



Message from **THE MANAGING DIRECTOR**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Distinguished Shareholders:

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

By the grace of Allah SubhanahuWaTa'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 2022 with constant pursuit for good governance and sustainability.

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. Fareast Finance & Investment Limited could not give dividends to the honorable shareholders after 2016 and fell into 'Z'-category on April 19, 2018. 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. The reconstituted Board of Directors together with capable management has been working relentlessly towards sustainability of the company despite the colossal impact of novel corona virus, unpredictable situations and unique & critical market and company specific challenges. FFIL is following zero tolerance policy to irregularities & corruption, taking administrative & disciplinary actions against the persons involved in irregularities & corruption.

Fareast Finance & Investment Limited [FFIL] recorded Net Loss after Income Tax of BDT230.65crore in 2022 as against BDT 419.12 crore in 2021 registering a decrease of BDT 188.47 crore with negative earnings of BDT14.06 per share in 2022 as against BDT 25.55 in 2021 registering an improvement of BDT 11.49 only. In 2022, total investment and loan, advances, & lease portfolio of the company stood at BDT950.95 crore

registering a decrease of BDT27.71 crore while it was BDT978.66crore at the end of 2021. BDT110.98 crore extended to SME out of total BDT 950.95crore. As on 31 December 2022 classified loans, advances & leases stood at 94.34 percent against 89.95 percent as on 31 December 2021 and out of 94.34 percent, 33.97 percent alone 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 comprehensive inspection and FFIL's Balance Sheet is impacted by 50 percent loss incurred/incurred by FSBL. During 2022, FFIL disbursed totalBDT0.028crore against fresh contracts of same amount. Total Provision for loans, advances & leases at the end of 2022 stood at BDT 651.40 crore registering an increase of BDT145.79crore (i.e., 28.83 percent), compared to BDT 505.61crore the year before. Total deposits stood at BDT456.78crore as on 31st December 2022 registering decrease of BDT6.09crore (i.e., 1.32 percent) against BDT462.87 crore as on 31st December 2021. As on December 31, 2022, provision kept against diminution in the value of investment in shares, available balance in BO Account maintained with FSBL, fixed deposits placed with People's Leasing & Financial Services Limited, classified loans, advances, & leasesis BDT677.99 crore against requirement of BDT677.99 crore with no deficit and Cost-of-Borrowing decreased to 8.96 percent as against 9.24 percent in the previous year. As on December 31, 2022, Return on Assets is negative 20.16 percent, which was negative 36.47percent at the end of the year 2021. There is significant dependence on institutional deposits and borrowings.

FFIL incurred Loss of BDT 147.45 crore in 2019 but BDT 71.80 crore was reported as Loss after getting deferral for keeping provision of BDT 75.65 crore over the next 4 (four) at the rate of BDT 18.91 crore per year upto 2023 because of which FFIL has been recording additional loss of BDT 18.91 crore since 2020.

As on December 31, 2022, Total Non-Performing Loans, Advances & Leases of FFIL stood at Taka 890,37,16,025.00 which is 94.34% of total Portfolio of Taka 943,80,41,064.00 with Taka 849,16,62,349.00 classified as Bad & Loss, Taka 35,10,89,877.00 classified as Doubtful and Taka 6,09,63,799.00 classified as Sub-standard. Top 10 defaulters holding 70.16% (85.94% with memo interest) of total portfolio and Term Loan of associate company namely Fareast Stocks & Bonds Limited represents 32.05% (43.11% with memo interest) of total portfolio and 33.97% (45.69% with memo interest) of Classified Loans.

Fareast Finance & Investment Limited purchased 50% shares of Fareast Stocks & Bonds Limited on 25/04/2010 but FFIL is yet to get Share Certificates from FSBL even though the Managing Director of FFIL, as a representative Director in the Board of Directors of FSBL, repeatedly raised the issue in the Board Meetings since appointed by BSEC on 30/05/2021. FFIL extended Term Loan of BDT 243.03 crore in 2010-2011 to its associate company as well as a company related to its directors viz Fareast Stocks & Bonds Limited without exercising due diligence, observing credit norms, and maintaining rules & regulations. In the same manner, the then Board of Directors of FFIL stopped charging interest on the outstanding loan amount of FSBL in 2014-2015 which continued upto 2019 till intervention of Bangladesh Bank in 2020 and resultantly FFIL incurred loss of 137.79 crore (calculated on cost-of-fund basis). Outstanding Loan of BDT 436.04 crore (as on June 30, 2023) classified as Bad & Loss since 31 December 2021 and FFIL kept provision of BDT 302.48 crore as per guidelines of Bangladesh Bank. 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 despite the fact that the Managing Director of FFIL, as a representative Director in the Board of Directors of FSBL, repeatedly raised the issue in the Board Meetings since appointed by BSEC on 30/05/2021 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. Loan amount reported less by Taka 23.24 crore in the Financials of 2018, Taka 23.24 crore in the Financials of 2019, Taka 50.26 crore in the Financials of 2020, and Taka 101.56 crore in the Financials of 2021. There is no improvement in traditional misreporting about the Loan availed from FFIL in the Financial Statements of FSBL. 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. Equity Investment in FSBL and Loan extended to FSBL, among others, are the core causes of failure of FFIL. In reality, there is no scope of recovering the investment and loan amount from Fareast Stocks & Bonds Limited.

