61,039,590         |
| Provision for Expenses                  | 49,985,147         | 34,466,713         |
| Tax Deduction At Source and Excise Duty | 31,088,329         | 14,111,405         |
| VAT payable                             | 104,924            | 51,365             |
| <b>Total</b>                            | <u>183,021,865</u> | <u>134,144,977</u> |

## Notes To The Financial Statements

|  | Figures in Taka             |                             |
|--|-----------------------------|-----------------------------|
|  | 2018                        | 2017                        |
| <b>13 SHARE CAPITAL</b>                    |                             |                             |
| Authorized capital                         | 3,000,000,000               | 3,000,000,000               |
| 300,000,000 Ordinary shares of Tk. 10 each |                             |                             |
| Issued, subscribed and paid up capital:    |                             |                             |
| 121,494,636 Ordinary shares of Tk. 10 each | <u>1,214,946,360</u>        | <u>1,214,946,360</u>        |
| <b>Total</b>                               | <b><u>1,214,946,360</u></b> | <b><u>1,214,946,360</u></b> |
| <b>13.1 Pattern of shareholdings</b>       |                             |                             |
| Sponsors (Institutions)                    | 132,641,630                 | 132,641,630                 |
| Sponsors (Individuals)                     | 268,398,100                 | 301,162,800                 |
| General Public (Institutions)              | 314,356,490                 | 327,320,450                 |
| General Public (Individuals)               | <u>499,550,140</u>          | <u>453,821,480</u>          |
| <b>Total</b>                               | <b><u>1,214,946,360</u></b> | <b><u>1,214,946,360</u></b> |

## 13.2 Classification of shareholders by holding (Regulation 37 of the Listing Regulation of DSE Limited)

| Shareholding range               | Number of Shareholders | Shares             | Percentage (%) |
|----------------------------------|------------------------|--------------------|----------------|
| Less than 500 shares             | 1446                   | 204,036            | 0.17           |
| 501 to 5,000 shares              | 1541                   | 2,773,416          | 2.28           |
| 5,001 to 10,000 shares           | 186                    | 1,352,336          | 1.11           |
| 10,001 to 20,000 shares          | 93                     | 1,354,897          | 1.12           |
| 20,001 to 30,000 shares          | 47                     | 1,186,702          | 0.98           |
| 30,001 to 40,000 shares          | 15                     | 524,027            | 0.43           |
| 40,001 to 50,000 shares          | 9                      | 418,725            | 0.34           |
| 50,001 to 100,000 shares         | 22                     | 1,631,783          | 1.34           |
| 100,001 to 1,000,000 shares      | 54                     | 18,890,239         | 15.55          |
| 1,000,001 to 10,000,000 shares   | 35                     | 79,894,312         | 65.76          |
| 10,000,001 to 100,000,000 shares | 1                      | 13,264,163         | 10.92          |
| <b>Total</b>                     | <b>3449</b>            | <b>121,494,636</b> | <b>100</b>     |

|  | 2018                      | 2017                      |
|--|---------------------------|---------------------------|
| <b>13.3 Capital requirement</b>              |                           |                           |
| Paid up capital                              | 1,214,946,360             | 1,214,946,360             |
| Required capital                             | <u>1,000,000,000</u>      | <u>1,000,000,000</u>      |
| <b>Capital Surplus/(Deficit)</b>             | <b><u>214,946,360</u></b> | <b><u>214,946,360</u></b> |
| <b>14 STATUTORY RESERVE</b>                  |                           |                           |
| Balance as on 1 January                      | 630,557,008               | 573,534,069               |
| Add: Transferred from profit during the year | <u>56,563,955</u>         | <u>57,022,939</u>         |
| <b>Balance as on 31 December</b>             | <b><u>687,120,963</u></b> | <b><u>630,557,008</u></b> |

