CATALYSING CHANGE
DRIVING PROGRESS

Annual Report 2018

IDLC Finance Limited

financing happiness

Starting with a single leasing product in 1985, IDLC Finance Limited has gradually broadened its horizon and emerged as the largest Non-Banking Financial Institution of the country. Today, IDLC serves from a diversified basket consisting of products from Corporate Finance, SME Finance, Consumer Finance and Capital Market segments. In serving these products to our valued customers, efforts of more than 1300 people are dispersed through 41 touch-points spread over 24 cities across the country.

Looking back to what has admittedly been a very challenging year for everyone in the financial services industry including IDLC, the prudence of the company's strategy coupled with the resilience of the team in executing the plans, have delivered a strong set of financial results in 2018. However, while delivering financial performance is of utmost importance, it is certainly not the only priority of the company. Efforts to bring a positive change to every person IDLC is privileged to interact with has been a constant theme of the organisation. The emphasis is always towards bringing happiness to people by helping them achieve their dreams through delivering great products and services, as well as through taking initiatives to contribute towards health, education and environment sectors.

Over the years, through good governance, statutory compliance and transparency, IDLC has set itself apart in the industry and has gained the trust of its stakeholders. Furthermore, through sustainable business practices, IDLC is committed to add value not only to its business but also to the industry, the country and the environment.

Going forward, it will remain the motto of each team member of IDLC to strive and excel in business and at the same time, contribute positively towards the society, the industry and the nation through... **Catalysing Change, Driving Progress.**

Letter of Transmittal

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

Dear Sir(s):

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

Enclosed please find a copy of the Annual Report along with the Audited Financial Statements including Consolidated and Separate Balance Sheet as at December 31, 2018 and Income Statements, Cash Flow Statements and Statement of Changes in Equity for the year ended December 31, 2018 along with the notes thereon of IDLC Finance Limited and its subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) for your kind perusal and record.

Thank you.

Yours faithfully,

Sd/-
Mohammad Jobair Rahman Khan FCA
Group Company Secretary

Dhaka
March 14, 2019

IDLC at a Glance

IDLC Finance Limited (IDLC FL)

Public Limited Company, listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited

Type of Business	Financial Institution
Key business segments	Small Medium Enterprise (SME) financing; Corporate financing; Consumer financing including home loans, car loans & personal loans; and Wealth Management.
Former name	Industrial Development Leasing Company (IDLC) of Bangladesh Limited (Renamed on August 5, 2007)
Company incorporation number	C-14218/1992 of 1984-85
Date of incorporation	23 May 1985
Bangladesh Bank License number	BCD (Non-banking)/Dhaka/2/95 dated 07 February 1995
Number of branches	30
Address of Corporate Head Office	Bay's Galleria (1st Floor), 57 Gulshan Avenue, Dhaka 1212.
Telephone	+880 (2) 883 4990 (Auto Hunting)
Facsimile	+880 (2) 883 4377
Contact Center	16409
Email address	contactcenter@idlc.com

IDLC Securities Limited (IDLC SL)

Wholly owned subsidiary of IDLC FL

Private Limited Company limited by shares

Type of Business	Brokerage House
Date of incorporation	19 April 2006
Company incorporation number	C-61319 (3328)/06
Commencement of operation	18 September 2006
BSEC license number as Broker	▸ Corporate Member: Dhaka Stock Exchange Limited BSEC Reg No.3.1/DSE-58/2006/130 ▸ Corporate Member: Chittagong Stock Exchange Limited BSEC Reg No.3.2/CSE-119/2006/135
BSEC license number as Dealer	▸ Dhaka Stock Exchange Limited BSEC Reg No.3.1/DSE-58/2008/233 ▸ Chittagong Stock Exchange Limited BSEC Reg No.3.2/CSE-119/2009/176
Number of branches:	10
Address	DR Tower (4th Floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000
Telephone	+ 88 09609984352
Facsimile	+880 (2) 957 4366
Contact Center	16409
Email address	securities@idlc.com

IDLC Investments Limited (IDLC IL)

Wholly owned subsidiary of IDLC FL

Private Limited Company limited by shares

Type of Business	Merchant Bank
Key business segments	Portfolio Management, Issue Management
Company incorporation number	C-84849/10
Date of incorporation	19 May 2010
BSEC Licence number	MB-67/2011 dated 02 August 2011
Commencement of operation	16 August 2011
Number of branches	NIL
Address of Registered Office	DR Tower (4th Floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000
Telephone	+ 88 09609994352
Facsimile	+880 (2) 956 3620
Contact Center	16409
Email address	idlcdlk@idlc.com

IDLC Asset Management Limited (IDLC AML)

Wholly owned subsidiary of IDLC FL

Private Limited Company limited by shares

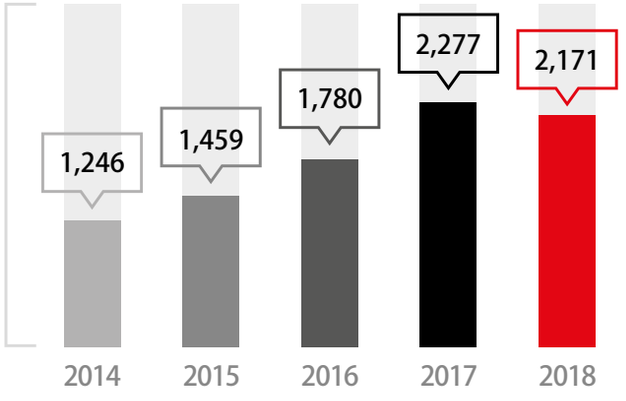
Type of Business	Asset Management
Key business segments	Mutual Fund, Portfolio Management, Venture Capital, Alternative Investments Fund Management, etc.
Date of incorporation	19 November 2015
Company incorporation number	C-127068/2015
BSEC licence number	BSEC/Asset Manager/2016/25 dated 07 June 2016
Number of branches:	NIL
Address of Registered Office	South Avenue Tower (5th Floor), Unit # 502, Road # 3, 7 Gulshan Avenue, Gulshan 1, Dhaka
Telephone	+ 88 (2)-988 3898, 988 9861
Facsimile	+880 (2) 989 6142
Contact Center	16409
Email address	idlcaml@idlc.com

Core Highlights, 2018

Profit after tax

5 year CAGR: 26.53%

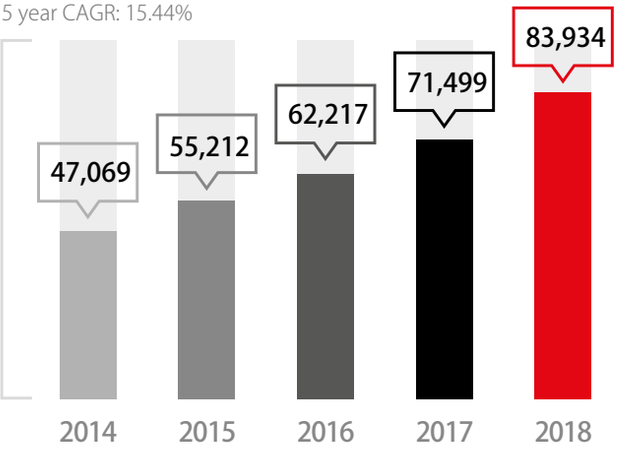
in BDT mn



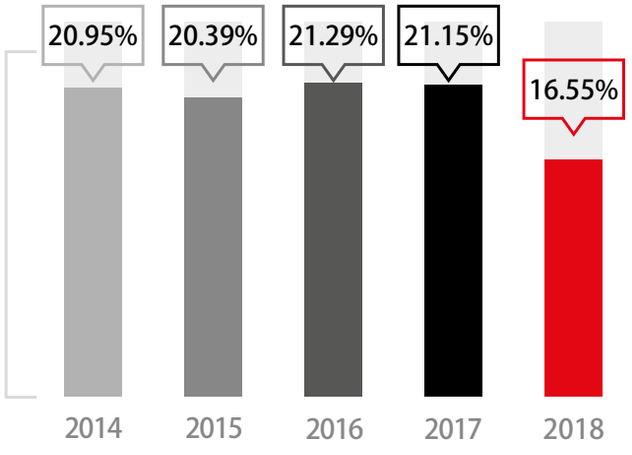
Total Loan Portfolio

5 year CAGR: 15.44%

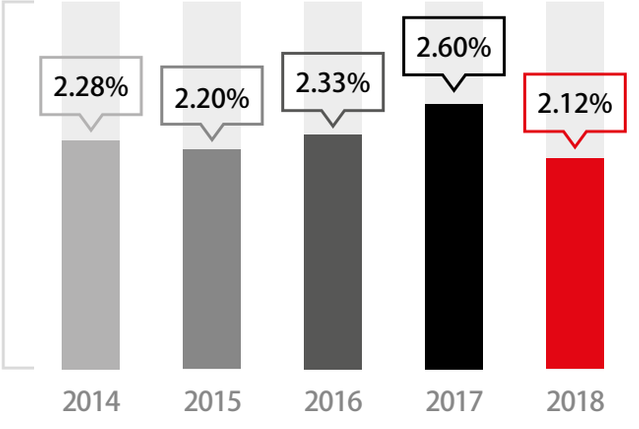
in BDT mn



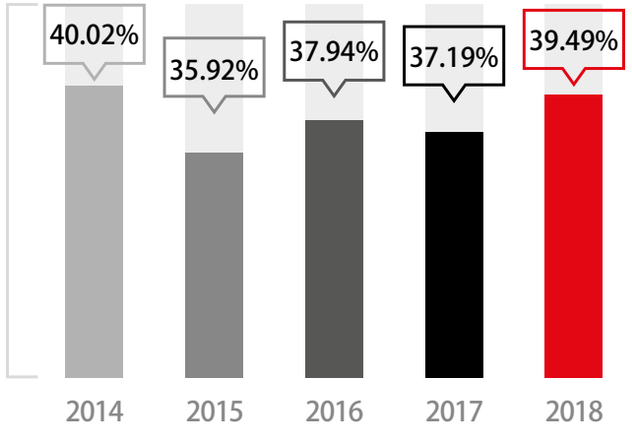
Return on Equity



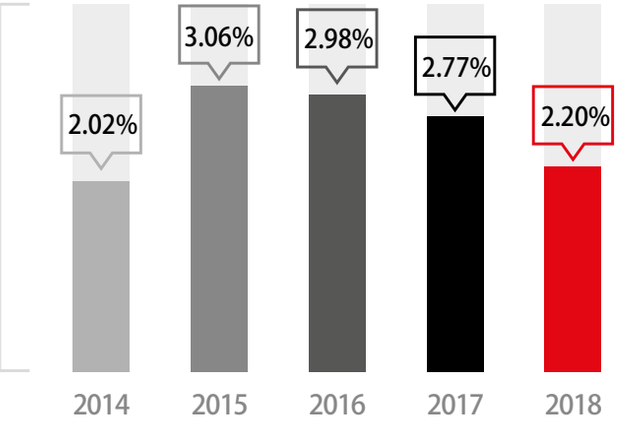
Return on Assets



Cost to Income Ratio



Non-Performing Loan



CUSTOMERS

Launched
IDLC Growth Fund

Launched
-Interest First Deposit and
-Priority Program

SHAREHOLDERS

16.55%
Return on Equity

35%
Cash Dividend

REGULATORS

BDT 1,072 million
Tax and VAT deposited against income

BDT 934 million
Withholding Tax, VAT & Excise Duty deposited

EMPLOYEES

196
No. of Trainings

2,173
No. of attendees

COMMUNITY

8 schools
Renovated/Constructed

Enhanced medical facilities of Institute of Child and Mother Health, Matuail

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Navigating Through This Report

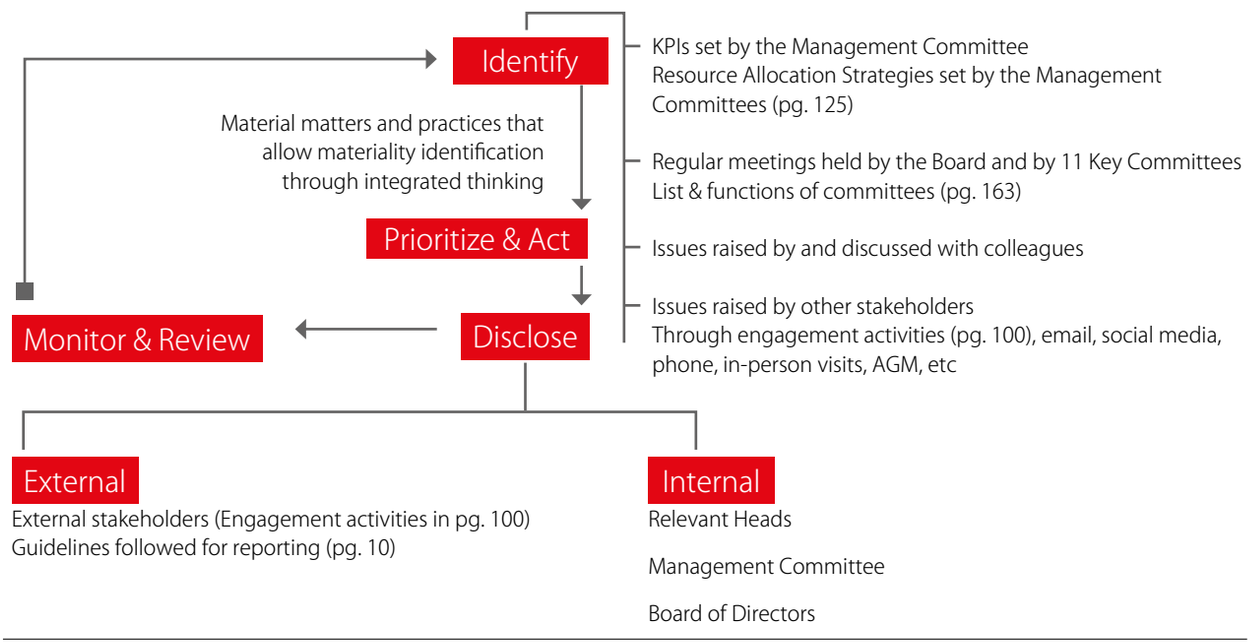
The key objective of this report is to provide a comprehensive picture of our organisation and illustrate our strategies to create value in the long run. It is centered around six capitals and our activities, held in place through the common thread of our focus on engaging with our stakeholders at a human level. Navigating through this report will require the reader to ask seven key questions:

Core questions to ask	Where to look for	What you will find	Location
What role do we have in the bigger picture and how do we structure our activities to optimize value creation?	▸ Our Value Creation Process ▸ Our Business Model ▸ Our Corporate Governance Structure ▸ Our Organizational Chart	▸ Bird's eye view of our role in the big picture. ▸ Key components of our Business Model that make it possible to transform our resources. ▸ The governance structure that enables our Business Model. ▸ The organizational structure designed to complement our Business Model.	pg. 42 pg. 42 pg. 135 pg. 91
What are the various challenges within the operating environment and competitive landscape affecting our business?	▸ Our Operating Context and Risk Management	▸ Macroeconomic aspects that shape the industry. ▸ Market forces and the competitive landscape that shape our business. ▸ Our key competencies and scope of improvement.	pg. 48 pg. 51 pg. 53
How do we transform our resources - the various capitals - to create value for our stakeholders?	▸ Our Financial Capital ▸ Our Human Capital ▸ Our Intellectual Capital ▸ Our Manufactured Capital ▸ Our Social and Relationship Capital ▸ Our Natural Capital	▸ Our financial resources. ▸ Our people. ▸ Our knowledge-based intangibles. ▸ Our tangible inputs. ▸ Our key relationships and engagement with stakeholders. ▸ Our environmental resources.	pg. 68 pg. 90 pg. 95 pg. 98 pg. 100 pg. 109
How do we formulate our strategies and allocate resources?	▸ Performance Analysis with the Management Committee ▸ Strategy and Resource Allocation	▸ Our historical performance and resource allocation strategies ▸ Goals and breakdown of objectives. ▸ Risks and opportunities identified through analysis of operating environment and stakeholder engagement. ▸ Business model adaptability and change requirements. ▸ Responses to issues raised through stakeholder engagement. ▸ Resource allocation strategies to meet our objectives. ▸ Strategy formulation and our sources of competitive advantage. ▸ Interdependencies, complexities and trade-offs between our capitals. ▸ How we measure the efficacy of our objectives. ▸ Our strategies to avoid unintended consequences of potentially narrow focus on KPIs. ▸ Our scope and boundaries for long term value creation.	pg. 69 pg. 125 pg. 126 pg. 127 pg. 128 pg. 128 pg. 128 pg. 129 pg. 129 pg. 129 pg. 129
What are the performance, risks and mitigation strategies of our business parts?	▸ Business Segment Review	▸ Performance reviews. ▸ Competence drivers. ▸ Influential trends affecting business segments and subsidiaries. ▸ Risks and outlook.	pg. 111-121
What are our broad risks and how do we manage them?	▸ Statement of Risk Management	▸ Risk identification and measuring techniques. ▸ Risk impacts and likelihoods, through heat maps. ▸ Risk mitigating tools and techniques. ▸ Breakdown of risk exposures in separate categories. ▸ Stress testing.	pg. 55-69
Who govern our organization and how do they approach the evolving market dynamics?	▸ Letter from the Chairman ▸ Performance Analysis with the CEO and Managing Director ▸ Committees of the Board and Mgt. ▸ Statement of Corporate Governance	▸ Broad overview of where we stand and where we are headed. ▸ The key drivers of our success and incisive analysis of our business verticals. ▸ The experiences and competence of our dignitaries. ▸ In-depth review of our governance and control framework.	pg. 16 pg. 20 pg. 148 and 30 pg. 133

Materiality Determination and Reporting at IDLC

Integrated Thinking at the Core of Materiality Determination for Integrated Decision-Making and Integrated Reporting

The materiality determination process at IDLC begins with Integrated Thinking. We actively consider the relationships between our various operating and functional units and the capitals we use and/or affect. As such, we are well-equipped to aptly identify and disclose information on matters that substantively affect our ability to create value over the short, medium and long term, without affecting our competencies.



Materiality determination for disclosures to various stakeholders

Stakeholder	Whether the disclosure impacts (positively/negatively):
Colleagues	– Compensation and benefits – Career growth opportunities – Well-being
Clients	– Financing / savings / investments needs – Quality of service
Shareholders	– Return on investment – Shareholder rights
Govt./ Regulators	– Compliance with regulatory guidelines – Ability of the company to meet taxation payments
Community & Environment	– Ability to enhance Corporate Social Responsibility – Prospects of job creation – Carbon footprint

Target audience

While the core audience of this report are primarily current and prospective investors (to aid in their assessment of our business and its value creating potential), and for representatives of the government and regulatory authorities in Bangladesh (to aid their efforts in ensuring our compliance of accounting standards and other relevant regulatory guidelines), it will act as a good source of information for all our stakeholders to evaluate how we create shared value through our financial services.

The material factors present in this report have been highlighted in Navigating Through this Report (pg. 08).

Integrated Report: Its Scope and Boundaries

We are pleased to present to our shareholders with the 2018 Annual Report in the form of an 'Integrated Report' for IDLC Finance Limited and its subsidiaries (collectively referred to as IDLC Group).

The aim of our integrated reporting approach is to enable our stakeholders, including investors, to make a more informed assessment of the value of IDLC and its prospects as this report is organised around our story of value creation. The story presents key aspects of our value creation process which are the different forms of capital that provide the inputs, business domains and the value creating activities that result outputs, outcomes and impacts. It also covers risk and the aspect of conformance. In totality, this report ensures accurate measurement of operational, financial and sustainable performance against our strategy and the matters we consider to be most material to the sustainability of our Group, in a concise manner that ensures comparability with the industry and beyond.

Scope and Boundaries of this Report

The report covers the period from 1 January 2018 to 31 December 2018, which encompasses the activities that have been carried out within the geographical boundaries of Bangladesh, as IDLC does not have operation or subsidiary in other countries.

We have referred to the guidelines of Integrated Report, issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In elucidating the Company's operations and financial performance, we have extracted the financial information from the Audited Financial Statements for the financial year ended 2018 with relevant comparative information. The financial statements consistently comply with the requirements of:

- International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS);
- Companies Act, 1994;
- Financial Institutions Act, 1993;
- Securities and Exchange Rules, 1987;
- Relevant rules and regulations of Bangladesh Bank (The Central Bank);
- And other applicable laws and regulations of the land.

We have extracted the disclosure of non-financial information from internally-maintained records reported for the statement of financial position, unless otherwise stated that it has been extracted from a reliable source.

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework. We consider that this Integrated Report in congruence with Sustainability Report, complies with the requirements of the GRI G4 Core Reporting Guidelines.

To report our corporate governance practices, we have drawn reference from the revised Corporate Governance Code (CGC) issued by Bangladesh Securities and Exchange Commission (BSEC). Furthermore, there have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of December 31, 2017.

Comparability

All the information presented in this report is on the same basis as the 2017 report in terms of the entities covered, the measurement methods applied and time frames used. The information provided covers all material matters relating to business strategy, risk and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Determining Materiality of the Report Content

The materiality assessment of the report content appears on pg. 8.

Availability of the Annual Report

The soft copy of the Annual Report is sent to all the shareholders, whose email address is available with us as per CDBL record on record date, prior to holding the Annual General Meeting, giving due period of notice. Separately, for the benefit of all stakeholders, our report has been made available in the website http://www.idlc.com. Hard copy of the report may be obtained by applying in writing beforehand.

External Assurance

The company has obtained external assurance on the following reports in the reporting period under consideration:

Sl.	Description of Report	External Assurance
1	Financial Statements Audit Report	A Qasem & Co., Chartered Accountants, a member of Ernst & Young Global Limited
2	Corporate Governance Certification	Itrat Husain & Associates, Chartered Secretaries
3	Provident Fund Financial Audit	M M Rahman & Co., Chartered Accountants, Member of Russell Bedford International
4	Gratuity fund valuation	Air Consulting, an actuarial firm
5	Eligibility Compliance of IDLC Finance Limited for participating in the Investment Promotion and Financing Facilities (IPFF) project	Hoda Vasi Chowdhury & Co., Chartered Accountants
6	Gratuity Fund Financial Audit	M M Rahman & Co., Chartered Accountants, Member of Russell Bedford International
7	Entity Credit Rating	Emerging Credit Rating Limited
8	Information Systems Audit & Vulnerability Assessment	KPMG Bangladesh

Responsibility over the Integrity of the Integrated Report

I acknowledge that reasonable care has been taken in preparation and presentation of this Integrated Annual Report to preserve the disclosure contained in this Integrated Report presented herewith which comprises the discussion, analysis and disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements. The role of stewardship brings upon it an obligation to be transparent and accountable, which is thoroughly recognised in this report.

Furthermore, I agree that the Integrated Annual Report has been prepared in accordance with the Integrated Reporting Council's International Integrated Reporting Framework, and it addresses the material matter pertaining to the long term sustainability of the group and present fairly the integrated performance of IDLC Group and the impacts thereof.

Sd/-

Arif Khan, CFA, FCMA
CEO & Managing Director

OUR BUSINESS

- Awards & Recognitions
- Our Philosophies
- Message from the Chairman
- CEO's Statement
- Shareholder Composition
- National Footprint
- Key Milestones

Awards & Recognitions

SAFA Best Presented Annual Report Awards 2017- **Overall Winner**

SAFA Best Presented Annual Report Awards 2017 – **Integrated Reporting- Winner**

SAFA Best Presented Annual Report Awards 2017 – **Financial Services Sectors-Winner**

SAFA Best Presented Annual Report Awards 2017 – **SAARC Corporate Governance Award-Winner**

18th ICAB National Award for Best Presented Annual Reports 2017- **Overall Winner**

18th ICAB National Award for Best Presented Annual Reports 2017- **Integrated Reporting– First Position**

18th ICAB National Award for Best Presented Annual Reports 2017-**Financial Services Sector–First Position**

18th ICAB National Award for Best Presented Annual Reports 2017- **Corporate Governance– First Position**

ICMAB Best Corporate Award 2017– **Non-Banking Financial Institutions Category – First Position**

5th ICSB National Award for **Corporate Governance Excellence, 2017– First Position**

Euromoney Awards for Excellence **Best Investment Bank in Bangladesh- Year 2018**

Tax Card 2017-18:
Highest tax payer among Non-Banking Financial Institutions in the nation

Our Philosophies - The Backbone of Our Enterprise

Our Vision

We will be the best financial brand in the country.

Our Mission

We will focus on quality growth, superior customer experience and sustainable business practices.

Our Strategic Objectives

- Grow and develop our talent pool
- Fully leverage the core banking platform
- Optimise distribution points
- Grow and diversify funding sources
- Grow sales and service capabilities in the consumer division
- Sustainably grow SME portfolio
- Focus on top-tier clients in the corporate segment
- Consolidate capital market operations and enhance capabilities
- Embrace internationally accepted corporate governance and sustainable business practices

Our Core Values

- Integrity
- Customer Focus
- Trust and Respect
- Equal Opportunity
- Eco-friendly
- Passion
- Simplicity

Our Code of Conduct and Ethical Guidelines

In accordance with the approved and agreed Code of Conduct, IDLC employees shall:

- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public
- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large
- Strive to maintain and improve the competence of all in the business
- Use reasonable care and exercise independent professional judgment
- Not restrain others from performing their professional obligations
- Maintain knowledge of and comply with all applicable laws, rules and regulations
- Disclose all conflicts of interest
- Deliver professional services in accordance with IDLC policies and relevant technical and professional standards
- Respect the confidentiality and privacy of customers, people and others with whom they do business
- Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on honesty, trustworthiness or professional competence.

IDLC employees have an obligation to know and understand not only the guidance contained in the Code of Conduct but also the spirit on which it is based.

Message from the Chairman

Aziz Al Mahmood

Dear valued Shareholders,

I welcome you to the Annual Report for the year 2018 of IDLC Finance Limited and am happy to present before you a year where IDLC exhibited exemplary resilience, and proved its solid foothold in the financial arena.

Our sustainability story and forward vision

Our long-term success has been a result of our focus on business diversification, process improvement, people engagement, and most importantly, corporate governance. We have pushed to explore new avenues for business opportunities and have taken initiatives to build the foundations for the next big leaps through investments that will enable us to utilize sustainable growth opportunities. We have invested in boosting our employee morale via engagement activities, fair performance appraisals and training undertakings to facilitate better performance.

Continuing on this pathway, our vision for the coming years, would be to-

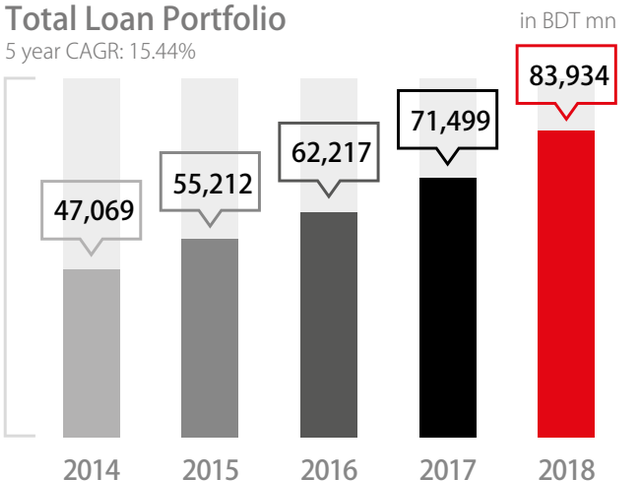
- Enhance our revenue stream through product diversification and new line of business;
- Develop our people to ensure greater retention with increased efficiency and productivity;
- Imbue greater sense of brand solidity, aided by the presence of our own IDLC Tower.

The Year 2018

On the economic frontier, year 2018 started amidst some uncertainties as the interest rates demonstrated a sudden upturn starting from the last quarter of 2017, after a declining and stable interest rate scenario for the preceding couple of years. With the Central Bank supporting our currency against appreciation of US Dollars, and continued rise in interest rates in the first half of the year, the players in the financial market experienced significant liquidity pressures. Although directives from the Central Bank managed to stabilize the situation by mid-2018, financial market had already faced its brunt in the form of narrowing of spread as Advance-Deposit ratio was restricted to 83.5%. The upsurge in interest rates of deposits and increased demand for national savings instruments also incentivised some investors to pull money out of the capital market and invest rather in fixed income instruments- a phenomenon that did not help improve trading volume of the capital market which was naturally going through corrections against the apex attained the year before.

In spite of such market scenario, we succeeded in strengthening our Total Asset size by 14.09% to BDT 109,166 million, which contributed to a 5 year Cumulative Average Growth Rate (CAGR) of 16.70%. Even the 5 year CAGR of the Group's Net Profit after Tax stood tall at 26.53% at the year end, despite the decline in profitability experienced by the subsidiaries (IDLC SL, IDLC IL and IDLC AML) during 2018. The Group Net Interest Income reported a 5.71% growth over last year (2017) to BDT 4,223 million and Net Income after Tax stood at BDT 2,171 million, which contributed to the rise in shareholders' equity by 8.25% to BDT 13,637 million. It

is also notable that our Cost to income ratio remained well within our grasp, which is indeed a commendable achievement amidst the market countenance. Timely strategic manoeuvres and our unwavering focus on progress has ensued this accomplishment.



It needs to be highlighted that our overall lending portfolio grew by 17.39% reaching BDT 83,934 million in 2018 from BDT 71,499 million in 2017, which laid a foundation for future performance. This was achieved through-

- Quality portfolio growth mainly on the back of Term Finance and Home Loan;
- Significant cost optimization on the back of our efforts to rationalize, standardize and simplify processes and activities; and
- Planned marketing campaigns to boost business growth.

Furthermore, I need to mention that during the year when the market players struggled to amass funds, our term deposit balance reached BDT 71,338 million which is a 17.84% rise from the earlier BDT 60,538 million in 2017 as we continued to build on meaningful and insightful relationships with clients.

Catalysing Change, Driving Progress

In line with our progressing economy, as displayed by the 7.86 % rise in GDP (according to Bangladesh Bureau of Statistics), IDLC strove for progress through changes. In terms of changes, we refer to improvement at every corner of the organisation from process re-engineering, to revamping business model, increasing efficiency and spreading our product and service arena. While we at IDLC have always fostered the culture of improvement and innovation, 2018 was specifically a year for driving changes to enunciate progress. We focused on process improvement that is reflected in the revamped Consumer Division business model which is expected to allow increased productivity without the need for a proportional increase in resources. Technology has been our greatest support in our walk on the path of progress through change. We have initiated operational efficiency improvement drive during the year 2018 through inclusion of technological intervention and enhancement of our existing software to reduce Turnaround Time (TAT). We have also made significant progress in improving the customer acquisition process of SME through introduction of hand held devices powered with proprietary applications to our front line team members. We would be continuing on this pathway to garner long-term and sustainable growth, in line with our mission of being focused on quality growth, superior customer experience and sustainable business practices.

New ideas, the way to improve customer experience

In 2018 we have started customer and market expansion and diversification initiatives in the two biggest business segments of the company – SME and Consumer Divisions.

In SME, we have started piloting a smaller loan product that targets a different segment – much smaller in scale- than was customary for IDLC Small Enterprise Finance till now. Underwriting, processing and management of these smaller ticket loans would mostly be technology dependent and thereby scalable. After successful pilot, we plan to launch this in 2019.

We have also started exploring the affordable housing loan targeted at middle and lower income population segment of the country. Bangladesh has been experiencing rapid urbanization in conjunction with the growth of its economic activity centered towards metropolitans. In light of the ongoing urbanization, the need for housing is growing fast and the housing deficit is increasing daily. With a Housing to GDP ratio of 2.53%, the Bangladesh housing market shows significant room for growth for improving the situation through increased participation from Banks and FIs, especially in the affordable housing segment. In 2019 and beyond we will ramp up the activities that we started in this area during 2018.

In the deposit front, to strengthen our core value of 'customer focus', we have launched the IDLC Priority Program during 2018, which caters to serve High Net Worth deposit clients to focus on better customer experience and instill greater customer loyalty.

Another notable endeavor towards this moto is the development of our new Deposit product under our Wealth Management blanket- "Interest First Deposit". The unique selling proposition of the product is the immediate realization of interest at the time of opening of account and this, we expect, will open windows for further investment. The product has already managed to create interest in our target customer segment which is reflected in the performance of the product. As of 31 December 2018, within 2 months of its launch; amount of deposit booked through this product reached BDT 160 million.

On our effort towards providing holistic wealth management solutions to our customers, we have launched our second open-ended mutual fund 'IDLC Growth Fund' to widen our base in the vastly untapped asset management sector and foster the market for long-term structured wealth creation through mutual funds. Furthermore, I am eager to declare that we have successfully

received license from BSEC in the mid of 2018 for our alternative investment venture and have already commenced mobilizing resources in this avenue. With our impeccable track record in transparency and governance, I am certain that we would be able to bolster the market for mutual funds and tap into the segment of alternative investment and bring forth our asset management company IDLC AML into the light of immense success in the long term.

Performance beyond profit

At IDLC, we believe in growth beyond just the projected portfolio and profitability. Growth is also the enhancement of stakeholder value and the developing of our community at large. Bearing this in mind, our dedicated team tirelessly works to integrate the community at large within our core value that strengthens our foundations. Under our Khushir Kheya platform we have mobilized resources towards education and healthcare. In this endeavour we have helped establish school in the remote Chattogram Hill Tracts, established free surgical health camps and have funded education scholarships. We believe that our small efforts will lend a hand into integrating various minds and efforts, from institutional to individual levels, to help build our surrounding community, and in effect a sustainable economy.

We believe that it is important not just to achieve good results, but to do so in a way that treats all of our stakeholders – employees, customers, regulators and shareholders – in a fair and transparent way. As part of this commitment, the Board and I are determined to ensure that IDLC remains a place exhibiting highest integrity and honesty and we will continue to promote a culture of excellent governance. This is reflected by tightening of our Non-Performing Loans (NPL) to 2.20% in 2018 from 2.77% in 2017 and improvement in our Group Capital Adequacy Ratio which rose to 17.34% in 2018 from 16.42% in 2017 through optimal management of Risk Weighted Assets. Our voluntary employee attrition rate has also gone down to 11% in 2018 from 15% in the prior year as we have channeled efforts into proper placement of talent and emphasized on retention and nurturing potential achievers.

Our efforts towards ensuring good corporate governance have been recognised by autonomous bodies within the country and even in the Southeast Asian region as our annual report 2017 have acclaimed the prestigious title of being the "Overall Winner" among all categories and organisations in addition to attaining the first position under Corporate Governance Disclosures category along with Integrated and Financial Service categories. It is on the back of this good governance practice that we are the highest tax payer among all the 34 financial institutions in the country and continue to receive "Highest Tax Payer" award honoured by the National Board of Revenue (NBR).

Future prospects and outlook

With the successful conclusion of the national election and the calm, stable & business friendly political environment, the Bangladesh economy is expected to speed up on its growth track, and as per World Bank, is on the right pathway for its graduation from the UN's Least Developed Countries (LDC) list by year 2024. With increase in domestic expenditure and better inflow of the foreign investments, the financial market is expected to seek advantage as is already projected in improved market momentum and rising trade volumes in the bourses from the start of 2019.

As such, we shape our strategies to seek better advantage of the transforming market scenario and we would:

- Reap benefits from our remodelled Consumer segment business model;
- Enjoy benefits from operational procedural reengineering implemented to improve efficiency and further shrink the turnaround time;
- Develop lower loan ticket sizes, both for SME and Home Loans;
- Continue efforts at improving operational efficiency and scalability to reduce loan acquisition and management costs;
- Develop flexible savings schemes for recurring depositors;
- Further delve into the Private Equity and Venture Capital Industry;
- Continue improvements in loan underwriting and collections policies and procedures to further deescalate cost of risk;
- Generate operational efficiency through the successful implementation of the planned customization of the operating software; and
- Technical integration of frontline sales with the advent of tab based sales apps that would be integrated with the core software which would bolster productivity significantly.

All in all, we are confident that we would be stronger and better in the upcoming year in all aspects of the businesses within the group.

In conclusion

As one of Bangladesh's oldest and leading non-banking financial institutions, our financial strength, risk management protocols, governance framework and performance aspirations are directly attributable to a discipline that regularly brings prosperity to our shareholders and customers and adds solidity to our business model. We remain committed to our customer-centric drive which we will continue to improve further in the years to come.

Wishing you much happiness,

Sd/-

Aziz Al Mahmood
Chairman
IDLC Finance Limited

CEO's Statement

Arif Khan, CFA, FCMA

Dear Shareholders and Fellow Stakeholders,

As we look back at 2018, it would be fitting to say that the year has been truly intriguing on many fronts. While the business environment has posed numerous abrupt challenges that have affected the entire industry's performance, we have been able to display great resilience. This has been a result of the long-term view in our management approach in previous years when it came to investing in people and processes; and made possible through focusing on the optimization of our core revenue and cost drivers in 2018.

To touch on a few highlights, we have ended the year with a 17.4% growth in our loan book for our ***lending operations*** – with asset quality having improved with an improvement in NPL to 2.20% from 2.77% in the previous year, 30% growth in turnover from foreign clients for our ***brokerage service*** vertical – which now holds the second largest market share (up by 70 bps to 4.72%) in the country, a new issue by our ***investment banking*** wing and a freshly acquired Alternate Investments license for our ***asset management*** subsidiary, which has also launched two new products to add under our wealth management umbrella. Meanwhile, we have been able to fuel the mentioned business growth through process optimizations, which has contributed to an overall reduction in operating expenses, restricting our Cost to Income ratio below 40%. Regardless, we have posted a Net Profit of BDT 2,171mn, which marks a 5% de-growth; although, when interpreted with the macro-economic context, it arguably demonstrates the intuitive prowess and quick execution capacity of our team along with the resilience that stems from having a diversified portfolio of businesses, from lending to capital market operations.

Our broad performance indicators in light of the operating environment

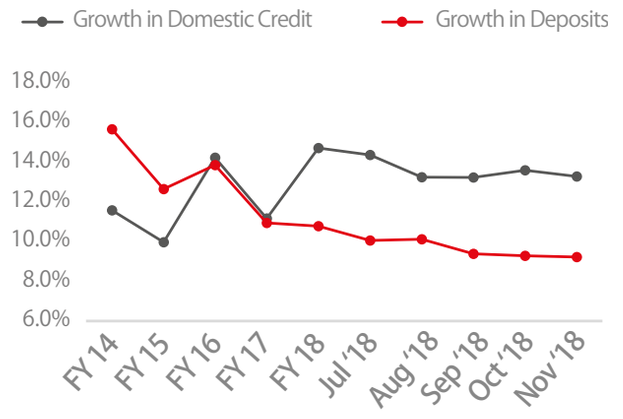
Looking at the broad numbers, with a 5% decline in Net Profit following an admittedly extraordinary 2017, our Return on Equity and Return on Assets have dropped to 16.6% (from 21.1%) and 2.12% (from 2.60%) respectively. Earnings per share has also declined, having reduced to BDT 5.76 from BDT 6.13 in the previous year. However, it should be noted that while the external pressures impacting our lending operations and capital market operations have been fairly interconnected, we have done reasonably well in preserving the profitability of the lending business, which is reflected in the 1% increase in solo profits of IDLC Finance Limited.

Lending Operations

Major challenge areas for the industry: rapid growth in cost of funds and liquidity pressures.

The year started with an abrupt upward movement of interest rates as Banks scrambled for funds to maintain their AD ratio, and further reduce it to 83.5% following directives from the Central Bank. This was of course, in addition to the impact of a disparity between deposit growth and credit growth in the economy that had been growing since FY 2016.

Growth in Domestic Credit & Deposits



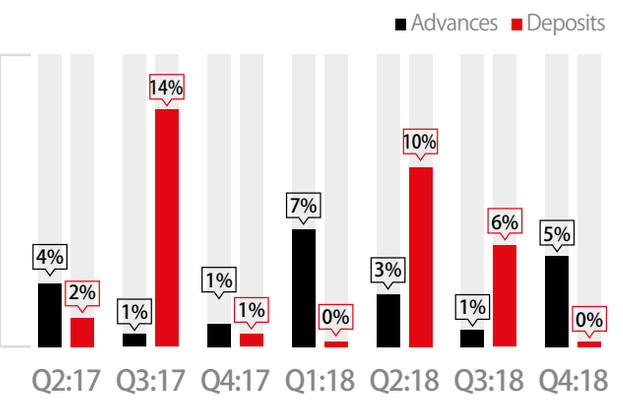
While the situation was comparatively stabilized by mid-year, recurring deficits in the country's Current Account balance created pressures on the exchange rate, prompting the Central Bank to support the currency throughout the year, which soaked up further BDT liquidity from the financial market.

