



Message from The Managing Director

Bismillahir Rahmanir Rahim

Distinguished Shareholders:

Assalamu Alaikum Warahmatullah,

By the grace of Allah Subhanahu Wa Ta'ala [the absolute one, the all-powerful and all-knowing ruler of the universe, and the creator of everything in existence], Fareast Finance & Investment Limited [FFIL] passed another critical & challenging year 2020 with constant pursuit for good governance and sustainability.

NBFIs have been facing critical challenges like increasing nonperforming loans, advances & leases leading to negative impact on cash-flow as well as liquidity, profitability & sustainability for last couple of years. Situations intensified further following countrywide spread of novel corona virus since March 2020. Fareast Finance & Investment Limited has been experiencing severe liquidity crisis followed by negative interest margin, operating losses, huge nonperforming assets resulting depletion of capital, decrease in equity, net operating cash flow, net asset value, earning per share and struggling for sustainability since 2017 as its net liability has been exceeding its assets. Fareast Finance & Investment Limited could not give dividend to the honorable shareholders after 2016 and fell into 'Z' category on April 19, 2018.

Statutory Auditor Ahmed Zaker & Co, Chartered Accountants expressed their serious apprehension about continuity of operations of the company in their report titled 'Independent Auditor's Report to the Shareholders of Fareast Finance & Investment Limited' which had been adopted in the 19th Annual General Meeting held on October 29, 2020 and given 'qualified opinion' on the same issue in their report on the Audit of Financial Statements for the year ended December 31, 2020 due to uncertainty associated with recovery of Term Loan of Taka 302,47,88,933.00 given to the associate company Fareast Stocks & Bonds Limited, shortfall of regulatory capital to the tune of Taka 77,55,08,213.00 compared to minimum requirement, and uncertainty of recovery of Funds/Fixed Deposits placed with Bangladesh Industrial Finance Company Limited and FAS Finance & Investment Limited.

Moreover, Taka 34,56,05,000.00 placed during the year 2017-2019 as Deposit with Peoples Leasing & Financial

Services Limited had been classified as Bad & Loss by Bangladesh Bank with effect from 2019 and FFIL had to reverse the interest amount credited to income account during the year 2019 & 2020 and maintaining provisions as per approval of Bangladesh Bank. Term Loan of Taka 302,47,88,933.00 extended to Fareast Stocks & Bonds Limited had also been classified as Sub-Standard by Bangladesh Bank with effect from 2019 and 'Bad & Loss' in 2021 against which FFIL maintained provisions as per guidelines of Bangladesh Bank. Charging of Interest on Loans extended to Fareast Stocks & Bonds Limited was suspended/blocked by the Board of Directors of FFIL in 2015 and continued such suspension till intervention of Bangladesh Bank in 2020. As on December 31, 2021 Total Non-Performing Loans, Advances & Leases of FFIL stood at Taka 871,72,14,142.00 which is 89.95% of total Portfolio of Taka 969,16,63,829.00 with Taka 473,76,62,540.00 classified as Bad & Loss, Taka 298,19,00,318.00 classified as Doubtful and Taka 99,76,51,284.00 classified as Sub-standard. Classified Loans, Advances & Leases could be around 90% if deferral for installments of 2020 would not have been allowed by Bangladesh Bank. FFIL had to maintain huge provisions as most of the loans, advances & leases are not covered by collateral security as a result of which loss increased leading to significant depletion of capital. Top 10 defaulters holding 69.25% of total portfolio and Term Loan of Fareast Stocks & Bonds Limited represents 31.21% of total portfolio and 34.70% of Classified Loans. In reality, there is no scope of recovering the investment/loan amount from Fareast Stocks & Bonds Limited. Furthermore, despite furnishing up-to-date loan balance by FFIL to Fareast Stocks & Bonds Limited, they have been reporting less amount in their Financial Statements and recording more profit or less loss in their books as a result of which FFIL's accounts [as holding fifty percentage shares and booking profit/loss on equity method] have been impacted significantly. In addition to that FFIL is to take the shock of 50% liabilities of its associate company in case of winding-up which will further worsen the situation. There is also no chance to get back the balance of Taka 9,06,41,348.00 available in the BO Account No. 1204690000134328 maintained with Fareast Stocks & Bonds Limited. Statutory Auditor of Fareast Stocks & Bonds Limited have been giving 'Qualified Opinion' on the Financial Statements for last couple of years but there is no significant improvement in traditional misreporting in Financial Statements. Irregularities in other loan cases including not taking any collateral, taking inadequate collaterals, taking fake & defective collaterals and non-filing of suits for recovery in due course of time as per Artha Rin Adalat Ain 2003 impede recovery of classified loans, advances & leases. Earlier conversion of Deposits taken from Banks into Term Loans due to failure in honoring claims for encashments and frequent reschedulements due to failure in repaying installments of Loans along with scheme deposits (double money scheme, triple money schemes etc.) taken at much higher rate putting colossal pressure on fund management at present-time.