## Notes To The Financial Statements

|   | Figures in Taka      |                      |
|---|----------------------|----------------------|
|   | 2018                 | 2017                 |
| <b>15 RETAINED EARNINGS</b>                                       |                      |                      |
| Balance as on 1 January   | 252,202,784          | 249,345,237          |
| Add: Profit after tax for the year                                | 282,819,776          | 285,114,693          |
| Add: Amortized of Revaluation Reserve                             | 19,180,638           | 19,180,638           |
| Less: Dividend Paid   | (242,989,272)        | (242,989,272)        |
| Less: Transferred to statutory reserve                            | (56,563,955)         | (57,022,939)         |
| Less: CSR Fund  | (1,414,099)          | (1,425,573)          |
| Balance as on 31 December   | <u>253,235,872</u>   | <u>252,202,784</u>   |
| <b>16 PROFIT AND LOSS ACCOUNT</b>                                 |                      |                      |
| <b>Income:</b>  |                      |                      |
| Interest, discount and similar income (Note-17)                   | 3,864,957,363        | 3,272,402,627        |
| Dividend income (Note -19)  | 18,912,154           | 32,822,203           |
| Fees, commission and brokerage                                    | -                    | -                    |
| Gains less losses arising from investment in securities (Note-19) | 15,199,761           | 23,832,341           |
| Gains less losses arising from dealing in foreign currencies      | -                    | -                    |
| Income from Financial Institution's assets (Note- 21)             | 26,243,443           | 712,000              |
| Other operating income (Note-21)                                  | 72,759,048           | 47,895,246           |
| Profit less losses on interest rate changes                       | -                    | -                    |
|   | <u>3,998,071,769</u> | <u>3,377,664,417</u> |
| <b>Expenses:</b>  |                      |                      |
| <b>Administrative expenses</b>                                    |                      |                      |
| Salaries and Allowance (Note-22)                                  | 232,456,688          | 195,093,127          |
| Rent, Taxes, Insurance, Electricity etc. (Note-23)                | 25,311,654           | 25,311,718           |
| Legal expenses  | 791,620              | 114,540              |
| Postage, Stamp, Telecommunication etc. (Note-24)                  | 3,246,956            | 2,221,188            |
| Stationery, Printing, Advertisement etc. (Note-25)                | 4,986,352            | 10,479,764           |
| Managing Director's Remuneration                                  | 12,000,000           | 9,600,000            |
| Directors' Fee (Note-26)  | 984,000              | 1,000,000            |
| Auditors' Fee   | 250,000              | 250,000              |
|   | <u>280,027,270</u>   | <u>244,070,337</u>   |
| <b>Non Administrative expenses</b>                                |                      |                      |
| Interest, Fees and Commission (Note-18)                           | 2,845,773,875        | 2,216,728,882        |
| Losses on Loans and Advances (Note-29)                            | 332,179,432          | 252,820,863          |
| Depreciation and Impairment on Assets (Note-27)                   | 33,665,925           | 44,536,562           |
| Other Operating Expenses (Note-28)                                | 32,090,108           | 30,914,023           |
|   | <u>3,243,709,340</u> | <u>2,545,000,330</u> |
| <b>Excess of Income Over Expenditure</b>                          | <u>474,335,159</u>   | <u>588,593,750</u>   |

## Notes To The Financial Statements

|   | Figures in Taka             |                             |
|---|-----------------------------|-----------------------------|
|   | 2018                        | 2017                        |
| <b>17 INTEREST INCOME</b>                             |                             |                             |
| Income from lease finance                             | 681,547,805                 | 640,486,139                 |
| Income from real estate finance                       | 157,406,751                 | 147,240,629                 |
| Income from staff loan                                | 5,170,439                   | 4,882,234                   |
| Income from term finance                              | 2,527,779,793               | 1,952,153,484               |
| Interest During Construction Period                   | 129,467,161                 | 252,524,398                 |
| Overdue Interest                                      | 363,585,414                 | 275,115,743                 |
| <b>Total</b>  | <b><u>3,864,957,363</u></b> | <b><u>3,272,402,627</u></b> |
| <b>18 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.</b> |                             |                             |
| Interest on Bank Loan                                 | 482,231,034                 | 405,004,533                 |
| Interest on money at call and short notice            | 18,626,389                  | 21,576,889                  |
| Interest on Monthly Saving Scheme                     | 38,143,034                  | 35,221,049                  |
| Interest on Term Deposit Receipts                     | 2,306,773,418               | 1,754,926,411               |
| <b>Total</b>  | <b><u>2,845,773,875</u></b> | <b><u>2,216,728,882</u></b> |
| <b>19 INCOME FROM INVESTMENT</b>                      |                             |                             |
| Capital gain on sale of Securities                    | 15,199,761                  | 23,832,341                  |
| Dividend Income                                       | 18,912,154                  | 32,822,203                  |
| <b>Total</b>  | <b><u>34,111,915</u></b>    | <b><u>56,654,544</u></b>    |
| <b>20 COMMISSION, EXCHANGE AND BROKERAGE</b>          | <b><u>-</u></b>             | <b><u>-</u></b>             |
| <b>21 OTHER OPERATING INCOME</b>                      |                             |                             |
| Commission against Letter of Credit(L/C)              | -                           | -                           |
| Documentation Fee                                     | 334,543                     | 966,185                     |
| Gain on sale of Fixed Assets                          | 26,243,443                  | 712,000                     |
| Income from Associates                                | 115,622                     | 580,756                     |
| Interest on Bank Deposits                             | 52,984,045                  | 26,316,849                  |
| Notarization Fee                                      | 5,000                       | 254,405                     |
| Proceeds on Final Settlement                          | 4,120,264                   | 5,345,416                   |
| Revenue from Phoenix Bhaban                           | 11,255,835                  | 9,455,724                   |
| Salvage Value   | 3,534,302                   | 1,957,392                   |
| Service Charge  | 409,437                     | 3,018,519                   |
| <b>Total</b>  | <b><u>99,002,491</u></b>    | <b><u>48,607,246</u></b>    |
| <b>22 SALARIES AND ALLOWANCES</b>                     |                             |                             |
| Employees' Salaries                                   | 149,883,092                 | 133,211,602                 |
| Festival Bonus  | 11,356,783                  | 10,744,674                  |
| Gratuity Fund   | 27,841,655                  | 17,640,446                  |
| Incentive Bonus                                       | 40,000,000                  | 30,000,000                  |
| Leave Fare Assistance                                 | 3,375,158                   | 3,496,405                   |
| <b>Total</b>  | <b><u>232,456,688</u></b>   | <b><u>195,093,127</u></b>   |