Our approach to tackling these challenges were two-fold:

Preemptively ramping up on deposits

Our management's decision to ramp up on excess deposits in earlier quarters, given the impending risk of a general liquidity shortfall, proved to have prepared us to a great extent in mitigating many of the funding challenges faced by most Banks and NBFIs. Our Treasury and Wealth Management team's ability to have executed this plan with precision deserves great appreciation. At the end of the year, deposit growth stood at 17.1%, matched against the loan book growth of 17.4%. Equally important, deposits comprised above 85% of the funding basket, which helped maintain the strength of our Balance Sheet.

Growth in IDLC's Standalone Advances & Deposits



Ensuring continued quality disbursement to prevent rate stickiness from significantly affecting our topline

While most industry participants had been expecting a gradual rise in interest rates since mid-2017, the pace at which rates moved up in reality made it difficult to reprice loan assets quickly enough to protect margins. Hence, the portfolio lending rates have been stickier than cost of funds. Besides, we made a conscious decision to limit the level of repricing of our SME portfolio, which makes up above 40% of our book. Nonetheless, we judged it to be the right decision in order to restrict their burdens and strengthen our long-term relationships. However, to minimize the loss in Net Interest Income, we emphasized on ensuring continued disbursements at the new lending rates, leveraging on the fact that numerous banks & NBFIs were finding it difficult to adequately finance even some of the stronger corporate houses. In fact, we strategically focused on these corporate segments, on account of the sudden spike in interest rates temporarily limiting retail demand.

Capital Market Operations

Major challenge areas for the industry: Significant decline in the broad index and fall in daily turnover.

In 2018, as interest rates rose, some investors were incentivized to pull money out of the capital market and invest rather in fixed income instruments, corporate profitability was also hit as cost of imported raw materials and cost of financing rose. These events were in addition to the institutional sell pressures that resulted due to perceived uncertainties ahead of the national elections. In reality however, the political environment was rather calm and there was no significant disruption in the business climate.

Nevertheless, the broad Index fell by a sharp 13.8% following a 24.0% positive return in 2017. The fall was even greater in the Bluechip Index, DSE 30, which declined by 17.6%; subsequent to a positive return of 26.1% in 2017. Moreover, transaction volume dried up as stocks fell and average daily turnover in the major stock exchange dropped by 37% compared to the previous year.

While these factors led to decline in Net Profits for all 3 of IDLC's subsidiaries, these also impacted the parent company's proprietary investment returns which dropped by 43%, following extraordinary results in 2017. However, given the market conditions, profits could have been hit much harder had we not taken the following initiatives:

Rigorous efforts to improve market share in brokerage business

Although average daily turnover of the market decreased by 37%, it fell by a comparatively lower 25.9% for our brokerage vertical, to BDT 520.4 million. Hence, market share increased to 4.72% from 4.02% in previous year.

Measures against volatility in the equity market

Expecting high volatility in equities, the Investment Committee took appropriate measures to rebalance the investment portfolio between fixed income securities and equities.

Major ongoing challenges and mitigation avenues

While there are great hurdles on our path, we are confident in our mitigation and growth strategies to pave way for sustainable long-term growth.

Tackling maturity mismatch

Lack of a mature bond market and limited availability of other long-term funding create a maturity mismatch for most Banks and NBFIs in the country that book long-term loan assets.

As such, we focus on maintaining the renewal rates of our deposits. In fact, above 75% of the deposits in IDLC are renewed upon maturity. This, in effect, means that the average maturity of our deposits are much longer than their quoted tenors. Our recently launched priority program is expected to help maintain this level. Meanwhile, we will continue to seek long-term funding opportunities through the bond market and other avenues for borrowing. That being said, any reform of the National Savings Certificate will potentially boost mobilization of long term deposits.

Confronting tightening margins

As an increasing number of Banks and NBFIs have started targeting the markets for Home Loans as well as SMEs, margins have been shrinking in these segments.

Yet, we strongly believe our product development initiatives targeted towards markets beyond the capital city, mainly through lower ticket offerings for both Home Loans and SME Financing will enable us to restrict margin pressures resulting from competition. Besides restricting fall in margins, we will continue improvements in loan underwriting and collections policies and procedures to decrease cost of risk further.

Boosting fee incomes

Over time, our lending operation has witnessed a reduction in fee rates on loan disbursements owing to competitive pressures following regulatory directives. We have also faced a reduction in brokerage fees, as previously mentioned.

Nonetheless, growth in disbursement volumes is expected to restrict further deterioration in fee incomes. Since brokerage fees will be largely dependent on the market conditions in spite of our efforts to increase market share, we will focus on Structured Finance, Advisory Services, Investment Banking and Fund Management businesses for sustainable sources of Fee Income. However, these will only start contributing significantly in the medium-long term.

Combating rise in operating expenses

While numerous process improvements have shown a glimpse of cost minimization for the year in review, rate of OPEX growth is expected to catch up in 2019.

Unlocking tectonic shifts in organisational productivity and resource utilization will require investments as well as regulatory support in some cases. While some scalability measures require policy level advancements in the regulatory landscape, our business model change initiatives and various tech adoption strategies are expected to bring in significant productivity improvements over the coming years even under the existing regulatory backdrop. Efforts towards improving operational efficiency and scalability to reduce loan acquisition and management costs are to continue.

Maximizing value for all stakeholders

We strive very hard to be a proactive organisation when it comes to engaging with stakeholders. Over the years, we have taken strides to deliver superior value to our customers, preserve and improve on our practices of promoting transparency for our investors and regulators; optimizing work-life balance, performance appraisal and compensation packages for our colleagues and do our bit for the society at large.

Many of our past initiatives have stemmed from direct feedback from our stakeholders. Our labors nonetheless, always remain rooted in attempting to exceed expectations. Going forward, we only aim to build on these efforts. For our **customers**, we aim to improve our online service platform, work on putting in place a Customer Relationship Management system and undertake a unified customer experience project to ensure service equality. For our **investors**, we intend to make our investor relations activities smoother and make it easier for both existing and potential investors to seek and make use of our investor services. The new performance management system we have introduced for our **colleagues** has been so far successful in strengthening a fair and efficient performance appraisal process. We have been working on other systems and applications that will be fully operational in 2019 to better distinguish the top performers. CSR activities, including those under our unique community engagement platform – ***Khushir Kheya*** – are expected to gain momentum as we continue to focus on creating an impact in the lives of the **communities** around us. We also aim to further enhance processes that will facilitate **regulatory** requirements.

Plans for 2019 and beyond

As we look forward, we believe that the opportunity for smaller ticket loans in the housing and SME financing segments are enormous. However, they need to be addressed with the right offerings and operational efficiency to make business sense. We also see immense opportunities in comparatively new frontiers such as asset management and venture capital businesses in Bangladesh. These industries are still at their nascent stage, as were most markets when we had entered them. While the business models of these ventures will be quite different, we intend to follow our time tested and well-grounded management principles and make the necessary investments for eventually taking leadership roles in these arenas. It goes without saying that these investments might be costly in the short run, but we choose to base our decision framework on their long-term value generation capacity.

The elements of our 2019 plan, therefore, should not come as a surprise:

Improve scalability further through continued process re-engineering efforts, systems capacity development and technology adoptions

Expand service offerings and add to product features, besides taking initiatives to further improve on customer service

Enhance customer base, diversifying away from the capital city, targeting segments with smaller ticket financing needs

Solidify groundworks for new revenue streams through furthering regulatory, procedural and infrastructural preparations for new business verticals

Piecing all our initiatives together, I would like to bring your attention to the immense growth opportunities in Bangladesh. We are a country with a vastly young population, and an economy that is expected to continue its growth trajectory for years to come. This provides the financial sector with a great opportunity to take an active role in catering to the needs of the public in an efficient way and guide this trajectory towards the right direction.

For that, the institutions themselves must satisfy the pre-requisite of being well-governed and efficiently run. Indeed, this is the core value that IDLC has to offer to all of its stakeholders. The numerous awards and titles we have won for our transparency & corporate governance in Bangladesh and across international borders are only but a reflection. The true testament of our governance lies in the trust our stakeholders place in us. We are fully committed to safeguarding this trust in order to realize our vision of becoming the best financial brand in the nation!

Wishing you my best,

Sd/-

Arif Khan, CFA, FCMA
CEO & Managing Director

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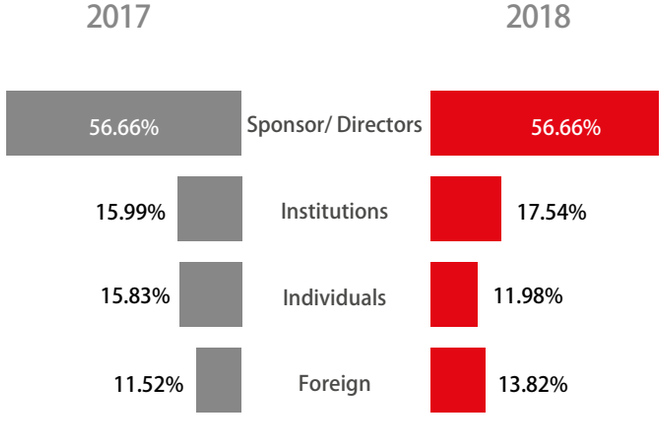
*We have provided an elaborate section under **Management Discussion** for in-depth financial analysis (pg. 68)*

There has been no change in accounting policies and estimations that would have an effect on our financial results.

Our Shareholding Composition

As on December 31, 2018

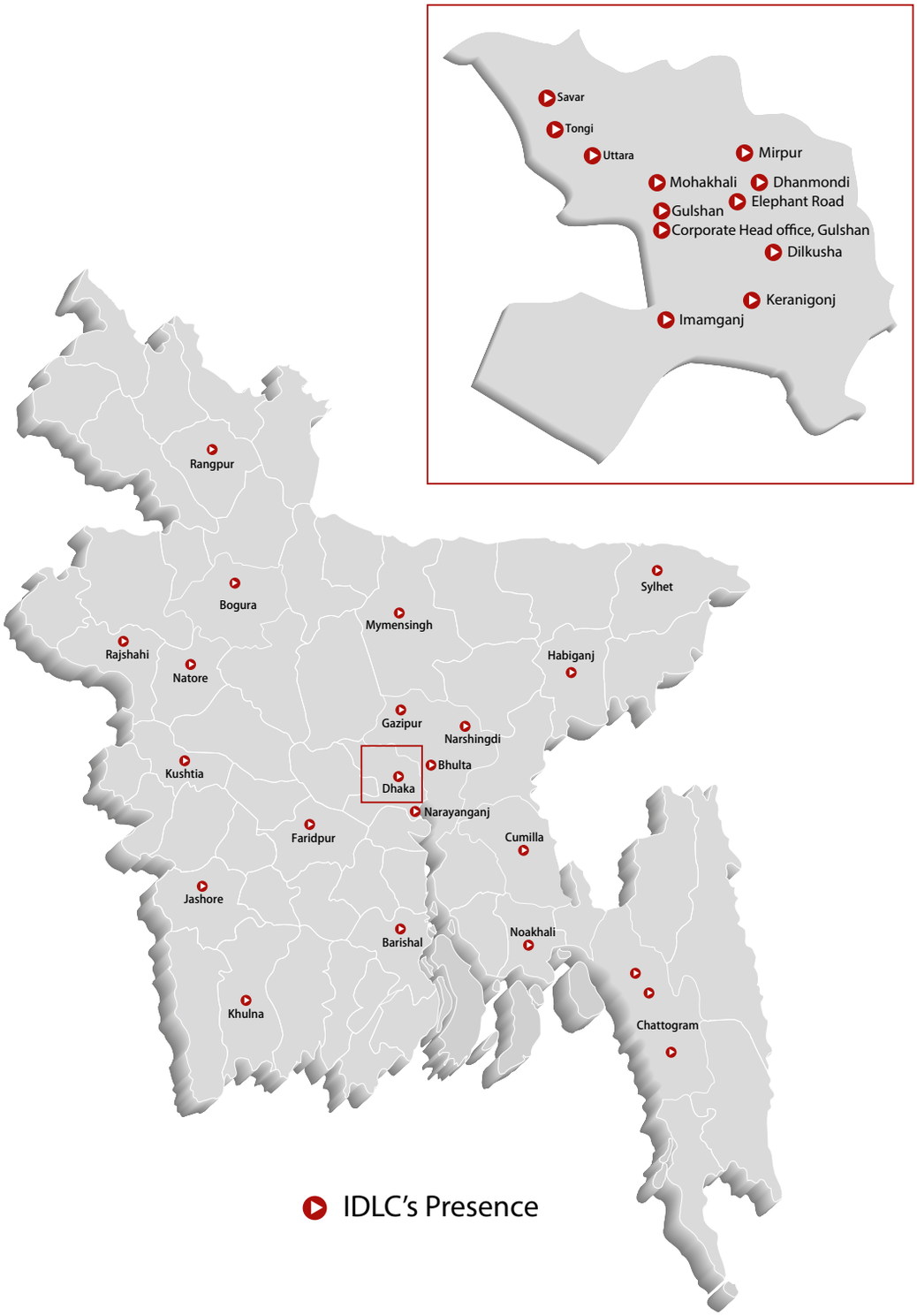
Sl. No.	Name of Shareholders	Number of Shares Held	% of Total Shares
1	**SPONSORS/DIRECTORS**		
	The City Bank Limited (CBL) and its subsidiaries	**87,510,575**	**23.21**
	The City Bank Limited (CBL)	33,935,329	9.00
	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
	City Brokerage Limited	16,247,218	4.31
	Transcom Group	**50,273,164**	**13.33**
	Eskayef Pharmaceuticals Limited	30,164,062	8.00
	Transcraft Limited	15,132,033	4.01
	Bangladesh Lamps Limited	4,977,069	1.32
	Sadharan Bima Corporation (SBC)	**28,727,494**	**7.62**
	Reliance Insurance Limited	**26,393,553**	**7.00**
	Mercantile Bank Limited	**20,737,791**	**5.50**
	Sub-Total	**213,642,577**	**56.66**
2	**GENERAL**		
	Institutions		
	Investment Corporation of Bangladesh (ICB)	17,785,020	4.72
	Bangladesh Fund	5,680,374	1.51
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	38,898,239	10.32
	Sub-Total	**66,134,139**	**17.54**
	Individuals		
	General Public (Individuals)		
	Sub-Total	45,171,377	11.98
		45,171,377	**11.98**
3	**FOREIGN**		
	Institutions & Individuals	52,102,687	13.82
	Sub-Total	**52,102,687**	**13.82**
	Total Holdings	**377,050,780**	**100.00**



Our National Footprint

Location of the Corporate Head Office and branches of the IDLC Group

Dhaka District Map



Key Milestones

1985-1995

- **23 May 1985**
  Incorporation of the Company
- **22 Feb 1986**
  Commencement of the leasing business
- **1 Oct 1990**
  Establishment of a branch in Chattogram, the main port city of Bangladesh
- **20 Mar 1993**
  Listed on the Dhaka Stock Exchange Limited
- **7 Feb 1995**
  Licensed as a Non-Banking Financial Institution under the Financial Institutions Act, 1993

1996-1999

- **25 Nov 1996**
  Listed on the Chittagong Stock Exchange Limited
- **27 May 1997**
  Commencement of home finance and short term finance operations
- **22 Jan 1998**
  Licensed as a merchant banker by the Bangladesh Securities and Exchange Commission
- **15 Jan 1999**
  Commencement of corporate finance and merchant banking operations

2004-2008

- **29 Jan 2004**
  Opening of the first retail focused branch at Dhanmondi

29 Jun 2004
Opening of the Gulshan Branch

22 Nov 2004
Launched investment management services, 'Cap Invest'

- **2 Jan 2006**
  Opening of the first SME-focused branch at Bogura

1 Jul 2006
Relocation of the Company's Registered and Corporate Head Office at own premises at 57, Gulshan Avenue

18 Sep 2006
Commencement of operations of IDLC Securities Limited, a wholly-owned subsidiary of IDLC

- **14 Mar 2007**
  Launching of discretionary portfolio management services under ' Managed Cap Invest'

5 Aug 2007
Company name changed to 'IDLC Finance Limited' from 'Industrial Development Leasing Company of Bangladesh Limited'

2009-2015

6 Jan 2009
Opening of the Sylhet branch

26 Aug 2009
Commencement of operation at Narayanganj

24 Feb 2010
Inauguration of the Savar branch

8 Aug 2010
Inauguration of a second branch in Chattogram at Nandankanon

27 Oct 2010
IDLC entered Cumilla

23 Dec 2010
IDLC inaugurated its Narsingdi branch

27 Dec 2010
Opening of the Keraniganj branch

15 Jun 2011
IDLC started operations at Mirpur

9 Aug 2011
Opening of the Tongi branch

16 Aug 2011
Commencement of operations of IDLC Investments Limited, a wholly-owned subsidiary of IDLC

18 Jan 2012
Opening of the Jashore branch

11 Mar 2012
Change of logo and rebranding of IDLC

8 Jun 2014
Opening of the Khulna Branch

18 Oct 2014
Opening of the Bhulta Branch

10 Nov 2014
Opening of the Natore Branch

2016-2018

11 April 2016
Opening of the Habiganj Branch

19 April 2016
Opening of the Kushtia Branch

31 May 2016
Opening of the Rangpur Branch

01 July 2016
Commencement of operations of IDLC Asset Management Limited, a wholly-owned subsidiary of IDLC

09 Aug 2016
Launching of Easy Invest

24 Aug 2016
Opening of the Mymensingh Branch

25 Nov 2016
Received LEED Gold Certification in Commercial Interior category for Chattogram Branch

12 Jan 2017
First ever LEED certified environment friendly branch in financial industry of Bangladesh at World Trade Centre, Agrabad, Chattogram

23 May 2017
Launch of IDLC's first Open End Mutual Fund - IDLC Balanced Fund

30 Sep 2017
Launch of "Khushir Kheya" - the first ever Volunteer-based CSR initiative by a Corporate entity

29 Oct 2017
Opening of Rajshahi Branch

30 Oct 2017
Soft Opening of Faridpur Branch

16 Nov 2017
Opening of Noakhali (Chowmuhani) Branch

28 Nov 2017
Opening of Elephant Road Branch

03 Dec 2017
Opening of Barishal Branch

27 February 2018
Launch of IDLC Growth Fund

16 July 2018
Obtained Alternative Investments license

01 November 2018
Launch of Interest First Deposit

01 November 2018
Launch of IDLC Priority Program

THE HEART OF OUR ORGANISATION

- **Our Leadership**
  - Board of Directors
  - Management Committee
  - Senior Executives
- **Our Range of Products and Services**
- **Our Value Chain Activities and Impacts**
- **Business Models**

Our Leadership

Board of Directors

AZIZ AL MAHMOOD
Chairman of the Board
Nominated by The City Bank Limited

Aziz Al Mahmood had his graduation from London. Having finished his academic career, he joined the Partex Star Group at a comparatively early age. But from him age was won over by the attributes of his in-born leadership quality, exposure to reputed academic environment, family grooming and pragmatic outlook that was remarkable from his very childhood. The Group's Board of Directors along with the corporate rank and file found his presence in a unique equation. He demonstrated an appreciable skill in helping the Group's ascendancy to more corporate efficacy and elevation to newer heights.

The Family legacy and his own inherent qualities gave him a great sense of value and direction. An industrial entrepreneur, Mr. Mahmood has set up and successfully executed several industrial undertakings in Bangladesh.

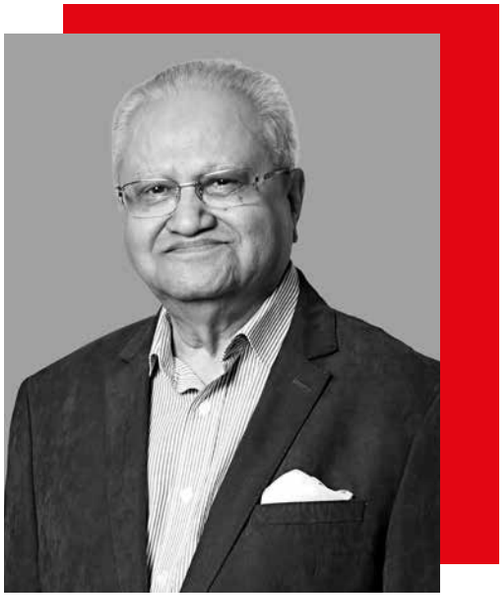
Mr. Mahmood is presently the Managing Director of Danish Condensed Milk (BD) Ltd, Danish Milk (BD) Ltd., Danish Foods Ltd., Danish Distribution Network Ltd., Rubel Steel Mills Ltd., Danish Dairy Farm Ltd., Shubornobhumi Housing Ltd., VOICETEL Ltd., Partex Tissue Ltd. and Danish Multipurpose Farm Ltd. In addition, he is also a Director of a number of companies of Partex Star Group. He is actively engaged with a number of social and philanthropic organisations of national stature, without forgetting his root of origin.

ATIQUR RAHMAN
Director of the Board &
Chairman of the Executive Committee
Nominated by Reliance Insurance Limited

Atiqur Rahman joined Transcom Group, one of the largest business conglomerates in the country as Group Finance Director in 1991. He is also in the Board of Directors of Transcom Beverages Limited (Franchisee of PEPSICO, USA), Transcom Foods Limited (Franchisee of PIZZA HUT & KFC, USA), Transcom Electronics Limited (Samsung & Whirlpool), Bangladesh Lamps Limited (PHILIPS & Transtec lighting products), Transcom Distribution Co. Limited (Pharma, Diagnostics, Heinz, Garnier, Loreal, Fritolays), Eskayef Pharmaceuticals Limited (Formerly SmithKline & French, USA), Mediastar Limited (Publishers of leading Bangla daily PROTHOM ALO), Trinco Limited (Sponsor Shareholder of Reliance Insurance Ltd. & The Daily Star), Transfin Trading Limited (Sponsor Shareholder of Reliance Insurance Limited & The Daily Star), Transcom Consumer Products Limited (First ever PepsiCo Snack Franchisee) and Ayna Broadcasting Corporation Limited (FM Radio).

Mr. Rahman is the Chairman of Heritage Agro Farms Limited and Director of Monipur Tea Co. Limited, Marina Tea Co. Limited and M. Rahman Tea Co. Limited.

He is a Director of IDLC Finance Limited nominated by Reliance Insurance Limited since October 2015.



MONOWER UDDIN AHMED
Independent Director &
Chairman of the Audit Committee &
Chairman of IDLC Investments Limited

Monower Uddin Ahmed, having finished his university education, joined the Central Government in 50's as Assistant Central Labour Commissioner, for a stint. Thereafter, he moved to Carew and Company as head of Labour Relations, on to GlaxoSmithKline as head of personnel.

Before retiring from British American Tobacco Company (BAT), he was serving as a Member of the Company's Board. Mr. Ahmed, on retirement from the BAT, set up Monower Associates, an HR and Management Consulting house, which he currently manages as CEO and Lead Consultant. He represented the Bangladesh employers in quite a few ILO conferences in Europe, North Africa, Southeast and South Asian countries.

MD. ABDUL WADUD
Director of the Board &
Member of the Executive Committee
Nominated by The City Bank Limited

Md. Abdul Wadud started career in 1996 with Eastern Bank Limited as a Management Trainee. Served the bank in various capacities that included being the In-Charge of Export & General Banking of Branch, Branch Manager and Unit Head of Corporate Banking. Last position held was Head of Structured Finance at Eastern Bank Limited before joining City Bank. After joining The City Bank Limited in June 2011 as Head of Credit Risk Management. Mr. Wadud also looked after various divisions like Risk Management Division, Credit Administration, Consumer Credit & Collection, Special Asset Management, Legal, Fraud Risk Management taking the responsibility of Chief Risk Officer. Currently he is the Deputy Managing Director and head of Trade, Commercial & SME-Mid Segment business head and also the Chief Anti Money Laundering Officer of The City Bank Limited.

Mr. Wadud is Master of Science in Statistics from Jahangirnagar University and MBA from Victoria University, Melbourne, Australia.

MOHAMMAD MAHBUBUR RAHMAN FCA
Director of the Board &
Member of the Audit Committee
Nominated by The City Bank Limited

Mohammad Mahbubur Rahman is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). He is presently responsible as Deputy Managing Director and Chief Financial Officer (CFO) with The City Bank Limited. He is also Director of City Bank Capital Resources Ltd. and City Brokerage Ltd.

Before joining The City Bank Limited, Mr. Rahman served for the World Bank as Financial Management Specialist in the South Asia Region. He also served for Leads Corporation Limited as CFO and Grameenphone Limited for a period of 5 years in various capacities including Additional General Manager and Head of Revenue Accounting Department and Financial Control.

Mr. Rahman also served in various important roles in Finance and Accounts division in several multinationals, local corporate and development organisations.

MAHIA JUNED
Director of the Board
Nominated by The City Bank Limited

Mahia Juned started her career in 1994 with Citibank,N.A., Bangladesh as an Operations Officer. She left Citibank,N.A. in 2001 as Resident Vice President & Head of Operations of Trade Services, Trade Finance, Treasury Operations, Financial Institutions and cash management. Ms. Juned joined The City Bank in December 2007 as the Head of Project Management and then served as the Head of Operations since 2011. She is a BBA from Assumption University, Bangkok, Thailand.

Ms. Juned is the first female Deputy Managing Director in the Bank's 34 years of history and became the first female member in the Bank's Management Committee back in 2013. She is also the official Female Ambassador of the bank.

MD. KAMRUL HASSAN FCA
Director of the Board &
Member of the Audit Committee
Nominated by Transcom Group of Companies

Md. Kamrul Hassan is a Fellow member of the Institute of Chartered Accountants of Bangladesh. He has 30 years of experience in the key position of Finance and Accounts in home and abroad.

Mr. Hassan started his career with Transcom Group in 1987. Thereafter he left Transcom and worked for a multinational company in Libya for 3 years. Further in 1994, he was employed by Transcom Group, one of the largest business conglomerates in the country. Currently he is holding the position of Executive Director (Finance) since 2008. He is also a Director of National Asset Management Ltd.

Mr. Hassan got training on "Total Management System" organized by NICC, held in Tokyo, Japan as a nominee of Bangladesh Employers Federation.

SYED SHAHRIYAR AHSAN
Director of the Board &
Member of the Executive Committee & the Audit Committee
Nominated by Sadharan Bima Corporation

Syed Shahriyar Ahsan, Managing Director, Sadharan Bima Corporation, did his Master`s and MBA Degree from Dhaka University. He is in the Insurance Industry for the last 33 years having practical experience in Underwriting, Re-insurance, Accounts, Marketing and Claims of various exposure and complexity.

Mr. Ahsan has been contributing in the development of Bangladesh Insurance Industry being member of different committees of Insurance Development & Regulatory Authority (IDRA), Bangladesh Insurance Association and Bangladesh Insurance Academy.

Mr. Ahsan has attended different training courses and seminars in Insurance and Re-insurance both at home and abroad. During his long association with the industry, he has developed strong bonding with the overseas re-insurers and brokers and also a wide network of contacts with the local entrepreneurs of both large and medium in different sectors of industries of the country.

MATI UL HASAN
Director of the Board &
Member of the Executive Committee
Nominated by Mercantile Bank Limited

Mati Ul Hasan is a successful banker with a career spanning over thirty four years.

He started his career in IFIC Bank Ltd. in the year 1984 as a Probationary Officer having 10 years job experience in oversees operation in Pakistan and 2 years in Nepal in Nepal Bangladesh Bank as Deputy Managing Director. He later joined Mercantile Bank Limited in the year 2014 and now holding position of Additional Managing Director & CRO.

Mr. Hasan is a B.S.S. (Hons) in Economics from Dhaka University and Masters of Bank Management. He is a Diplomaed Associate of Institute of Bankers, Bangladesh (DAIBB).

He attended number of training programs held at abroad.

NIAZ HABIB
Independent Director &
Chairman of IDLC Securities Limited

Niaz Habib is a seasoned professional banker combining over 40 years of rewarding multi-dimensional banking experience in both local and foreign banks. He has retired as Managing Director from Dhaka Bank Limited. Prior to that, he also worked as Acting Managing Director of Dhaka Bank Securities Ltd.

Prior to Dhaka Bank, he worked as Managing Director for Premier Bank Limited, Deputy Managing Director of AB Bank Limited and United Commercial Bank Limited. Mr. Habib also worked for Eastern Bank Limited and American Express Bank. He started his career in 1978 at Bangladesh Shilpa Bank Limited as Financial Analyst/Investment Officer.

Mr. Habib has written policy guidelines for credit review for Bangladesh Bank and has also imparted trainings to senior bankers in Bangladesh Bank, BIBM and other local and foreign Banks. He has also written policy guidelines on Credit Risk Grading for Banks and Non-Banking Financial Institutions which is a mandatory requirement from Bangladesh Bank authorities.

Mr. Habib has travelled various places in abroad. He is also the former Secretary General of Association of Bankers Bangladesh and a member of Khulna Club and Baridhara Cosmopolitan Club.

Mr. Habib completed his Masters of Business Administration from Institute of Business Administration (IBA) of University of Dhaka. He also completed his M.A. in Economics with Honours from the University of Rajshahi. He is the proud father of a daughter and a son.

Mr. Niaz Habib is presently working as an Advisor with Meghna Group of Industries.

MATIUL ISLAM NOWSHAD CMgr, FCMI
Independent Director & Chairman of
IDLC Asset Management Limited

Matiul Islam Nowshad is a seasoned management professional with over three decades of experience spanning three industrial segments- tea, textile and telecommunication, of which 19 years were spent in leadership roles at Board and management council level within multinational, multi-cultural environment.

His contributions have been recognized by CHRO Asia at 2014 and 2018 World HRD Congress held in Mumbai, India as the "50 Most Talented Global HR Leaders in Asia" and '100 Top Global HR Minds' respectively. In 2011 he was also awarded with "Best HR Leader" of the year award at World HRD Congress. Nowshad served Robi Axiata Limited as Chief Human Resources Officer and Chief Corporate and People Officer from February 14, 2010 to February 28, 2018. During his 8 year tenure Robi Axiata Ltd. has been recognized as "Best People Management Company" for consecutive five times in the years 2012, 2013, 2014, 2015 and 2016. His personal contribution was duly recognized with a milestone award at Axiata Annual Group Awards Program.

Nowshad is currently seconded to Axiata Group Berhad, as Special Projects Director in Group Human Resources. He would be overseeing selected HR Transformation projects within the group besides supporting few operating companies.

Prior to joining Robi, Nowshad served at Coats Bangladesh Limited in different managerial capacities including Human Resources Director. He was also a Board member of Coats Plc subsidiaries; Coats Bangladesh Limited and Coats Crafts Bangladesh Limited for over a decade. Prior to joining Coats Bangladesh he served in Deundi Tea Company (UK) Limited (then a subsidiary of REA Holdings plc, UK) in various roles. Nowshad started his career with Surmah Valley Tea Plc. (then a subsidiary of Sime Darby Group).

Nowshad has a Master's Degree in Business from Victoria University and is a Chartered Manager and Chartered fellow of the Chartered Management Institute, UK and Chartered Institute of Personnel and Development, UK. He has attended several general management, functional and leadership development programs in renowned business schools.

ARIF KHAN, CFA, FCMA
CEO & Managing Director, Ex-Officio Member of the Board &
Member of the Executive Committee

Arif Khan brings more than 28 years of management experience to IDLC having served in various prestigious local, multinational and government organisations in the financial services sector.

Mr. Khan served as a Commissioner of Bangladesh Securities and Exchange Commission (BSEC) in a 5 year stint and has been widely acclaimed for his role in the development of the capital market of Bangladesh. Prior to this, he served IDLC Finance Limited for 15 years before leaving as the Deputy Managing Director. In this role he played a key role in the growth of the company as well as development of several business wings.

He began his career in 1991 as a Probationary Officer in AB Bank Limited.

Mr. Khan is a Fellow Member (FCMA) of the Institute of Cost and Management Accountants of Bangladesh (ICMAB), where he occupied the role of the president in 2016. He also holds the Chartered Financial Analyst (CFA) Charter and is a member of the CFA Institute, USA. He was the Founding President of Bangladesh CFA Society and Bangladesh Merchant Bankers' Association (BMBA).

Mr. Khan holds a Master of Business Administration (MBA) degree from the Institute of Business Administration (IBA) of Dhaka University. He also obtained a Master of Commerce degree in Finance and Banking from Dhaka University.

Management Committee

Sitting (from left)

Ahmed Rashid
Head of SME Division

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

M. Jamal Uddin
Deputy Managing Director & Head of Business

Standing (from left)

Ataur Rahman Chowdhury
Head of Operations

Mahbub-ul-Kader, CAMS
Group Head of Internal Control & Compliance

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Rajib Kumar Dey
Managing Director
IDLC Asset Management Limited

Arif Khan, CFA, FCMA
CEO & Managing Director

Asif Saad Bin Shams
Head of Credit & Collection

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Office

Mohammad Jobayer Alam, CFA
Head of Treasury & Strategic Planning

Md. Moniruzzaman, CFA
Managing Director
IDLC Investments Limited

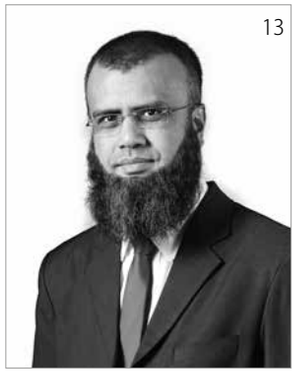
Md. Saifuddin
Managing Director
IDLC Securities Limited

Mohammad Jobair Rahman Khan FCA
Head of Group Corporate Affairs & Taxation and Group Company Secretary

Senior Executives
(In alphabetical order of last name)

Sl.	Name	Designation
1	Md Habibullah Chowdhury	Deputy Head of Special Asset Management
2	Mohammad Abdul Hannan	Head of Medium Enterprise Finance
3	M. Maksudul Hoque	Head of Administration
4	Firuj Hossain	Head of Operations, Consumer Division
5	Muhammad Sazzad Hossain	Head of Operational Risk Management
6	Ziaul Huq	Head of Credit Administration- Consumer
7	Md. Ariful Islam	Head of Customer Experience Department.

Sl.	Name	Designation
8	Nafius Noor Khan	Head of Outstation, Consumer Assets
9	Shamima Akter Lovely	Head of HR- Capital Market & Head of Organisational Development
10	Indrajit Mallick	Deputy Head of Credit
11	Shafayet Hossain	Head of Special Asset Management
12	Md. Ariful Islam	Head of Change Management



Sl.	Name	Designation
13	Md. Abu Musha	Head of Legal
14	Laila Nasrin	Head of Software Solutions
15	Nurul Karim Patwery	Head of Money Market Operations, Treasury
16	Mahjebeen Binte Rahman	Head of Consumer Assets
17	Mohammad Ashiqur Rahman	Head of Credit- Consumer Division
18	Md. Masud Rana	AGM, CRM Central

Sl.	Name	Designation
19	Adnan Rashid	Head of Credit-Small Enterprise Finance
20	Jane Alam Romel	Group Chief Marketing Officer
21	Mohammad Saifuddowla	Head of Small Enterprise Finance
22	Md. Masud Sajjad	Cluster Head & Branch Manager, Dhanmondi
23	Isa Mahmud Shovo	Head of Agency and Trust
24	Kazi Farhan Zahir	Head of Structured Finance

Our Range of Products and Services

SME

Small Enterprise Finance

- SME Term Loan/Lease
- Seasonal Loan
- IDLC Purnota – Women Entrepreneur Loan
- Revolving Short Term Loan (RSTL)
- Abashan Loan
- Partially Secured Loan
- SME Sachal Loan
- Commercial Space Loan
- Commercial Vehicle Loan
- IDLC Udbhabon
- Start- up Loan
- SME Deposit

Medium Enterprise Finance

- Term Loan/Lease
- Commercial Vehicle Finance
- Machinery Lease
- Revolving Short Term Loan
- Commercial Space Loan

Supplier and Distributor Finance

- Factoring of Accounts Receivables
- Bill/Invoice Discounting
- Work Order Financing
- Distributor Financing

Consumer

Home Loan

- Apartment/Home Purchase
- Land Purchase
- Building Construction
- Commercial Space
- Home Equity
- Registra Loan
- IDLC ASHA
- IDLC ULLAS

Car Loan

- Brand New
- Reconditioned

Personal Loan

- Secured
- Unsecured

Loan Against Deposit (LAD)

Deposits

- Flexible Term Deposit Package
- Regular Earner Package

Corporate

Corporate Finance

- Lease Financing
- Term Loan Financing
- Commercial Space Financing
- Project Financing
- Short Term Loans (to meet working capital requirements)
- Specialized Products (for meeting seasonal demand)

Structured Finance Solutions

- Debt Syndication (Local & Foreign Currency)
- Working Capital Syndication
- Agency & Trusteeship
- Fund Raising through Zero Coupon & Coupon Bearing Bonds
- Commercial Paper
- Arrangement of Private Equity & Preference Shares
- Corporate Advisory for Mergers

Green Banking Solutions

- Over 50 products offered under Green Banking and Sustainable Finance department as per Bangladesh Bank Green Re-finance scheme.

Capital Market Operations

IDLC Asset Management Limited

- Mutual Funds
- Alternative investment Funds
- Corporate Advisory

IDLC Securities Limited

Products

- Cash Account
- Margin Account
- Easy IPO
- Premium Brokerage for High Networth Individuals (HNIs), Institutions and Foreign Investors

Services

- Trade execution through the Dhaka and Chittagong stock exchanges
- Internet based trading facilities
- Online based IPO Application
- Custodial and CDBL services
- Bloomberg terminal for foreign clients
- Research and Advisory Services

IDLC Investments Limited

Products

- Margin Loan
- Discretionary Portfolio Management

Services

- Corporate Advisory
- Issue Management
- Underwriting

Our Value Chain Activities and Impacts

Our vision, mission and values act as our sustainability anchors.

As we draw resources from our various capitals as inputs, they are utilized through our business activities to generate business outputs in the form of products and service offerings.

As a multi-segment financial institution, we rely heavily on our financial capital, depositors making up 85% of our funding basket.

Our overall business model (pg. 44) involves extending our presence physically and virtually. It also involves a high dependence on IT; which together means a significant investment in branches and technological infrastructure – our manufactured capital.

Our business model also requires us to invest in and develop our human capital for business growth through professional networks – a key aspect of our social and relationship capital – as well as our intellectual capital, to continuously innovate our offerings and improve our process efficiencies to add to our ability to be responsive and timely.

Our various activities, in turn generate outcomes, which create value for our stakeholders and add back to our inputs, be it in the form of profits, employee compensation, reduction in carbon footprint, process efficiency or other material outputs.

In the process, we ensure our business activities are aligned with our core values and guided by our governance framework, and also that our strategies and risk mitigation efforts are in line and responsive to pressures from the external environment and market forces.

The component elements that shape our business are portrayed in our Business Models (pg. 44).