Fareast Finance & Investment Limited

FSBL debited Taka 4,20,00,000 by showing payment to FFIL through Cheque and Taka 4,86,24,892.91 by showing payment to FFIL through Electronic Transfer on 29/12/2022 without making actual payment and without obtaining permission whatsoever from FFIL. FFIL vide Letter No. FFIL/FI-0023/2023/11 dated 02/01/2023 requested FSBL to make necessary corrections and to return the available balance to BO ID No. 1204690000134328 but FSBL did not pay any attention to the request of FFIL. The matter was placed before the Board in its 239th Meeting held 02/02/2023 and the Board of Directors advised to appoint an Audit Firm to conduct special audit on the unresolved issues with FSBL. As advised by the Board of Directors, FFIL appointed Arun & Company, an experienced & professionally competent Chartered Accountants firm as special auditor for conducting the special audit on (1) unauthorizedly & fraudulently debiting BO account cash balance of FFIL, (2) non-transfer of outstanding shares and (3) misreporting term loan amount by its associate company Fareast Stocks & Bonds Limited. Accordingly, Arun & Company, Chartered Accountants completed the special audit and submitted their final Report dated 12/06/2023 on June 14, 2023.

The Board of Directors of FFIL in its 242nd Meeting held on 22/06/2023 resolved that the aforesaid transactions are actually embezzlement of the fund of a publicly listed non-bank financial institution and for proper investigation of the above issues the Board of Directors advised the management of FFIL to give a copy of the special Audit report to Anti Corruption Commission with supporting documents and records as per their Letter dated 19/06/2023 and also advised the management of FFIL to lodge complaint to CDBL, DSE and BSEC (the regulatory authorities) as well as Bangladesh Bank on the above unauthorized & fraudulent transactions. FFIL acted as per instructions of the Board of Directors. Finally, as per instruction of CDBL, FSBL released the share balance of BDT 5,93,41,203.68 of the BO Account of FFIL on 06/08/2023.

Different Lenders (Banks & NBFIs) have been filing CR Cases and Artha Rin Suits by making FFIL's employees (representing FFIL in the Board of Directors of FSBL from time-to-time) as defendants. FSBL had availed Loan from Lanka Bangla Finance in 2011 and they filed Artha Rin Suit against FSBL and its all Directors in 2019 for recovery of the classified loan. Artha Rin Adalat recently issued Arrest Warrant against the Directors of FSBL including Employees of FFIL (represented FFIL in the Board of FSBL) which obviously has been hampering day-to-day activities of Fareast Finance & Investment Limited.

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.

No Loan/Lease/Advance has been rescheduled in 2021 without physical visit/inspection of the business & collateral security and survey & valuation of the mortgaged property by enlisted surveyor. Classified Loans on account of Top 10 defaulted borrowers stood at BDT 899.35 crore (including memo interest) as on 30/06/2023 against which there is collateral securities of BDT 27.24 crore only. Moreover, a good number of defaulted borrowers have already left the country and their present whereabouts are not known. Extending loans without taking any collateral security and/or taking insignificant securities and disappearance of defaulted borrowers hold back recovery through legal recourse and thus smooth sailing of FFIL ahead. Extending loans, leases, and advances without exercising due diligence, observing credit norms, and maintaining rules & regulations in the past caused (1) an unusually high advance-deposit ratio of 206.62%, (2) non-performing loans of 94.34% as at the close of business on 31/12/2022 and (3) severe liquidity crisis since 2017 which in turn hinders resuming normal commercial operations of the company.

Fareast Finance & Investment Limited has been suffering from severe liquidity crisis since 2017 and not in a position to extend loan/lease due to extremely high advance-deposit ratio and total loans, advances & leases increased mainly due to charging of interest on loans, advances & leases during the year.

Filing suits under Negotiable Instrument Act and Artha Rin Adalat Ain including lodgment of complaint to Anti Corruption Commission for recovery of stuck-up loans, leases & advances had been started afresh in the respective courts in 2021 (subsequent to restoration of normalcy after the 2nd wave of Covid-19). 645 suits have been filed under Negotiable Instrument Act 1881 for BDT 470.54 crore, 63 lawsuits have been filed for

recovery of BDT 447.29 crore under Artha Rin Adalat Ain 2003 during the period upto 31/07/2023 and filing of 13 lawsuits for BDT 257.46 crore is in progress. In addition, FFIL lodged formal complaint to Anti Corruption Commission for extending Term Loan to FSBL without maintaining rules & regulations.

Short-Term and Long-Term Loans taken during the years 2009-2018 including earlier conversion of Deposits taken from Banks and NBFs 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 awful pressure on fund management at present-time. Different Lenders (Banks & NBFs) have been filing Artha Rin Suits by making FFIL (represented by the Managing Director) and all the Members of the Board of Directors as defendants.

FFIL is focused on improving asset quality through collecting necessary documents & updating loan/lease files, strengthening recovery drive through supervision, monitoring, and filing suits. Accordingly, in an effort to improve classification status through recovery from its defaulted borrowers, FFIL has already undertaken rigorous measures including (1) finding out whereabouts of the traceless clients through physical visits/inspections, (2) collecting search and valuation reports of the mortgaged properties through enlisted surveyors, (3) regularizing collateral securities by collecting documents from concerned offices, (4) auctioning mortgaged properties in compliance with Section-12 of Artha Rin Adalat Ain, and (4) filing suits under Negotiable Instrument Act, 1881 and Artha Rin Adalat Ain, 2003.

I thankfully acknowledge that all my colleagues have been working hard and continued their efforts for survival and bravely encountering the adversities 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.

معاسلامه

Sincere thanks & best regards,



Muhammad Ali Zaryab
Managing Director