## Notes To The Financial Statements

|           |   | Figures in Taka   |                   |
|-----------|---|-------------------|-------------------|
|           |   | 2018              | 2017              |
| <b>23</b> | <b>RENT, TAXES, INSURANCE, ELECTRICITY etc.</b>   |                   |                   |
|           | Electricity Bill  | 3,718,878         | 3,551,114         |
|           | GAS and WASA Bill   | 614,577           | 591,560           |
|           | Holding and Vehicle Tax   | 667,608           | 110,000           |
|           | Insurance Premium   | 262,597           | 375,441           |
|           | Insurance Premium (Group)   | 1,746,678         | 1,845,270         |
|           | Office Rent   | 18,301,316        | 18,838,333        |
|           | <b>Total</b>  | <b>25,311,654</b> | <b>25,311,718</b> |
| <b>24</b> | <b>POSTAGE, STAMP, TELECOMMUNICATION etc.</b>   |                   |                   |
|           | Internet Bill   | 1,086,756         | 357,290           |
|           | Mobile Bill   | 1,134,030         | 901,406           |
|           | Phone Bill  | 531,731           | 421,953           |
|           | Postage, Stamp and Courier  | 494,439           | 540,539           |
|           | <b>Total</b>  | <b>3,246,956</b>  | <b>2,221,188</b>  |
| <b>25</b> | <b>STATIONERY, PRINTING, ADVERTISEMENTS etc.</b>  |                   |                   |
|           | Advertisement and Publicity   | 3,315,195         | 9,124,755         |
|           | Books and Periodicals   | 123,061           | 118,004           |
|           | Printing and Stationery   | 1,548,096         | 1,237,005         |
|           | <b>Total</b>  | <b>4,986,352</b>  | <b>10,479,764</b> |
| <b>26</b> | <b>DIRECTORS' FEES</b>  |                   |                   |
|           | The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank Circular, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 8,000 for attending each meeting. Details are as under: |                   |                   |
|           | Total Board Meetings (nos.)   | 11                | 12                |
|           | Total Board Executive Committee Meetings (nos.)   | 11                | 12                |
|           | Total Board Audit Committee Meetings (nos.)   | 4                 | 4                 |
|           | <b>Total fees paid (in Taka)</b>  | <b>984,000</b>    | <b>1,000,000</b>  |
|           | Total members of the Board (nos.)   | 9                 | 9                 |
|           | Quorum for Board Meeting (nos.)   | 3                 | 3                 |
|           | Average number of Directors present in the Board Meetings (nos.)  | 8                 | 9                 |
|           | Quorum for Board Audit Committee Meeting (nos.)   | 2                 | 2                 |
|           | Average no. of Directors present in the Committee Meetings (nos.)   | 3                 | 3                 |
| <b>27</b> | <b>DEPRECIATION AND REPAIR AND MAINTENANCE OF ASSETS</b>  |                   |                   |
|           | Depreciation of Fixed Assets  | 33,338,403        | 44,039,056        |
|           | Computer Maintenance  | 229,691           | 344,764           |
|           | Photocopier Maintenance   | 97,831            | 152,742           |
|           | <b>Total</b>  | <b>33,665,925</b> | <b>44,536,562</b> |