Useful references:

Our Business Model (Page 44)

Our Corporate Governance Structure (Page 133)

Range of Products and services – our outputs/offerings (Page 40)

Organization Hierarchy (Page 91)

Performance (Page 69)

Inputs:

Financial Capital
- Equity Capital
- Liability Basket
- Policy Incentives

Human Capital
- Experienced and competent human resources
- Technical and managerial skills

Manufactured Capital
- Branches (pg. 25, 372)
- Physical infrastructures
- Office equipment and supplies

Intellectual Capital
- Product and service formulations
- Purchased software
- In house software
- Processes
- Knowledge

Social & Relationship Capital
- Partnerships
- Brand Awareness
- Customer Service Assurance
- Commitment to the community

Natural Capital
- Utilities
- Policy Incentives and Initiatives

Our Business Model

KEY ACTIVITIES

IDLC FINANCE LTD	IDLC SECURITIES LTD	IDLC INVESTMENTS LTD	IDLC ASSET MANAGEMENT LTD
Page 68	Page 121	Page 119	Page 123
OUTPUTS Financing Service	OUTPUTS Brokerage Service	OUTPUTS Investment Banking	OUTPUTS Asset Management Service

Required changes in business model in response to market forces and pressure (page 125)

Outcomes:

Financial Capital
- 15.44% 5-year portfolio CAGR
- BDT 2,171 mn NPAT
- 16.5% ROE
- 2.20% NPL
- 39.49% cost to income ratio

Human Capital
- Increased Employee Productivity
- Increased benefits for the employees
- Improved work life balance
- Career Advancements

Manufactured Capital
- Improved economies of scale
- Increased reach
- Smoother Operation

Intellectual Capital
- Increased efficiency
- Process Enhancements (Page 95)
- Products and services (Page 40)

Social & Relationship Capital
- Dividends paid
- 25,000+ beneficiaries reached through CSR (Page 100)
- 600,000+ interactions through branding campaigns

Natural Capital
- Reduction in Carbon Footprint
- Green Banking portfolio stands at BDT 648 mn

BUSINESS MODELS

Having over 30 years of experience in the marketplace, our business model is designed to withstand market pressures and absorb macroeconomic shocks. (pg. 48)

In order to make optimum contributions across the value chain, we are careful to strike a balance between different stakeholder objectives (pg. 100)

With a keen sense of changing market dynamics and rapidly changing technology, our management team strives to make the best use of our available resources, expanding on them strategically. (pg. 125)

Over the course of this report, we will use the Business Model Canvas in its original format as a representation of our business model components, as below:

IDLC FINANCE LIMITED

Resources
- Funds
- Human Resources
- Intellectual Capital
- Natural & other resources
- Relationship with stakeholders
- Policy incentives

Partnerships
- Shareholders
- Central Bank
- Other banks & NBFIs
- Deposit clients
- Multilateral organizations
- Investors
- Regulators
- Vendors
- NGOs

Value Proposition
- SME Finance Products
- Corporate Finance Products
- Consumer Loan Products
- Saving Products

Key Activities
- Risk Management
- Innovate and sell products
- Grow, develop and maintain relationships
- Continuous process improvements
- Create Brand Awareness
- Commit to societal responsibilities

Channels
- Branches
- Direct Selling
- Telephone and Online Platforms

Customer Segment
- Retail
- SME
- Corporate houses

Cost Structure
- Interest Expense
- Infrastructure and Technology
- Human Resource
- Administrative Expense
- Dividend to shareholders

Revenue Stream
- Interest Income
- Fees income
- Commissions Income
- Investment Income

IDLC SECURITIES LIMITED

Resources
- Funds
- Human Resources
- Intellectual Capital
- Natural & other resources
- Relationship with stakeholders
- Policy incentives

Partnerships
- Stock Exchanges
- BSEC
- Shareholders
- Central Bank
- Other banks & NBFIs
- Investors
- Regulators
- Vendors

Value Proposition
- Cash Account
- Premium Brokerage
- Easy IPO
- Margin Account

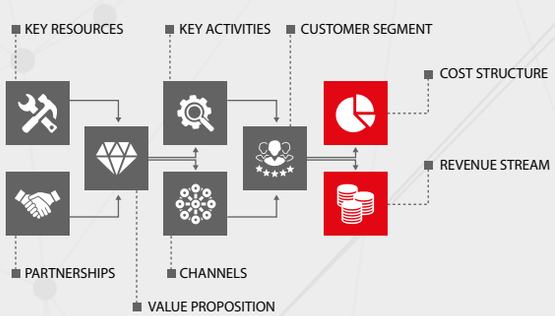
Key Activities
- Brokerage service
- Grow develop and maintain relationships
- Research
- Create Brand Awareness
- Proprietary Investments

Channels
- Branches
- Direct Selling
- Telephone and Online Platforms

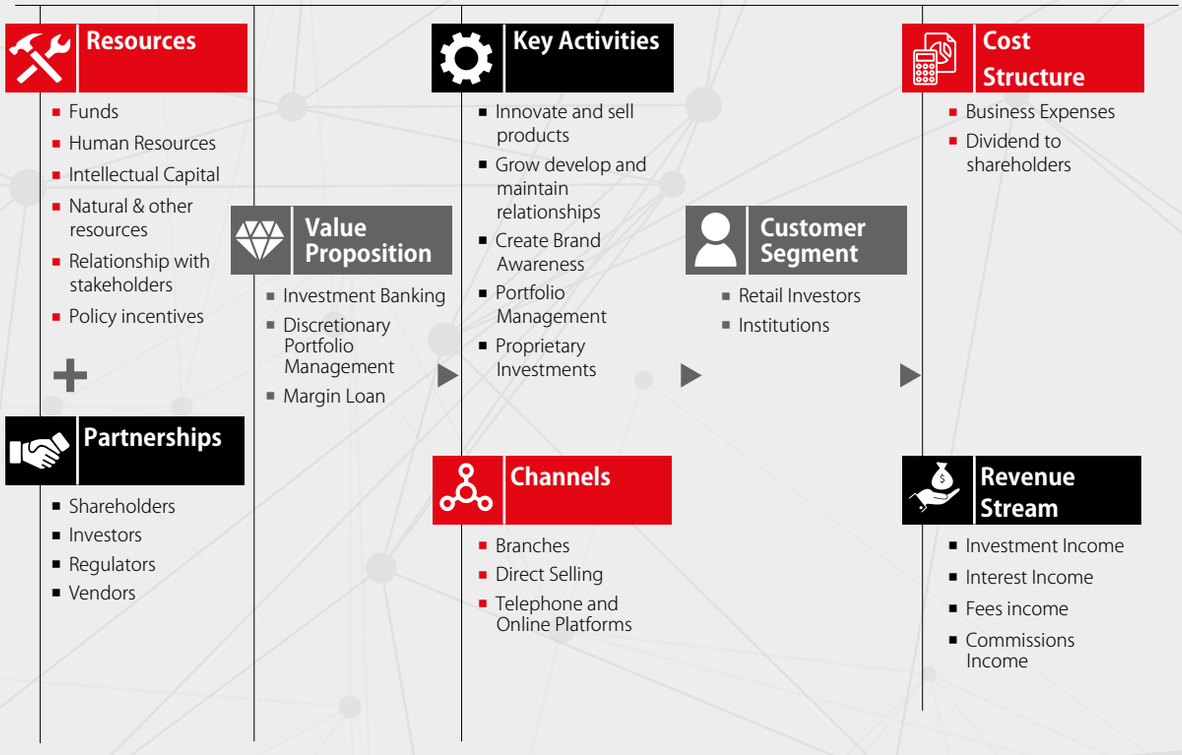
Customer Segment
- Individual
- Local Institutions
- Foreign Institutions

Cost Structure
- Business Expenses

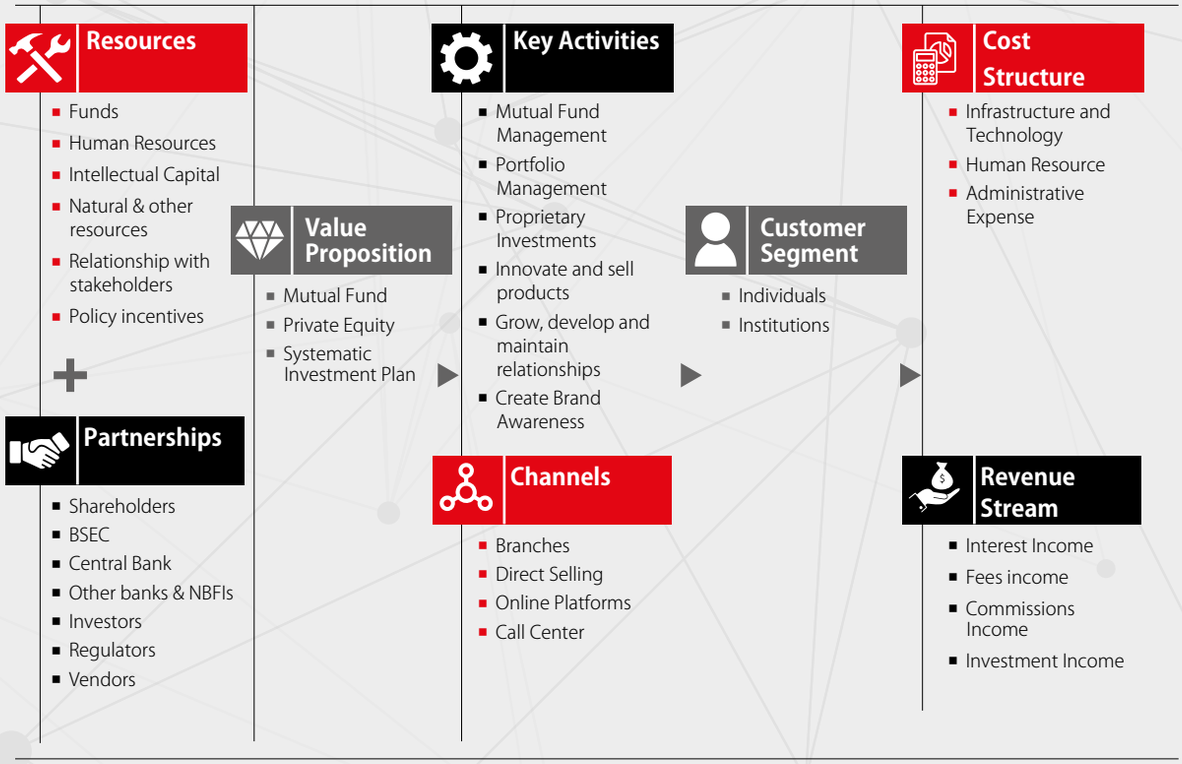
Revenue Stream
- Commissions Income
- Fees income
- Interest Income
- Investment Income



IDLC INVESTMENTS LIMITED



IDLC ASSET MANAGEMENT LIMITED



OPERATING CONTEXT AND RISK MANAGEMENT

- Macroeconomic Aspects Shaping the Industry
- Market Forces & Competitive Landscape
- Entity Analysis
- Statement of Risk Management

Our Operating Context and Risk Management

Review and changes in Business Model

Staying ahead implicates constant review of our external as well as internal environments. Operating in the financial services industry, IDLC is exposed to several pressures and risks from both. However, with over three decades of rich experience, the company has witnessed several industry cycles and hence has developed and fine-tuned a risk identification and mitigation framework that protects the company from adverse risks, enhances operating viability and ensures the sustenance of its businesses.

In the following pages, we have provided a detailed analysis of the competitive intensity we face while operating in Bangladesh's dynamic financial services industry and how the environment and competitive pressures evolved over the last one year. We have also articulated the strategies and programs that we have in place to successfully face those pressures and uncertainties in order to minimize, to the extent possible, the risks that we are exposed to.

Macroeconomic Aspects Shaping the Industry

Political	Impact: High
Operating Environment: Despite the national election taking place at the end of 2018, the political condition of the country remained mostly stable and is expected to remain stable this year. With the continuation of the government following the election, the policies and resolutions taken last year are expected to continue with priorities in infrastructure developments and credit growth to the priority sectors. Furthermore, post-election stable political environment is also expected to attract domestic and foreign investment and boost growth. **Impact on the Industry:** Due to uncertainty looming around the national election, credit growth and business expansions slowed down in the second half of 2018. However, stable outlook in political scenario will encourage the businesses to undertake expansionary projects and furthermore, public investments going to the development of infrastructure, it is anticipated that private investments will improve as well. **IDLC's Perspective:** • Our overall business did well in 2018 amidst challenges posed by uncertainties • The corporate financing demand remained adequate throughout the year • Our focus will remain on quality acquisition with added emphasis on retail financing, including small business as well as housing finance **Long term strategy:** Diversify sector exposures in business loans and focus on thrust sectors to go beyond leveraging current political stability and cushion against future uncertainties.	**Evident in:** Performance Analysis with the Mgt. Committee (pg. 69) Strategy & Resource Allocation (pg. 125)

References:
[1]Bangladesh Bureau of Statistics
[2]Bangladesh Bank

Economic

Impact: High

Operating Environment: Amidst uncertainty surrounding national election and banking industry being constrained by some liquidity issues in the first half of 2018, Bangladesh attained GDP growth of 7.86% in FY18[2]. Economic activity continued in the first half of FY19 driven by robust domestic and external demands. However, increase in export and remittance inflow was overshadowed as import increased significantly due to demand in food sector and equipment import for the infrastructural projects. The sharply widened FY18 current account deficit moderated substantially in first half of FY19.

Impact on the Industry: To cope with the liquidity issues, the financial institutions started to provide higher interest rate on the deposit products which in turn increased the cost of fund and hence the lending rates.

IDLC's Perspective:

- Through efficient forecasting and focusing on maintaining liquidity by attracting deposits, IDLC ensured flow of credit to clients.
- However, IDLC has been facing stiffer competition, takeover attempts and margin reduction as a result of too many institutions flocking the limited space of the industry.
- As such, the company is looking to focus on the growing SME segment and capitalize on the untapped market
- The deposits rates are expected to remain high which will continue to put pressure on the net interest margin (NIM).

Long term strategy: Focus on improving value added to clients through service and product offerings.

Evident in:

Business Segment Review-SME (pg. 111)

CEO's Statement (growth in credit vs. deposits) (pg. 20)

Performance Analysis with the Mgt. Committee (pg. 69)

Intellectual Capital (pg. 95)

Social

Impact: High

Operating Environment: On the back of progress in Per Capita Gross National Income, Human Resources Index and Economic Vulnerability Index, in 2018, Bangladesh has fulfilled the eligibility criteria set by the United Nations to be recognized as a developing country. Evidently, the GNI per capita has increased to $1,751[1] indicating the improvements in living standards. Moreover, with widespread communications, the consumers are now more aware of products and services available to them.

Impact on the Industry: The rising middle income population, expected to reach 35mn by 2025, will be the driving factor for the increase in local consumption demand. In fact, by the end of 2020, the deficit for permanent housing is expected to reach 8.5mn units. Consumer needs for financial products is expected to grow in the form of requirements for Home Loans, Small Business Loans and other consumer finance products.

IDLC's Perspective:

- The rising social standards will be spread across the country. To leverage this, one of the main focus of IDLC will be to increase its presence across the nation.
- To capitalize on the rising middle income segment, IDLC will focus on lower ticket SME segment and at the same time, will focus on affordable housing loan products that will cater to this segment.

Long term strategy: Focus on superior segmentation, targeting, product innovation and excellent customer relationship management.

Evident in:

Performance Analysis with the Mgt. Committee (pg. 69)

Strategy & Resource Allocation (pg. 125)

Technological

Impact: Moderate

Operating Environment: The ever improving technology has opened up scope for innovations and to explore new businesses. Moreover, technology has also enabled the consumers to avail services remotely and gain product knowledge to compare and make informed decisions. However, this front is not yet fully utilized in Bangladesh.

Impact on the Industry: The advancements in technology has enabled the financial institutions to bring operational efficiency. Moreover, the financial institutions are now focusing on building mobile and web platforms to improve customer experience which has been a growing trend in past few years and trend seems to continue as well. However, the Fintech penetration in our country still does not pose any imminent threat to the traditional financial institutions.

IDLC's Perspective:

- IDLC has always focused on the technological advancements and made great strides in this regards.
- Leveraging technology, IDLC has introduced different software and hardware solutions, which over the years have increased our efficiency and contributed to our improved scalability.
- Going forward, our focus will be to revamp our core banking software and equip our sales force with tabs.

Long term strategy: Investment in technological advancement to continue going forward, while maintaining proper checks in weighing benefits over costs and ensuring adequate research on all possible alternatives.

Evident in:

Statement of Risk Mgt. (pg. 55)

Intellectual Capital (pg. 95)

Strategy & Resource Allocation (pg. 125)

Environmental	Impact: Moderate
Operating Environment: Globally and nationally, emphasis are being given to make the businesses more environmentally responsible and sustainable. This has shaped up as an outcome due to increasing threat on the environment. **Impact on the Industry:** In recent years, increasing emphasis has been put on green financing by the regulators. To encourage green financing, Bangladesh Bank has separate fund for refinancing. However, not all promoters/factory owners are ready to accept greener technology as they, many of the times, do not necessarily realize the long term cost savings that accrues through the upfront investment in sustainable technology, and there is a sense amongst many that it is only feasible through an extremely low cost subsidized financing. **IDLC's Perspective:** • IDLC is committed to sustainable development through the creation of long-term value - for our stakeholders, for the environment and for the community • In 2019, IDLC will look to increase its Green Banking portfolio significantly • In addition, focus will be on availing low cost fund for the purpose of refinancing. **Long term strategy:** Grow portfolio through green banking efforts to reduce carbon footprint, leverage on soft loans and create a culture of responsible financing within the financial sector.	**Evident in:** Natural Capital (Green banking, ESMS) (pg. 109) Business Segment Review – Green Banking (pg. 118) Strategy & Resource Allocation (pg. 125)

Legal	Impact: High
Operating Environment: Industries are faced with tighter rules and regulations and application of laws are more uniform and stringent, translating into a more level playing field. **Impact on the Industry:** Financial institutions are, understandably, subjected to greater scrutiny by the regulators to ensure safety of the deposits made by the general public. Besides, strengthening the foundation of Financial Institutions through strict implementation of capital adequacy parameters, stress testing and other ALM indicators, focus has been on ways to ease liquidity crisis. In this regard, Bangladesh bank took several steps and imposed several regulations on the banks and financial institutions. **IDLC's Perspective:** • IDLC's history of strict legal and regulatory compliance places it in a good position within the financial services industry. • Close communication is maintained with regulators and trade bodies to carry out a supportive and participatory role in policy discussion. • Separate compliance team ensures compliance across the Group. **Long term strategy:** Continue to set the benchmark as a compliant institution through assisting regulators and ensuring organisation's values such as integrity, trust and respect are followed in practice by every employee	**Evident in:** Performance Analysis with the Mgt. Committee (pg. 69) Strategy & Resource Allocation (pg. 125)

Supplementary details of the 2018 economy and business environment relevant to IDLC:

- Private sector credit posted a growth of 13.3% in 2018 while deposits grew by 9.04%.
- Monthly average call money rate remained in the range of 1.67%to 4.44% in 2018.
- Widened trade deficit due to sharp rise in imports, coupled with moderate growth in exports and remittances pushed the current account balance into negative territory which exerted downward pressure on foreign exchange rates. However, in the second half of FY19, the pressure moderated depreciating taka against USD by 1.45% in 2018.
- Foreign exchange reserves stands at USD 32.02 billion in Dec'18.
- Point to point inflation decreased to 5.35% in Dec'18 from 5.83% a year ago.

Market Forces and Competitive Landscape

As we envision to gradually expand our operations, it is imperative that we analyse the various market forces at play, which shape up the competitive landscape of the industry. For the benefit of our stakeholders, we have broken down what each of them mean for IDLC in the imminent future as well as in the long term.

Buyer Power **Moderate**	
Factors in consideration: The buyer's power has been increasing on both borrower's side and depositor's side. Despite being faced with liquidity issues, the large corporates and conglomerates exercise a high buyer power as they are extremely rate sensitive. Price war among the financiers enable them to exercise such power. The buyer powers has also been on the rise in the SME segment as they now have access to financing from increasing number of sources. In the consumer segment, clients with strong and regular income streams (Home Loan) also exercise high buyer power. **Breakdown Analysis and IDLC's Response:** It is likely that the lending as well as deposit rates are going to remain high this year as well. Ability of financiers to mold offerings to the needs of the customers will determine who will gain early mover's advantage in markets, comparatively new for formal banking channels. **Our Strategy:** Focus on relationship building among existing client base and channel resources towards finding new opportunities. To ensure a sustainable source of funds for the future loan growth, IDLC will focus to increase its retail deposit base.	**Evident in:** Business Model (pg. 44) Financial Capital (pg. 68) Strategy & Resource Allocation (pg. 125)

Supplier Power **High**	
Factors in consideration: As a financial institution, our major suppliers are the providers of funds. They are represented by different parties, highlighted in our business model (pg. 44). A key factor in the determination of bargaining power is the control over rates; our cost of funds. Most of the parties, such as the central bank have significant control over the rates at which we can source our funds. On the depositors end, in addition to high rate of National Saving Certificates, the liquidity scenario has increased their buyer power, prompting Banks and NBFIs to increase deposit rates to attract clients. Various other organisations operate as our vendors for several administrative and miscellaneous activities. However, they are responsible only for a comparatively smaller part of our total cost structure. **Breakdown Analysis and IDLC's Response:** Bargaining power varies across fund providers and rate influencers. The major holder of power is the central bank, through its policies. In case of deposits and borrowings, amounts sourced through the money market channel generally provides more bargaining power to the counter-party. However, our focus has been on mobilizing term deposits rather than being over-dependent on the money market. Evidently, 85% of IDLC's funding basket comprises of funds sourced from deposit clients. However, the risk of being overexposed to a few large depositors can arise with lack of oversight. **Our Strategy:** Focus on a diversified pool of deposit basket to reduce risk of over-dependency on any specific group of depositors.	**Evident in:** Business Model (pg. 44) Financial Capital (pg. 68) Strategy & Resource Allocation (pg. 125)

Threat of New Entrants High	
Factors in consideration: A number of new banks and NBFIs have entered the already crowded financial services industry over the couple of years. Threat of new entrants is also largely dependent on decisions made by various wings of the government, be it in terms of granting new licenses or varying the scope of services provided and/or operating procedures of financial and non-financial institutions. The threat of new entrants also comes from the existing institutions as many institutions have entered and increased focus on segments such as SME and consumer financing. The rising middle class population has also prompted many financiers to focus on these segments. In the long-run, however, the industry is likely to see consolidation in the face of exceeding an optimum number of institutions. **Breakdown Analysis and IDLC's Response:** The investment climate and a thriving SME sector and their long term potential to expand and grow in stature through leveraged activities make the case for new entrants in this segment. However, we already have a strong foothold in this arena and are focused in further strengthening the existing customer base while targeting new granular businesses through fresh product offerings. The demographic dividend expected to be achieved from a growing middle-class continue to make the case for new market entrants in the consumer, especially Home Loan segments. We plan to be one of the first financial institutions to distribute home loans in a disciplined manner throughout the country, and not only in the dense Dhaka and Chittagong markets, by targeting the middle income segment through newly designed products and through automation in operations to increase efficiency. **Our Strategy:** Ensure product differentiation and brand awareness, while keeping rates competitive. Continue efforts in process improvement to ensure long run competitiveness through balancing between cost minimization and service flexibility.	**Evident in:** CEO's Statement (pg. 20) Strategy & Resource Allocation (pg. 125)

Threat of Substitute Products Moderate	
Factors in consideration: Low threat within the NBFI Industry. However, if we consider loan products from banks as substitute products then the threat is high. Additionally, for some segments, there exists a threat from institutions beyond the financial sector; for instance, in case of commercial vehicle loans, some of the vehicle suppliers themselves offer the vehicles on an installment payment basis, removing the need to get a financier involved. Fintech poses a material threat in the medium and long run, with the potential for innovating alternative ways of creating value in meeting borrowing needs of businesses and individuals. **Breakdown Analysis and IDLC's Response:** Although major threats of substitute products, that can damage our revenues and profits do not exist in the short or medium term, we need to constantly stay on the alert for looming breakthroughs and remain adaptable to changes in the market conditions to be prepared for the future. **Our Strategy:** Regularly review and update technological platforms and search for opportunities offered by policy incentives, new technology and changing demographics so that early mover's advantage can be leveraged.	**Evident in:** Strategy & Resource Allocation (pg. 125)

Competitive Rivalry High	
Factors in consideration: **Number of competitors:** The Bangladeshi financial services industry is marked by high levels of competition with 59 banks and 34 NBFIs operating in the space. **Switching cost:** The switching cost is usually low due to a high concentration of service providers. **Quality difference:** Though IDLC belongs to the top quartile of service providers, a few Banks and NBFIs are indeed comparable in terms of service quality. **Breakdown Analysis and IDLC's Response:** Although all the competitors are not operating in segments from which IDLC draws revenues, in the recent years, there is increasing tendency from the Banks and NBFIs to enter the lucrative SME segment and furthermore, the rising middle income population have also attracted the institutions in the Home loan arena which was once largely dominated by the NBFIs. Faced with increasing competition, IDLC look to leverage technology and its experience on the segments to engineer superior efficiency in order to stay ahead of the competition. **Our Strategy:** Improve product matrix, customer service and process efficiency to attract customers in new segments and retain existing ones. Explore new ways of delivering value and innovative means of utilizing existing resources to extend our range of offerings.	**Evident in:** Strategy & Resource Allocation (pg. 125)

A closer examination of how specific aspects of the operating environment and market forces shape our approach, focus and resource utilization is discussed within Strategy and Resource Allocation (pg. 125).

Entity Analysis

While our competencies define us and identifying pertinent areas of improvement is a major step towards making greater contributions across the value chain, the complete picture of IDLC can be better comprehended through linking these with our role in the value chain (pg. 42), followed by an in-depth view into our business model (pg.44).

Furthermore, the utilization of our competencies is later highlighted in our way of mitigating risks, preparing for future uncertainties and leveraging on potential opportunities, which are discussed at length as we go over our strategy and resource allocation (pg. 125).

Key Competencies	Strengthening our enterprise further	Elaboration
The IDLC brand		
Over three decades of impeccable track record as a responsible, proactive and customer-focused financial service provider	Investment on promoting Brand Equity of the company is to continue.	Social & Relationship Capital (pg. 100)
High standing among local brands	Continue to uphold our image in the community by continuing as a responsible, transparent and trust-worthy operator while supplementing the image through our stakeholder engagement efforts.	
Customer centricity		
Need based products and superior service standards	Focus will be on continuous innovation in product and service suits to cater to the evolving needs of the new niches that are identified.	Our Product Offerings (pg. 40)
Quick decision-making	Efforts towards enabling hierarchies to work in a lean manner, with optimized distribution of decision-making authorities are to continue. Management reporting to be continuously enhanced to enable greater monitoring of business performance and customer service, while allowing faster decision-making.	Social & Relationship Capital (pg. 100) Intellectual Capital (pg. 95)
Transparent and ethical	Training programs for new recruits on our code of ethics and values are to continue. Comprehensive training for sales employees through IDLC Sales Academy; also includes training on value system and ethical standards.	Human Capital (pg. 90)
Training, counselling and business facilitation services	Expand the horizon for existing business facilitation services.	
Infrastructure		
World-class core banking software	Customization requirements identified in 2018 to be implemented	Manufactured Capital (pg. 98)
Strategically located branches	Most of the target customer segments can potentially be covered by the existing branches that are spread all over the country. Further branch expansions are not currently planned. Rather, demographic segments with smaller ticket financing needs within our existing markets are to be catered to.	Intellectual Capital (pg. 95) Our National Footprint (pg. 25)
Uninterrupted service delivery infrastructure	Service delivery processes have been centralized to increase efficiency and improve accuracy. Further investments in technology are to be made to automate more processes in order to increase efficiency further.	CEO's Statement (pg. 20)
Corporate governance and compliance		
Stringent regulatory adherence	IDLC will continue to abide by the law of the land in both letter and spirit.	Statement of Corporate Governance (pg. 133)
Collaborative and proactive approach towards regulatory and industry reform initiatives	We will continue to collaborate with regulators, peers and other industry participants and adopt best practices.	
Respectable institutional shareholding; experienced and professional Board of Directors		
Visionary management with direct ownership		

Key Competencies	Strengthening our enterprise further	Elaboration
Quality human resources		
Competent and empowered human resources	Continue investing in people as they are the principal driving force of the company.	Human Capital (pg. 90)
Focused on continuous training and development	Continue need-based training programs and promote leadership from within.	
Highest levels of integrity	Educate new employees on IDLC's moral codes, values and ethics.	
A winning culture fostered through years of embracing best-in-class practices	Continue to innovate and improve; continue to uphold the culture of trying new things without the fear of failure.	
Strong financial footing		
Solid capital base	Continue to deploy capital in an efficient manner to maximize shareholder returns while ensuring sustainability of the profits.	Financial Capital (pg. 68)
Efficient asset liability management	Continue good fund management practices, utilize bonds and other long-term borrowing avenues to minimize asset liability mismatch.	
Sound and steady ROA and ROE	Continue to deliver superior financial results and maintain shareholder returns.	

Scope for improvement	Addressing our weaknesses	
Dependency on interest income as a major revenue source - a limitation of being an NBFI	While our focus on lending operations is to continue, given the major opportunities we see in the retail segments, our subsidiaries have been contributing towards a greater share of profits in the recent years which helped us reap the benefits of diversification and shift away from dependency on interest income alone. Several other initiatives in Structured Finance, Investment Banking and Asset Management businesses are expected to boost fee income further. On a longer horizon, the company intends to establish solid footing in the fund management business and in the alternative investment space.	Financial Capital (pg. 68)
Dependency on term lending in the absence of transactional accounts - a limitation of being an NBFI	As we continue to bring innovations in the product suite, our focus will increase in the smaller scale loans, in the SME and housing market scenes. Gaining operational efficiency and successfully automating parts of the credit appraisal process will be key. Our market testing results are expected to be promising and help identify areas that may require attention.	Strategy & Resource Allocation (pg. 125)
Portfolio concentration in Dhaka and adjacent areas as most of the distant branches are established in the last 4-5 years	Conscious, strategic effort is in place to expand the geographic coverage and reduce portfolio concentration in Dhaka. Branches outside of Dhaka and Chattogram metropolitan areas are driving the new business generation efforts. Our recent and ongoing process upgradations will aid in maintaining service speed and quality, while keeping costs low enough to generate sufficient returns. Our experience in the markets is expected to help us maintain our portfolio quality as we delve into new customer segments	Our National Footprint (pg. 25) CEO's Statement (pg. 20)

Statement of Risk Management

At IDLC, the approach to risk management is grounded on the strong practices of Corporate Governance that are intended to strengthen IDLC's enterprise risk management framework and also the position of the company, to adapt to the business climate in an effective and efficient manner. The governance of risk management starts with the board and is interlaced around a strong management structure, state of the art information system, an effective risk-rating system and robust policies. In addition to embracing the best practices of the industry for identifying, assessing and measuring risk, IDLC considers Guidelines for Managing Core Risks of Financial Institutions issued by the Bangladesh Bank vide FID Circular No. 10 dated September 18, 2005 and Integrated Risk Management Guidelines for Financial Institutions issued by the Bangladesh Bank in 2016.

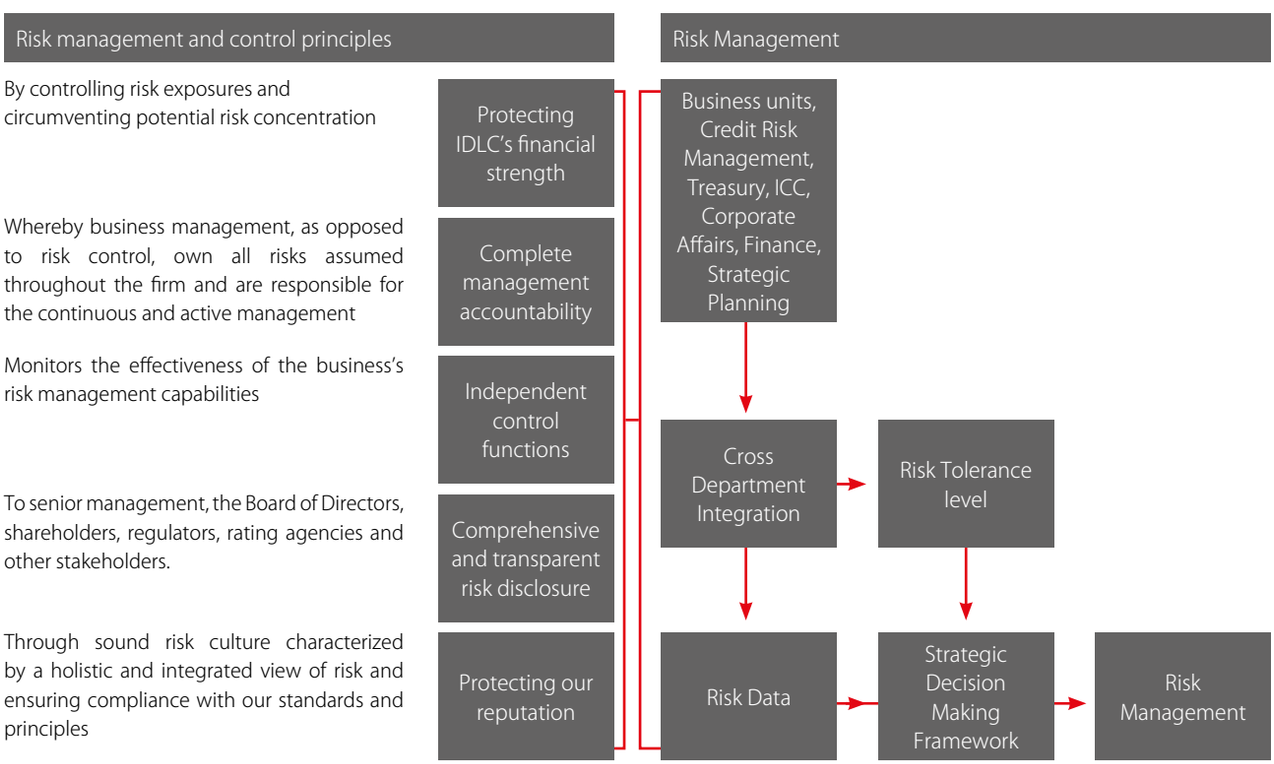
Strong inter-department communication link on risk factors and a culture of collaboration in decision-making among the revenue-generating units, independent control and support functions, committees and the senior management help the company in effective management of organisational risks.

Effective management, coupled with the adoption of BASEL-II recommendations benefit IDLC by augmenting capitalization and optimizing costs to risk and funding.

Risk types

Risks at IDLC are broadly classified into 9 categories:

Integrated Risk Management Approach



Risk Management Framework

Risk Identification | Risk Assessment | Risk Treatment | Risk Monitoring | Risk Reporting

Impact analysis

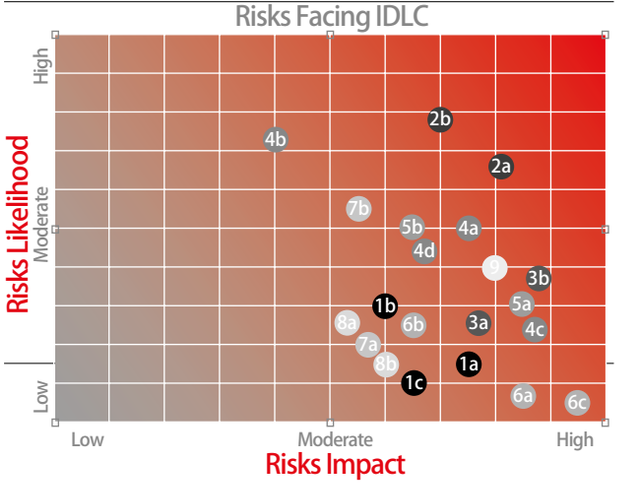
The nine risks faced by IDLC are further classified into 21 subcategories.

While at IDLC, we strive to reduce the impact of major risks that can have an immediate impact on our profitability such as Credit Risk (1), Market Risk (2) and Liquidity Risk (3), the aftermath of various incidents such as major natural disasters, which is discussed in our Business Continuity Risk (6c), are almost inevitable upon occurrence.

On that note, here, at IDLC, we continuously take and review measures against the risks

In the following section, the risks associated and IDLC's responses are described in detail.