In 2020, Fareast Finance & Investment Limited [FFIL] recorded Net Loss after Income Tax of Taka 285.46 million with negative earnings of Taka 1.74 per share. In 2020, total investment and loan, advances, & lease portfolio of the company stood at Taka 9,531.60 million registering an increase of Taka 333.16 million [due to deferral allowed by Bangladesh Bank as a measure to ease the impact of novel corona virus, rescheduling and charging interest for the delayed period] while it was Taka 9,198.44 million at the end of 2019. Taka 1,164.50 million extended to SME out of total Taka 9,531.60 million. As on 31 December 2020 classified loans, advances & leases stood at 51.90 percent against 56.61 percent as on 31 December 2019 and out of 51.90 percent, 32.15 percent is for the loan extended in 2010-2012 to its associate company namely Fareast Stocks & Bonds Limited [FSBL] wherein FFIL holds 50 percent shares. Moreover, FFIL is to maintain provision against the term loan extended to FSBL as the amount has been classified by Bangladesh Bank during last comprehensive inspection and FFIL's Balance Sheet is impacted by 50 percent loss incurred/incurred by FSBL. During 2020, FFIL disbursed total Taka 6.44 million against fresh contracts of Taka 6.44 million. Total Provision for loans, advances & leases at the end of 2020 stood at Taka 1,419.80 million registering an increase of Taka 173.29 million (i.e.13.90 percent), compared to Taka 1,246.51 million the year before. Total deposits stood at Taka 4,709.90 million as on 31st December 2020 registering decrease of Taka 37.75 million (i.e. 0.80 percent) against Taka 4,747.85 million as on 31st December 2019. There is significant dependence on institutional deposits and borrowings.

In addition to the facts & circumstances mentioned hereinabove, depositors' confidence on non-bank financial institutions dwindled significantly during last few years due to operational failure of Peoples Leasing & Financial Services Limited and spreading of the news of scams that took place in a few other institutions in

print & electronic media.

Overall situation aggravated further due to depositors' unwillingness to keep their money with most of the non-bank financial institutions as a result of experiencing enormous sufferings in getting their money back on maturity from many and absolute failure on the part of a few non-bank financial institutions. Fareast Finance & Investment Limited, like other institutions, has been experiencing huge deposit withdrawal pressure since 2018. The company has not been appropriately managed & grown and the shareholders did not get dividends over the years which is detrimental to the interest of the investors of the company and totally undesirable.

In view of the aforesaid facts and circumstances, Bangladesh Securities and Exchange Commission (BSEC) reconstituted the Board of Directors vide Letter under Reference No. SEC/SRMIC/2021/part-Z/89 dated March 29, 2021 in order to protect the interest of the shareholders of the company.

FFIL Management under the able guidance of the reconstituted Board of Directors has been working relentlessly towards sustainability of the company despite the unescapable impact of novel corona virus, unsolicited situations and unique & critical market and company specific challenges. FFIL Management is following zero tolerance policy to irregularities & corruption, taking administrative & disciplinary actions against the persons involved in irregularities & corruption, improving asset quality through collecting necessary documents & updating loan/lease files, strengthening recovery drive through supervision, monitoring and filing suits. FFIL Management is focused on good governance, transparency and sailing the ship ahead with a view to bringing the best for honorable stakeholders and the economy as a whole.

I thankfully acknowledge that all of my colleagues have been working hard and continued their efforts for survival and bravely encountering the difficulties they are facing.

I would like to express my gratitude to all the Members of the Board of Directors of FFIL who have always extended their valuable guidance and strategic advices. On behalf of Management of the Company, I also express my gratitude to all our Honorable Shareholders and Valued Customers for their continued trust and support. We would like to express our firm commitment to overcome the challenges. Finally, I would like to take the privilege to express my sincere thanks and gratitude to the Regulatory Authorities including Bangladesh Bank, BSEC, NBR, DSE, CSE, RJSC&F and our Auditors for their continued support, guidance, advice and co-operation.

Sincere thanks & best regards,



Muhammad Ali Zaryab
Managing Director