## Notes To The Financial Statements

|   | Figures in Taka      |                      |
|---|----------------------|----------------------|
|   | 2018                 | 2017                 |
| <b>28 OTHER EXPENSES</b>  |                      |                      |
| AGM Expenses  | 4,609,767            | 5,207,207            |
| Bank Charge and Excise Duty   | 1,524,663            | 1,530,296            |
| Bond Issue Expenses   | -                    | 2,113,087            |
| Business Development Expense  | 488,645              | 437,298              |
| CDBL and Stock Exchange Charge  | 1,262,314            | 1,728,880            |
| Computer and Software Development Expenses  | 466,357              | 266,197              |
| Credit Rating Fee   | 487,951              | 517,500              |
| Motor Vehicle Expenses  | 1,838,940            | 1,469,407            |
| Office Expenses   | 9,087,484            | 6,246,976            |
| Office Maintenance  | 2,031,460            | 2,255,059            |
| Remuneration for Internship   | 11,000               | 19,000               |
| RJSC Fees and Expenses  | 1,431,206            | 211,528              |
| Service Charge (Office)   | 1,845,300            | 1,887,600            |
| Staff Training and Recruitment Expenses   | 444,513              | 924,300              |
| Subscription and Fees   | 699,321              | 750,918              |
| Travelling and Conveyance   | 1,563,605            | 1,922,737            |
| Wages   | 4,297,582            | 3,426,033            |
| <b>Total</b>  | <b>32,090,108</b>    | <b>30,914,023</b>    |
| <b>29 PROVISION MADE/(ADJUSTED) DURING THE YEAR</b>   |                      |                      |
| Balance at 01 January   | 586,362,330          | 527,928,783          |
| Write Off During the Year   | 365,244,387          | 194,387,316          |
| Balance at 31 December  | 553,297,375          | 586,362,330          |
| <b>Provision Charged in Income Statement</b>  | <b>332,179,432</b>   | <b>252,820,863</b>   |
| <b>30 EARNINGS PER SHARE</b>  |                      |                      |
| Earnings per share shown in the face of the Profit and Loss Account is calculated in accordance with International Accounting Standard 33: "Earnings Per Share". Basic earnings per share has been calculated as follows: |                      |                      |
| Profits attributable to ordinary shareholders (Net Profit After Tax)  | 282,819,776          | 285,114,693          |
| Number of Ordinary shares at 1 January  | 121,494,636          | 121,494,636          |
| Bonus shares issued   | -                    | -                    |
| Right shares issued   | -                    | -                    |
| <b>Total Number of Ordinary Share</b>   | <b>121,494,636</b>   | <b>121,494,636</b>   |
| <b>Earnings per share</b>   | <b>2.33</b>          | <b>2.35</b>          |
| <b>31 INTEREST RECEIVED</b>   |                      |                      |
| Interest Income   | 3,864,957,363        | 3,272,402,627        |
| Add: Opening Interest Receivable on FDR   | 4,881,665            | 6,500,238            |
| Less: Closing Interest Receivable on FDR  | (4,039,280)          | (4,881,665)          |
| Add: Closing Interest Suspense Account  | 242,826,332          | 207,423,992          |
| Less: Opening Interest Suspense Account   | (207,423,992)        | (163,343,240)        |
| <b>Total</b>  | <b>3,901,202,088</b> | <b>3,318,101,952</b> |