Risk Heat Map

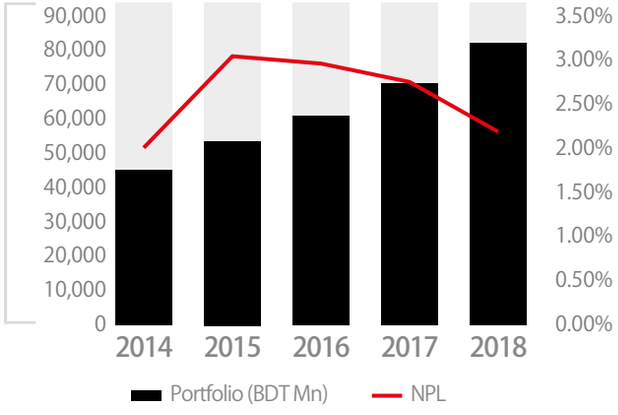


Broad Risk	Specific Risk	Risk #
Credit	Default Risk	1a
	Recovery Risk	1b
	Concentration Risk	1c
Market	Interest Rate Risk	2a
	Equity Price Risk	2b
Liquidity	Funding Liquidity Risk	3a
	Market Liquidity Risk	3b
Operational	People risk	4a
	Process risk	4b
	System risk	4c
	External risk	4d
Strategic	Strategy Positioning Risk	5a
	Implementation Risk	5b
Technology	System Failure Risk	6a
	Information Security Risk	6b
	Business Continuity Risk	6c
Legal	Compliance risk	7a
	AML/CFT risk	7b
Env. & Soc.	Environmental Risk	8a
	Social Risk	8b
Reputation	Reputation Risk	9

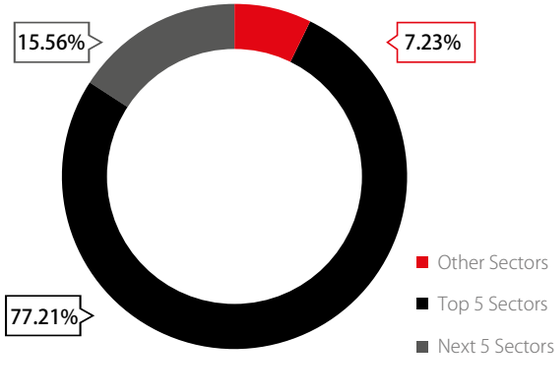
Performance Metrics

Credit Risk

Portfolio & NPL % Over Last 5 Years

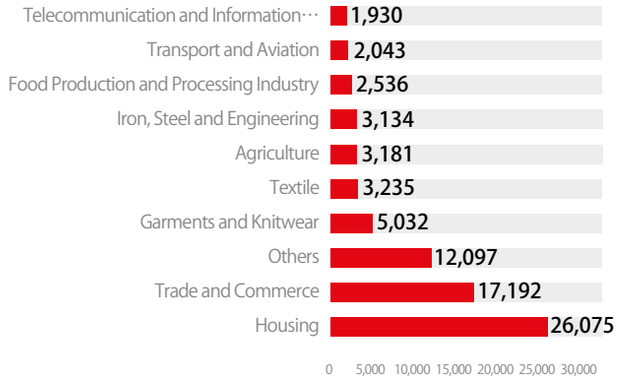


Top Sectoral Contribution in Portfolio



Top 10 Group Exposure		
Group Name	**Outstanding Amount [in BDT]**	**% of total portfolio (IDLCFL)**
Group - 1	1,034,400,640	1.26%
Group - 2	1,029,815,286	1.25%
Group - 3	866,527,695	1.05%
Group - 4	831,651,264	1.01%
Group - 5	805,995,059	0.98%
Group - 6	731,577,791	0.89%
Group - 7	710,216,887	0.86%
Group - 8	602,737,467	0.73%
Group - 9	541,079,983	0.66%
Group - 10	509,023,020	0.62%
Total Top 10 Groups	7,663,025,092	9.30%

Top 10 Sectors (in BDT Mn)



Liquidity risk

ALM Ratio	Recommended by Bangladesh Bank	Recommended by Board/ALCO	Maintained (YES/NO)
CRR	Min. 2.5%	Min. 2.5%	YES
SLR	Min. 5.0%	Min. 5.0%	YES
Loan to Fund Ratio	< 95%	< 95%	YES
Medium Term Funding Ratio (MTF)	>30%	>30%	YES
Gap (%)			
1 Month	Max. (15%)	Max. (15%)	YES
2 Months	Max. (15%)	Max. (15%)	YES
3 Months	Max. (15%)	Max. (15%)	YES

Environment

Number of occurrence in which environmental compliances not maintained	0

Strategic Risk

ROA	2.12%
ROE	16.6%

IT Risk

Service Downtime	0 min
Incident Count of Information Leak	0

Reputation Risk

Number of negative news in media	0
Fines	0 Tk

Legal Risk

Incidents of deviation from regulations/ compliance	0

Risk and IDLC's Responses

Broad Risk	Specific Risk	Short Description and Source	Avg. Heat Score	
Credit Risk	Default Risk	Borrower's failure to repay debt. The risk arises from fund diversion, cash crunch, wrong product and over financing, borrower's willful non-payment etc.	5.00	
	Recovery Risk	Failure to recover sufficient amount. The risk arises from Client's business failure, Death or departure of key management people, Double financing against same asset, Decline in Collateral Value, Repossession of Collateral and Owner's Financial Capability.	5.00	
	Concentration Risk	Loss triggered by loss in a heavily concentrated individual concern /Group /product /region/business segment. The risk arises from Macro impact on Particular Industry, Macro impact on Particular Product, Macro impact on particular Region and Name / Group Concentration	4.25	
Market Risk	Interest Rate Risk	Impact of changes in interest rate on the company's net interest income. The Risk arises from Mismatch of re-pricing dates of cash flows The key sources of interest rate risk are Re - pricing Risk, Yield Curve Risk, Basis Risk, Option Risk	7.85	
	Equity Price Risk	Adverse changes in the value of investment due to price volatility. The risk arises from Macroeconomic Instability, Market volatility, Political Unrest, Under performance of investee company	7.90	

	Mitigation Techniques	Monitoring Mechanism	Way Forward
	- Existing and projected cash flow analysis - CIB analysis & Purpose Assessment - Market review - Financial ratio analysis such as debt equity, DSCR etc. - Projection analysis - Borrower's financial leverage analysis - Seasonal Impact Consideration - Need based Credit Structuring - Risk transfer	- Regular visit and market feedback - Review of financial cash flow in regular interval - Early Alert - Analysis of NPL%, PAR, Provision coverage, -NPL portfolio - Collection from write-off accounts - Reschedule status, etc.	Going forward, we expect to build, test and implement a more robust credit risk management model that will enable us to manage our risks efficiently while reaching underserved segments.
	- Procurement documents checking - At best 3 years old valuation can be accepted - Collateral visit by IDLC employee to check acceptability - Legal good right & Title Search - Official visit by IDLC employees - PNW of owners - Strong Group support - Primary Security and Collateral - Third party PG of Owner of the Mortgaged Property - Strong 3rd party PG for proprietorship concerns - Negotiation - Signboard on mortgaged property - Recovery Agency	- Collateral visit and documentation rechecked at the time of refinancing - Collection of updated documents at the time of repeat financing - Update PNW statements each year - Fresh valuation when the old one was done more than 3 years ago - Analysis of NPL%, PAR, Provision coverage, -NPL portfolio - Collection from write-off accounts - Appoint recovery agency for problematic accounts - Reschedule status, etc.	
	- Product cap and sectorial cap - Discouraging sectors - Different approval tier for different single borrower exposure All exposure limits as set by the regulator, have been maintained	- Monthly Business Review - Quarterly portfolio review - Quarterly Review of Large Borrowers - Top 10 borrower exposure - Top 10 sectorial exposure - Top 10 product exposure - Stress testing report	
	- Policy settings with respect to risk appetite - Explicit and prudent interest rate risk limit - Operating within the interest rate risk limit	- Gap analysis - Changes in net interest income - Simulation method - Sensitivity ratio - No of occurrence of deviation from approved limit	Going forward, interest rate risk measurement techniques will be improved further. Additionally, portfolio standard deviation in comparison to the market will be followed more rigorously.
	- Investment in Fundamentally sound and well governed companies considering broader economic cycle - Prudence in terms of market volatility - Portfolio re-allocation according to observed feedbacks - Exposure management in different market scenario	- Observing Macroeconomic cycle - Staying updated about company performance - Continuous monitoring of political development - Portfolio beta in comparison to the market	

Broad Risk	Specific Risk	Short Description and Source	Avg. Heat Score	
Liquidity Risk	Funding Liquidity Risk	Inability to carry out necessary funding transactions due to asset liability mismatch arises from Tenor mismatch of Assets and Liabilities	5.65	
	Market Liquidity Risk	Limited access to fund due to changes in external factors. The risk can arises from, concentrated funding mix, dependency on wholesale borrowing, Investment in highly illiquid assets	6.75	
Operational Risk	People Risk	The risk of loss intentionally or unintentionally caused by employees. The risk arises from employee error, employee defection, internal fraud etc.	6.75	
	Process Risk	The risk related to the execution and maintenance of transactions and the various aspects of running a business. The risk arises from - incomplete / inadequate legal documentation, collateral management failures, data entry failures etc.	6.10	
	System Risk	The risk of loss caused by piracy, theft, failure, breakdown or disruption in technology, data or information. The risk arises from hardware and software failures, telecommunication problems and utility outages.	6.10	
	External Risk	The risk of loss on account of damage to physical property or assets from natural or unnatural causes. Sources of the risk are - natural disasters, political unrest, regulatory change and external fraud.	6.10	

	Mitigation Techniques	Monitoring Mechanism	Way Forward
	- Maintaining CRR & SLR - Limits on negative gap % in various time buckets - Composition & concentration of assets and liabilities - Funding mix (ratio of stable fund to total fund) - Reviewing liquidity and funding profile - Using contingency funding plan as an integral part of liquidity management	- Conducting periodical stress Test - Tracking balance sheet movement and key ALM ratios - Tracking major changes in key economic indicators and acting accordingly - Loan to fund ratio - Medium term funding ratio - Ratio of stable fund to total fund	Emphasis will be given on tapping new re-financing schemes of Bangladesh Bank. In addition, internal ALM ratios will be expanded upon. Efforts will also be made towards increasing the proportion of long term fund in funding basket.
	- Diversification of funding basket - Maintaining easily accessible secured credit lines - Maintaining reserve in excess of CRR & SLR requirement - Adherence to policy with sufficient cushion to deal with liquidity disruptions - Activating contingency funding plan for handling liquidity crisis	- Tracking balance sheet movement and key ALM ratios - Tracking major changes in key economic indicators and acting accordingly	
	- Setting of an appropriate 'tone at the top' - Effective employee engagement - Ensuring appropriate segregation of duties - Use of physical and logical access controls - Whistleblower reporting - Insurance - Legal recovery measures	- Top level management reviews - Reconciliations of key accounts and balances - Verification procedures (using independent third parties, where applicable) - Internal audits - External audits	Operational Risk Management (ORM) unit of IDLC has been formed with an aim to address and manage the operational risk issues at organisational level in late 2017. ORM has been working on the development of comprehensive Operational Risk Policy (ORP) to implement operational risk framework, reporting tools and establish risk ownership across the organisation. Apart from that ORM has been coordinating the organisation wide standard operating procedure (SOP) development project which will be the first step in conducting department/unit wise process risk analysis. In addition to that ORM will conduct number of training & awareness sessions for employees to address and manage operational risk at organisation level.
	- Vetting of relevant documentation by appropriately qualified legal personnel - Centralized operations for better oversight over collateral management processes - Employing independent third party valuation specialists - Data validation routines - Insurance - Legal recovery measures - Remediation activities - Data backup and recovery processes	- Pending document reporting & action planning - Credit collection review meetings	
	- Service Level Agreements with vendors - Network redundancy arrangements - Alternative power sources - Use of Disaster Recovery site - Multiple telecommunication channels	- Network & system monitoring - IT Dashboard - IT service desk - IT risk monitoring	
	- Business continuity plan (BCP) - Disaster recovery plan (DRP) - Immediate response to regulatory changes - Use of physical and logical access controls, where appropriate - Whistleblower reporting - Insurance - Legal recovery measures	- Context analysis (environmental scanning) as part of strategic planning process - BCP testing - DRP testing - Verification procedures	

Broad Risk	Specific Risk	Short Description and Source	Avg. Heat Score	
Strategic Risk	Strategic positioning risk	Risk of losing business volumes and margins due to improper positioning. The risk may arise from Changing Demographics, Economic Factors, Organisational Structure, Competition and Changes in regulation.	6.25	
	Strategy Implementation Risk	Risk of losing business volumes and margins due to improper implementation of the strategies taken. The risk can arise from work process and procedure, Human Resource and IT infrastructure	6.25	
Technology Risk	System Failure Risk	Unavailability of business critical systems. The sources are □ Infrastructure □ Platform □ Software □ Malicious Intrusion □ Cyber Attack	5.10	
	Information Security Risk	Leak / disclosure of business critical Information. The sources are □ People □ Process □ Vendor □ Malicious Intrusion □ Cyber Attack	5.10	
	Business Continuity Risk	Interruption / unavailability of business critical systems which can occur from □ Natural disasters, Hazards (e.g. Fire.) □ Vendor □ Technology Obsolesces □ Malicious Intrusion □ Cyber Attack	5.25	

	Mitigation Techniques	Monitoring Mechanism	Way Forward
	- Regular market survey and cost of fund projection - Monthly, quarterly & yearly funding needs projection - Monthly and quarterly business review of various industries - Participatory interaction with regulators on policy discussion - Integrated planning across the company through collaboration from all business and departments - Discussion and engagement with all relevant parties at the planning stage of all essential projects - Setting KPIs at the branch, divisional and organisational levels - Timely withdrawal of resources from under-performing projects	- Monthly financial analysis and discussion on variances from budget - Benchmarking KPIs within the company overtime and across the industry with relevant institutions - Monthly preparation of forecasts based on inputs from all business segments and liability team and reviewing reasons for variances - Evaluation of studies prepared for competitor intelligence	Further improve decision accuracy and speed through: 1. Adding to the number of reports, with increased automation to enhance coverage of business intricacies, timeliness and early detection of deviation (including possible impending deviations) from budgets. 2. Enhancing report standardization, quality and visualizations through necessary software implementations in order to capture and communicate more concise and actionable analyses to management.
	- Ensure person-role fit through robust recruitment process - Work process improvement and innovation - Setting KPIs - Benchmarking with best practices from both local and international approaches.	- Structured and systematic methods of gaining colleagues' views and feedback through Branch Managers' Meeting with CEO and through Change Management initiatives - Analysis and monitoring of standard unit times for benchmark setting and improving process efficiencies - Regular financial analysis to monitor returns of each business vertical	
	Disaster Recovery Site, High Availability, Redundancy, Hardware Review and Upgrade, Periodic Backup Firewall, Intrusion Detection & Prevention System, Antivirus, System & Network Security Controls, Encryption	• System Alerts • Performance • Upgrade / Update process	Sustaining Strong Risk Culture • Enhancing Technology Risk Framework • Enforcing Stringent Rules • Continuous Assessment and Monitoring of Progress Strengthening Systems Security • Enhanced Security Operation Center • Leveraging Global Threat Intelligence • Layered Internal and Perimeter Security Focus on Promoting Innovation and Continuous Improvement • Research & Development • Enhanced System Monitoring & Auditing System • System Upgrade
	Logical Access Control, Physical Access Control, Control on Privileged Account Usage, Periodic Review of System Access, Awareness & Training for users and IT Personnel, Deterrent Initiatives such limiting External Email and Web Access Compliance of Policy & Standard Operating Procedure (SOP), Periodic Review of Policy & Procedure Termination of Contract with non-performing Vendors, Multiple Vendors for Single Service Firewall, Intrusion Detection & Prevention System, Antivirus, System & Network Security Controls, Encryption	• System Log Monitoring • Network Traffic Monitoring • Audit Trail	
	Disaster Recovery Site Annual Maintenance Contract (AMC), Service Level Agreement (SLA), Due Diligence, Periodic review of Contracts, Maintain Relationship Research & Development, Technology Adoption, Skill Development Firewall, Intrusion Detection & Prevention System, Antivirus, System & Network Security Controls, Encryption	• Service & Performance monitoring • Business Operation Monitoring • Market Intelligence • Awareness of Technology Trend & Change • System Log Monitoring • Network Traffic Monitoring • Audit Trail -Network Traffic Monitoring	

Broad Risk	Specific Risk	Short Description and Source	Avg. Heat Score	
Legal Risk	Compliance Risk	Compliance risk is defined as the current or prospective risk of legal sanction and material financial loss IDLC may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice as well as from the possibility of incorrect interpretation of currently effective laws or regulations. The risk arises from violations or noncompliance with laws and regulations and prescribed standards, lack of or inadequate compliance with contractual obligations and other legal documentation and pending litigation	4.30	
	ML/TF Risk	Money laundering and terrorist financing (ML/TF) risk is the risk that IDLC may - a) Be used to launder money and/or finance terrorism and b) Not be meeting its obligations under existing legislation, rules and regulations for the prevention of money laundering and for the combatting of financing of terrorism	6.00	
Environmental & Social Risk	Environmental Risk	Financing in Business with negative impact on environment arise from impact on environment and financing in business that is environment sensitive	4.40	
	Social Risk	Financing in Business with negative impact on social life of stakeholders arises impact on social life of stakeholders and government intervention in project for protecting social interest	4.25	
Reputation Risk		The risk of potential or actual damage to the company's image which may impair the profitability and/or sustainability of its business. Arises from Actions and word-of-mouth of internal and external stakeholders, Various media platforms Operational hindrances and Technological disruptions	6.50	

	Mitigation Techniques	Monitoring Mechanism	Way Forward
	- Setting of an appropriate 'tone at the top' by the IDLC Board and management - Aligning in-house policies and procedures with national laws and regulations - Integrating consideration of laws and regulations into our regular decision making processes - Regular scanning of regulator websites to stay up-to-date with latest changes and timely communication of updates to the concerned departments - Legal vetting of documentation - Employee training - Wherever deemed necessary, seeking, and acting in accordance with, the appropriate legal advice - Insurance - egal recovery measures - Remediation activities	- Top level management reviews - Branch and Departmental Control Function Checklists - Litigation register - Internal audits - External audits	Leverage IDLC intranet platform to create a knowledge base for the benefit of employees. The knowledge base will ultimately serve as a one-stop repository for all relevant laws, regulations, internal policies, procedures, manuals etc. that employees will need in the pursuit of their duties. In addition, AML/CFT and other trainings will be continued.
	- Designated AML/CFT organisation structure consisting of Central Compliance Unit, a Chief Anti Money Laundering Compliance Officer, and Branch Anti-Money Laundering Compliance Officers - Appropriate AML/CFT policies and procedures - Know Your Customer (KYC) and Know Your Employee (KYE) procedures - Customer risk grading - Transaction monitoring - Employee training - Enhanced due diligence for select accounts - Suspicious Transaction and/or Activity Reporting	- Cash transaction review - IT based screening mechanism for UN Sanctions checklist and locally proscribed organisation - Continuous monitoring of media reports	
	- Monitoring Government Policies - Implementation of ESMS - Raising awareness and conducting Training - Reporting to higher management on monthly/ quarterly activities regarding ESR related activities - Follow up of clients Environmental Clearance Certificate within stipulated deadline	- Checking Exclusion list - Checking Project Category - Performing Environmental and Social Due Diligence - Monthly ERM report to EC	Focus will be on rigorous monitoring of implementation of action plans included as approval covenants. Furthermore, We will continue to do business in a socially and Environmentally ethical manner.
		- Regular monitoring of laws andregulations and ensuring those are complied with - Monitoring the non-financial reputational risk indicators and identifying matters that might give rise to potential risk - Active evaluation by 'Change Management team' to analyse impact on reputation among others and implement improvements if and where required - Regular system up-gradation and running tests on a regular basis to ensure the efficacy of the IT system	We plan to leverage on our website to create an online platform for shareholders, to better manage their queries and complaints, and at a much quicker pace. This would further portray our commitment to better services and a sustainable organisation.

- **Financial Capital**
  - Performance Analysis with the Management Committee
  - Key Operating & Financial Highlights
  - Horizontal Analysis
  - Vertical Analysis
  - Highlights as Required by Bangladesh Bank
  - Value Added Statement
  - Market Value Added (MVA) Statement
  - Economic Value Added
  - Capital Adequacy Ratio
  - Contribution to the National Economy
- **Human Capital**
  - Our Organisational Chart
  - Human Resource Accounting
- **Intellectual Capital**
- **Manufactured Capital**
- **Social & Relationship Capital**
  - Stakeholder identification & engagement
  - Engagement highlights
- **Natural Capital**
- **Business Segment Review – Lending Business Operations**
  - SME Division
  - Consumer Division
  - Corporate Division
  - Structured Finance Department
  - Green Banking Department
- **Business Segment Review – Subsidiary Business Operations**
  - IDLC Investments Limited
  - IDLC Securities Limited
  - IDLC Asset Management Limited
- **Strategy & Resource Allocation**

MANAGEMENT DISCUSSION & ANALYSIS

Financial Capital

Our Financial Capital

Our financial capital includes our monetary resources, which have been contributed by our investors and are being enhanced through our business activities. Our key sources of financial capital comprise of equity, debt and term deposits besides other sources of funds

Creating Value

Returns generated by our business enhances our financial capital, which in turn is used to repay our investors with dividend payments and the rest retained to aid business operations and growth through enhancing other capitals.

MATERIAL ASPECTS

Revenue Mix	Cost Optimization	Quality asset growth	Strength of funding strategy	Capital adequacy
i	i	i	i	i

HIGHLIGHTS

Obtained Portfolio growth of	Retained cost to income ratio below the targeted level of	Restricted NPL at	Obtained Term Deposit growth of	Maintained a CAR of
17.39%	40%	2.20%	17.38%	15.47% (IDLC Finance solo)

CHALLENGES

- Competitive pressures affecting both asset and liability sides
- Interest rates increasing amidst liquidity crunch and competitive pressure while lending rates being stickier than cost of funds, leading to poorer margins
- Balancing between financial leverage and capital adequacy – in order to ensure maximum return to the shareholders without compromising the balance sheet strength and long term stability of the company
- Management of operating expenses while reaching the right level of operating leverage

RESPONSES

- Added new products targeting different customer needs, further improved customer service and ensured efficient fund-sourcing
- Initiated re-pricing of loan assets and enhanced management of liability basket through prudent resource allocation
- Achieved impressive growth in customer assets matched by that of customer deposits while restricting NPL, thereby successfully increased leverage while restricting growth in Risk Weighted Assets. Capital adequacy of the company improved as a result
- Improved operating efficiency through process optimizations

Performance Analysis with the Management Committee

Accounting for changes in reporting standards

As is applicable, we adhere to the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), for our reporting framework, except for the circumstances where the local regulations differs and supersedes the standards. These are listed in details in note 2.3 of the notes to the consolidated and separate financial statements as presented in page no. 227 of this Annual Report.

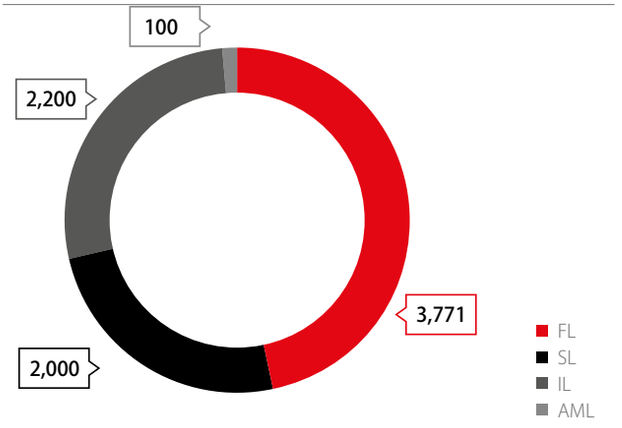
One new financial reporting standard IFRS 16 Leases has come into effect from 01 January, 2019. We would be incorporating as and where it will be applicable for us; keeping in mind the scope to which it would be permissible by our prime regulatory authority - Bangladesh Bank.

The fundamentals of our business strategy

Over the years, IDLC's successive management teams have demonstrated keen foresight into industry trends and have taken timely decisions regarding key strategic maneuvers. This has enabled us to gain foothold across a well-diversified range of businesses in the financial sector. Moving forward to current times, our multiple business verticals allow us to strategically balance our focus over different fronts to take advantage of potential opportunities, enabling us to maintain our position in the market. Besides other financial aspects, considering only market capitalization for a real time comparison, we have remained among the top ten companies within the Banks and NBFIs segment since 2016.

Paid-Up Capital

in BDT mn



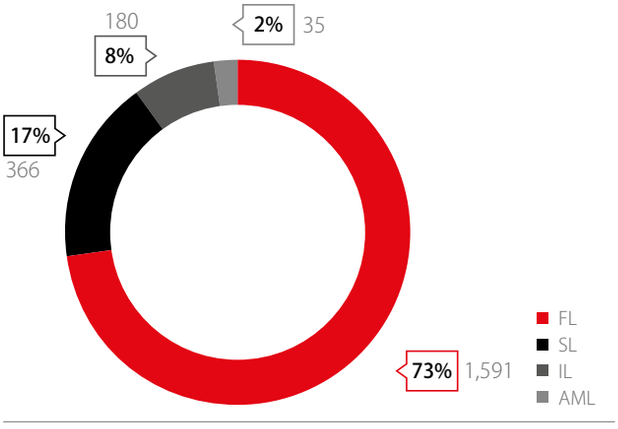
Lending Business Review

Our overall lending portfolio grew by 17.39% reaching BDT 83,934mn in 2018 from BDT 71,499mn in 2017. The growth in lending portfolio was majorly driven by Term Finance and Real Estate Finance. In fact, two major portions of the portfolio are made up of these categories, 58% and 30% respectively.

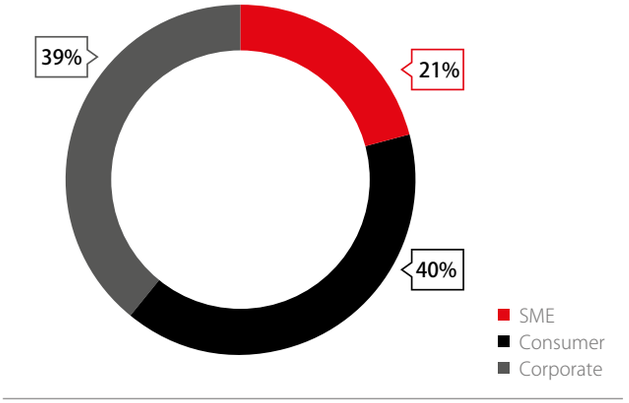
Over time, we have strategically moved from highly crowded to comparatively less contested spaces, which has helped us maintain our profitability. In practical terms, this is evident in the way we have recalibrated our portfolio mix over the years.

Profit After Tax

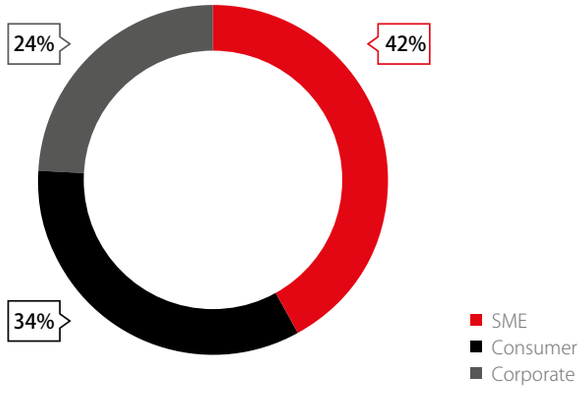
in BDT mn



Portfolio Composition - 2009



Portfolio Composition - 2018



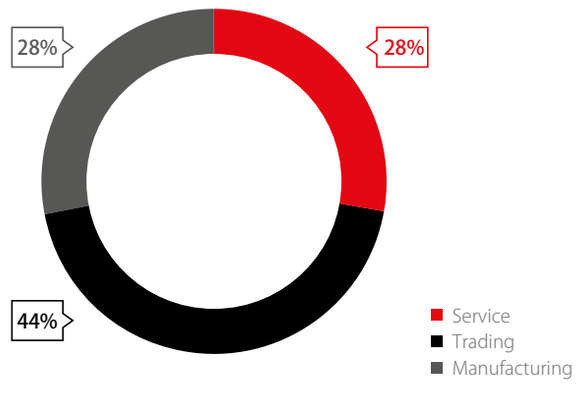
This strategy has been bringing us success, which is reflected in the 18.24% cumulative growth in net profit over the past 10 years.

During 2018, the standalone loan book of IDLC Finance Limited increased by 16.62% and now stands at BDT 82,410mn. A total of 5,803 new loan clients were booked during the year (5,947 in 2017). Yet our Net Interest Income grew by a meagre 3.18% to BDT 3,926mn as a consequence of tightening margins.

Our SME business

With constant upgradation in our operations model and risk management approach, we have achieved a 5-years cumulative growth of 19.33% in the SME segment, which currently accounts for 42.09% of our overall loan book. In spite of heavy competition, our SME loan book grew by 12.43% during the year and we currently serve 14,008 clients, up from 12,582 in the previous year. The loan book is diversified across different sectors; with 28.20%, 43.70%, and 28.10% over Manufacturing, Trading and Service sectors respectively.

SME Portfolio Composition



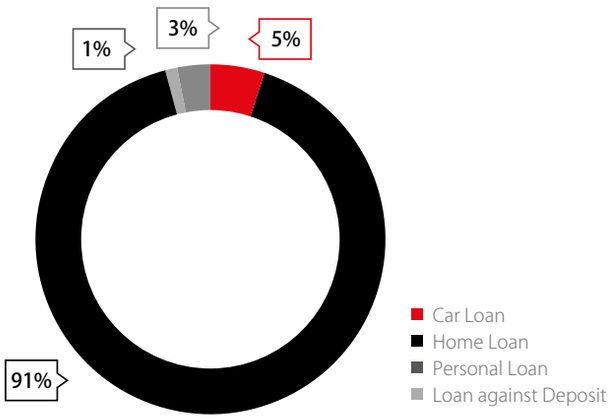
With increasing competitive pressure in this segment, we have set in motion the necessary initiatives to dive into a more granular level, with the objective of tapping into the immense opportunity in lower ticket SME segments. Our approach in this endeavor will be process-centric and technology-driven, from acquisition to credit underwriting; the top-priority being on scalability and risk management.

In-depth business segment review followed by our assessment of industry trends and business outlook for SME has been provided in page no. 111 and following pages.

Our Consumer business

Over the years, our consumer portfolio has grown significantly which is reflected in the 5-years aggregated growth rate of 16.53%. The consumer portfolio - which comprises of Home Loans, Car Loans and Personal Loans - grew by 15.20% during 2018. Home loans, being the core driver of the consumer portfolio, currently holds 91.48% of the consumer loan book and grew by 17.12% during 2018.

Consumer Portfolio Composition



Going forward, we aim to improve our foothold beyond major cities even further. We as an organisation are a firm believer in the macro economic growth prospects of Bangladesh as a whole and the impact it will have in the financial inclusion throughout the country. We subscribe to the estimate that the middle class population of the country will reach 30mn by 2020 and there will be great demand from this segment for affordable housing. We are currently in the process of launching new Home Loan products aiming at this segment and to be distributed throughout the country facilitated by our vast branch network.

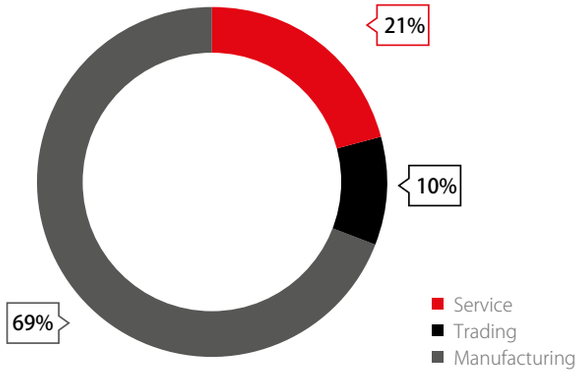
Looking ahead, we expect to improve services for our outstation clients (located beyond major cities) even further, focusing staunchly on reducing turnaround time through process improvements. In fact, we have already put in place a new business model for our Consumer Division that enables greater resource utilization through reducing procedure redundancies and restructuring process flows that have freed up our colleagues both at the frontline and support units to generate greater business.

In-depth business segment review followed by our assessment of industry trends and outlook for Consumer business has been provided in page no. 113 and following pages.

Our Corporate business

Our Corporate loan book has seen a cumulative growth rate of 14.27% and currently holds 24.15% of our loan portfolio. Amid a comparatively dry liquidity scenario in the market, our corporate division has posted a year on year growth of 37.88%. The portfolio is composed of a wide range of sectoral exposures; with Textile, Financial Services, Apparels & Accessories, Iron & Steel and Agro Based Industries comprising over 50% of the lending basket.

Corporate Portfolio Composition



Our corporate business, although constrained with higher cost of funds than some of the strongest banks, is equipped with an agile management team and the ability to customize loan structures to cater to the differentiated financing needs of our clients. However, given our limitations as an NBFI, we cannot participate in Trade Financing or foreign exchange transaction, and hence, we have focused our efforts more intensively on leasing, bridge financing, long term financing and opportunistic short term financing to address gaps in working capital. Going forward, our focus will be on acquisition of new business and ensuring portfolio stability by catering the corporate houses with cost effective financing facilities through refinancing. Having said that, our approach towards corporate lending will remain cautious and quality driven.

The two separate units, Structured Finance and Green Banking, has well complemented the performance of the corporate lending business. During the year the Structured Finance unit has successfully completed fund raising of BDT 11bn for two banks, BDT 490mn for a leading apparels company and arranged BDT 400mn long term facility for a reputed corporate house in the power sector. In 2019, the department aims to focus on new offerings such as quasi equity products, debt restricting and corporate advisory service for mergers and acquisitions.

Our Green Banking portfolio stands at BDT 648mn at the end 2018, with a cumulative disbursement of BDT 1,255mn. In 2019, we aim to strengthen our Green Banking unit further to re-emphasize our focus on environmental governance, besides leveraging on policies that incentivize environment-friendly projects and initiatives.

In-depth business segment review followed by our assessment of industry trends and outlook for Corporate business has been provided in page no. 115 and following pages.

Capital market verticals

Our wholly owned subsidiaries in the brokerage, investment banking and asset management fronts, enhance our ability to provide a comprehensive wealth management service basket to our clients.

IDLC Securities Ltd.

IDLC Securities Ltd. recorded an operating income of BDT 753mn and a net profit of BDT 366mn with a growth of -8.32% and -3.67% respectively. During 2018, our market share grew to 4.72% from 4.02% in the previous year. Our average daily turnover decreased by only 25.9%, whereas daily average turnover of the market decreased by 37% in 2018. IDLCSL moved up to 2nd Position in DSE in terms of turnover in 2018 from 5th Position in 2015 and 3rd position in 2017. Considering the market situation we managed to outperform many of our peers and deliver sustainable results. We aim to improve our market share with fundamental improvement in performance management, key resource retention, increased contribution from foreign & captive business and rise in our active customer base.

IDLC Investments Ltd.

Our merchant banking wing, IDLC Investments Limited's profit stood at BDT 180.04mn in 2018. Anticipating negative return of capital market during 2018, we prudently reduced our margin lending exposure to BDT 1,398.62mn, from BDT 1,977.95mn in 2017 to tackle the market volatility. Going forward, we will focus on new avenues of business particularly in advisory services, merger & acquisition and various equity related transactions while maintaining our position as the premium underwriter in the primary market. In 2018, we received the 'Euromoney Awards for Excellence 2018' as the 'Best Investment Bank in Bangladesh' in recognition of our outstanding performance in comparison to market peers, profitability and ability to offer and deliver innovative solutions to clients across a range of products and services.

IDLC Asset Management Ltd.

Our Asset Management wing, IDLC Asset Management Limited (IDLC AML) completed its third year of operation, securing a Net Profit after Tax of BDT 34.77mn in 2018. The company launched its second open end mutual fund, namely "IDLC Growth Fund" with an initial fund size of BDT 500mn in 2018. Total Asset under Management of the two mutual funds stood at BDT 1,100mn as of December 2018. This year, IDLC AML launched IDLC Systematic Investment Plan (IDLC SIP), a pioneering retail product that allows investors to make small ticket investments at regular intervals in IDLC Mutual Funds. We strongly believe that IDLC SIP will increase individual's inclusion to capital market as well as develop a long-term orientation among the retail investors. The asset management industry is still at a nascent stage with the total asset under management being merely 3.5% of the total market capitalization, offering immense potential for growth. We aim to be the largest contributor to the overall growth of the industry by offering customized investment products catering to investors' need as well as providing quality service with superior return and faster service.

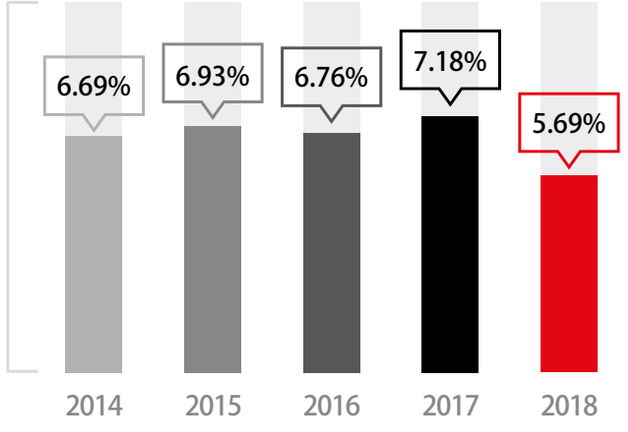
Discussion of Key Financial Matters

2018 has been one with a challenging operating environment, constrained margins, rising expenses and harsh capital market conditions. Nonetheless, we have managed to maintain our position in the market at the end of the year. The sections that follow contain in-depth financial analyses dissecting our performance.

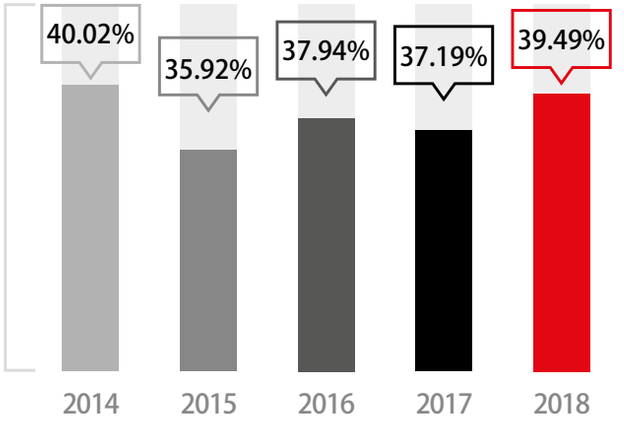
Du-Pont Analysis

Dupont	Description	2014	2015	2016	2017	2018
Net Interest Income	% of Avg Assets	5.28%	5.16%	4.89%	4.57%	4.12%
Non-Interest Income	% of Avg Assets	1.41%	1.77%	1.87%	2.61%	1.56%
Operating Income	**% of Avg Assets**	**6.69%**	**6.93%**	**6.76%**	**7.18%**	**5.69%**
Operating Expenses	% of Avg Assets	-2.68%	-2.49%	-2.57%	-2.67%	-2.25%
Cost/Income	% of Operating Income	40.02%	35.92%	37.94%	37.19%	39.49%
PBT&P	**% of Avg Assets**	**4.01%**	**4.44%**	**4.20%**	**4.51%**	**3.44%**
Provisions	% of Avg Assets	-0.01%	-0.47%	-0.20%	-0.27%	-0.39%
PBT	**% of Avg Assets**	**4.00%**	**3.97%**	**3.99%**	**4.24%**	**3.05%**
Tax Rate	% of PBT	-43.04%	-44.48%	-41.61%	-38.65%	-30.58%
Minorities	% of Avg Assets	0.00%	0.00%	0.00%	0.00%	0.00%
RoA	**Return on Avg. Assets**	**2.28%**	**2.20%**	**2.33%**	**2.60%**	**2.12%**
Assets/Equity	Avg. Assets/Avg. Equity	9.2	9.2	9.1	8.1	7.8
RoE	**Return on Avg. Equity**	**20.95%**	**20.39%**	**21.29%**	**21.15%**	**16.55%**

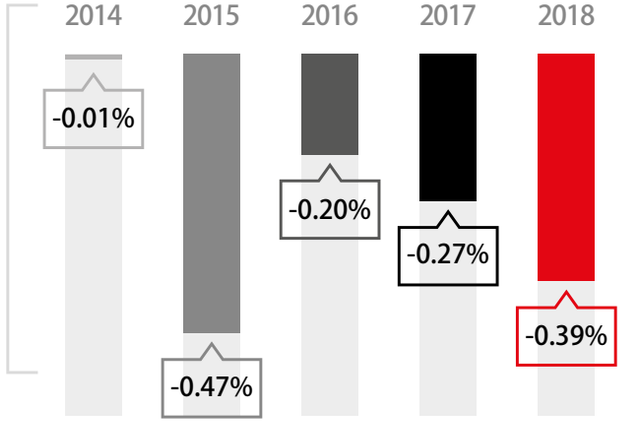
Operating Income as % of Avg. Assets



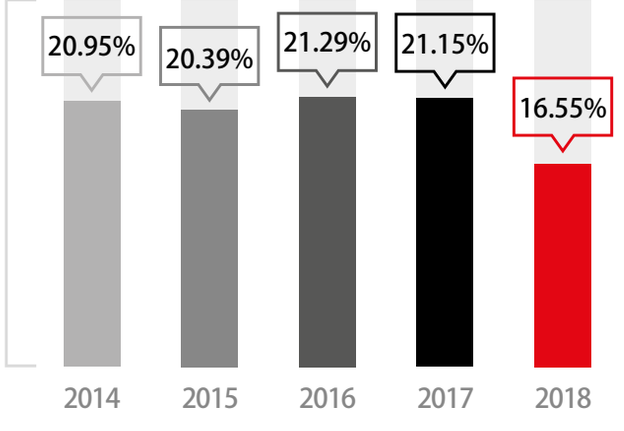
Cost to Income Ratio



Cost of Risk as % of Avg. Assets



Return on Equity



Although Net Interest Income rose by 5.71%, Operating Income declined owing to capital market operations and competitive pressures restricting Fee Income. This coupled with slight overstatement of average assets due to a significant growth during the last quarter, brought down Operating Income as % of Avg. Assets to 5.69% from 7.18% in the previous year. Cost/Income ratio also suffered despite a 1.53% decline in Operating Expenses.

Recent changes in stock prices have led to some unrealized losses, contributing to the provision for diminution expense impacting our Cost of Risk as % of Avg. Assets. Nonetheless, the holdings in the portfolio remain fundamentally strong and are expected to generate value in coming periods and aid in improving the RoE and RoA, which took a dip in 2018.

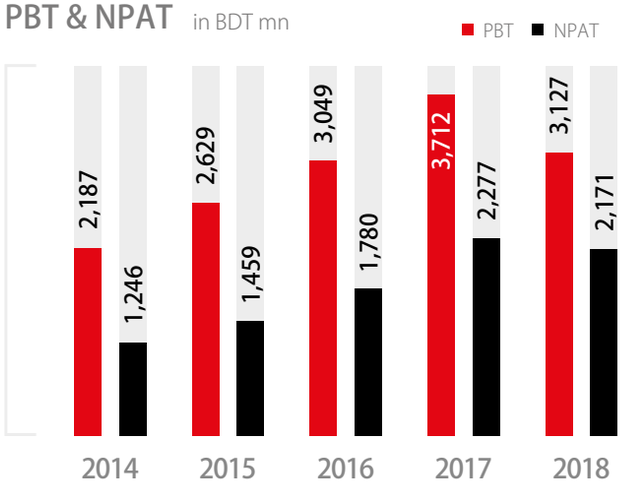
Summarized Income Statement

Amounts in BDT mn

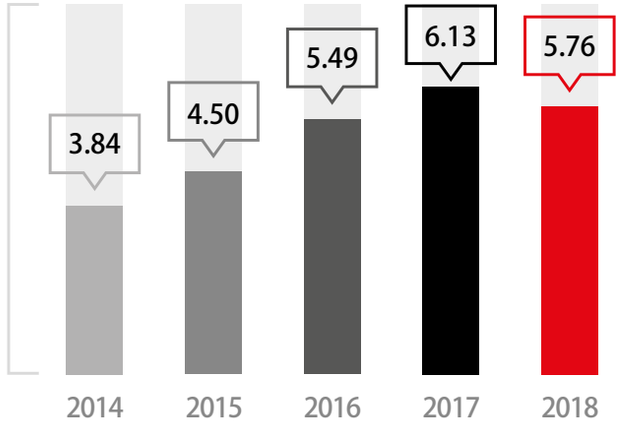
Details	2018	2017	Growth
Net interest income	4,223	3,995	5.71%
Fee Income	975	1,150	-15.21%
Operating expense	2,300	2,336	-1.53%
Provision	397	233	70.53%
Tax	956	1,435	-33.35%
Profit after tax	2,171	2,277	-4.66%

Profitability

PBT & NPAT in BDT mn



Earnings Per Share in BDT



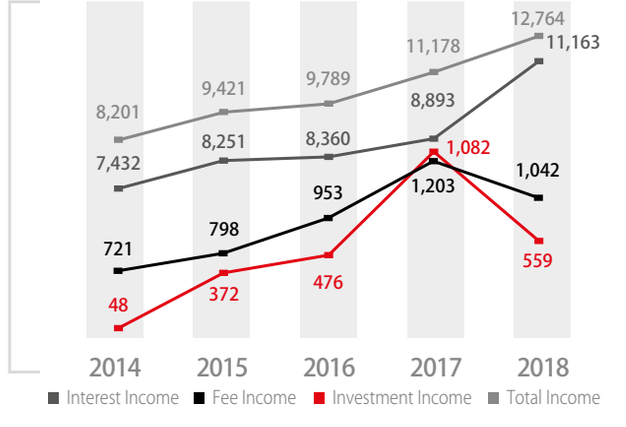
Our Total Income rose by 14.19% to reach BDT 12.76bn at the end of 2018. Conversely, our Operating Income (adj. for interest expense) dropped to BDT 5.82bn accounting for a de-growth of 7.26% compared to the previous year. Subsequently, our Earnings per Share depleted to BDT 5.76 from BDT 6.13 in the preceding year.

Interest Income saw a significant growth of 25.53% reaching BDT 11.16bn, on the back of a portfolio growth of 17.39%. However, Net Interest Income grew by a meagre 5.71% to BDT 4.22bn, consequent to a 41.69% growth in Interest Expense taking it to BDT 6.94bn.

Moreover, Investment Income fell to BDT 559.29mn, reflecting a de-growth of 48.33% subsequent to the slump in equity market return following a 14% (approx.) decline in DSE Index in 2018 coupled with extraordinary market conditions in 2017. However, our proprietary investments in fundamentally strong shares are expected to generate value in the coming periods.

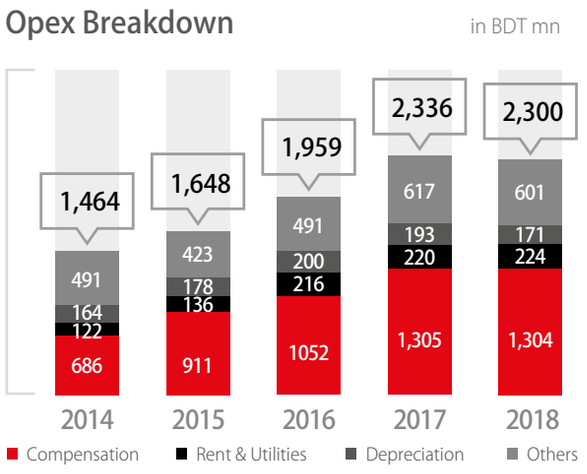
Fee Income stood at BDT 974.95mn at the end of the year, registering de-growth of 15.21%. It mainly resulted from a 28.59% decline in Brokerage fees over the year. There has also been a fall in Processing Fees and Service Charges despite increased disbursement, essentially due to a decline in fee rates across the industry, following directives issued by the regulators. Nonetheless, growth in disbursement volumes is expected to restrict further deterioration in fee income. Going forward, we will be concentrating on Structured Finance, Advisory Services and Investment Banking businesses for a sustainable source of Fee Income.

Income Breakdown



Expenses and Provisions

Our Operating Expense comprises of costs associated with compensation, premises rent & maintenance, technology and other expenses. In 2018, operating expenses were restricted to BDT 2.30bn following a decline of 1.53% from the previous year allowing us to retain the Cost to Income ratio below 40%.



Over the years, compensation expenses have taken up a comparatively larger share of our total Opex. In 2014, 47% of the total Operating Expenditure was comprised of compensation; while in 2018, it contributed 57%. Given HR related expenses takes the lion share of our Operating Expenses, a detailed rundown of our Human Resource accounting has been provided in Human Capital page no. 90. Nevertheless, some of the material changes in Operating Expenditure over the last year are discussed below.

Compensation

We have been able to restrict growth in our compensation expense owing to major process improvements and automations which allowed us to respond to turnovers with fewer replacements.

Depreciations & Other Operating Expense

In 2018, our Core Banking System completely depreciated, while still remaining fully functional leading to significant decline in our depreciation charges for the year. Apart from this, our companywide expenditures behind entertainment, travel and conveyance have been rationalized.

Advertisement & Promotions

We recorded a 22.07% growth (BDT 18.71mn) in promotional activities, owing to increased marketing expenditure to further enhance our brand recognition and customer recall.

Office Maintenance

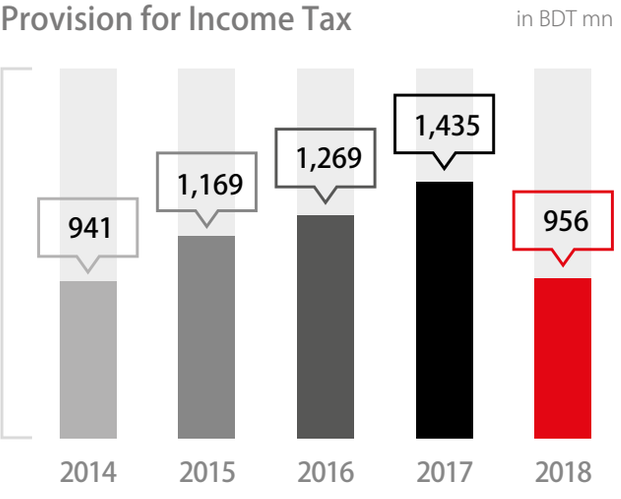
Expenses incurred in office maintenance increased by 4.93% (BDT 13.85mn) and stood at BDT 293.99mn for the year 2018. This was mainly due to added rent and utility expenses from 4 new branches which went operational during the last quarter of 2017. However, further increase is expected in office maintenance costs through yearly rent revisions for existing premises.

Provisions for Loans/Investments

Income Composition	2018	2017	% Chng
Increase in General Provision during the year	91	62	47.40%
Increase in Specific Provisions during the year	84	171	-50.87%
Increase in Provision for diminution in value of investments	222	-	100%
Total	**397**	**233**	**70.53%**

Provisions have been maintained for classified loans as per the provisioning policy by the Central Bank. Increase in provision in 2018 exceeded that of 2017 by BDT 164mn. The majority of the increase came from Provision for Diminution in Value of Investments arising from some unrealized capital market losses. The increase from General Provisioning is reflective of the 17.39% growth in Loan Portfolio. On the other hand, successful collection efforts and regularization of payments from a few large clients with temporary liquidity issues, restricted Specific Provision. A detailed picture of the increase/decrease in provisions has been provided in the note for provision page no. 260.

Provision for Income Tax

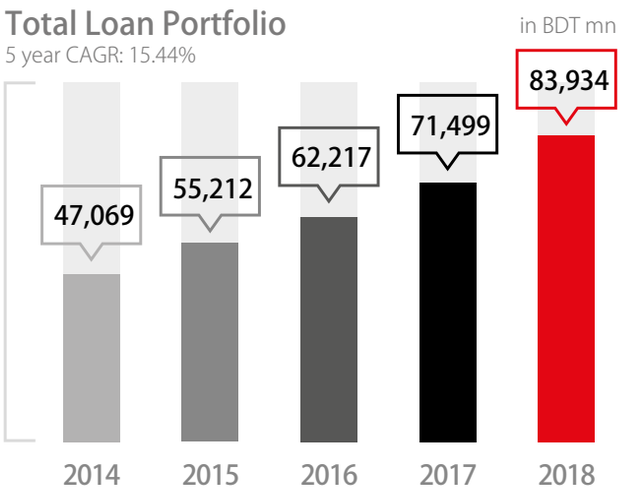


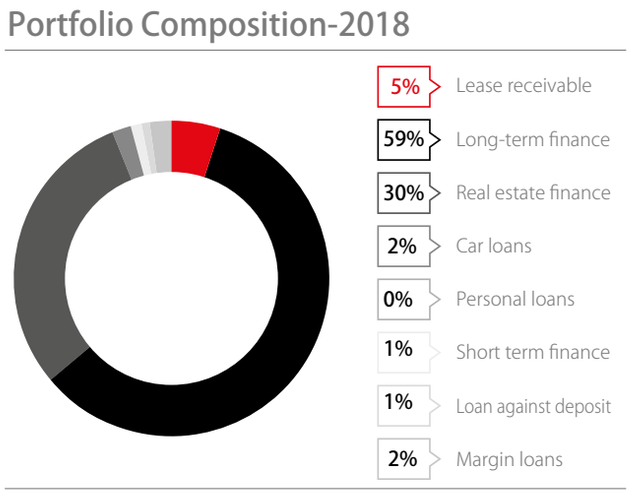
Our contribution to the government exchequer in the form of income tax took a dip, primarily as a consequence of tax rate revision from 40% to 37.5% in 2018, effective from 2017. Also, lower income generation in 2018 compared to the previous years, contributed to it; while some other adjustments of prior excess provisions have also come into effect.

In BDT mn

Summarized Balance Sheet	2018	2017
Assets:		
Cash and cash equivalent	16,236	14,728
Investment	7,300	7,923
Lending portfolio	83,934	71,499
Others	1,695	1,538
Liabilities:		
Deposit	72,713	62,092
Borrowing	12,496	11,400
Other liabilities	10,319	9,597
Equity	13,637	12,597

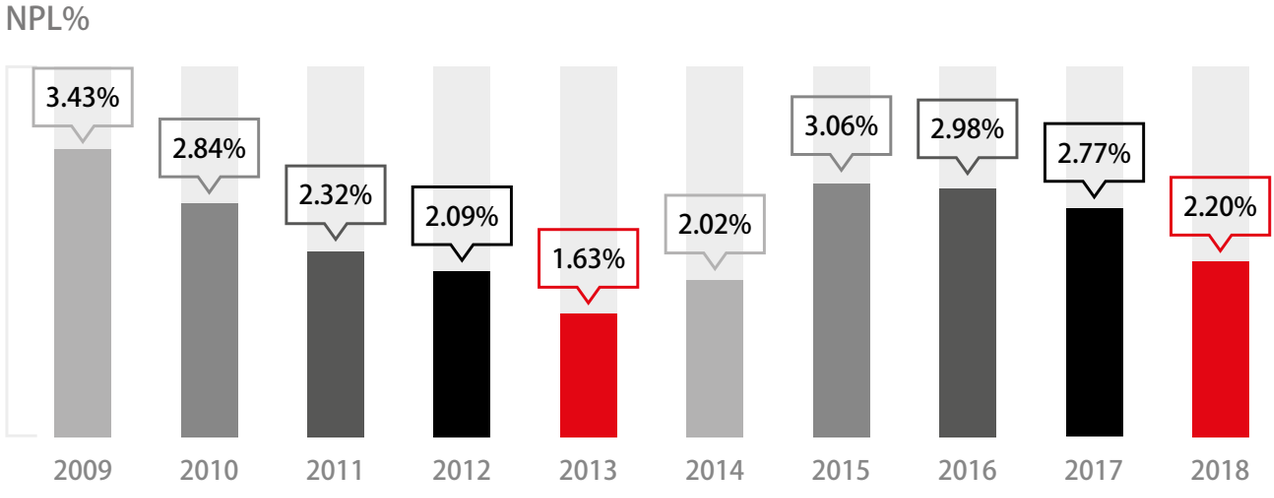
Lending Portfolio





Our core lending portfolio grew by 17.39% reaching BDT 83.93bn in 2018 from BDT 71.50bn in 2017. The growth in lending portfolio was majorly driven by Term Finance and Real Estate Finance. In fact, two major portions of the portfolio are made up of these categories, 59% and 30% respectively. 65% of our Term Finance portfolio is comprised of SME loans, while the other 35% is held by the Corporate division.

Non-Performing Loans (NPL)



Over the years, we have been able to bring down and maintain our non-performing loan ratio in spite of numerous shocks to the economy, indicative of the quality of our credit appraisal system and the credit risk management teams. Also, our provision coverage ratio (without considering the value of the collaterals held against the loans) moved up to 69% in 2018 from 57% in the previous year and cost of specific risk (incremental specific provision as a % of average portfolio) stayed low at 0.16% for the year 2018 compared to 0.26% in the preceding year.

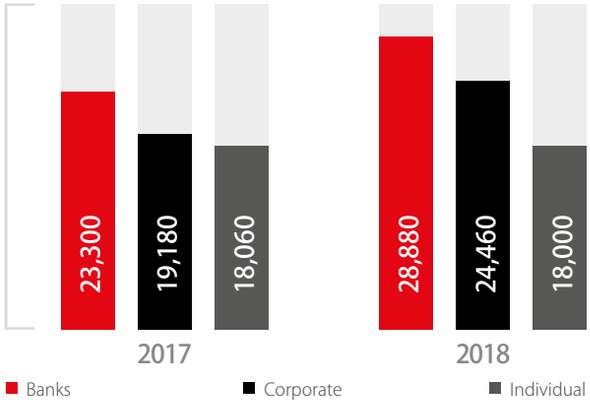
A detailed picture of the loan classifications can be found in the note for classification of loans, advances and leases in pg. 251.

Fund Size & Mix

Our funding base increased by 16.48% in 2018 and moved to BDT 83.60bn from BDT 71.77bn in the previous year, which is well matched with the 16.62% growth in the company's standalone lending portfolio. The growth was largely driven by Term Deposits – 85.33% of the funding basket - which amounted to BDT 70.26bn (17.38% growth) in 2018, adjusted for intercompany deposits.

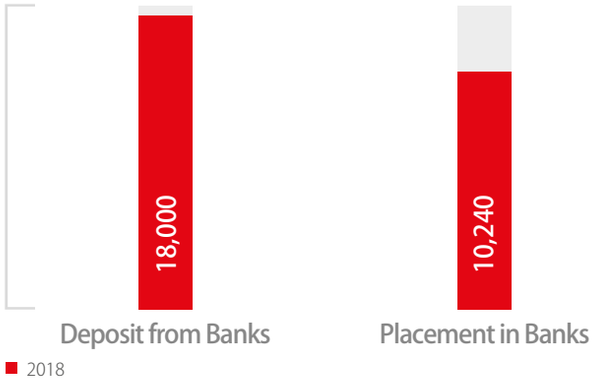
Term Deposit Sources

in BDT mn



Term Deposit from Banks vs. Placement in Banks

in BDT mn

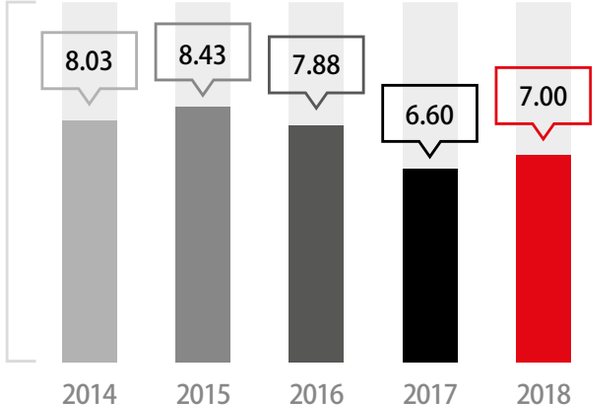


Our long-term strategy involves enhancing our customer deposit portfolio as a sustainable source of funds. There are 3 sources for our Term Deposits: Corporate, Individuals and Banks. In 2018, deposit growth rates from Institutions (excl. Banks) and Individuals have been 28% and 24% respectively, while our deposits with other Banks remained at the same level.

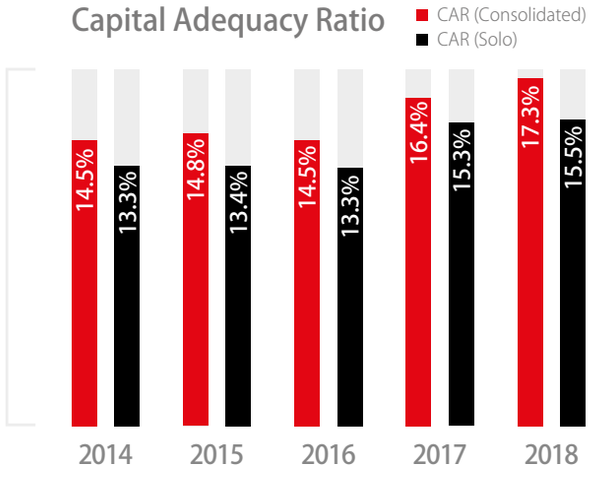
However, comparing the deposits from Banks with our placements in Banks, we had a net deposit from Banks amounting to BDT 776mn. This is only 0.93% of our funding base and 0.71% of our total balance sheet. Having such low level of dependency on bank deposits provides us insulations against any shocks in the money market scenario.

Debt to Equity Ratio & CAR

Debt to Equity Ratio (times)



Capital Adequacy Ratio



In 2017, our paid up share capital rose to BDT 3.77bn following issuance of Rights Share, which brought down the Debt to Equity ratio to 6.6 times and improved the Capital Adequacy Ratio taking it to 15.3% from 13.3% in the previous year. In 2018, our loan book has seen a growth of 17.39%, primarily funded through increased deposits. This resulted in a slightly higher debt to equity ratio, causing our Return on Equity to go through temporary sufferings. However, our Capital Adequacy Ratio rose to 15.5% despite the growth in loan assets, on the back of marked improvement in asset quality, which is manifested in the improved NPL ratio.

Cash Flow Analysis

In BDT mn

Particulars	2018	2017
A) Net cash flows from/(used in) operating activities	4,167	7,449
B) Net cash flows from/(used in) investing activities	583	(3,734)
C) Net cash flow from financing activities	(3,242)	(341)
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**1,508**	**3,375**
E) Cash and cash equivalents at beginning of the year	14,728	11,353
F) Cash and cash equivalents at end of the year (D+E)	**16,236**	**14,728**

Cash Flow from Operating Activities

In 2018, cash flow from operating activities before adjusting the changes in operating assets and liabilities increased by 1.52%, amounting to 5.85bn. It was BDT 5.77bn in the prior year. The growth primarily came from increased inflows of receipts from interest. Driven by a significant growth in our loan book followed by a decline in the growth rate of Term Deposits, net cash inflow from operating activities moved to BDT 4.17bn in 2018 from a net cash inflow of BDT 7.45bn in 2017.

Cash Flow from Investing Activities

The cash flow from investing activities increased to BDT 0.58bn in 2018 from BDT (3.73)bn in 2017, as a result of decrease in investments in marketable securities keeping to tackle market volatility.

Cash Flow from Financing Activities

The group obtained BDT 1.66bn from term loan, while it repaid BDT 3.77bn of its previously obtained loans. Cash outflow from financing activities in the previous year was significantly lower, following an inflow of BDT 2.51bn from issuance of rights share in 2017.

Overall Scenario

The cash and cash equivalent balance of the group rose to BDT 16.24bn in 2018 compared to BDT 14.73bn in 2017 - the major driver being the net cash flows from operating activities of BDT 4.17bn.

Key Operating and Financial Highlights

IDLC Group

in BDT million

Financial Performance	2014	2015	2016	2017	2018	5 years CAGR (%)
Total assets	58,927	73,434	79,311	95,687	109,166	16.70%
Long term liabilities	51,371	64,154	68,931	81,548	93,858	16.39%
Term deposit balance	35,240	46,039	47,475	59,854	70,258	19.31%
Loans & advances	47,069	55,212	62,217	71,499	83,934	15.44%

Operational Performance	2014	2015	2016	2017	2018	5 years CAGR (%)
Operational income	3,658	4,588	5,164	6,280	5,824	16.10%
Operational expenses	1,464	1,648	1,959	2,336	2,300	13.09%
Financial expenses	4,543	4,833	4,625	4,898	6,940	10.90%
Operating Profit	2,194	2,940	3,205	3,945	3,524	18.35%
Profit before tax	2,187	2,629	3,049	3,712	3,127	18.73%
Net profit after tax	1,246	1,459	1,780	2,277	2,171	26.53%

Financial Ratios	2014	2015	2016	2017	2018	Growth %
Debt equity ratio (Times)	8.03	8.43	7.88	6.60	7.00	0.41
Average effective tax rate (%)	43.04	44.48	41.61	38.65	30.58	(8.07)
Financial expenses coverage ratio (Times)	1.48	1.54	1.66	1.76	1.45	(0.31)
Return on total assets (%)	2.28	2.20	2.33	2.60	2.12	(0.48)
Return on shareholders' equity (%)	20.95	20.39	21.29	21.15	16.55	(4.60)
Earnings per share*	3.84	4.50	5.49	6.13	5.76	(0.37)
Price earnings ratio (Times)	12.06	10.96	8.05	13.91	12.11	(1.81)
Net interest income as a percentage (%) of working funds	6.56	6.68	6.36	5.98	5.43	(0.54)
Operating Profit as percentage (%) of working fund	4.99	5.75	5.46	5.90	4.53	(1.37)

Equity Statistics	2014	2015	2016	2017	2018	5 years CAGR (%)
Number of shares outstanding (No.)	201,093,750	251,367,187	251,367,187	377,050,780	377,050,780	18.57%
Year end market price per share (BDT)	74.70	63.60	57.00	85.30	69.70	2.07%
Net asset value per share (BDT)	17.31	20.65	23.70	33.41	36.17	20.52%
Market capitalization (BDT in Million)	15,022	15,987	14,328	32,162	26,280	21.03%
Market value addition (BDT)	42.24	32.63	21.44	51.89	33.53	2.55%
Shareholders' equity (BDT in Million)	6,528	7,786	8,938	12,597	13,637	20.52%

**Earning per share is required to be calculated based on adjustment factor (TERP), as there was issuance of right issue during 2017.*

Key Operating and Financial Highlights

IDLC Finance Limited

in BDT million

Financial Performance	2014	2015	2016	2017	2018	5 years CAGR (%)
Lease and Term loans disbursed	17,473	22,140	29,807	35,511	39,400	18.45%
Housing finance disbursement	5,896	5,954	5,646	7,893	7,649	11.59%
Short term finance portfolio	735	1,079	845	778	906	8.45%
Lease Finance	6,282	6,016	4,950	4,629	4,277	-7.62%
Real estate finance assets	14,822	17,206	18,108	21,462	25,131	17.61%
Total assets	57,160	71,769	76,505	92,611	105,182	16.73%
Long term liabilities	50,471	63,591	67,446	80,540	92,554	16.63%
Term deposit balance	35,241	46,174	47,564	60,538	71,338	19.59%
Net current assets	2,778	5,924	5,031	6,580	5,111	13.77%

Operational Performance	2014	2015	2016	2017	2018	5 years CAGR (%)
Operational income	3,326	3,961	4,433	4,801	4,705	12.83%
Operational expenses	1,237	1,394	1,679	1,934	1,913	13.38%
Financial expenses	4,530	4,827	4,625	4,902	7,016	11.19%
Profit before tax	2,029	2,276	2,581	2,639	2,426	11.53%
Net profit after tax	1,154	1,244	1,496	1,582	1,591	14.42%

Financial Ratios	2014	2015	2016	2017	2018	Growth %
Debt equity ratio (Times)	9.04	9.65	9.06	7.76	8.54	0.77
Average effective tax rate (%)	43.15	45.34	42.02	40.05	34.43	-5.62%
Financial expenses coverage ratio (Times)	1.45	1.47	1.56	1.54	1.35	(0.19)
Current ratio (Times)	1.13:1	1.22:1	1.17:1	1.18:1	1.12:1	(0.06)
Return on total assets (%)	2.18	1.93	2.02	1.87	1.61	(0.26)
Non performing loan ratio (%)	2.02	3.06	2.98	2.77	2.20	(0.57)
Return on shareholders' equity (%)	22.37	20.01	20.87	17.41	14.73	(2.68)
Earnings per share*	3.56	3.84	4.62	4.26	4.22	(0.04)
Dividend per share	3.50	2.50	3.00	3.00	3.50	0.50
Dividend yield (%)	4.69	3.93	5.26	3.52	5.02	1.50
Dividend payout ratio (%)	76.27	50.52	75.59	71.50	82.96	11.47
Shareholders' equity (BDT Million)	5,694	6,737	7,605	10,569	11,029	4.35%
Net interest income as a percentage (%) of working funds	6.78	6.44	6.14	5.77	5.13	(0.64)
Operating Profit as percentage (%) of working fund	4.97	5.18	4.79	4.35	3.65	(0.70)

**Earning per share is required to be calculated based on adjustment factor (TERP), as there was issuance of right issue during 2017.*

Horizontal Analysis

Consolidated Balance Sheet as at December 31 (For last five years)

	2018	2017	2016	2015	2014
PROPERTY AND ASSETS					
Cash					
In hand (including foreign currencies)	137%	122%	119%	116%	100%
Balance with Bangladesh Bank and its agent (including foreign currencies)	352%	150%	134%	122%	100%
	352%	**150%**	**134%**	**122%**	**100%**
Balance with other banks and financial institutions					
Inside Bangladesh	188%	188%	143%	173%	100%
Outside Bangladesh					
	188%	**188%**	**143%**	**173%**	**100%**
Money at call and short notice					
Investments					
Government	0%	0%	0%	100%	100%
Others	313%	339%	186%	132%	100%
	277%	**301%**	**165%**	**129%**	**100%**
Loans and advances					
Loans, cash credit, overdraft etc.	178%	152%	132%	117%	100%
Bills purchased and discounted					
	178%	**152%**	**132%**	**117%**	**100%**
Fixed assets including land, building, furniture and fixtures	145%	174%	172%	141%	100%
Other assets	134%	102%	86%	100%	100%
Non-banking assets					
Total Assets	**185%**	**162%**	**135%**	**125%**	**100%**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	**136%**	**124%**	**137%**	**115%**	**100%**
Deposits and other accounts					
Current accounts and other accounts etc.					
Bills payable					
Savings bank deposits					
Term deposits	199%	170%	135%	131%	100%
Bearer certificate of deposits					
Other deposits	181%	165%	137%	117%	100%
	199%	**170%**	**135%**	**130%**	**100%**
Other liabilities	**156%**	**145%**	**128%**	**113%**	**100%**
Total Liabilities	**182%**	**159%**	**134%**	**125%**	**100%**
Capital/Shareholders' equity					
Paid-up capital	187%	187%	125%	125%	100%
Share premium	33616%	33616%	100%	100%	100%
Statutory reserves	196%	170%	144%	120%	100%
General reserves	100%	100%	100%	100%	100%
Dividend equalisation reserves	100%	100%	100%	100%	100%
Retained earnings	230%	198%	161%	123%	100%
Total Equity attributable to equity holders of the company	**209%**	**193%**	**137%**	**119%**	**100%**
Non-controlling interest	**162%**	**154%**	**122%**	**111%**	**100%**
Total Liabilities and Shareholders' equity	**185%**	**162%**	**135%**	**125%**	**100%**

Horizontal Analysis

Consolidated Profit and Loss Account (For last five years)

	2018	2017	2016	2015	2014
Interest income	150%	120%	112%	111%	100%
Interest on deposits and borrowings etc.	153%	108%	102%	106%	100%
Net interest income	**146%**	**138%**	**129%**	**118%**	**100%**
Investment income	1156%	2238%	984%	769%	100%
Commission, exchange and brokerage	166%	210%	123%	99%	100%
Other operating income	123%	124%	142%	122%	100%
Total operating income	**159%**	**172%**	**141%**	**125%**	**100%**
Salaries and allowances	172%	173%	139%	120%	100%
Rent, taxes, insurance, electricity etc.	184%	181%	177%	111%	100%
Legal expenses	160%	300%	216%	187%	100%
Postage, stamp, telecommunication etc.	114%	111%	100%	103%	100%
Stationery, printing, advertisements etc.	148%	121%	89%	75%	100%
Managing Director's salary and benefits	91%	80%	68%	88%	100%
Directors' fees	189%	202%	165%	124%	100%
Auditors' fees	412%	198%	144%	100%	100%
Charges on loan losses					
Depreciation and repair of Company's assets	104%	118%	122%	108%	100%
Other expenses	146%	161%	130%	111%	100%
Total operating expenses	**157%**	**160%**	**134%**	**113%**	**100%**
Profit before provision	**161%**	**180%**	**146%**	**134%**	**100%**
Provision for loans and investments					
General provision	203%	137%	108%	109%	100%
Specific provision	-152%	-309%	-303%	-499%	100%
Provision for diminution in value of investments	1242%	0%	-339%	-76%	100%
Other provisions					
Total provision	**5259%**	**3084%**	**2064%**	**4128%**	**100%**
Total profit before taxation	**143%**	**170%**	**139%**	**120%**	**100%**
Provision for taxation					
Current tax expense	102%	151%	132%	122%	100%
Deferred tax income	143%	72%	6%	13%	100%
	102%	152%	135%	124%	100%
Net profit after taxation	**174%**	**183%**	**143%**	**117%**	**100%**
Earnings Per Share (EPS)	**116%**	**124%**	**111%**	**117%**	**100%**

Vertical Analysis

Consolidated Balance Sheet as at December 31 (For last five years)

	2018	2017	2016	2015	2014
PROPERTY AND ASSETS					
Cash					
In hand (including foreign currencies)	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank and its agent (including foreign currencies)	2.35%	1.15%	1.23%	1.21%	1.24%
	2.35%	**1.15%**	**1.23%**	**1.21%**	**1.24%**
Balance with other banks and financial institutions					
Inside Bangladesh	12.52%	14.25%	13.08%	17.08%	12.31%
Outside Bangladesh					
	12.52%	**14.25%**	**13.08%**	**17.08%**	**12.31%**
Money at call and short notice					
Investments					
Government	0.00%	0.00%	0.00%	0.41%	0.51%
Others	6.69%	8.28%	5.48%	4.21%	3.96%
	6.69%	**8.28%**	**5.48%**	**4.62%**	**4.47%**
Loans and advances					
Loans, cash credit, overdraft etc.	76.89%	74.72%	78.45%	75.19%	79.88%
Bills purchased and discounted					
	76.89%	**74.72%**	**78.45%**	**75.19%**	**79.88%**
Fixed assets including land, building, furniture and fixtures	0.51%	0.69%	0.82%	0.73%	0.65%
Other assets	1.05%	0.91%	0.93%	1.17%	1.45%
Non-banking assets					
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	**11.45%**	**11.91%**	**15.84%**	**14.42%**	**15.61%**
Deposits and other accounts					
Current accounts and other accounts etc.					
Bills payable					
Savings bank deposits					
Term deposits	64.36%	62.55%	59.86%	62.69%	59.80%
Bearer certificate of deposits					
Other deposits	2.25%	2.34%	2.33%	2.16%	2.30%
	66.61%	**64.89%**	**62.19%**	**64.85%**	**62.10%**
Other liabilities	**9.45%**	**10.03%**	**10.70%**	**10.13%**	**11.21%**
Total Liabilities	**87.51%**	**86.83%**	**88.73%**	**89.40%**	**88.92%**
Capital/Shareholders' equity					
Paid-up capital	3.45%	3.94%	3.17%	3.42%	3.41%
Share premium	1.15%	1.32%	0.00%	0.01%	0.01%
Statutory reserves	2.21%	2.19%	2.25%	2.02%	2.09%
General reserves	0.92%	1.05%	1.26%	1.36%	1.70%
Dividend equalisation reserves	0.04%	0.05%	0.06%	0.06%	0.08%
Retained earnings	4.71%	4.62%	4.53%	3.73%	3.79%
Total Equity attributable to equity holders of the company	**12.49%**	**13.17%**	**11.27%**	**10.60%**	**11.08%**
Non-controlling interest	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total Liabilities and Shareholders' equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Vertical Analysis

Consolidated Profit and Loss Account (For last five years)

	2018	2017	2016	2015	2014
Interest income	87.45%	79.55%	85.40%	87.58%	90.62%
Interest on deposits and borrowings etc.	54.37%	43.82%	47.25%	51.30%	55.40%
Net interest income	**33.08%**	**35.74%**	**38.15%**	**36.28%**	**35.23%**
Investment income	4.38%	9.68%	4.86%	3.95%	0.59%
Commission, exchange and brokerage	4.68%	6.76%	4.51%	3.79%	4.38%
Other operating income	3.49%	4.01%	5.23%	4.68%	4.41%
Total operating income	**45.63%**	**56.18%**	**52.75%**	**48.70%**	**44.60%**
Salaries and allowances	10.12%	11.59%	10.66%	9.54%	9.14%
Rent, taxes, insurance, electricity etc.	1.76%	1.97%	2.21%	1.44%	1.48%
Legal expenses	0.11%	0.23%	0.19%	0.17%	0.11%
Postage, stamp, telecommunication etc.	0.31%	0.34%	0.35%	0.37%	0.42%
Stationery, printing, advertisements etc.	1.34%	1.25%	1.05%	0.91%	1.40%
Managing Director's salary and benefits	0.09%	0.09%	0.09%	0.12%	0.16%
Directors' fees	0.02%	0.02%	0.02%	0.01%	0.01%
Auditors' fees	0.02%	0.01%	0.01%	0.01%	0.01%
Charges on loan losses					
Depreciation and repair of Company's assets	1.34%	1.73%	2.04%	1.89%	2.00%
Other expenses	2.92%	3.67%	3.40%	3.02%	3.11%
Total operating expenses	**18.02%**	**20.90%**	**20.01%**	**17.49%**	**17.85%**
Profit before provision	**27.61%**	**35.29%**	**32.74%**	**31.21%**	**26.75%**
Provision for loans and investments					
General provision	0.71%	0.55%	0.50%	0.52%	0.55%
Specific provision	0.66%	1.53%	1.71%	2.93%	-0.67%
Provision for diminution in value of investments	1.74%	0.00%	-0.62%	-0.14%	0.22%
Other provisions					
Total provision	**3.11%**	**2.08%**	**1.59%**	**3.31%**	**0.09%**
Total profit before taxation	**24.50%**	**33.21%**	**31.15%**	**27.90%**	**26.66%**
Provision for taxation					
Current tax expense	7.70%	12.95%	12.97%	12.44%	11.70%
Deferred tax income	-0.21%	-0.12%	-0.01%	-0.02%	-0.23%
	7.49%	12.83%	12.96%	12.41%	11.47%
Net profit after taxation	**17.01%**	**20.37%**	**18.19%**	**15.49%**	**15.19%**
Earnings Per Share (EPS)	**0.05%**	**0.05%**	**0.06%**	**0.06%**	**0.05%**

Highlights as Required by Bangladesh Bank

IDLC Finance Limited as on December 31, 2018

Sl no.	Particulars		2018	2017
1	Paid-up capital	in BDT Million	3,771	3,771
2	Total capital (eligible)	in BDT Million	11,665	11,098
3	Surplus/(shortage) capital	in BDT Million	4,122	3,843
4	Total assets	in BDT Million	105,182	92,611
5	Total deposits	in BDT Million	73,793	62,777
6	Total loans, advances and leases	in BDT Million	82,410	70,666
7	Total contingent liabilities and commitments	in BDT Million	2,537	2,026
8	Loans to deposit ratio (total loans/total deposits)	%	1.12	1.13
9	% of classified loans against total loans	%	2.20	2.77
10	Profit after tax and provision	in BDT Million	1,591	1,582
11	Classified loans, advances and leases during the year	in BDT Million	1,814	1,954
12	Provisions kept against classified loans, advances and leases	in BDT Million	119	171
13	Provision surplus / (deficit) against classified loans, advances and leases	in BDT Million	-	-
14	Cost of fund	%	8.54	7.05
15	Interest earning assets	in BDT Million	100,265	87,652
16	Non-interest earning assets	in BDT Million	4,917	4,959
17	Return on investment (ROI)	%	2.00	2.30
18	Return on assets (ROA)	%	1.61	1.87
19	Income from investment	in BDT Million	297	517
20	Operating profit per share	in BDT	7.41	7.60
21	Earnings per share	in BDT	4.22	4.26
22	Price earning ratio	Times	16.52	20.02

Value Added Statement

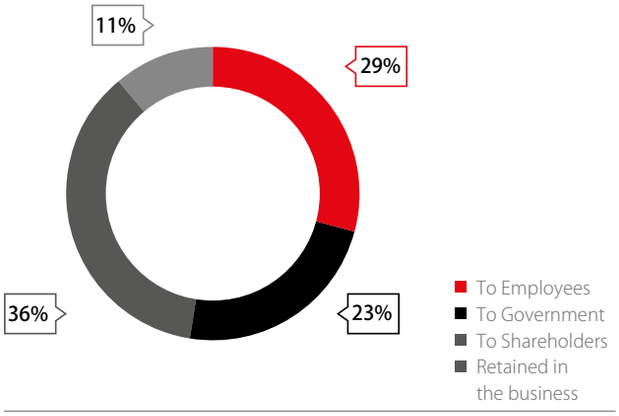
for the year ended December 31, 2018

Value added is the wealth created by IDLC through extending lease financing, short-term finance (factoring of accounts receivable and work order financing), housing finance, merchant banking and corporate finance.

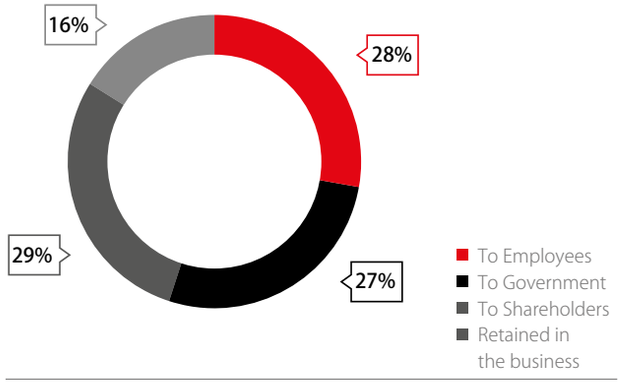
The Value Added Statement shows the total worth created and how it was distributed to meet certain obligation and the portion retained for the continued operation and expansion of the Company.

	Dec 31, 2018 in BDT million	%	Dec 31, 2017 in BDT million	%
Value added				
Operating revenue	11,284		9,266	
Cost of borrowing	(7,016)		(4,902)	
	4,268		4,364	
Other income	437		438	
	4,705		4,801	
Provisions	(366)		(228)	
Operating expenses excluding staff costs and depreciation.	(710)		(726)	
Value added	**3,629**	**100%**	**3,847**	**100%**
Distribution of value addition				
To Employees as remuneration	1,065	29%	1,062	28%
To Government as taxes	835	23%	1,057	27%
To Shareholders as stock dividend (cash and stock)	1,320	36%	1,131	29%
Retained in the business	409	11%	597	16%
as capital and revenue reserve	271	7%	451	12%
as depreciation	138	4%	146	4%
	3,629	100%	3,847	100%
Number of employees	1,150		1,137	
Value added per employee	3.16		3.38	

2018



2017



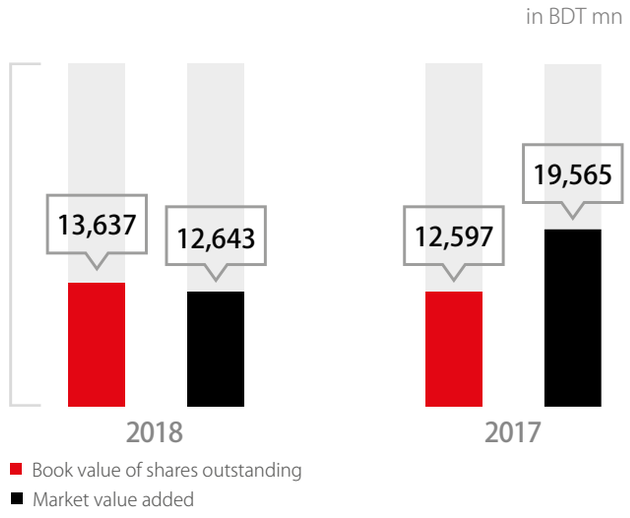
Market Value Added (MVA) Statement

Market value added statement reflects the Company's performance evaluated by the market through the share price of the company. This statement shows the difference between the market value of a company and the capital contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

The higher MVA is the better indication. A high MVA indicates the company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value of the capital contributed to the company by the capital market (or that wealth and value have been destroyed).

The following statement shows how the MVA has been calculated for the year ended December 31, 2018 and 2017:

	in BDT Million	
	2018	2017
Market value of shares outstanding	26,280	32,162
Book value of shares outstanding	13,637	12,597
Market value added	**12,643**	**19,565**



Economic Value Added (EVA) Statement

Economic Value-Added is the surplus generated by an entity after meeting an equitable charge towards providers of capital. It is the post-tax return on capital employed (adjusted for the tax shield on debt) less the cost of capital employed. Companies which earn higher returns than cost of capital create value, and companies which earn lower returns than cost of capital are deemed harmful for shareholder value.

The aim of EVA is to provide management with a measure of their success in increasing shareholder's wealth: a better measure than profit of how much the company had made for shareholders.