## Notes To The Financial Statements

|  | Figures in Taka               |                               |
|--|-------------------------------|-------------------------------|
|  | 2018                          | 2017                          |
| <b>32 INTEREST PAYMENT</b>                               |                               |                               |
| Interest Expenses  | (2,845,773,875)               | (2,216,728,882)               |
| Add: Opening Interest payable on Deposit and Borrowings  | (1,006,457,993)               | (739,051,218)                 |
| Less: Closing Interest payable on Deposit and Borrowings | 1,084,851,753                 | 1,006,457,993                 |
| <b>Total</b>   | <b><u>(2,767,380,115)</u></b> | <b><u>(1,949,322,107)</u></b> |
| <b>33 RECEIVED FROM OTHER OPERATING ACTIVITIES</b>       |                               |                               |
| Documentation Fee  | 334,543                       | 966,185                       |
| Fees and Commission received                             | 11,255,835                    | 9,455,724                     |
| Income from Associates                                   | 115,622                       | 580,756                       |
| Income from Investment in Shares                         | 18,912,154                    | 32,822,203                    |
| Interest on Bank Deposits                                | 52,984,045                    | 26,316,849                    |
| Notarization Fee   | 5,000                         | 254,405                       |
| Proceeds on Final Settlement                             | 4,120,264                     | 5,345,416                     |
| Salvage Value  | 3,534,302                     | 1,957,392                     |
| Service Charge   | 409,437                       | 3,018,519                     |
| <b>Total</b>   | <b><u>91,671,202</u></b>      | <b><u>80,717,449</u></b>      |
| <b>34 PAYMENTS FOR OTHER OPERATING ACTIVITIES</b>        |                               |                               |
| AGM Expenses   | (4,609,767)                   | (5,207,207)                   |
| Assets Maintenance                                       | (327,522)                     | (497,506)                     |
| Audit Fee  | (250,000)                     | (250,000)                     |
| Bank Charge and Excise Duty                              | (1,524,663)                   | (1,530,296)                   |
| Bond Issue Expenses                                      | -                             | (2,113,087)                   |
| Business Development Expense                             | (488,645)                     | (437,298)                     |
| CDBL and Stock Exchange Charge                           | (1,262,314)                   | (1,728,880)                   |
| Computer and Software Development Expenses               | (466,357)                     | (266,197)                     |
| Credit Rating Fee  | (487,951)                     | (517,500)                     |
| Directors' Fees  | (984,000)                     | (1,000,000)                   |
| Legal expenses   | (791,620)                     | (114,540)                     |
| Motor Vehicle Expenses                                   | (1,838,940)                   | (1,469,407)                   |
| Office Expenses  | (9,087,484)                   | (6,246,976)                   |
| Office Maintenance                                       | (2,031,460)                   | (2,255,059)                   |
| Postage, Stamp, Telecommunication etc.                   | (3,246,956)                   | (2,221,188)                   |
| Remuneration for Internship                              | (11,000)                      | (19,000)                      |
| Rent, Taxes, Insurance, Electricity etc.                 | (25,311,654)                  | (25,311,718)                  |
| RJSC Fees and Expenses                                   | (1,431,206)                   | (211,528)                     |
| Service Charge (Office)                                  | (1,845,300)                   | (1,887,600)                   |
| Staff Training and Recruitment Expenses                  | (444,513)                     | (924,300)                     |
| Subscription and Fees                                    | (699,321)                     | (750,918)                     |
| Travelling and Conveyance                                | (1,563,605)                   | (1,922,737)                   |
| Wages  | (4,297,582)                   | (3,426,033)                   |
| <b>Total</b>   | <b><u>(63,001,860)</u></b>    | <b><u>(60,308,975)</u></b>    |