EVA has been calculated by the following formula:

EVA = Net Operating Profit – Taxes – Cost of Capital

	in BDT Million	
	2018	2017
Net operating profit	2,792	2,867
Provision for taxes	(835)	(1,057)
Net operating profit after tax (NOPAT)	**1,957**	**1,810**
Charges for capital		
Capital employed	11,976	10,180
Cost of equity (%)*	10.44%	10.34%
Capital charge	1,250	1,053
Economic Value added	**707**	**758**
Capital employed as on December 31		
Shareholders' equity	11,029	10,569
Accumulated provision for doubtful accounts and future losses	1,248	1,105
Average shareholders' equity**	**11,976**	**10,180**

* Cost of equity reflects shareholders' expected return. Ultimately, this is the opportunity cost for shareholders for investing their funds in the company. Interest on 20 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

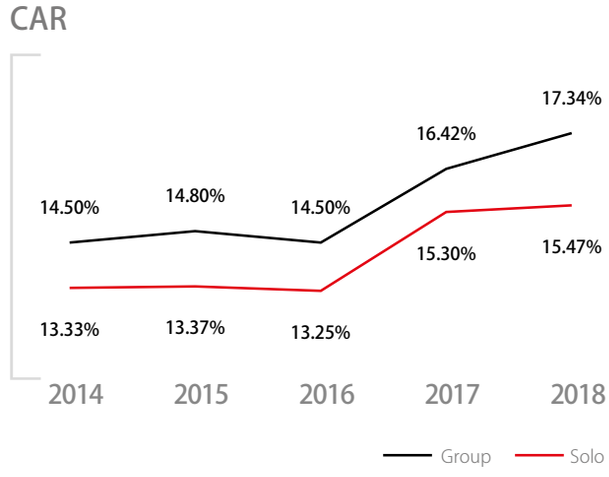
** Average shareholders equity has been derived from average of current year and previous years.

Capital Adequacy Ratio

As per Bangladesh Bank Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions, Financial Institutions (FIs) are required to maintain a minimum capital adequacy ratio of 10%. At the end of 2018, capital adequacy ratio of the group stood at 17.34%.

in BDT million

	IDLC Group	IDLC Finance
Tier I: Core Capital	**13,637**	**11,029**
Paid-up capital	3,771	3,771
Share premium	1,261	1,261
Statutory reserves	2,417	2,417
General reserves	1,000	1,000
Dividend equalization reserves	47	47
Retained earnings	5,143	2,534
Non-controlling interest	0.003	-
Tier II: Supplementary Capital	**638**	**636**
General Provision	638	636
Total eligible capital	**14,275**	**11,665**
Total risk weighted assets	**82,339**	**75,421**
Capital Adequacy Ratio (%)	**17.34**	**15.47**



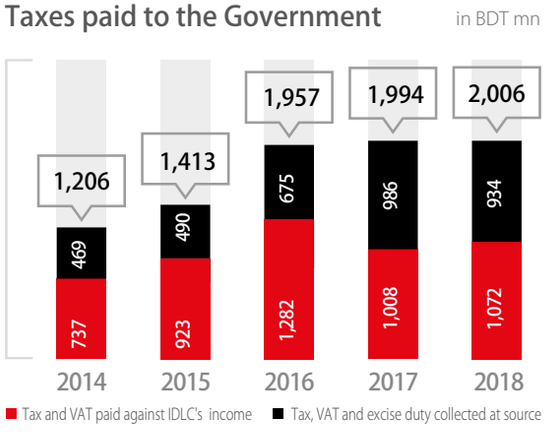
Contribution to the National Economy

IDLC is considered to be one of the major contributors in the economy of Bangladesh both in monetary and non-monetary terms. IDLC was established in 1985 as the first leasing company in the country and with its pioneering role has established and popularized lease finance as an alternative and secured source of long term finance. IDLC is the largest employer, financial service provider and taxpayer among the non-banking financial institutions in the country. Some of our specific contributions to the national economy are highlighted below:

Taxes to Government

In 2018, IDLC deposited BDT 1,007 million to the Government exchequer as corporate income tax and BDT 65 million as VAT against fee income; totaling to BDT 1,072 million paid as Tax and VAT against the income earned by IDLC. Also, BDT 934 million was collected and deposited to the Government exchequer as withholding tax (BDT 828 million), withholding VAT (BDT 51 million) and excise duty (BDT 55 million).

Notably, we received the prestigious accolade of being the Highest Tax Payer in the Financial Services Sector for the fiscal year 2017-2018, for our contribution to the Government Exchequer, on the back of our profound governance culture.



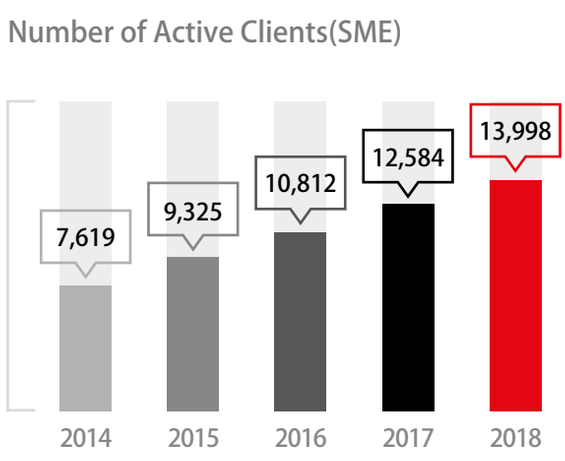
Employment generation

We create economic impact by creating employment and giving appropriate training to the employees. As on December 31, 2018, IDLC Group accounts for 1,336 talented employees, due to a recruitment of 105 employees during the year. During 2018, the group paid BDT 1,291.79 million as salaries and allowances to its employees and spent BDT 17.63 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we continued to catalyze our lending to small and medium enterprises (SME), thereby helping accelerate both direct and indirect job creation.

Focus on SME Financing

SMEs are the key drivers of any economy, while narrowing income inequality and supporting poverty alleviation. According to economic census 2013, there are 7.1 million Cottage, Micro, Small, and Medium Enterprises (CMSMEs) in Bangladesh, making up 75% of the domestic economy, while accounting for 80% of industrial employment and 25% of the total workforce. Under this milieu, IDLC initiated SME financing back in 2006 and is one of the leading financial service providers to small businesses in Bangladesh. Today it comprises more than 42% of the total customer lending of IDLC. IDLC SME Division is also committed to the development of women entrepreneurs across the country by extending Women Entrepreneur Loans and nonfinancial services for women through IDLC Purnota. Besides, IDLC SME Division has increased its focus to serve the micro enterprises and has invested heavily on technological development to cater to the micro enterprises.

The growth story of IDLC SME Division is well represented by the increasing trend of active SME clientele, as depicted in the graph, which highlights a 16% rise in number of clients to 13,998 in 2018, which was 12,584 in 2017.



Environment friendly technologies

Sustainable economic growth and a healthy environment are interlinked. Keeping this in mind, IDLC is also offering 52 products under green financing umbrella covering the sectors like Renewable Energy, Waste Management, Non Fire Block Brick, Auto Brick Kiln, Green Industry, Fire & Safety measures, Industrial Energy Efficiency, Recycling Industry etc. In the year 2018, IDLC have managed to disburse as much as BDT 80 million under Green Financing umbrella; leading to a healthy portfolio of BDT 648 million as of 31 December 2018. The increase indicates IDLC's drive towards sustainability.

Details of Green Banking initiative are enunciated in the segment on 'Green banking', in page no. 118.

Supporting community through various CSR activities

At IDLC, commitment to social welfare and community has been part of its corporate culture, and IDLC is much reputed for its contributions towards environmental and community development. We support economic growth by investing in programs that enable economic development with a social purpose. With the aid of our one-of-a-kind 'Khushir Kheya' platform, we have extended our reach towards social and economic development by leaps and bounds, as we engage members of the community in various social development initiatives that further enhances our effort towards ensuring a sustainable economy. Details of our activities in this area has been discussed on pg no. 104 in section Expanding on Our Social & Relationship Capital'.

Human Capital

Our Human Capital

Our human capital consists of our employees as well as their health and well-being, their expertise, their experience, their innovative capacity and their motivation

Creating Value

Our human capital creates value through their passion, dedication and commitment in reaching the objective of the organisation.

MATERIAL ASPECTS

- Talent & Career Development
- Rewards and Compensation
- Employee Well-being
- Working Environment
- Employee Productivity

HIGHLIGHTS

- Implemented Online Performance Appraisal System
- Introduced the E-learning modules
- Revamped recruitment process and trained interviewers. Reduced usage of paper during interviews
- 196 Trainings Conducted
- Voluntary attrition rate dropped to 11%

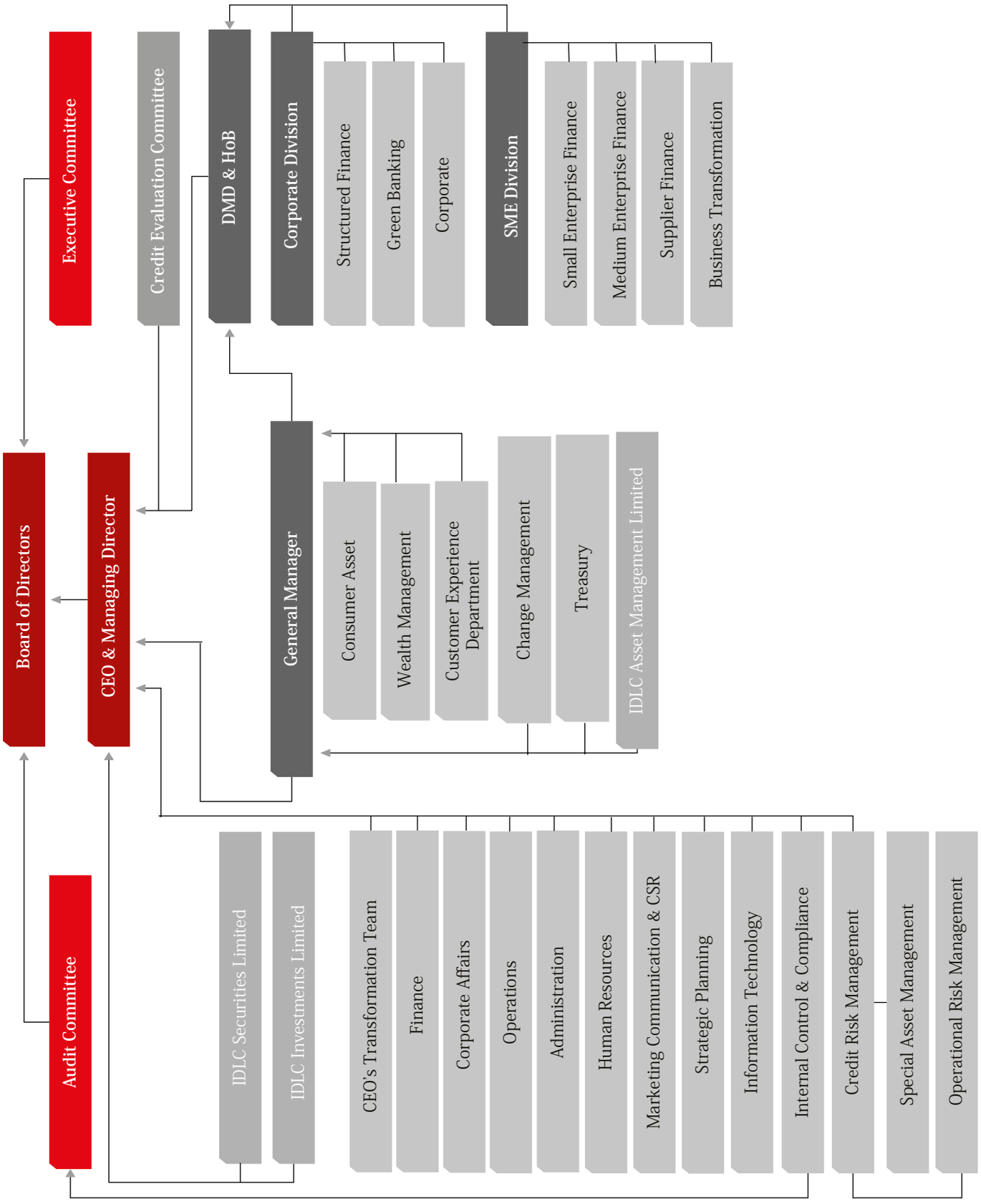
CHALLENGES

- Onboarding the right talent for the right role at the right time
- Nurturing a winning environment where people are willing to drive self and business growth with passion and enthusiasm
- Developing and offering long term career opportunity based on individual aspiration and Organisational need
- Engaging our talents in continuous learning process through coaching and eLearning
- Ensuring competitive reward at all levels to ensure retention of our talents

RESPONSES

- To be a team builder, IDLC HR focuses in bringing the right talent for the right role.
- To catalyze the organisation culture, IDLC provides an open environment for the employees.
- To develop our employees, focus is given on providing people the right training and right experience
- To engage our employees, we play a role being people strategist with our rigorous learning, training & career development programs
- To retain and motivate our talents by choosing the right talent for the position while providing them with competitive remuneration and rewarding performance with bonuses and incentives

Our Organisational Chart



Alongside business performance and growth, at IDLC, it is ensured that the employees and their families are well looked after. The employees are constantly inspired and motivated so that they deliver their best performance. In order to achieve these, we believe that our colleagues should be provided with great working environment, opportunity to develop their skills and appropriate compensation and rewards.

Talent Development

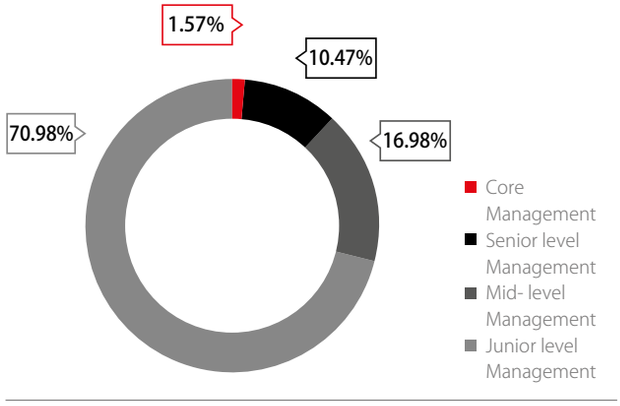
The primary goal of our human resource department is to ensure that we have the right people at the right time in the right position. Building a team is much more than choosing the best talent from the market. The HR department always tries to play a pivotal role in driving strength from diversity and inclusion of IDLC core values and leadership behaviors within our talents as the strategic partner in building a robust organisation. Our talents are engaged in both- traditional and online training which enables them to expand their horizon of knowledge. They become forward thinkers and analysts and thus, through culture of continuous development, we try to enable them to grow and succeed throughout their careers.

Trainings	No. of Trainings	Number of Participants
Foreign	16	42
Customized	26	622
Local/Public	92	216
In-house	62	1,293
Total	196	2,173

Succession Planning

Succession planning is critical to us, as it enables us to ensure leadership continuity and avoid extended and costly leadership vacuum. We prefer to promote from within the organisation so that we can create greater career opportunities for our people. During the year, we had several internal moves and promotions into key leadership positions, reflecting that we have been able to grow the depth in our talent pool, consequent to which our succession pipelines for key management positions got strengthened.

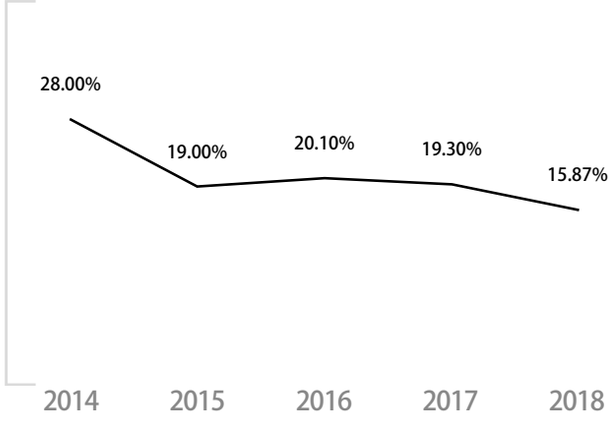
Employee Spread



Performance & Rewards

Our employees are reviewed against their job objectives set in online performance appraisal system which are reviewed semi-annually and annually. Our performance appraisal process enables us to emphasize on the growth of our employees as well as identify their learning and career development needs. As a part of this process, through constructive dialogue, our employees are also encouraged to work on areas where there is scope of improvement. We also get to identify our high-potential employees for our succession-planning program. This process also helps us to ensure that the contributions of our employees are properly recognized and appropriately rewarded.

Attrition



HR and Compensation Committee

The committee is responsible for ensuring companywide scope for equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification & competency, adequate training and development facilities and performance appraisal & promotions based on individual performance & contribution. Furthermore, the committee looks into any other benefits-related issues that arises from time to time, including review of comparable market statistics regarding human resources.

Ethical standards

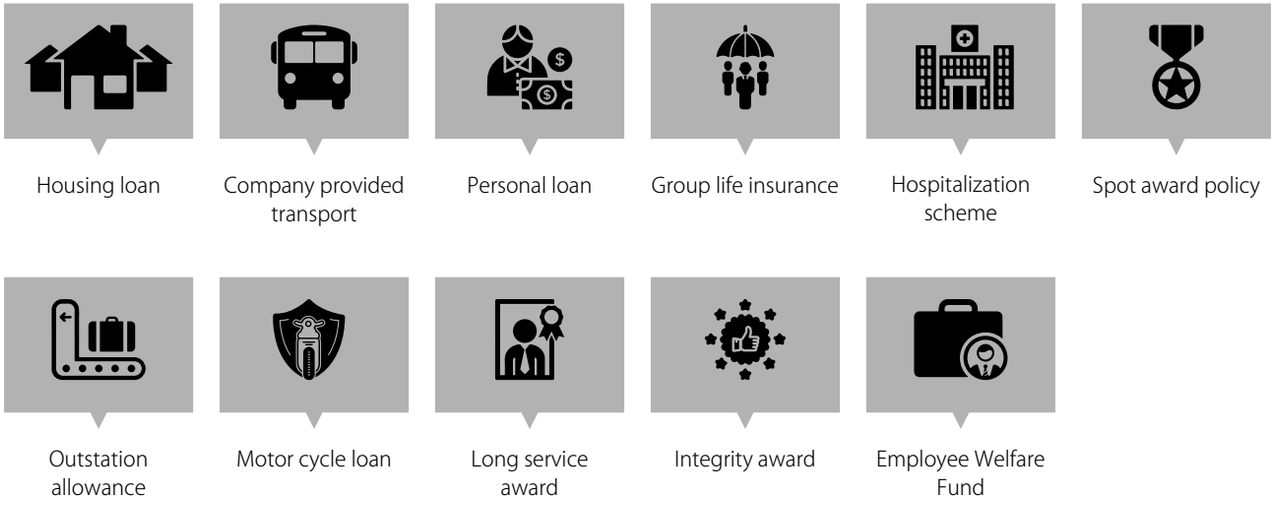
We adhere to the highest ethical standards and consider it to be a key business priority. We expect our employees to fully embrace statutory compliances. It is mandatory for all our employees to read and sign the Code of Conduct every year as a sign of recurrence to the principles enshrined in it. Additionally, IDLC encourages employees to act with integrity and spread the message of social responsibility to the community.

Culture Catalyst

Corporate culture sets the tone for our teams. It's a set of values and attitude that supports our people as they support the corporate vision and mission. IDLC puts effort in creating an organisational environment through the implementation of policies and programs that help individuals and teams to

grow and sustain. In order to achieve these, a safe, supportive environment for employees are ensured. For proper engagement and motivation, our focus is to help employees maintain work-life balance. Hence, IDLC has started Flextime practice in order to encourage employees to consider flexible working hours. We believe that a better work-life balance can improve employee motivation, performance, and productivity. Therefore, IDLC wants to support its employees achieve a better balance between works and their other life priorities and interests. Work life balance is possible because we exercise objective based performance appraisal system that enables employees to maintain standard operating time for different job roles and improve efficiency.

Benefits at IDLC



Human Resource Accounting

Human Resource Accounting involves accounting for the company's management and employees as human capital that provides future benefits. In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to the company's human resources as expenses on the income statement that reduce profit. HRA suggests that in addition to the measures themselves, the process of measurement has relevance in decision-making involving organisations. So we can say HRA is the process of identifying and measuring data about human resources and communicating this information to the interested parties. It is an attempt to identify and report the investment made in human resources of the company that are currently not accounted for in the conventional accounting practices.

Objectives and benefits

The aim of HR accounting is to depict the potential of the employees in monetary terms which mainly helps in decision making of ascertaining how much investment the company has made on its employees and how much return it can expect from this investment. It furnishes cost/value information for making management decision about acquiring, allocating, developing and maintaining human resources in order to attain cost effectiveness. It allows management personnel to monitor and effectively use human resources. And it also provides valuable information to the investors interested in making long term investments in service sector companies.

Per Employee Productivity

Particulars	2017	2018
Number of Employee	1318	1336
Operating Cost (BDT Mn)	1.77	1.72
Training Cost (BDT Thousand)	18.59	15.27
Operating Profit (BDT Mn)	2.99	2.64
Gross Turnover (BDT Mn)	8.48	9.55
Operating Income (BDT Mn)	4.77	4.36
Profit Before Tax (BDT Mn)	2.82	2.34
Profit After Tax (BDT Mn)	1.73	1.63
Loan Portfolio (BDT Mn)	54.25	62.83
Deposit Portfolio (BDT Mn)	45.41	52.59

During the year 2018, even though our gross turnover per employee increased by 12.65% and our operating cost per employee decreased by 2.86%, our per employee net profit after tax declined owing to growth in interest expense, capital market operations and competitive pressures restricting the fee based incomes. However, our efforts in expanding our lending business and mobilizing deposits are well reflected as the per capita loan and deposit portfolio increased significantly.

Financial reporting standards

While the IFRS do not currently have standards requiring HRA, it could be argued that they are moving closer to providing more

flexible approaches to accounting measurements and reporting. For example, the international standards IAS 38 Intangible Assets and IFRS 3 on Business Combinations allows for the recognition of the intangible asset goodwill, which indicates a willingness to allow for valuation of assets that are not traditional tangible assets, such as human resources.

Practice in IDLC

In IDLC, we are following conventional accounting practices and, as there are no HR specific accounting standards, we are not capitalizing any HR cost in order to amortize it over service life of employees. However, we are taking benefits of HR accounting concepts and using HR accounting information (such as per employee cost to the company, expected service life of employees, per capita productivity and its growth over periods and many more) in making important management decisions that will benefit the long-run strategic goals and profitability of the company.

Our Vision and outlook

Over the past few years, our human capital have evolved significantly and the impact is prominent in our recent year's performance. In term of attracting further human capital, we want to become one of the top few employers of choice. In order to achieve this, following steps are to be taken to in the coming days:

- Strengthen the Talent Acquisition process by introducing renewed evaluation process;
- Build Line Managers' capability to lead more effectively with coaching & feedback tools;
- Focus on developing home grown talents for leadership roles leveraging Succession Planning process;
- Strengthen Gender Diversity;
- Bring more flexibility in the way we work;
- Inculcate more bottom up approach in decision making process;
- Celebrate and recognize achievements to inspire and engage talents;
- Introduce 'Line of Sight' for Objective setting at organisational level and communicate the strategy down the line and
- Drive a competitive reward strategy at all level.

Intellectual Capital

Our Intellectual Capital

Our intellectual capital consists of knowledge-based assets such as licenses, software, copyrights, policies, procedures and protocols.

Creating Value

Our intellectual capital creates value by gaining competitive advantages in the market and in the process catalyzes the growth of our organisation.

MATERIAL ASPECTS

- Information Security
- Technology Risk
- Process Efficiency
- IT requirement for customers
- IT requirement for employees

HIGHLIGHTS

- Strengthened Information Security
- Performed BCP Drill
- Enhanced service portal to automate more services to improve the efficiency
- New products launched

CHALLENGES

- Adhering to strict internal control & risk management procedures
- Rapid changes in technology
- Risks in system failure, connectivity failure & data breach
- Attaining process improvements for continuous development of employee productivity & customer service

RESPONSES

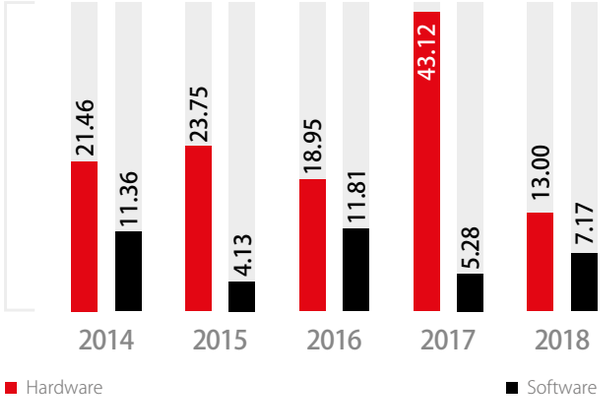
- Technology audit conducted by reputed international firm and appropriate actions taken based on their recommendations
- Updated software, increased automation & employee training
- Maintaining secured back-ups;
- Designed and reviewed processes in pursuit of increasing efficiency.

Information Technology

IDLC's IT infrastructure is built to handle large and variable workloads ensuring high level of performance, stability and availability of business critical systems. We continuously try to adopt new technology, promote innovation that reduce process complexity and deliver technology solutions that are aligned with business objective.

Expenditure in IT Infrastructure

in BDT mn



In addition to hardware and physical IT infrastructures, IDLC also uses software solutions that help in achieving economies of scale in our business model. For software, we buy licensed software from vendors as well as develop in-house software solutions.

Licensed Software

Since 2012, IDLC has been using a robust globally renowned Core Banking System, FLEXCUBE, for efficient handling of customer transactions. Apart from this, we use licensed and third party software for the following purposes:

- Relational Database Management
- Business Analytics and Reporting
- Corporate E-mail and Voice Communication
- Office Suite
- Operating Systems
- Systems Security

In-House Software

In order to further enhance the operational efficiency and enable the management to take effective decision, our IT division continues to develop and implement various in-house systems by leveraging technology and capitalizing on opportunities in the core banking system.

In-House Software	
• Online Credit Appraisal System	• Chaser Module for collections
• Online Service Portal	• Document Management
• Payment Module	• Asset and Insurance Management
• Factoring Module	• Mobile App for risk management team
• Treasury Module	• Customer notification system
• PDC Management	• Satellite Tools
• Incentive Management Module	• Business Analytics
• CIB Automation	

Risk mitigation through IT

Besides scaling our operation, investments in IT also help us in mitigating against various risks. To counter IT failure risk, ICT operation at IDLC is centralized through Data Center (DC) with a real-time Disaster Recovery Site (DRS). Business critical systems in DC are configured with on-site high availability, load balancing and redundancy features to ensure impeccable service experience. Furthermore, the branches and booths of IDLC are connected to DC and DRS through fiber optic with redundant connectivity up to tertiary level.

Data breach risk

To mitigate risk of data breach and malicious intrusion, we have placed access control at 3 layers precisely – network, application and database level access control. In addition, we conduct training programs on regular interval to grow awareness among our users regarding unintentional data disclosure.

Ensuring security beyond compliance

Our ICT policy incorporates Bangladesh Bank Guideline on ICT Security for Banks and Non-Bank Financial Institutions Version 3.0. Apart from that, our IT team closely works with the business units and support functions to ensure security, convenience and smooth operations for our clients.

Further elaboration and depiction of IT related risks and mitigation strategies are highlighted in our Statement of Risk Management (pg. 55).

Process Changes

In our pursuit to increase efficiency and serve our clients better, Change Management department has been working relentlessly. Change management, as a function, observes existing process and technology, reviews for finding out scope of improvement, provides recommendation for changes, plans for execution,

manages implementation and monitors the impact for the organisation. Change management engages and supports individuals, teams and organisations in order to optimize productivity, efficiency and risk through rearranging or changing process and technology for achieving organisational goal. In 2018, change management has undertaken numerous projects.

Initiative	Impact
Flexcube system smoothness improvement	Account and transaction processing time improved significantly resulting in capacity enhancement equivalent of 8 full time employees
Few critical bug fixing in core banking system	Productivity and efficiency improvement, customer experience improvement and risk mitigation.
Cheque deposit reconciliation process automation	Productivity and efficiency improvement resulting in capacity enhancement equivalent of 1 full time employee
Online Service Portal (OSP) enhancement	Few manual letters automation resulted in productivity and efficiency improvement. Tracking of customer requests and automatic flow of approval improved customer experience.
Customer statement and tax certificate enhancement	Legacy errors have been resolved and unified statement and certificate is available for customer resulting in improved customer experience.
Productivity measurement model establishment	Productivity measurement model established for operations which helps operations to monitor productivity as well as assess and manage capacity.
Business Continuity Plan (BCP) drill execution	Enabled IDLC to be prepared and test the capacity to continue business and operations in an organized way during any contingent situation.

Knowledge

Training

As a means to improve knowledge base, we invest extensively on employee training & development. These trainings cover several skill categories such as technical & leadership skills.

Knowledge seminars

We also conduct & at the same time, provide our employees with the opportunity to attend numerous knowledge seminars organized by national as well as international bodies.

Strategic job rotation

Employee's knowledge, expertise & dynamic capabilities are considered vital for business growth.

Our department heads interact regularly with the employees in their teams to give them opportunities best suited to accommodate their interests and ambitions, while being aligned with company objectives.

Outcomes of the initiatives

As a result of improving operational efficiency, it has been possible to attain value addition in several stages. From faster service for our clients, to elimination of redundant work for our employees; from cost-savings translating to better profits for our shareholders, to better resource utilization in turn leading to lower carbon footprint towards the environment; investments in developing our intellectual capital has been proven to give its dividends.

Outlook

- Launch scalable customer onboarding platform
- Improve rule based credit-risk grading model for faster loan processing
- Enhance service portal to automate more services to improve the efficiency
- Pursue continuous process enhancements
- Customization of core banking system (Oracle Flexcube) to improve productivity and efficiency

Manufactured Capital

Our Manufactured Capital

Our manufactured capital consists of all the physical objects ranging from our branches, to the network and IT infrastructure such as the computers, equipment and supplies that we use in providing services to the clients.

Creating Value

Our investments in manufactured capital creates value by increasing efficiency of our day-to-day operations, facilitating our growing business needs and maintaining optimum accessibility to clients.

MATERIAL ASPECTS

- Accessibility to clients
- Infrastructural resource maintenance and development
- Maintaining state-of-the art work environment
- Resource utilization

HIGHLIGHTS

- Commissioned third Data Center
- Deployed tabs to the sales force as a pilot project
- Introduced priority lounge in Gulshan Branch

CHALLENGES

- Ensuring infrastructure sufficiency to support growth ambitions
- Balancing costs & benefits of investments
- Rapid changes in technology & the timing of investments

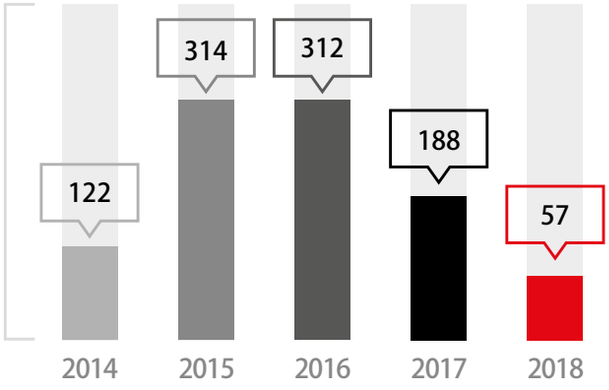
RESPONSES

- Made strategic investments in network enhancements
- Regularly conduct proper analysis of the trade-offs by qualified personnel
- Ensure quality investment in technology infrastructure and stay updated with best practices

Our manufactured capital is essential to our business model as it enables us to provide services to our valued clients in the most efficient way possible. Aligned with our strategy, investments in manufactured capital is consistent with the growth trajectory of our organisation. In order to facilitate our growing business needs, we have also been steadily investing in technology covered in intellectual capital (page 95).

Capital Expenditure

in BDT mn

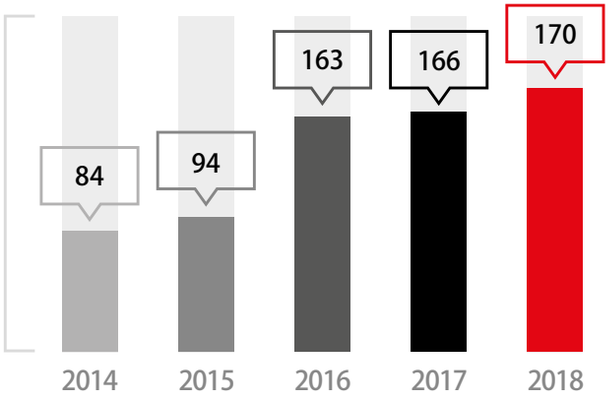


Accessibility and Physical Touch-points

Accessibility through physical touch points and geographical presence play a key role in reaching our existing and prospective clients. Our accessibility network is designed keeping the opportunities, need for proximity to the clients and cost effectiveness in mind. Currently, we are operating from 41 physical touch points across the nation. Additionally, we have introduced priority lounge in our Gulshan branch as part of the priority program.

Rental Expense

in BDT mn



Moreover, through our virtual presence, website and social media platforms, we are able to engage our stakeholders. The intricate ways in which we create value through the virtual world are elaborated within our Social and Relationship Capital (page 100).

Scalability of Business Operation

As a financial institution, we remain prepared to scale our operations in response to abrupt rises in business or unexpected opportunities requiring quick decision-making. Through ambitious goal getting and prudent investments in infrastructure, we focus on improving our scalability.

A key component driving the balance between maintaining scalability and resource utilization remains in our efforts towards continuous improvement to enhance process efficiencies. This is further elaborated within our Intellectual Capital (pg. 95)

Reaping Benefits of Investing in Manufactured Capital

Economies of Scale: By investing in manufactured capital, we are increasing our economies of scale, as the amount incurred are paid off through developing our capacity and serving additional customers. These benefits are multiplied as investing in our manufactured capital also enables economies of scale when it transforms into:

- **Intellectual capital:** By enabling process innovations and knowledge-sharing through investment in technology and platforms (Expenditure in IT infrastructure, pg. 95)
- **Human capital:** Through providing our people with platforms and tools they can use to improve efficiency and reduce turnaround times. Also, when we invest in smarter work environments, our employees are better able to deliver. (Employee productivity, pg. 90)
- **Social and relationship capital:** By enabling us to extend our services to a wider geographical location. Also, investing in IT infrastructure allows us to serve greater numbers of people virtually.

Enhanced Working Environment: Investing in manufactured capital also benefits our employees. It eases and smoothens their works while providing improved working environment. These help create a greater attachment to the company and is in line with our philosophy that a good work-life balance should start at the workplace. Other benefits pertaining to the employees are discussed in detail in our Human Capital Segment (Page 90)

Outlook

- Enhance our accessibility to the clients;
- Extend infrastructural capabilities to meet future business needs;
- Improve process efficiencies to enable better utilization of manufactured capital inputs and
- Pool resources where possible to harness better economies of scale.

Social & Relationship Capital

Our Social & Relationship Capital

Our social and relationship capital involves the relationships we have created and nurtured with our stakeholders as well as the inter-relationships between them that enable greater value creation for all.

Creating Value

Our active engagement with all our stakeholders creates sustainable value and helps us achieve our objectives in a mutually beneficial way.

MATERIAL ASPECTS

- Maintaining Relationships with all stakeholders
- Improving collective well-being through utilizing relationships within and across communities
- Leveraging key relationships for long-term value creation
- Corporate social responsibility
- Environmental, social and corporate governance through investing in relationships

HIGHLIGHTS

- 35% Dividend declared for the shareholders
- IDLC family comprises of 1,336 employees
- Operates from 41 touch points
- 8,439 ordinary Shareholders
- 25,000+ beneficiaries reached through CSR initiatives

CHALLENGES

- Evolving needs of customers
- Addressing stakeholders' queries and potential complaints
- Enhancing and harnessing interrelationships within stake-holders
- Finding the right partnerships that can bolster value creation for the company in the process of serving the larger community

RESPONSES

- Better & faster customer service
- Earnings disclosure sessions with analysts, increased engagement through social media
- Events that bring various stakeholders on common platforms
- Partnerships with multilateral organisations to innovate financing solutions for underserved segments

While shareholders, customers, suppliers and employees are the prime stakeholders; the regulators, local community, and the environmentally interested groups complete stakeholder circle of IDLC. Effective management of stakeholder relationship through active engagement has enabled us to foster a strong goodwill with our stakeholders.

Stakeholder identification & Engagement

At IDLC, we identify our stakeholders under three faceted sustainability dimensions – economic, social and environmental. Aligned with stakeholder identification, the sustainable business objectives are designed considering the stakeholder's expectation. By assessing

these objectives, we have formulated strategies that complement our business model with the value creation process that targets stakeholders' expectations. Our stakeholders under 3 broad sustainable dimensions are as follows:

Sustainable Dimension	Stakeholders
Economic	Shareholders
	Customers
	Service Provider and Suppliers
	Regulators
Social	Employees
	Local Communities
Environmental	NGOs and Environmentally Interested Groups/Organisations

Shareholders

Engagement

- Website
- Print media
- Broadcast Media
- Email
- Postal service
- Annual General Meeting

Sustainable Business Objective

Maximizing shareholder wealth declaring sound returns annually

Addressing Stakeholder Expectation

- Being strategically focused, planning well ahead to counter challenges and identifying opportunities.
- Continuing to uphold sound governance practices and effective risk management infrastructure.
- Reinforcement of the internal controls and compliances.

Creating Value

- Return on investment

More details of how we create value for our shareholders is available in the section titled Financial Capital (pg. 68)

Outcomes

- Total Number of Shareholders – 8,439
- Returns to shareholders: 5.76 Taka Earnings per Share, 3.5 Taka Cash Dividend per Share

Further information on no. of shareholders has been provided in Statement of Corporate Governance (pg. 133)

Customers

Engagement

- Geographical coverage
- Product innovation
- Faster service
- Dedicated RMs
- Customer relationship teams

Sustainable Business Objective

- Provide quality product/ service that meets absolute needs of customers
- Careful management of operations so as to protect customer interest especially of depositors

Addressing Stakeholder Expectation

- Spreading the geographical boundaries through opening more branches across the nation.
- Molding existing service suites to cater to the diversified customer requirements.
- Continuously innovating in product suite and operational process to meet customer requirements in the most efficient manner.

Creating Value

- Launched growth fund and interest first deposit product

Outcomes

- Number of customers increased to 53,563
- Loan portfolio increased by 17.39% (y-o-y)
- Deposit portfolio increased by 17.84% (y-o-y)

Employees

Engagement

- Training programs
- Employee days
- Sports and recreational activities
- Ladies Forum
- Celebration nights

Sustainable Business Objective

- Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment
- Nurturing human capital to ensure sustained collaboration with the company

Addressing Stakeholder Expectation

- Engaging employees in activities and sports other than business as usual, to achieve a balanced productive environment which is beneficial to both employees and IDLC
- Investing in a wide range of training programs for every member of the human capital to ensure personal and professional growth.

Creating Value

- 196 training programs
- BDT 20.4 Million investments in training

Outcomes

- 1,336 employees
- Increased Employee productivity
- Decreased voluntary attrition to 11%

Service Providers & Suppliers

Engagement

- One-on-one meetings
- Emails
- Verbal communication

Sustainable Business Objective

- Adhere to proper procurement regulations while maintaining a good business relationships with the service providers

Addressing Stakeholder Expectation

- Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers.

Creating Value

- Procuring services and goods
- Regular payment

Outcomes

- Good relationship with the vendors and service providers

Regulators

Engagement

- Statutory Reporting
- Meetings as and when required
- Emails
- Letters
- Verbal
- Communication

Sustainable Business Objective

- Ensure compliance with all regulatory guidelines and directives

Addressing Stakeholder Expectation

- Putting in place processes, practices and controls to ensure compliance with applicable rules and regulations imposed by local and international laws and regulations.
- Maintaining sound relation with regulators.
- Always thriving to achieve global best practices.

Creating Value

- Maintain compliance with all regulatory guidelines and directives
- Refer to Statement of Corporate Governance section for more details (pg. 133)

Outcomes

- No. of Penalties incurred for non-compliance - 00

Environment

Engagement

- Green Banking practices
- CSR initiatives
- Training programs, seminars and workshops

Sustainable Business Objective

- Conducting business without harming the environment

Addressing Stakeholder Expectation

- Implementing Green Banking practices and ensuring compliance through Green Reporting to Bangladesh Bank
- Holding a rigid control on energy consumption to reduce wastage.