## Notes To The Financial Statements

|           |  | Figures in Taka              |                              |
|-----------|--|------------------------------|------------------------------|
|           |  | 2018                         | 2017                         |
| <b>35</b> | <b>CAPITAL ADEQUACY BASED ON BASEL-II</b>  |                              |                              |
|           | Core Capital(Tier-I)   |                              |                              |
|           | Paid-up Capital  | 1,214,946,360                | 1,214,946,360                |
|           | Share Premium  | 87,408,700                   | 87,408,700                   |
|           | Statutory Reserve  | 687,120,963                  | 630,557,008                  |
|           | General Reserve  | 2,000,000                    | 2,000,000                    |
|           | Retained Earnings  | 253,235,872                  | 252,202,784                  |
|           | <b>Sub-Total</b>   | <b><u>2,244,711,895</u></b>  | <b><u>2,187,114,852</u></b>  |
|           | <b>Supplementary Capital(Tier-II)</b>  |                              |                              |
|           | General Provision<br>(Unclassified loans up to specified limit +SMA + off Balance Sheet<br>Exposure) | 275,050,227                  | 285,600,000                  |
|           | Assets Revaluation Reserve (50%)   | 318,157,068                  | 207,296,137                  |
|           | <b>Sub-Total</b>   | <b><u>593,207,295</u></b>    | <b><u>492,896,137</u></b>    |
|           | <b>A. Total Eligible Capital</b>   | <b><u>2,837,919,190</u></b>  | <b><u>2,680,010,989</u></b>  |
|           | <b>B. Risk Weighted Assets</b>   |                              |                              |
|           | Credit Risk  | 25,170,587,500               | 21,995,873,218               |
|           | On Balance Sheet   | 25,140,900,000               | 21,874,600,000               |
|           | Off-Balance Sheet  | 29,687,500                   | 121,273,218                  |
|           | Market Risk  | 606,000,000                  | 1,371,200,000                |
|           | Operational Risk   | 1,655,300,000                | 1,572,200,000                |
|           | <b>Total Risk Weighted Assets</b>  | <b><u>27,431,887,500</u></b> | <b><u>24,939,273,218</u></b> |
|           | <b>C. Minimum Required Capital(MCR) on RWA</b><br>(10% of RWA for both under CAMD)                   | <b><u>2,743,188,750</u></b>  | <b><u>2,493,927,322</u></b>  |
|           | <b>D. Capital Surplus/(Shortfall)(A-C)</b>   | <b><u>94,730,440</u></b>     | <b><u>186,083,667</u></b>    |
|           | <b>Total Capital Adequacy Ratios</b>   | <b><u>10.35%</u></b>         | <b><u>10.75%</u></b>         |
|           |  | <b>Required (%)</b>          | <b>Held on 2018</b>          |
|           | Capital Requirement  | 5                            | 8.18%                        |
|           | Core Capital(Tier-I)   | -                            | 2.17%                        |
|           | Supplementary Capital(Tier-II)   |                              | 1.98%                        |

**36 RELATED PARTY TRANSACTIONS**

The company in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in International Accounting Standard 24: Related Party Disclosures. The Company opines that the terms of related transactions do not significantly differ from those that could have been obtained from third parties. Balance of the significant related party transactions at the end of the year 31 December 2018 are as follows:

## Notes To The Financial Statements

Figures in Taka

**Loans, Advances and Leases (Assets with related party)**

| Name of the related party     | Relationship    | Nature of transaction | 31-Dec-2018 Taka          | 31-Dec-2017 Taka          |
|-------------------------------|-----------------|-----------------------|---------------------------|---------------------------|
| Appollo Ispat Complex Limited | Common Director | Term Finance          | 465,630,010               | 490,967,711               |
| Phoenix Insurance Co. Limited | Common Director | Lease Finance         | 265,777                   | 4,987,553                 |
| <b>Total</b>                  |                 |                       | <b><u>465,895,787</u></b> | <b><u>495,955,264</u></b> |

**Deposits (Liabilities with related party)**

| Name of the related party  | Relationship                         | Nature of transaction | 31-Dec-2018 Taka          | 31-Dec-2017 Taka          |
|----------------------------|--------------------------------------|-----------------------|---------------------------|---------------------------|
| Ms. Evana Fahmida Mohammad | Chairman                             | Term Deposit          | 20,000,000                | -                         |
| Mr. Deen Mohammad          | Father of Ms. Evana Fahmida Mohammad | Term Deposit          | -                         | 52,731,393                |
| Mrs. Meherun Haque         | Sister of Ms. Evana Fahmida Mohammad | Term Deposit          | 19,000,000                | 4,000,000                 |
| Mrs. Roxsana Begum         | Mother of Ms. Evana Fahmida Mohammad | Term Deposit          | 8,554,964                 | 7,700,898                 |
| Ms. Khurshid Jahan Begum   | Wife of Mr. Mobarak Ali              | Term Deposit          | 183,535,982               | 53,191,678                |
| Ms. Shabnaz Sultana        | Sister of Mr. Rakibul Islam Khan     | Term Deposit          | 1,273,044                 | 1,183,506                 |
| Ms. Sharmin Sultana        | Sister of Mr. Rakibul Islam Khan     | Term Deposit          | 1,420,474                 | 1,321,388                 |
| Nasreen Ali                | Independent Director                 | Term Deposit          | 5,811,677                 | 5,401,000                 |
| Reshad Imam                | Independent Director                 | Term Deposit          | 4,197,950                 | -                         |
|                            |                                      |                       | <b><u>243,794,091</u></b> | <b><u>125,529,863</u></b> |

**37 SUBSEQUENT EVENTS**

No Material events occurring after the Balance Sheet date came to our notice, which could materially affect the amounts or disclosures in these Financial Statements. The Board of Directors has recommended 15% stock dividend for the year ended December 31, 2018 subject to the approval of the shareholders' meeting and appropriate authority if required.

**38 BOARD MEETINGS AND NUMBER OF DIRECTORS**

During the year 2018, 11 (Eleven) Board Meetings were held. As on 31st December 2018, there were average 08 members in the Board. As per FID circular no. 09 dated 11 September 2002, a Financial Institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

## Notes To The Financial Statements

**39 NUMBER OF EMPLOYEES**

A total number of 139 employees, including 26 sub staffs were employed in Phoenix Finance and Investments Limited as of 31 December 2018.

**40 AUDIT COMMITTEE****a) Members of Audit Committee**

The Board Audit Committee of Phoenix Finance and Investments Limited has been constituted with the following Board of Directors.

| Name                       | Position in the Board of Directors | Designation in the Audit Committee | Educational Qualification |
|----------------------------|------------------------------------|------------------------------------|---------------------------|
| Ms. Nasreen Ali            | Independent Director               | Chairman                           | Masters                   |
| Ms. Evana Fahmida Mohammad | Chairman                           | Member                             | Graduate                  |
| Mr. Mobarak Ali            | Director                           | Member                             | Graduate                  |

**b) Meetings of Audit Committee**

During January 01 to December 31, 2018, 4 (Four) Meetings of the Board Audit Committee of the Board were held in which among others, the following issues were discussed:

- i) Regular review of the Internal and External (Including Bangladesh Bank) Inspection and Audit Reports with a view to implementing the suggestions of Internal and External Auditors in respect of Internal Control Structure and Techniques;
- ii) Regular review of the Quarterly Operations Reports on the operational functions of each Branch of Phoenix Finance and Investments Limited (PFIL) with a view to ensuring proper operational function of the Company;
- iii) Reviewed un-audited draft Financial Statements and draft Management Reports of Phoenix Finance and Investments Limited (PFIL);
- iv) Evaluated the status of compliance culture related to Internal Control System built by the Management.

**c) Internal Control**

The following steps have been taken for implementation of Internal Control Procedure of Phoenix Finance and Investments Limited (PFIL):

- i) Regular monitoring has been done for the effectiveness of the quality control policies and procedures with the effect to evaluate the application of Internal Control System and Internal Audit Policy, Policy for Financial Risk and existing rules and regulations;
- ii) Regular monitoring has been done for the effectiveness of the quality control policies and procedures with the effect to evaluate the application of Internal Control System and Internal Audit Policy, Policy for Financial Risk and existing rules and regulation;
- iii) To Establish the Control Policies and Procedures and Verification that the Control Policies and Procedures are in order;
- iv) To establish Planning, Organizing and Supervising culture and monitoring of Audit and Inspection of the Branches and that of different Divisions of Head Office and conducting surprise inspections at Branches;
- v) To Monitor and Comply with Applicable Laws, Regulations and Internal Policies Including Core Risk Management Guidelines of the Company;
- vi) Strengthening the structure of compliance framework for better functioning of the operation; and
- vii) To guard against money laundering and terrorist financing.

# Financial Highlights as Required by Bangladesh Bank

For the year ended 31 December 2018

| Sl. No. |   | Figures in Taka |                |
|---------|---|-----------------|----------------|
|         |   | 2018            | 2017           |
| 1       | Paid up Capital   | 1,214,946,360   | 1,214,946,360  |
| 2       | Total Capital (core+ supplementary)                                     | 2,881,026,031   | 2,601,707,126  |
| 3       | Capital surplus/(deficit)   | 214,946,360     | 214,946,360    |
| 4       | Total Assets  | 30,246,416,780  | 31,427,287,813 |
| 5       | Total Term Deposit Receipts   | 20,777,739,445  | 20,384,058,407 |
| 6       | Total Loans, Advances and Leases  | 27,276,866,938  | 28,833,081,731 |
| 7       | Total Contingent Liabilities and Commitments                            | 50,000,000      | 311,993,123    |
| 8       | Credit Deposit Ratio (%)  | 131.28%         | 141.45%        |
| 9       | Percentage of classified loans against total Loans, Advances and Leases | 5.77%           | 4.94%          |
| 10      | Profit after Tax and provision  | 282,819,776     | 285,114,693    |
| 11      | Amount of classified loans  | 1,574,357,688   | 1,424,779,602  |
| 12      | Provisions kept against classified loan                                 | 185,600,093     | 190,242,794    |
| 13      | Provision surplus / (deficit)   | 2,470,458       | 97,605,243     |
| 14      | Cost of Fund  | 11.97%          | 9.66%          |
| 15      | Interest earning Assets   | 27,587,370,159  | 29,526,191,792 |
| 16      | Non-interest earning Assets   | 2,659,046,621   | 1,901,096,021  |
| 17      | Return on Investment (ROI)  | 9.82%           | 10.96%         |
| 18      | Return on Assets (ROA)  | 0.94%           | 0.91%          |
| 19      | Income from Investment  | 34,111,915      | 56,654,544     |
| 20      | Earnings per Share  | 2.33            | 2.35           |
| 21      | Net Asset Value (NAV) per share   | 23.71           | 21.41          |
| 22      | Price Earnings Ratio (Times)  | 13.99           | 16.04          |