Creating Value

- Green Banking Initiatives
- In-House Environmental Management System
- Refer to Natural Capital section for more details (pg. 109)

Outcomes

- Green Banking Portfolio stands at BDT 648 Mn
- 1000+ sapling planted
- Reduced paper consumption by 16.9%

Community

Engagement

- CSR initiatives
- Website
- Social Media page
- Marketing events
- Seminars and workshops

Sustainable Business Objective

- Adding value to the society
- Conducting business without causing disruptions in the society

Addressing Stakeholder Expectation

- Implementing programs and initiatives targeted at marginalized communities and underprivileged to address the requirement of society in education/ skills development, healthcare and overall poverty alleviation
- Enhancing financial access to marginalized population
- Most importantly, adding value to the society by being a good and transparent corporate citizen.

Creating Value

- CSR initiatives
- Educational support
- Facilitating curative and preventive healthcare
- Disaster aid

Outcomes

- 25,000+ Beneficiaries
- 8 Schools reconstructed
- 1 hospital improved with 1 critical equipment and 50 medical beds
- 2 Health camps in Bagura and Jashore

Corporate Social Responsibilities

At IDLC, we perceive Corporate Social Responsibilities (CSR) not as a standalone function, but as an integral part of the overall organisational strategy to create the maximum value. Thus we do CSR not only to build a culture of 'doing good' by ourselves but also involve others in the act of doing good thereby ensuring sustainability of the act itself, which in the long-run may help attain relevant Sustainable Development Goals.

The CSR initiatives and projects implemented during 2018 can be categorized in few broad thematic areas - Education, Healthcare, Environmental Initiatives and Extended responsibilities.

Education: We focus on increasing access to education in areas where we operate in, with focus on remote communities with a need for direct investment and involvement. Our initiatives aim to improve the lives of the poor through education, social and economic development.

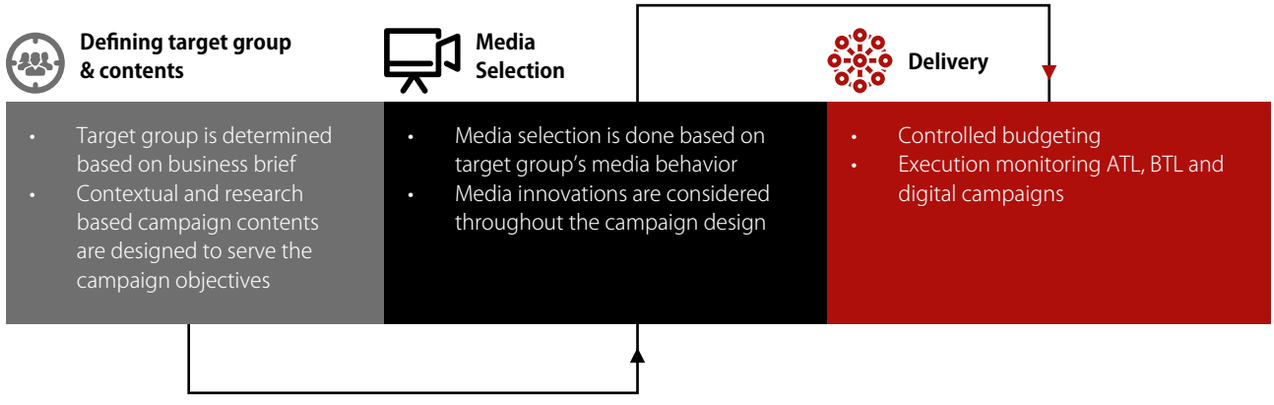
Healthcare: We engage in this sector through building and utilizing partnerships with institutions and non-governmental organisations at national and community levels to bring practical solutions to underprivileged groups, particularly women and children at greatest risk. We approach all threats to health – and there are many – with extensive experience, efficient logistics and creativity.

Environment: We are committed to protecting the environment and respecting our neighbors. Our standards cover our environmental performance including:

- Managing carbon emissions;
- Using less energy more efficiently;
- Using less fresh water; and
- Conserving biodiversity wherever we operate

Branding

At IDLC, we continuously try to reach our customers, potential customers and other stakeholders through branding. We try to ensure our presence in every media relevant for the target audience. IDLC drives market insight based campaign comprising consumer insights and industry best practices, both local and abroad. It starts with identifying the business problem and ends with campaign follow up in terms of campaign measurement techniques.



Major CSR Initiatives taken in 2018

Renovated and/or constructed 8 schools	Orther Ortho - Nationwide financial literacy program of IDLC	First ever online Finance Olympiad in the country
Oditiya scholarship – a 6 year partnership with Prothom Alo Trust to support 10 females each semester for undergrad education at Asian University for Women.	Enhancement of medical facilities of Institute of Child and Mother Health, Matuail.	2 health camps – to provide surgical support to people with cataract at Jashore and cleft lip at Bogura

Engagement Highlights

Shareholders of IDLC Finance Limited approved 30% cash dividend for the year 2017 at the 33rd Annual General Meeting (AGM) held at Radisson BLU Water Garden Hotel, Dhaka

The Chairman of IDLC Finance Limited welcoming newly joined Director Ms. Mahia Juned to the Board

IDLC Finance Limited was awarded the "South Asian Federation of Accountants (SAFA) Awards 2017". IDLC won the First Prize among participants from all SAARC countries in all categories including Overall Winner, Integrated Reporting, Financial Service Sectors and SAARC Anniversary Award for Corporate Governance Disclosures 2017

IDLC was awarded the 1st position among all listed companies of Bangladesh in all categories including Overall Winner, Integrated Reporting, Financial Service Sectors and Corporate Governance Disclosures for Best Presented Annual Report 2017 awarded by The Institute of Chartered Accountants of Bangladesh (ICAB)

IDLC Finance Limited was awarded the First position among the non-bank financial institutions (NBFIs) for the "ICMAB Best Corporate Awards-2017" for outstanding performance

IDLC Finance Limited has won Gold Award in 5th ICSB National Award for Corporate Governance Excellence, 2017 under the Non-Bank Financial Institution category

Engagement Highlights

IDLC Inaugurates Its 39th Branch in Faridpur

IDLC Investments wins Best Investment Bank in Bangladesh by Euromoney Awards for Excellence 2018

IDLC Finance Limited honored with the Tax Card 2017-2018 for being the Highest Tax Payer amongst Non-Bank Financial Institutions in the Nation

IDLC enhanced the medical facilities of the Neonatal Intensive Care Unit (NICU) of Institute of Child and Mother Health (ICMH) at Matuail through donating a neonatal ventilator and furnished the NICU Mothers Room and Kangaroo Mother Care corner of ICMH with hospital beds and air conditioners

IDLC stands with the grief-stricken this winter by donating 1200 blankets to Prothom Alo Trust.

IDLC stands beside the underprivileged children of our Society through CSR activities

Engagement Highlights

IDLC Participates at Banker- SME Women Entrepreneur Conference and Product Display Fair 2018

IDLC's CEO & MD attended the short film premiere of Startups in Bangladesh, organized by Startup Dhaka

IDLC arranges Purnota Fair 2018 at Town Hall Ground, Comilla, showcasing Ventures by Women Entrepreneurs

IDLC arranges Purnota Fair 2018 at Public Library Mart, Rangpur, showcasing Ventures by Women Entrepreneurs

IDLC Spreads happiness through 'Khushir Kheya' in different areas of the country

Final Round winners of the First ever football World Cup team management game in Bangladesh 'IDLC Kickstart Fantasy Football Challenge' are being awarded

Engagement Highlights

IDLC arranged "IDLC Natyautshob 2018" – a 4 day theater festival staging 10 Plays from at Shilpakala Academy, Dhaka

IDLC's CEO & MD attended 'Asia Sustainability Reporting Summit 2018' in Singapore for sessions and discussions on using reports to build a sustainable financial market

The Gala Event of the IDLC Finance Olympiad was organized on 02 November 2018 at Krishibid Institution Bangladesh (KIB), in partnership with Robi 10 Minute School

IDLC & Prothom Alo Trust gives Oditiya Scholarship to 16 students of Asian University for Women, Chittagong

IDLC's CEO speaking on Financial Inclusion at the Global Round Table Discussion of United Nations Environment Program Finance Initiative (UNEPFI) at Paris, France

IDLC Physically Challenged Cricket Tournament 2018 was organized with teams from Dhaka, Sylhet, Khulna and Rajshahi, in cooperation with Bangladesh Cricket Association for Physically Challenged (BCAPC)

Natural Capital

Our Natural Capital

Our natural capital encompasses the ecosystem and natural resources that are affected by our business.

Creating Value

Our environmental initiatives helps us reduce the impacts of our operations on the ecosystem, and pave the way towards a more sustainable way of doing business.

MATERIAL ASPECTS

Sustainable Business Practices | Environmental Initiatives | Green Financing | In-house Environmental Management

HIGHLIGHTS

Introduced paperless interview in effort to reduce paper consumption

1000+ saplings planted

CHALLENGES

- Establishing a resource optimization system to reduce energy & resource usage during operations
- Improving awareness regarding the benefits of green projects
- Green financing – many industries still overlook benefits that can reaped through it

RESPONSES

- Introduced paperless interview and shifting towards e-memo system
- Implementing an organisation-wide Carbon Management & Resource Optimization Model
- Training and seminars are regularly conducted to increase awareness of our employees and stakeholders
- Leveraging our relationships with regulators and multilateral organisations to enhance green financing

Our commitment to sustainability

Environmental & Social Management System (ESMS)

At IDLC, we always keep mother planet and its sustainability in our consideration while conducting our operation, In this regard, we are further improving our credit appraisal process from an Environment and Social (E&S) perspective – we evaluate all environmental and social factors, such as project impacts on the environment & the community in the long run, prior to approving a loan. IDLC fulfills Bangladesh Bank Environmental Risk Management (ERM) guideline for FI & ECR-1997 standard within its organisational framework. We also comply with the UNGC & UNEP FI principles on a voluntary basis. We have been implementing Environmental & Social Management System (ESMS) from March 1, 2016 to compute scoring of risk of different sectors under different business segment.

Environmental initiatives

Our environmental initiatives are conducted under the banner of both CSR and Green Banking. Whereas CSR is more focused on external developmental initiatives such as awareness campaigns, tree plantation, public events etc., Green Banking is more aligned with green financing, E&S risk management and in-house environmental management (detailed under the section "Green Banking", pg. 118).

Green banking

In addition to our traditional financing approach, we have made strides towards Green Banking - supporting sustainable and environmentally viable development with a range of specially designed products and services at preferential terms and rates. Our Green Banking Unit (GBU) promotes environment-friendly practices and aids in reducing carbon footprint from our organisational framework

Tree Plantation

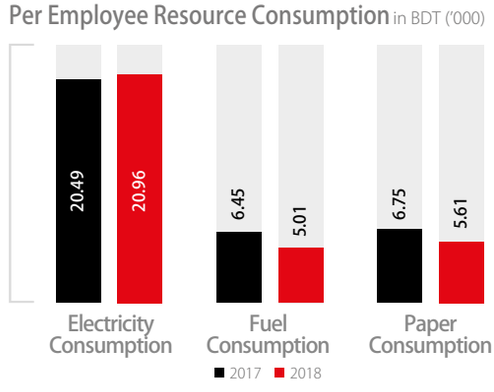
IDLC continuously works to reduce its carbon footprint. In this regard, IDLC organized a workshop with technical collaboration of Green Savers, at Bhulta School and College where 1,000 saplings were planted by the participants throughout the event. The workshop aimed to familiarize the students with different species of plants and sensitize them about their role in preservation of natural resources.

In-house environmental management

With a vision to encourage market transformation towards sustainable business practice, we will continue our efforts to deliver environment friendly policies within our organisation. Testament to our efforts, our Agrabad branch achieved the prestigious LEED (Leadership in Energy and Environmental Design) Gold Certification from USGBC (United States Green Building Council) under the category of commercial interior. The branch is the first of its kind to achieve such acknowledgment under the aforementioned category among the financial institutions of Bangladesh.

Green office guide

Our Green Office Guide, consisting of a set of general instructions, helps us achieve better in-house environmental management across the organisation through activities such as saving electricity, minimization of water/paper and keeping the office clean and hygienic.



Green marketing and training

As a part of CSR activity, Green Banking Unit performs regular training programs on "Green Awareness" across whole IDLC. To develop knowledge base of business RMs, GBU arranges training sessions throughout the year. GBU also actively presents IDLC as a market leader in promoting sustainability in different market segment.

Milestones

- 1st financial institution to finance for adopting energy efficient technologies and ESCO model
- 1st financial institution to arrange Green Industry Syndication
- Only listed member of United Nation Environment Program for Financial Institution (UNEP FI) in Bangladesh
- 1st financial institution to have a LEED Certified Branch
- Received award under "Best Green Initiative" category at the 8th Bangladesh Infrastructure Innovation and Development (BIID) Expo 2017

Outlook

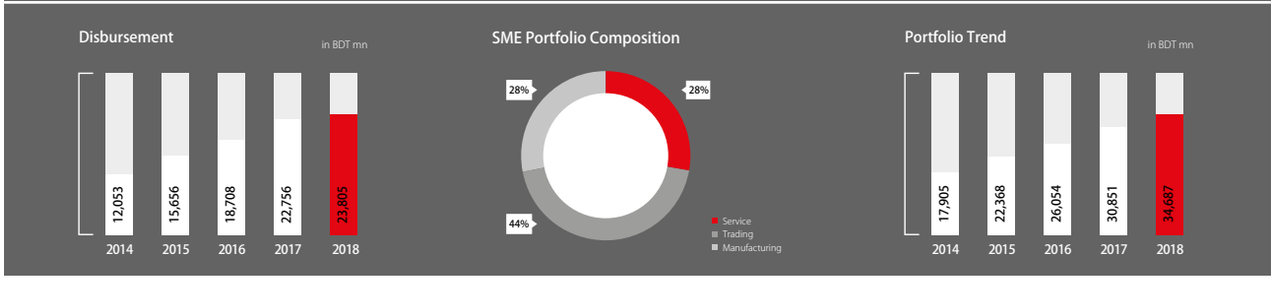
- Focus on re organisation-wide carbon management and resource optimization

Business Segment Review – Lending Business Operations

SME Division

SME in Numbers

December, 2005 Initiation	BDT 3.0 Mn. Average Ticket Size	BDT 23,805 Mn Disbursement	19.33% Portfolio Growth – 5 Year CAGR
BDT 34,687 Mn. Loan Portfolio	42% Portfolio Contribution	12.43% Portfolio Growth over last year	14,008 Number of clients



Overview

IDLC's SME Division, the largest segments of the company, provides various financing solutions for the Small and Medium Enterprises of Bangladesh. SME division was launched in December of 2005 with term loan, working capital loan and lease financing options.

Later, SME Division gradually introduced a number of products and services to cater to the need of its increasing customer base. Throughout the year 2018, SME Division made significant investments in human resources and infrastructure - the two most critical building blocks, which resulted in the creation of a robust structure that will facilitate sustainable growth.

Key Strengths

- Fast loan processing
- Dedicated Relationship Officers
- Presence in 28 branches across the country
- Highly skilled and experienced credit team
- Wide range of products for SME financing

Overcoming Hurdles

Hurdles

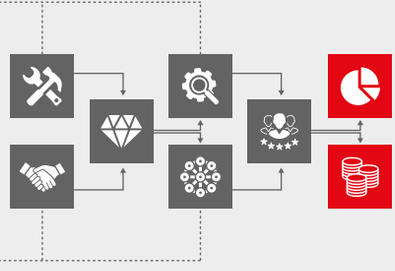
- The cost of fund was on the higher side owing to the necessary changes that the industry went through.
- Many players who were not in SME picture have entered this segment increasing the competition.
- Poaching of experienced employees by the new entrants

Response

- Interest rates were adjusted accordingly. In addition, maximum utilization of refinancing schemes was ensured.
- Leveraging our expertise in this segment, we focused on geographic expansion to capitalize on the untapped market.
- Employees were motivated through engagement initiatives, campaigns and rewards & recognitions for top performers.

Strategic Focus

- **Roll-out of tab and mobile application based operations:** To ensure the maximum utilization of the technological breakthroughs, process flow will be revamped for SME financing
- **Penetrating the lower segment of the Pyramid:** Targeting smaller ticket sizes to gain competitive advantages over its peers through faster loan processing and partnerships.



Core Highlights - 2018

Process Simplification

- Loan application process has been simplified by reducing the documentation requirements.

Customer Engagement

- SME Division organized Purnota Fairs in four districts encouraging women entrepreneurs across the country to showcase their products and services. "Purnota" is a comprehensive offering which blends financial and non-financial services aimed at supporting women entrepreneurs

Capacity Development

- SME Division arranged and facilitated 83 training programs to enhance the capacity development of its employees across the organisation. These employee focused trainings can enable IDLC to provide better service to our customers.
- For smaller ticket sizes of BDT 2 lacs to 15 lacs, scorecard based lending has been introduced with a turnaround time of two days from Credit Appraisal end.

Collaboration

- Credit Guarantee Scheme under UNCDF – Women Entrepreneur Support Fund in collaboration with Bangladesh Bank for easier financing of women entrepreneurs – has been leveraged at all branches of northern region.

Outlook & Strategy – 2019 and Beyond

Challenges Ahead

In the short term, one of the main challenges for SME Division, like all other lending business units, is the tightening of the margins owing to - on one hand, gradual increase in cost of fund, and on the other hand, inability to pass on the rate increase to borrowers due to competitive price pressure. Maintaining portfolio quality is also challenging as the risk of borrowers becoming over leveraged increases with many competitors vying for the same customer base.

In the long run, IDLC SME Division will face challenges as more Banks and NFBIs put increasing emphasis on SME Financing. Besides, financial industry will see a wave of technological innovation through automation enabling Banks/NBFIs to reach more of its customer base with convenience.

Strategies to Tackle the Challenges

In the short term, SME Division will confront the pressure on margin with efficient asset liability management coupled with increased emphasis on increasing efficiency and thereby optimizing operating expenditure. SME division will also put more emphasis on early alert system to maintain its portfolio quality.

In the long run, SME Division's strategy is to focus on vertical and horizontal expansion. Through automation, SME Division will reach the lower segment of the pyramid in SME market and will also expand its operations in remote areas to serve very small size businesses.

Details in page 125

Opportunities

With the consistent growth of the economy and the increased investments in infrastructure and manufacturing industries, myriads of Micro, Small and Medium Enterprises are thriving. Many of these potential customers are yet to be served properly by financial institutions. In addition, there is huge scope for leveraging the booming businesses based on different platforms.

In the long run, consumption of financial product and services will increase with the increase in financial literacy. Besides, government's effort in easing the business environment will see a growth in number of SMEs.

Strategies to Capitalise on the Opportunities

Leveraging on technological advancement to reach and serve customer more efficiently will help scale up the business. At the same time, partnerships with digital platforms will open new horizons of SME financing.

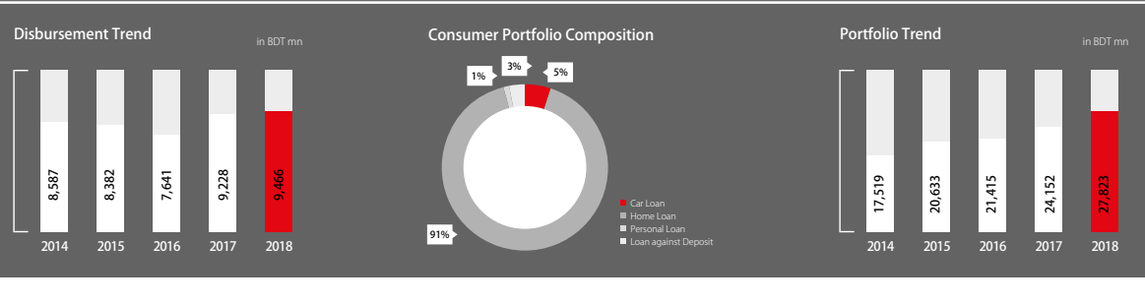
Going forward, SME Division will put more emphasis on advanced data analytics to understand the need of its customer base and move towards data driven decision making. For this purpose, IDLC is planning to implement customer relationship management software (CRM) as well as a sophisticated Business Intelligence tool.

Details in page 125

Consumer Division

Consumer Division in Numbers

May, 1997 Initiation	32% Portfolio Contribution	BDT 27,822 Mn Loan Portfolio	BDT 3.7 Mn Average Loan Ticket Size
9,069 Number of Customers	BDT 9,466 Mn Disbursement	15.2% Loan Portfolio Growth over last year	16.53% 5-Year CAGR



Overview

After being launched in 1997, Consumer Division of IDLC has been contributing to the overall growth of the company by providing customer-centric solutions through providing core loan services: Home Loan, Car Loan & Personal Loan. Besides, this division has been providing diversified fund sourcing capabilities for the company through collecting customer deposits from multifarious income groups consisting of both individual & corporate segments. We look forward to extending our customer base further through enhancing efficiency, offering more customized solutions and enhancing geographical coverage.

Key Strengths

- Tailored Home Loan offering for different customer segments and different types of needs
- Fast turn-around time
- Extensive Branch Network
- Experienced sales force & experienced inhouse legal and technical teams
- Customer centric approach and transparency at all level
- Product parameters perfected through utilising years of experience to minimize credit risk

Overcoming Hurdles

Hurdles

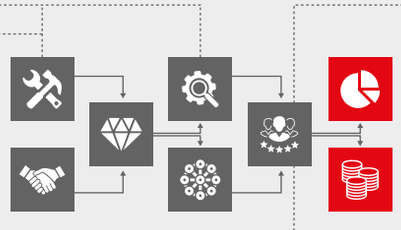
- Maintaining an optimum spread with an increased cost of fund, where there is a maturity gap between short term deposit & long term asset
- Managing funds in a volatile market that is pertinent to a developing economy such as ours.

Response

- Interest rates of our products were revised to ensure better alignment with the market.
- Maintaining superior customer service & credibility.

Strategic Focus

- Restructuring of business model for faster service
- Use of technology to automate processes in order to increase efficiency in customer acquisition, loan processing and management



- Restructuring of business model for faster service
- Use of technology to automate processes in order to increase efficiency in customer acquisition, loan processing and management

Core Highlights - 2018

- **Increasing Productivity:** improved several processes and equipped team managers with required tools to improve productivity of the sales force significantly
- **NPL Management:** Enhanced focus on regularizing the early stage irregular accounts brought about a significant breakthrough in collections and resultantly, NPL ratio of the division moved in a downward trend.
- **Introduction of New Products:** Two new home loan products were introduced to serve specific group of customers in the non-premium segment with their needs for home construction.
- **Priority Program:** Priority Program was launched to offer specialized service for high net worth deposit customers

Outlook & Strategy – 2019 and Beyond

Challenges Ahead

Retail market is overwhelmed with myriads of players. Thus survival in the market depends on providing customer satisfaction while managing the operations with a thin margin by making the business model scalable.

Market volatility is a regular phenomenon in a developing economy like ours. Aftermaths of such volatility include interest rate fluctuations & liquidity issues.

Furthermore, keeping up with rapid advancements of technology poses another major challenge.

Strategies to Tackle the Challenges

IDLC will continue to focus on customized services and need based products to stay ahead in the competition. We have already brought about many changes in our Home Loan business model to make the operation more efficient and scalable. Most of these initiatives are and will continue to be based on technological advancement.

Interest rates are revised as and when needed keeping pace with the market

To adapt with the technological advancement, IDLC will look to incorporate the improving technology into its business model and leverage it to for further enhance business acquisition and provision of services.

Details in page 125

Opportunities

Enhancement of urbanization and the rising middle income segment will result in a huge gap between housing demand & supply. More customized and innovative products will be required to fulfil the demands of this segment.

Strategies to Capitalize on the Opportunities

IDLC will focus on the innovation and roll out of customized products targeted at serving the housing needs of the rising middle income group.

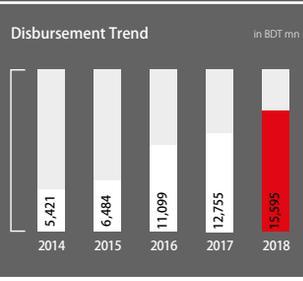
Furthermore, IDLC will increase its focus on alternate sales channel, alongside the existing direct sales channel to attract and serve more customers.

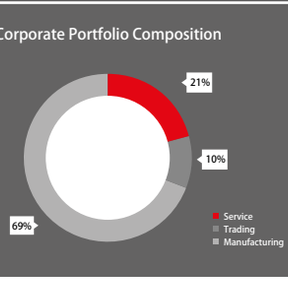
Details in page 125

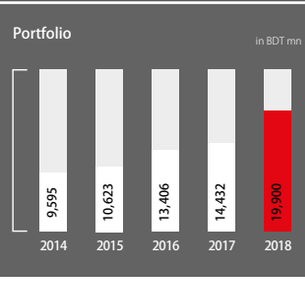
Corporate Division

Corporate Division in Numbers

January, 1999 Initiation	BDT 57.4 Mn Average Ticket Size	BDT 15,595 Mn Disbursement	14.27% Portfolio Growth – 5 Year CAGR
BDT 19,900 Mn Loan Portfolio	24% Portfolio Contribution	37.88% Portfolio Growth over last year	237 Number of clients







Overview

The corporate division has experienced another wonderful year in its history in terms of profitability and asset growth. All the business parameters showed positive sign supported by high demand for fund in the market due to shortage of funds. The year started with uncertainty surrounding liquidity issues in the industry. However the money market exhibited signs of recovery in the second part of the year although credit demand was low due to conservative "wait and see approach" among the entrepreneurs as we approached the national election in the last month of the year. In the midst of such macro-economic condition IDLC's corporate lending not only sustained but also thrived. The performance was enabled by efficient fund management through treasury. Based on such high demand of fund, corporate portfolio saw 37.88% growth in 2018. The robust portfolio growth coupled with high demand has also ensured a very successful year for corporate division in terms of profitability.

Key Strengths

- Unique and customized solutions
- Faster and in depth credit appraisal
- Strong alliance with financing network including development organisations
- Experienced team with ability to finance in diversified sectors
- Diversified financing channels
- Risk resilient portfolio owing to well planned sectoral diversification

Overcoming Hurdles

Hurdles

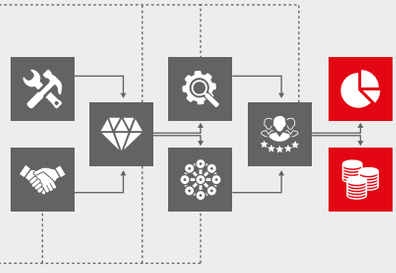
- Temporary liquidity issues might creep up again in the industry in 2019, as anticipated by some economists and experts
- The number of competitors is high as most Banks and FIs fight to serve the limited number of large corporate houses
- High level of loan default culture prevalent in the industry

Response

- Efficient fund management by adhering to the ALM policy
- Superior brand value along with market reputation of IDLC for providing quick and innovative solution will help tackle the challenge
- Prudent credit assessment process and ensuring financing where future cash flow is relatively certain

Strategic Focus

- Enhancing the network by connecting with new corporate houses
- Cater to corporate houses through refinancing or pre-financing



Core Highlights - 2018

- Registered a portfolio growth of 37.88% reaching a portfolio size of BDT 19,900 Mn
- NPL decreased by 245 bps
- Disbursed a total of BDT 15,595 Mn in 2018
- Y-o-Y disbursement growth of 22.27%

Outlook & Strategy – 2019 and Beyond

Challenges Ahead

There are apprehensions that a liquidity crunch similar to last year might happen in 2019 as well. Any such scenario will of course impact the businesses of all large corporate. However, any such issue is expected to be short term in nature and the overall macro-economic scenario remains fundamentally strong.

In any case, any disruptions in the business environment may adversely affect the cash flows of our customers which, in turn, might put pressure on portfolio quality and NPLs.

In the long term, the corporate houses might look at alternative sources of fund such as raising funds through bonds.

Strategies to Tackle the Challenges

Risk based pricing model for credit appraisal process can protect the portfolio to a certain degree. IDLC corporate credit team will also ensure a high quality, cash flow based credit appraisal process. Traditional propensity towards financing to clients with better corporate governance will also support sustainability of the portfolio.

In the long term, IDLC will look to become preferred partner for corporate houses for all their financings and advisory needs through providing customized solutions.

Details in page 125

Opportunities

Both export and import will remain buoyant in near future due to the ongoing trade war between USA and China. Furthermore, the buoyant economic activity due to large level of infrastructure expansion projects both in private and public sector will increase fund requirement and purchase power of population.

Strategies to Capitalize on the Opportunities

Financing in productive manufacturing sector can enable to grow the portfolio in accordance with the growth of the industry. Moreover financing in export oriented industry can prove to be advantageous. Sourcing low cost refinancing facility from central bank or alliance with various development organisations might enable us to source fund at a lower rate and thereby creating unique value added service proposition for the corporate houses who are usually highly sought after.

Structured Finance Department (SFD)

Structured Finance Services

Bangladesh's GDP is expected to continue its growth in the near future and henceforth financing demand for large infrastructure projects (transportation, communication, water and energy, economic zones, etc.) will continue to rise. In addition, public-private partnership (PPP) projects have also come up to fulfil a vibrant role in the demand for syndicated financing for large infrastructure projects. To meet this growing appetite for financing large-scale projects IDLC's Structured Finance Department has a dedicated team, with a wealth of experience, capable of providing innovative, comprehensive & cost effective solutions to its clients.

To facilitate this requirement through syndication arrangements, onshore & offshore financing, agency & trustee services and other corporate advisory solutions, the Structured Finance department (SFD) has evolved as a specialized business unit of IDLC under its Corporate Division. The department has diversified its products which ranges from regular Term Loan and Working Capital Facility to Bond, Advisory Services (mergers & acquisitions, feasibility analysis, investment decision making etc.), Foreign Currency Term Loan, Investment Promotion Financing Facility (IPFF), Tier-II Subordinated Bond for commercial banks , Zero-Coupon Bond, Commercial Paper, Preference Share, Debt Restructuring, different refinancing and pre-financing schemes of Bangladesh Bank, Asian Development Bank (ADB), World Bank, etc. Over time, SFD has also broadened its scope and sphere to diversified sectors such as steel, power & energy, cement, real estate, food, hospital, education, telecom, hotel & tourism, auto bricks, glass, textiles, shipyard etc.

Achievements in 2018 – Looking back at the numbers

In 2018, the Structured Finance Department (SFD) completed fund raising of BDT 11,000 million for two banks and BDT 490 million for a leading apparels company through various alternative financial solutions. Meanwhile, the department has also arranged BDT 400 million long term loan facility for a reputed corporate house in the power sector.

In the Corporate Advisory arena, IDLC SFD acted as the Corporate Advisor for valuation of two premier companies in the real estate and tyre manufacturing sector. The Corporate Advisory team has successfully completed the 2nd tranche of equity raising transaction for Baridhara Cosmopolitan Club Limited.

Moreover, the dedicated team for agency and trustee services ensures the smooth operations for multiple agency and trustee transactions. IDLC SFD has successfully acted as the Facility & Security Agent to five (05) syndication deals and Trustee for thirteen (13) bonds transaction of various reputed banks and corporate houses.

BDT 400 Million	13	BDT 11,490 Million	5
Long Term Loan Facility Arrangement	Trustee for Bond Transactions	Fund Raising Through Bonds	Security Agent of Syndication Deals

Strategies for 2019

In 2019, the department aims to concentrate mainly on Investment Promotion Financing Facility (IPFF) fund arrangement as well as to explore various avenues through structuring new products for its corporate clients. The department will focus on new products like quasi equity products, debt restructuring and corporate advisory services for mergers & acquisitions. Moreover, the department will also continue to raise subordinated bonds for scheduled banks for their BASEL-III compliance as well as bonds for corporate houses.

Green Banking

Overview

Green Banking is the financial service that integrates environmental, social and governance (ESG) criteria into investment decision making process for the sustainable advantage of both clients and society at large. Green Banking Unit (GBU) of IDLC is committed towards sustainable financing by prioritizing the ESG to contribute to the country's overall financial growth and achieving Sustainable Development Goals (SDGs) in the process. IDLC is also concerned about reducing carbon footprints from both its financing and in-house operations. IDLC has developed its own Green Banking Policy which is aligned with the 'Policy Guidelines for Green Banking' by Bangladesh Bank.

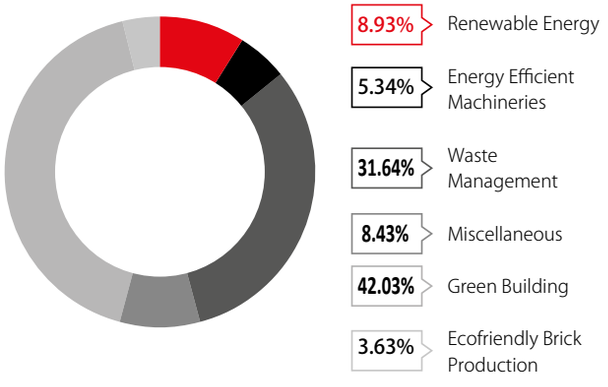
Green Finance Products

IDLC offers 52 green products under 8 categories as defined by Bangladesh Bank to cater the specialized needs of different industries and segments. The products segments are renewable energy, energy efficiency, alternate energy, waste management, recycling, environment-friendly brick production, green industry/ building and others such as occupational safety & health in factories.

Highlights of 2018

At the end of the year 2018, the Green Banking portfolio stands at BDT 648mn and cumulative disbursement in green segment is BDT 1,255mn. This year, IDLC has availed refinance worth of BDT 201mn from Bangladesh Bank. Initiatives have also been taken to revamp the business and to re-invigorate the business teams to embrace green finance products.

Cumulative Portfolio in different Segments



Rolling out Environmental & Social Management System (ESMS) in Business Activities

Environmental and climate change risk refers to the uncertainty/ probability of losses that may originate from any adverse environmental/climate change events. IDLC has been the pioneer in Bangladesh in adopting the "Environmental & Social Management System (ESMS)", which is a global standard to minimize Environmental & Social Risks from the financial operations of the organisation. It has a robust ESMS system which has been developed with the assistance of FMO (The Netherlands Development Finance Company) and FI Consult. In the preparation of the ESMS system, IDLC has taken the following guidelines into consideration: Environmental & Social Risk Management (ESRM) Guideline by Bangladesh Bank, the Environment Conservation Rules 1997, IFC Performance Standards, and ADB Safeguard for Financing. Additionally, IDLC has adopted the 10 UNGC (United Nations Global Compact) principles within the organisational frameworks as the only signatory of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh.

In-house Environmental Management

IDLC upholds a vision to encourage and catalyze transformation towards sustainable business practices. In line with the vision. the Agrabad branch of IDLC, situated in the World Trade Centre at Chittagong, achieved the prestigious LEED (Leadership in Energy and Environmental Design), Gold Certification from USGBC (United States Green Building Council) under the category of 'commercial interiors'. This branch is the first-of-its-kind to achieve such an endorsement under the aforementioned category among the financial institutions of Bangladesh. IDLC will gradually transform all other branches with green features as well.

Moreover, the Green Banking Unit periodically organizes in-house training & awareness programs for the employees to explain the concepts of green banking and provides necessary technical assistances towards strengthening organisational portfolio through Sustainable Financing.

Going Forward

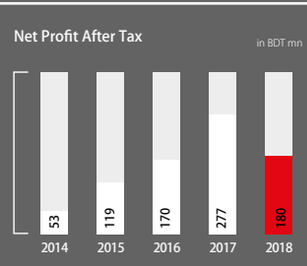
Even though Green banking is yet take off fully in this country, Bangladesh Bank's active participation in environmentally-sustainable financing and its progress only means that it will continue to move ahead. As IDLC aligns its business strategy to be consistent with individual and social needs, we intend to play a significant role in advancing this environmentally-sustainable mode of financing.

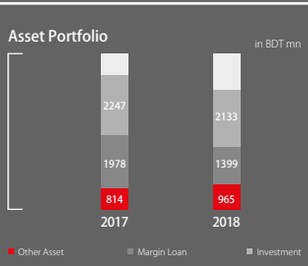
Business Segment Review – Subsidiary Business Operations

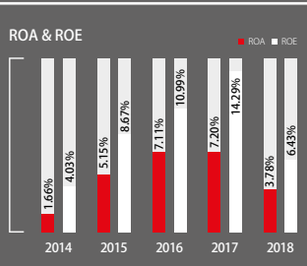
IDLC Investments Limited

IDLC IL in Numbers

2011 Initiation	BDT 180 Mn NPAT	3,600+ Number of Customers in DPM
11 Number of IPOs, RPOs and right Issues	BDT 4.5 Bn Asset size	32 Team Size







Overview

IDLC Finance commenced its merchant banking operations in 1999 through participating in underwriting of IPOs. The Company managed its first IPO as issue manager in 2003. IDLC managed the first IPO under the book-building method in the capital market history of Bangladesh in 2010. Aligning with regulatory requirements, the merchant banking operation was carved-out and transferred to IDLC Investments Limited, a fully-owned subsidiary of IDLC Finance, which was established in 2011. Our products and services consists of Investment Banking, Discretionary Portfolio Management and Margin Loan

Key Strengths

- Strong brand image, adoption of highest ethical standards with rigorous compliance.
- Diversified product basket suitable for different investor risk grades
- Active portfolio management to generate consistent returns for our clients.
- High-quality research capabilities and superior corporate network

Overcoming Hurdles

Hurdles

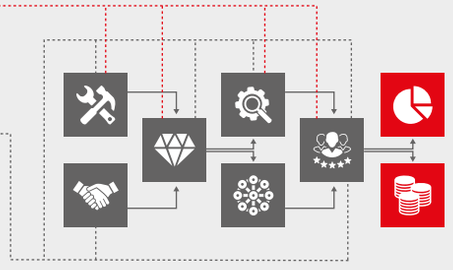
- Systematic risks arising from political/ regulatory/ legislative changes
- Professional portfolio management service is yet to flourish in Bangladesh and it is in early stage of growth

Response

- Through advisory services and intelligence solutions that comprise of knowledge-sharing on the markets, stock analysis, effects of leverage, effective risk management, fostering disciplined portfolio management.
- Raising awareness among people and increasing value proposition through diversified product basket

Strategic Focus

- Enhancing the technological development which will help our clientele to get prompt service
- Reinforcing process efficiency, leveraging strong co-ordination capabilities with regulatory authorities and ensuring continuous value creation for our clientsv



Core Highlights - 2018

- Received "Euromoney Awards for Excellence 2018" for being the best Investment Bank in Bangladesh
- During 2018, our operating income and operating profit stood at Taka 256.57 million and Taka 162.17 million, respectively
- Considering high market volatility, IDLC Investments prudently effected a decline of its margin lending exposure to Taka 1,399 million in 2018, down from Taka 1,978 million in 2017.
- Considering market downtrend, investment exposure shrunk by 5.07% to Taka 2,133 million in 2018, from Taka 2,247 million in the previous year.

Outlook & Strategy – 2019 and Beyond

Outlook

Discretionary portfolio management (DPM)

In the short run, political stability in the post-election era will have a positive impact in the economy. Furthermore, rising awareness of retail investor alongside, on boarding of Chinese team on the board of DSE will bring positive changes in the capital market. Furthermore, volatility in exchange rate, interest rate fluctuation and NSC rate may have impact on the capital market.

In the long run, government mega project, development of economic zones and China-USA trade war will benefit Bangladesh. The macro-economic paradigm shift will have positive impact on capital market and increase investor's confidence.

Investment banking

In the short run, regulatory changes regarding expediting the approval process is expected to encourage more companies to make equity transactions. Additionally, government's focus on enlistment of companies with good financial performance and good corporate governance may attract more companies to be listed in capital market. Furthermore, it is expected that companies will go for more business consolidation to restructure the business which will broaden the scope of more investment banking deals.

In the long run, potential for investment banking business is huge, considering the business and economic outlook of Bangladesh.

Margin Loan

In the short run, the post-election scenario political and economic stability is expected to bring more confidence to the investors.

In the long run, Bangladesh economy is expected to grow significantly. As a result, we are expecting a vibrant capital market in near future and this is expected to bring more opportunity for both local and foreign investor. Additionally, market intermediaries will introduce more risk management tools for the investors to safeguard the interest of them.