# Fixed Assets Schedule

As on December 31, 2018

Annexure-A

Figures in Taka

| PARTICULARS                     | Cost                   |                          |                            |                        | Rate % | Depreciation           |                         |                            |                        | WDV as on 31.12.18 |
|---------------------------------|------------------------|--------------------------|----------------------------|------------------------|--------|------------------------|-------------------------|----------------------------|------------------------|--------------------|
|                                 | Balance as on 01.01.18 | Addition during the year | Adjustment during the year | Balance as on 31.12.18 |        | Balance as on 01.01.18 | Charged during the year | Adjustment during the year | Balance as on 31.12.18 |                    |
| Air Conditioner                 | 8,600,786              | -                        | 140,000                    | 8,460,786              | 20.00  | 8,037,689              | 189,852                 | 140,000                    | 8,087,541              | 373,245            |
| Building                        | 541,553,742            | -                        | -                          | 541,553,742            | 5.00   | 187,815,430            | 27,077,688              | -                          | 214,893,118            | 326,660,624        |
| Computer and Projector          | 10,093,784             | 2,092,358                | -                          | 12,186,142             | 20.00  | 8,069,483              | 1,056,537               | -                          | 9,126,020              | 3,060,122          |
| Electrical and Office Equipment | 4,410,314              | 63,840                   | 104,000                    | 4,370,154              | 20.00  | 3,576,408              | 283,760                 | 104,000                    | 3,756,168              | 613,986            |
| Flat                            | 27,441,118             | -                        | 27,441,118                 | -                      | 10.00  | 24,003,801             | 2,270,760               | 26,274,561                 | -                      | -                  |
| Furniture and Fixture           | 13,390,984             | 69,500                   | -                          | 13,460,484             | 12.50  | 11,815,209             | 326,384                 | -                          | 12,141,593             | 1,318,891          |
| Land                            | 189,825,000            | 448,937,700              | 189,825,000                | 448,937,700            | -      | -                      | -                       | -                          | -                      | 448,937,700        |
| Machinery Lease                 | 215,460,427            | -                        | -                          | 215,460,427            | 20.00  | 215,460,414            | -                       | -                          | 215,460,414            | 13                 |
| Motor Vehicle                   | 23,084,076             | -                        | -                          | 23,084,076             | 25.00  | 19,841,013             | 1,513,380               | -                          | 21,354,393             | 1,729,683          |
| Office Decoration               | 38,059,458             | -                        | -                          | 38,059,458             | 20.00  | 36,466,665             | 603,092                 | -                          | 37,069,757             | 989,701            |
| Telephone and Fax               | 550,880                | -                        | -                          | 550,880                | 20.00  | 496,384                | 16,950                  | -                          | 513,334                | 37,546             |
| <b>Total 2018</b>               | <b>1,072,470,569</b>   | <b>451,163,398</b>       | <b>217,510,118</b>         | <b>1,306,123,849</b>   |        | <b>515,582,496</b>     | <b>33,338,403</b>       | <b>26,518,561</b>          | <b>522,402,338</b>     | <b>783,721,511</b> |
| <b>Total 2017</b>               | <b>1,069,627,006</b>   | <b>5,364,931</b>         | <b>2,521,368</b>           | <b>1,072,470,569</b>   |        | <b>474,064,807</b>     | <b>44,039,057</b>       | <b>2,521,368</b>           | <b>515,582,496</b>     | <b>556,888,073</b> |