Strategy

Discretionary portfolio management (DPM)

In the short run, IDLC IL will look to reach retail investors through sales campaign for internal stakeholders, leveraging network of overall IDLC's sales force and developing online portal. Additionally, high net worth and corporate segments will also be in focus.

In the long run, we will be actively analysing the economic shift and act accordingly for the necessary change. Furthermore, focus will be on technological development for effective fund management and operations

Investment banking

In the short run, IDLC IL will look to focus on new avenues of business particularly in corporate advisory service based on client needs and market opportunities. Additionally, IDLC IL will look to enhance engagement with regulators, investors and other stakeholders by leveraging brand equity.

In the long run, IDLC IL will look to expand business through leveraging the anticipated market stability and capitalize on business prospects by forecasting upcoming market trends

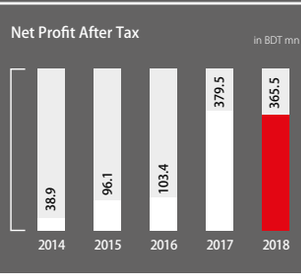
Margin Loan

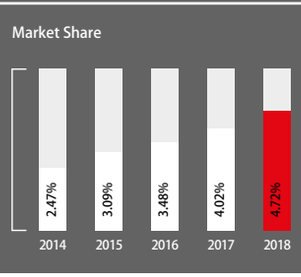
IDLC IL will look to emphasis on sales drive, attract new investors, raise awareness and encourage investors to go for fundamentally strong scripts by establishing RM based client service model. Moreover, focus will be given on technological development for effective client service and smooth operations while maintaining strict risk management parameters.

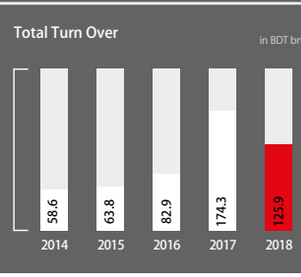
IDLC Securities Limited

IDLC SL in Numbers

2006	BDT 365.5 Mn	16,510	4.72%	BDT 520.4 million
Initiation	NPAT	Number of Clients	Market Share	Average Daily Turnover







Overview

IDLC SL, one of the top brokerages of Bangladesh, commenced operations in 2006. The company provides brokerage services to more than 16,500 retail, local & foreign institutional investors through reliable trading platforms of both the Dhaka and Chittagong stock exchanges. It also serves more than 2,500 customers of its enlisted merchant banks as a panel broker. It possesses a proven track record of delivering quality customer services while maintaining high standard of compliance and corporate ethics. Additionally, the company offers premium brokerage services to High Net Worth (HNWs), Institutional and foreign investors. Premium brokerage services is a prime bundle of research and advisory support in addition to trade execution. Moreover, IDLC SL has a reliable online trading system under its in-house developed Order Management Unit which was launched in 2010 with the principal objective to facilitate those investors who prefer online trading, thereby democratizing market access.

Key Strengths

- **Strong group brand**
- **Skilled traders, dedicated relationship managers and competent sell-side research team**
- **Wide branch network with reliable and user friendly online trading infrastructure**
- **Culture of confidentially and secured custodianship of clients' assets**
- **Performance management model that drives quality business growth**

Overcoming Hurdles

Hurdles

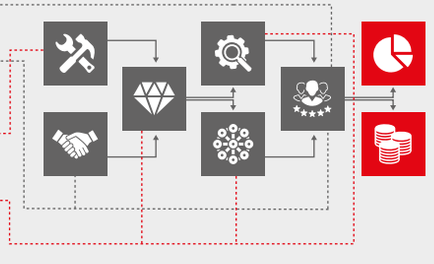
- Market downturn resulting in decreased trade volume
- Investment risks of proprietary investment portfolio
- HR retention risks
- Operational Risk
- Technology risks

Response

- Trying to strike the right level of operating leverage to minimize the impact of any major decrease in brokerage fee resulting from downturn in trade volume
- We have investment committee for taking investment decisions based on research insight and recommendation.
- Implementing performance management on continuous basis. Additionally, pay scales and other benefits are aligned with industry standards.
- Streamlining and strengthening Finance, Operations and Compliance department with focus leadership
- We continually review our existing technology and take step accordingly

Strategic Focus

- Solidify our market position
- Continue focus on foreign and premium brokerage segments
- Enhance capacity of sell side research & dealers
- Embrace new technology conducive for brokerage business



Core Highlights - 2018

- Average daily turnover of market decreased by 37% while average daily turnover of IDLCSL decreased by only 25.9% to Taka 520.4 million. Thus, market share increased to 4.72% from 4.02% of previous year.
- Net brokerage commission income decreased by 30.6% to Taka 333.4 million
- Investment income grew by 4.8% to Taka 268 million
- Net interest income grew by 82.2% to Taka 149.3 million
- Profit before tax and provision decreased by 10.0% to Taka 518.0 million
- Net profit decreased by 3.7% to Taka 365.5 million
- Shareholder's equity grew by 11.8%
- Assets grew by 19.3% to Taka 4,934.7 million
- Secured 2nd position with substantial increase in market share
- Enhanced retail and strategic sales efforts
- Achieved significant footing in foreign sales operation
- Conducted two overseas roadshow in USA
- Remodeled sell-side research & foreign brokerage business
- Reviewed and restructured our operational risk management process

Outlook & Strategy – 2019 and Beyond

Outlook

- Adopting technology platform for brokerage industry
- Shift in human resource quality in front line business
- Shift in investor segments from retails to institutions
- More regulatory and compliance intensive
- Enhance Customer confidence and trust
- Create and attract youth and emerging investor class
- Introduction of new asset class beyond equity
- Opportunity in proprietary investment

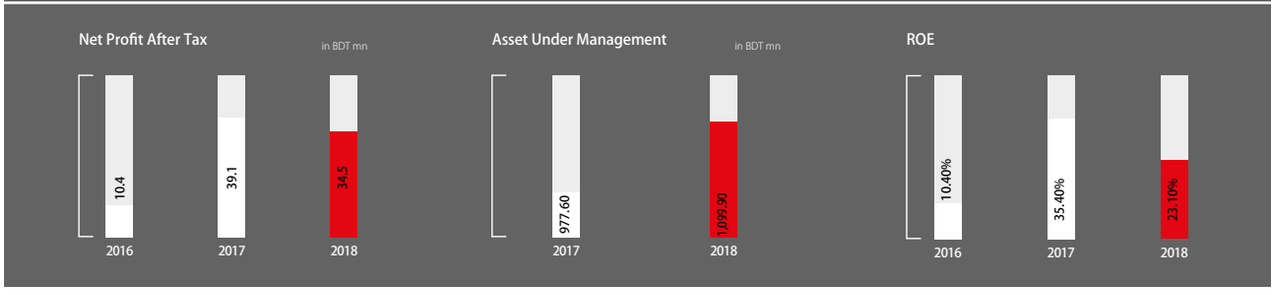
Strategy

- Adopt technology that drives business growth and provides real time risk management
- Attract high quality talent to spur innovation
- Enhance team capacity for foreign and institution to tap opportunities from shift in investor segment
- Implementation of clients' investment monitoring system
- Fostering culture of ethics and compliance to retain customer confidence and trust
- Enhance virtual presence to create and attract youth and emerging investor class
- Research based selective investment

IDLC Asset Management Limited

AML in Numbers

November, 2015 Initiation	BDT 34.5 Mn NPAT	2 Number of Mutual Funds Managed
588 Number of Customers	BDT 1,100 Mn Asset under Management	20 Team Size



Overview

IDLC Asset Management Limited, a fully owned subsidiary of IDLC Finance Limited, was incorporated in Bangladesh on 19 November 2015, vide registration no. C-127068/2015 as a private company limited by shares under the Companies Act, 1994. The Company was awarded with asset management license on 7 June 2016 with a paid-up capital of BDT 100,000,000 (BDT one hundred million only). We expect to operate in the nascent but growing asset management industry of Bangladesh. The Company's principal objective is to conduct the business of asset management, primarily through launching and managing mutual funds, to cater the diverse investor needs. Alongside, we also plan to manage Alternative investment funds and provide related corporate advisory services.

Key Strengths

- Experienced and tested fund management professionals
- Strong brand image of IDLC as a knowledge leader in capital market operations
- Investors' trust in IDLC fostered through years of providing transparent and quality service
- Scalability leveraging technology
- Strong distribution channel leveraging IDLC's network

Overcoming Hurdles

Hurdles

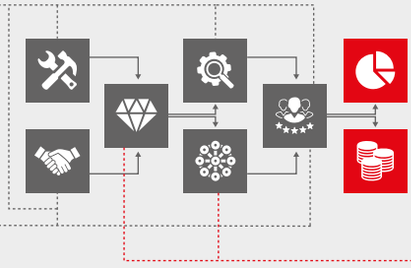
- Attracting customers in a distressed equity market
- Lack of awareness about mutual funds
- Increasing competition with the flow of new open end funds in the market

Response

- New clients were attracted through proper marketing communications about the core nature of the product
- Investment in increasing investor awareness about mutual fund as a long term investment vehicle.
- IDLC AML is focused on generating superior investment result, strengthening its marketing efforts, streamlining operations to distinguish itself from others and introducing new products to the market

Strategic Focus

- Building a scalable operational process equipped to support the company's long term vision
- Targeted marketing activities to create awareness and educate mass people about the benefits of long term investment through mutual funds



- Onboarding new customers with suitable IDLC mutual funds for them and nurture a long term relationship with them

Core Highlights - 2018

- Launched "IDLC Growth Fund" in February 2018 with an initial fund size of BDT 500.0 million.
- Launched IDLC Systematic Investment Plan (SIP), first of its kind in the market.
- Received license to operate as Fund Manager of Alternative Investment Funds as per Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015.

Outlook & Strategy – 2019 and Beyond

Outlook

- Increasing competition in the market with emergence of new diversified open end funds in the market.
- Shariah compliant products claiming significant market share.
- Popularization of Systematic Investment Plan (SIP) among retail investors.
- Embryonic development in local PE/VC firms.

Strategy

- IDLC AML aims to be the top asset manager through introduction of more customized investment solutions, better investment performance of the funds and superior customer service.
- IDLC AML aims to launch its Shariah compliant open end fund in 2019 to meet the increasing demand of Shariah compliant mutual funds.
- IDLC AML will heavily invest in marketing activities to educate and aware investors about SIP as a simple, convenient and disciplined way of investing in mutual funds.
- IDLC AML is enthusiastic about the prospects of PE/VC business in the country. We are working to build an organisation that has the right mindset and resourcefulness to become an industry leader in this space.

Strategy and Resource Allocation

Having discussed the numerous pressures from the operating environment and our individual business segments and subsidiaries, it is imperative we present to our stakeholders, specific pressures that influence our business model and our adaptability to these fundamental forces. We will also elaborate on any changes we see as required within our business model in combatting the challenges faced or in order to benefit from opportunities arising from changing market dynamics and our strategies thereof. We will follow up with a summary of our strategies in response to these forces.

The implementation of our strategies in line with our short, medium and long term goals will require proper allocation of resources for the development of our capitals. We will also expand on the likely tradeoffs between these capitals that will arise from our resource allocation plans as well as strategies to meet our key performance indicators (KPIs) while avoiding possible ripple effects.

This section should also be read in line with our Chairman's and CEO's statements, as it is rather a detailed breakdown of their plans and contains the various implications of their strategies on the capitals and on our business model.

Goals

Short-term

In the short-term, we have arrangements to launch dedicated products targeting the smaller ticket retail segments for SMEs and Home Loans. We will also solidify the foundations of our business verticals besides the lending operations to enhance the company's fee generation capacity and overall earnings capacity through advisory services, capital market operations and initiatives in the alternative investment scene.

Medium-term

Our medium-term goal is to further scale our lending operations – with continued focus on ensuring portfolio quality – through technology adoptions and process developments that enable reductions in cost-to-income in spite of margin pressures and rise in fixed operating expenses. Correspondingly, we intend to further enhance our retail deposit base, in line with the rate of business expansion, to reduce risks associated with dependence on large ticket deposits in light of potential macro-economic shocks. It goes without saying, we have been able to prepare against such risks quite adequately so far, especially in regards to the very preceding year.

Long-term

Our long-term vision is to emerge as the best financial brand in Bangladesh. This is our statement of purpose continuing to help us navigate our operations and our enterprise towards this direction. As such, we plan to achieve best-in class performance in the various business initiatives we have recently taken and in those we are planning to take. The legacy of our existing businesses such as SME, Home Finance, Brokerage and Investment Banking are testament to our capabilities in realizing such ambitions.

Breakdown of objectives

Our strategies, in line with our vision and mission, pave the way for achieving our short, medium and long-term goals.

Vision

We will be the best financial brand in the country.

Mission

We will focus on quality growth, superior customer experience and sustainable business practices.

Undertake quality business growth in lending and subsidiary operations

- Continue and improve on the growth momentum in Small Enterprise Financing (SEF) and Home Loans, especially in the granular segments
- Grow market in metros beyond Dhaka and Chattogram further
- Accelerate efforts in Asset Management, Alternative Investments, Advisory Services and other fee based businesses
- Achieve desired deposit growth while optimizing cost and increasing contribution from retail depositors

Further enhance people focus

- Further drive objective based performance management process across the organisation
- Continue to invest in talent development
- Evolve an engaging & inspiring culture based on mutual trust, respect and accountability
- Build a strong employer brand

Improve credit & collection processes

- Restrict NPLs within desired levels
- Review policies and processes to ensure portfolio quality in the backdrop of business growth objectives

Optimize utilization of distribution channels

- Increase the radius of coverage by each branch through technology adoptions that enhance mobility of sales, credit and collections colleagues

Improve customer experience

- Foster a 'customer first' mindset in all employees at all levels and across every vertical of the company while improving service standards further

Improve presence through concerted branding & marketing efforts

- Carry out brand and marketing initiatives as per planned yearly activity calendar

Improve efficiency further

- Invest in technology to increase automation further
- Continue to re-engineer and simplify processes and, resultantly, improve cost/income ratio further

Build on the legacy of community service efforts of the recent years

- Further strengthen activities under Corporate Social Responsibility (CSR) to enrich our impact on the society at large

Risks and opportunities

This is a rundown of a few key challenges, those that affect our business model very specifically and influence our strategies. More comprehensive and in-depth risk assessments are provided in supplementary relevant topics within this report:

Statement of Risk Management (pg. 55): Broad risks and mitigation strategies for the company.

Business Segment Review (pg. 111-124): Specific risks and mitigation strategies for individual business units and subsidiaries

Highlighted challenges facing our company and strategies to counter them based on key findings from **operating environment analysis** and **stakeholder engagement:**

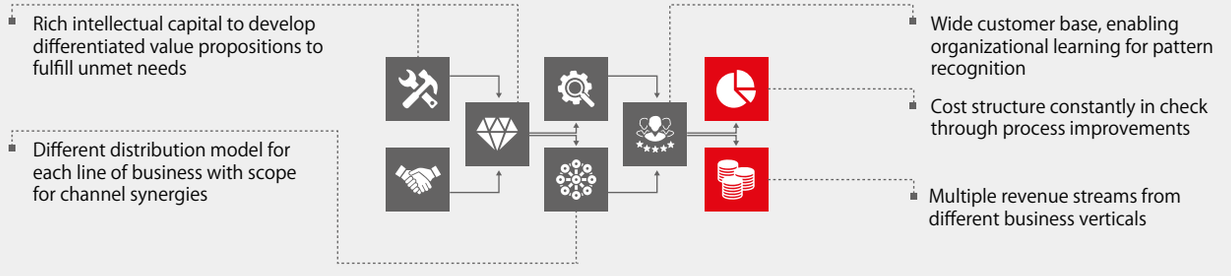
Key challenges	Opportunities and key strategies	Risk Category	Business model adaptability
Tightening margins	Find niche and underserved markets Gain scalability in existing markets to be able to undertake quality business growth without proportionate rise in Operating Expenses Explore alternative and cheaper sources of funds	Interest Rate Risk (pg. 58)	Short-term: Moderate Medium-term: High
Maturity Mismatch	Focus on maintaining and improving renewal rates – currently, above 75% of deposits are renewed at maturity	Funding Liquidity Risk (pg. 60)	Short-term: Moderate Medium-term: High
Ensuring portfolio quality in light of growth targets	Continuously fine tune credit rating and risk grading algorithms to ensure applicability of existing models in different markets and different macroeconomic situations	Credit Risk (pg. 58)	Short-term: High Medium-term: Moderate
Dependency of capital gains and brokerage incomes on stock market cycles	Balance capital market exposures in the overall portfolio while taking advantage of market inefficiencies Gradually enhance scope for non-funded business revenues from capital market subsidiaries	Equity Price Risk (pg. 58)	Short-term: Low Medium-term: Moderate
Attaining growth targets with controlled growth in operating expenses	Follow through on process optimization initiatives Review and implement improved sizing and HR strategy for optimizing productivity	Operational Risk (pg. 60) Technology Risk (pg. 62)	Short-term: Moderate Medium-term: High

Business model adaptability and change requirements:

What makes our business model highly adaptable

Our business model is highly flexible and hence, adaptable to most of the discussed strategic needs. For instance, our liability team is capable of meeting the lion's share of our fund requirements through deposit acquisition. Our governance makes us strong enough to handle blows such as interest rate shocks, partly through our risk mitigation policies that dictate the appropriate course of action at times of interest rate changes. Our key partnerships allow us to seek soft loans from the central bank as well as multilateral organisations, which allow us to reduce our cost of funds compared to other NBFIs in the country. Our focus on environmentally sustainable lending policies and corporate citizenship, in part, paves the way for availing such opportunities.

As a whole, it is the way we utilize the different elements within our business model and our culture of valuing innovation at every level that allows us to be highly responsive to client needs and adapt to market trends as well as changes to the competitive landscape.



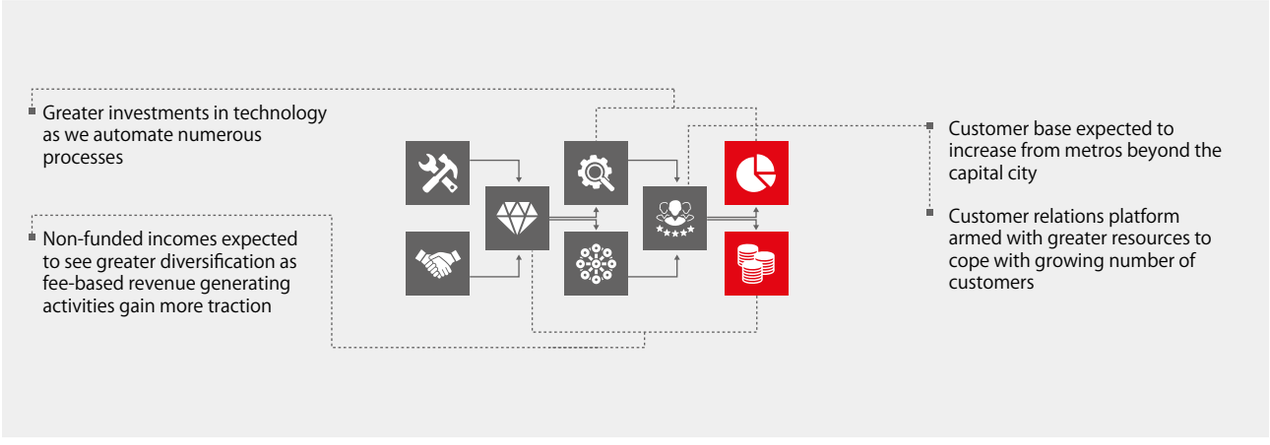
Change requirements

As we grow our business across several verticals and as the operating environment around us changes, adapting our business model will be an inevitable requirement. We have already been changing parts of our business model in the previous few years through centralized operations and restructuring our Consumer and SME divisions by means of developing processes to free up Relationship Managers (colleagues in Sales), Credit Analysts and Collection Officers, while bringing changes to the scope and roles of different departments within each division.

While we are aware of the more disruptive challenges to our business model such as risks presented by the advent of fintech, the regulatory environment in Bangladesh is likely to only allow small and gradual changes in relevant policies to avoid any major shocks to the

economy. Nonetheless, we have also looked into the opportunities it brings with it, and have already led change in various ways since the last couple of years. Operations Centralization, adoption of activity tracking to better monitor and optimize the lead generation capacity of our colleagues in business wings, introduction of systems to increase organisational memory and numerous such initiatives are a few examples. Going forward, we plan to roll out credit rule engines designed for smaller-ticket segments, implement customization of the core banking software based on scalability requirements identified in the year being reviewed, adopt software to better manage customer relationships, integrate business intelligence tools for faster deep dive analysis capabilities and so on.

In the medium to long term, our revenue model can be expected to demonstrate scale-based growth, in line with the opportunities presented by the country's growing economy. The revenue base can be expected to show greater diversification as fee-based activities begin to gain more traction. In preparation of these, our cost structure will see greater expenditures in technology and infrastructure in the short term as we move to automate more and more processes. Our customer base has been becoming more diverse, which is expected to continue as we increase our customer base through more retail client onboarding.



Responses to issues raised through stakeholder engagement

We incorporate feedbacks from our stakeholders in various aspects of our operations and employ resources to address their concerns.

Stakeholder	Concern	Our Response	Capitals Invested	Elaboration
Customers	Investment opportunities, Time taken to earn interest on deposits	Launched new Mutual Fund product, for small investors as well as an *Interest First Deposit* product.	Financial, Intellectual & Social and Relationship	Business Segment Reviews (pg. 111-124)
Shareholders	Timely performance review and transparency	Conduct quarterly earnings disclosures every quarter	Human & Intellectual	Social and Relationship Capital (pg. 100)
Regulator	Anti-money laundering and anti-terrorist financing	An Operations Risk Management (ORM) department has been formed, tasked with identifying and monitoring operational risk areas		Statement of Risk Management - Legal Risk Management (pg. 64)
Colleagues	Fair incentive structure and performance rewards Health and safety	Thorough incentive structure and comprehensive performance appraisal system; Healthy premises, company doctor, regular fire drills, sports activities	Financial & Human	Human Capital (pg. 90)
Community	Environmental protection Social Involvement	Invest on green premises. Increased focus on Green Financing. Growing CSR activities, introduction of community engagement platform, *Khushir Kheya*	Financial, Social & Relationship	Business Segment Review,Social Relationship Capital (pg. 100, 111-124)

Resource allocation strategies to meet objectives

Our efforts always remain to undertake decisions with the view of long-term value creation for our investors. This means, occasionally, certain tradeoffs are needed to be made between capitals in order to accommodate our long-term orientation. Mostly, these are in the form of financial investments made towards ensuring the development and sustainability of other capitals in a way that the resulting long-term returns will outweigh the short term costs. In other words, we allocate our resources to build on our various capitals with the view of enabling a sustainable growth engine. This resource allocation strategy is manifested in our approach of utilizing key capitals, the role of innovation and other considerations in strategy formulation, explained in the following sections.

Strategy formulation and our sources of competitive advantage

How we develop and utilize our intellectual and human capitals

As a major driver of our intellectual capital, we expose our human resources to an inspiring work environment and a culture that fosters and encourages collaboration, sharing and teamwork. We expect the highest standards of ethics and behavior out of one another and have a 'no-compromise' stance to any deviations. We contribute to the development of our human resources by providing them with ongoing as well as specific training.

As a financial institution, we also see technology as a key component of business success. As mentioned previously, we plan to invest heavily in building on our tech infrastructure to scale our businesses while maintaining the quality of our assets and service standards for our stakeholders.

Not only do we want to improve on our services, but also make them consistent, which is evident in our investment on customer service training. Numerous other forms of training conducted on technical and leadership skills (pg. 90) stand to prove our commitment towards developing our intellectual capital in efforts to remain a knowledge centric institution that seeks to create value through quality growth and sustainable business practices. We incorporate various other measures in developing our intellectual capital which are expanded on under Intellectual Capital (pg. 95) and Human Capital (pg. 90).

The role of innovation in harnessing the potential of our capitals

IDLC nurtures its spirit of innovation through its three integral pillars - People, Product and Processes. The following table articulates the scope of innovation of each of these pillars and the respective team which are engaged in this:

Area of Innovation	Scope for Innovation	Primarily responsible team
People	Increase efficiency in the hiring process	Human Resources Team
	Regularly improve on incentive structures to drive morale and performance	Human Resource with help from senior line management in business divisions
	Further automate people management processes through use of HR Management software for employee on-boarding, objective setting, performance appraisal, compensation management etc.	Human Resources and Technology teams
Product	Conduct more market research	Products and marketing teams in coordination with sales, operations and credit risk management, technology and customer experience teams
	Introduce more products to cater to underserved segments	
	Innovate features in existing products	
	Enhance non-financial services	
	Further improve customer on-boarding experience	
Processes	Improve customer service platforms with greater features and further reduce customer service times	Business solutions team comprising of members from different departments including business and operations
	Increase efficiency through process improvements	
	Increase process and information security	Technology Team
	Further automate internal service request management processes	

Environmental and social considerations in our strategy formulation

Our focus on ensuring our own environmental and social responsibilities, and also that of our clients, is deeply ingrained within our policy, strengthened by government regulations and international frameworks that help us communicate our rationale and ways to implement sustainable practices with many of our clients. It is also evident in our efforts towards Green Financing initiatives (pg. 118).

Key interdependencies, complexities and tradeoffs between capitals

Our capitals are deeply intertwined and dependent on each other. While one capital is used up, it transforms into the creation or development of another. The role of innovation in harnessing the potential of our capitals already illustrates this. The flow of one capital therefore, not only affects its own outcomes, but also that of others (pg. 42).

Intellectual, Manufactured and Financial Capitals

The software and infrastructural investments we make towards achieving process efficiency, in turn, helps us maintain our low cost-to-income ratio (pg. 69) and quicker service in the form of turnaround times, which enables us to operate competitively in the market. Hence, our various initiatives, while incur expenses, also strengthen our financial capital, through economies of scale supported by our business growth. This not only ensures solvency in the short term, but also enhances our long-term value creation prospects through enriching our capabilities as a knowledge-based organisation that keenly develops its infrastructural prowess to serve a greater and wider pool of stakeholders. In conclusion, while monetary investments in our manufactured, intellectual, human, social & relationship and natural capitals are key to the development of these capitals in themselves, these investments also translate to utilization of the capitals to be transformed back to financial capital in the form of material returns to these various stakeholders.

Human, Social & Relationship Capital and Manufactured Capitals

Our manufactured capital is intricately linked with our people strategy and the way we engage with our clients and other stakeholders. The services and operations of many of our branches are designed to best serve the clients within their closest vicinities, so that we can specialize in customizing our offerings to their specific needs. However, with our growing basket of products, we are training more and more of our representatives to be able to provide a wider range of solutions rather than just a few.

Our broad training framework is purposed to provide better service to our clients to improve our social and relationship capital, which comprises of our key partnerships as well as relationships within and between our various stakeholders. In fact, we help expand

these relationships to get a multiplier effect on the benefits. For instance, at Purnota, a pioneering service package for women entrepreneurs, we organize events to introduce numerous such entrepreneurs to each other in order to give them an opportunity to harness the potential benefits to be derived from a community. In turn, as a financial institution, we too realize the benefits from these engagement programs through serving the financial needs of our clients – existing and prospective – when they thrive as a result of knowledge sharing and idea generation. Our engagement programs go on to extend from our customer engagement initiatives, to our CSR programs, to our ambitious marketing drives that are targeted to impact beyond our clients (pg. 100).

Natural and Other Capitals

Starting from our manufactured capital, which includes all synthetic physical resources, we seek to ensure proper utilization to help reduce our carbon footprint for doing our part in protection of the natural capitals. In order to do this, we also focus on developing our intellectual capital, so that we can improve process efficiencies and enhance resource utilization. In effect, we would also invest in training our human capital to expand on our organisational knowledge and add to the process efficiencies. Besides, investments in eco-friendly premises also become part of our drive at protecting the environment. (pg. 109).

In essence, our activities either use or affect the different capitals. And while the development of one capital may come at the expense of another, its utilization can also leave a positive impact on the development of other relevant resources.

Tradeoffs we seek to avoid

Certain situations require us to make difficult choices between our capitals. For instance, investing in technology for process innovation automatically reduces need of manual work in the department concerned. However, we ensure the protection of our human capital through our thorough placement strategies, complemented by our efforts in creating a dynamic talent pool that is adaptable to meet a variety of work requirements in different job roles.

Another area where tradeoffs are made is apparent in our policies against the financing of socially and environmentally harmful projects. We do this with the long-term view of social and environmental protection in mind. However, we must acknowledge and give due credit to the role of regulatory policies that are in place to incentivize such efforts, helping to ensure that companies upholding those policies do not lose out on their competitive edge in the process.

Measuring the efficacy of our objectives and tackling possible ripple effects of essential KPIs

KPIs	Spill-over effects	Solution
Portfolio growth	Potential of becoming over-aggressive in terms of achieving business growth and in the process, acquire risky clients.	The key is to constantly monitor and review the credit approval processes. We have also made arrangements to further improve the utilization of our internal data repository through greater use of tools and policies regarding credit risk scoring, risk-based pricing, single party exposure limit, sector exposure limit and portfolio diversification.
NPL management	Possibility of losing business while being too conservative.	Based on our decades of experience, we are able to identify the niches that offer the most attractive risk-adjusted business opportunities. In turn, combined with our processes and policies, this allows us to maintain NPL levels that are significantly lower than the industry average.
Maintain/reduce cost to income ratio	Excessive cost-cutting drives could reduce branding initiatives, customer & employee engagement programs and so on.	As a way forward, we plan to automate more processes to improve efficiency & infrastructure utilization and review more processes to churn out the task redundancies besides training colleagues to increase HR capacity and productivity.

Our scope of long term value creation

Besides the macro-economic trends being highly favorable for the retail markets that we seek to serve going forward, we believe to have developed the right set of strategies, policies, processes and investment endeavors to penetrate into these spaces successfully and sustain in the long run. Recognitions from multilateral organisations such as Investment Finance Corporation (IFC) as the best in class for SMEs serve as testament to our capability to bet on the right client, with the appropriate loan structure. With a growing opportunity to offer greater value to these underserved segments through dedicated products pertaining to their various financing needs, combined with our expertise, we are well-positioned to eventually rise as one of the leading organisations in the country for such ventures.

The same structured approach in integrating our core competencies with opportunities derived from the operating environment are expected to help us ensure quality growth in lower-ticket home financing and other business initiatives as well.

Our emphasis on corporate governance has been another key reason behind the trust of our stakeholders. Among other things, this has enabled us to successfully execute our funding strategies even at times when most Banks and NBFIs have been facing difficulties.

Besides, our ear-on-the-ground approach has enabled us to continually innovate our products to meet newer customer requirements. Additionally, one of our key strengths lies in our ability to have consistently hired the right talent for the right job, especially in key management positions. Combined with a Board that is well-informed about the industry and empowering about the matters that require swift decision-making, we are able to optimize our resource allocation strategy quickly in response to market variables.

Overall, our efforts at enhancing our capability to anticipate key trends through various stakeholder engagement programs, combined with constant reviewing of our operating environment and the competitive landscape help us utilize and transform our capitals for value creation. Our ability to meet and exceed customer expectations with the right set of execution strategies, ensure quicker loan disbursement (for those eligible). And our willingness and capacity to help them navigate through their business challenges has ensured that we remain one of Bangladesh's most respected and trusted Financial Institutions.

- Letter from the Board of Directors Presented by the Company Secretary
- Statement of Corporate Governance
- Statutory Reporting
  - Key pointers for the Stakeholders
  - Disclosures Under Pillar-III Market Discipline
  - Report on Security Custodial Service of IDLC Finance Limited
  - Notice of the 34th Annual General Meeting
  - Report of the Audit Committee
  - Assessment Report on the Going Concern of IDLC Finance Limited
  - Statement of Directors' Responsibilities for Internal Control, Financial Reporting and Corporate Governance
- Directors' Report to the Shareholders of IDLC Finance Limited
  - Annexure I
  - Annexure II
  - Annexure III- Report to the shareholders of IDLC Finance Limited on compliance of Corporate Governance Code
  - Compliance Report on Corporate Governance Code by BSEC
  - Annexure IV- Statement of compliance with the good governance guidelines issued by the Bangladesh Bank

OUR GOVERNANCE

Letter from the Board of Directors presented by the Company Secretary

Dear valued shareholders,

On behalf of the Board, we are pleased to present the corporate governance report of your company for the year ended December 31, 2018.

The purpose of this report is to explain how IDLC is directed and governed by and to summarize the corporate governance activities that have taken place during the year to uplift our governance culture to gratter hights.

In addition to its overall responsibilities for corporate governance, the Board's duties include setting the company's strategy and values and overseeing and supporting management in their day to day running of the business. We continue to believe that your Board demonstrates the appropriate behaviors and has the diversity, skills, independence and knowledge of the business to enable it to successfully discharge its duties.

The principal corporate governance rules applying to IDLC are not only contained to the Corporate Governance Code (CGC) issued by Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, but also covers the global best practices applicable for us.

Throughout the year, IDLC has complied with all relevant provisions set out in the CGC issued by both BSEC and Bangladesh Bank. The said compliances are also vetted and certified as "highly satisfactory" by the independent auditors, Itrat Husain & Associates, Chartered Secretaries in Practice. The report along with the compliance status are enclosed with our annual report 2018 on page no. 190.

IDLC has also complied with all the rules and regulations issued by Bangladesh Bank, National Board of Revenue (NBR) and all other regulators and has never been penalized for any regulatory non-compliance.

We will continue to put our best effort to remain compliant with all the regulations.

Yours faithfully

On behalf of the board

Sd/-

Mohammad Jobair Rahman Khan FCA
Group Company Secretary

Statement of Corporate Governance

Corporate governance represents a strategy for companies to ensure a framework of control for its administrative and management practices. This is achieved through procedures that are aligned with recognized standards that respond to the interests of shareholders and other stakeholders. Proper governance ensures fairness, transparency and accountability and safeguards the interests of all stakeholders, especially the minority shareholders. Empirical research also suggests that corporations that adhere to good governance practices are not only more sustainable but also tend to generate higher profitability.

IDLC's six core areas emphasize its effective corporate governance strategy as demonstrated in the diagram. The company's corporate governance model is rigorously aligned with its well-articulated vision, mission, goals and objectives.

The Company's Board of Directors are responsible for proper governance, which includes setting out the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to shareholders on their stewardship. The Board is collectively accountable to the Company's shareholders for good governance to facilitate efficient and effective management towards delivering long-term shareholder value within appropriately established risk parameters. The sustenance of effective corporate governance remains a key priority of IDLC's Board. To exercise clarity about the Directors' responsibilities towards shareholders, corporate governance must be dynamic and remain focused on the Company's business objectives and create a culture of openness, transparency and accountability. Keeping this in mind, clear structures and ownership supported by well understood policies and procedures to guide the activities of the Company's management have been instituted and institutionalized.

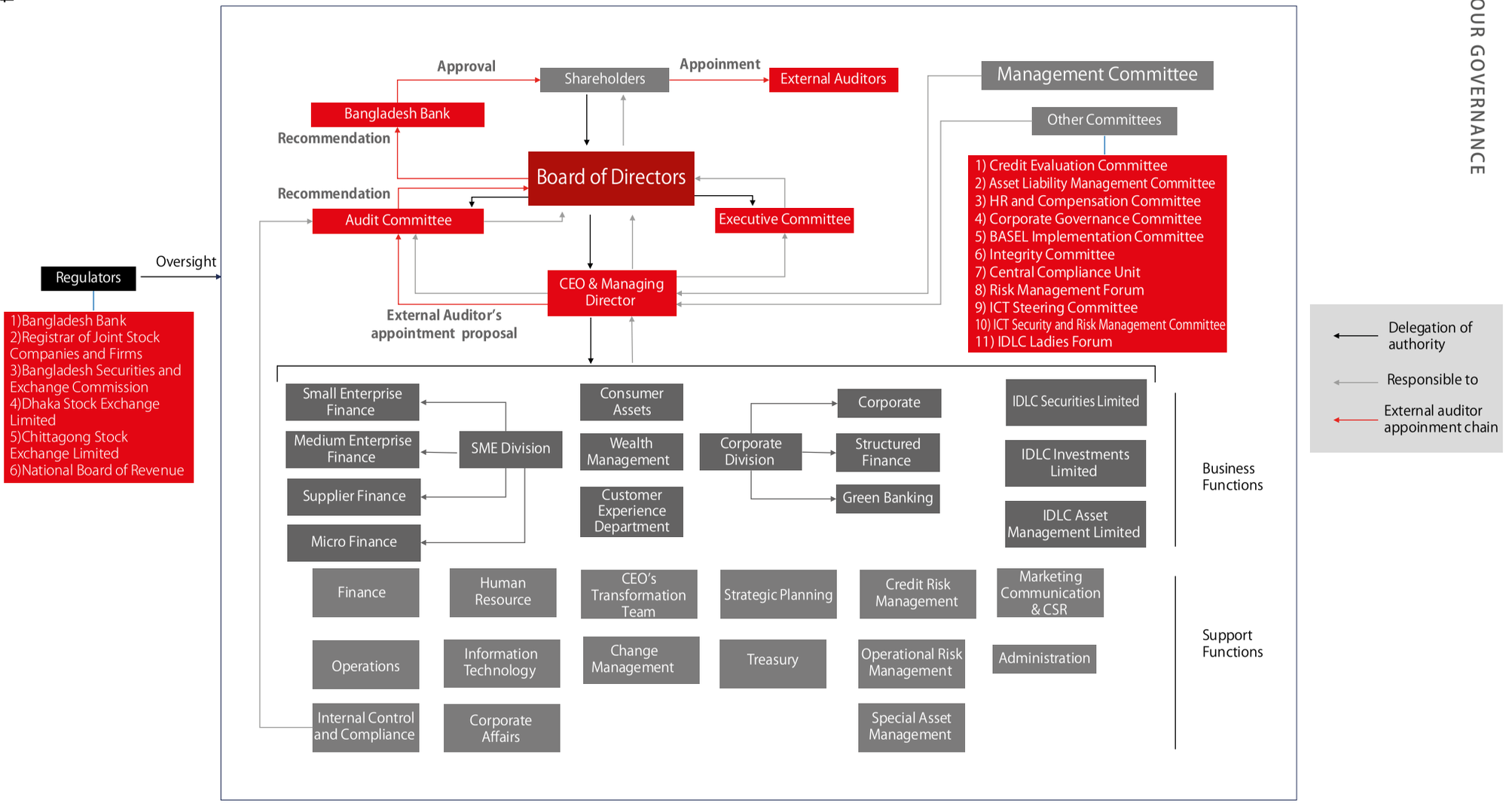
IDLC is committed to continually review all its corporate governance policies and guidelines to ensure transparency in its practices and the delivery of the highest ethical standards and quality information to its stakeholders on an ongoing basis.

IDLC considers that its corporate governance practices comply with all the aspects of the revised Corporate Governance Code (CGC) notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, and notification No. SEC/CMRRCD/2006-158/208/Admin/81, dated June 20, 2018, on financial reporting and disclosure issued by Bangladesh Securities and Exchange Commission (BSEC) and all aspects of Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007 and subsequent circulars thereon DFIM Circular No. 09, dated October 08, 2007, DFIM Circular No. 18, dated October 26, 2011 and DFIM Circular No. 06, dated June 17, 2012.

In addition to establishing the highest standards of corporate governance, IDLC also embraces best governance practices across all its activities. The independent role of the Board of Directors, separate and independent role of the Chairman and Chief Executive Officer, distinct roles of the Company Secretary, Chief Financial Officer and Chief Compliance Officer and different Board Committees enable IDLC to achieve excellence in corporate governance.

As a listed Company, IDLC must comply with the BSEC's revised CGC, which require the Company to provide a statement in the Annual Report disclosing the extent to which it has complied with the BSEC Corporate Governance Code. The status of compliance shall be certified by a practicing Professional Accountant/Secretary. The tables summarizing IDLC's compliances are provided in Annexure-III and Annexure-IV of the Directors' Report. A certificate on compliance with the Corporate Governance Code (CGC) certified by practicing professional chartered secretaries in practice is enclosed on page no. 190 of this Annual Report.

Our Corporate Governance Structure



Highlights of 2018

Steering towards automation

- Increased focus towards process improvement and automation
- Formation of the IT Steering Committee , a sub-committee of the Management Committee, to prioritize IT projects.
- **Outcome:**
  - Automation of several backward and forward linkage of data sources;
  - Initiation of formation of Central MIS system

Safety and reliance

- Conducted "Informations System Appraisal Audit & Vulnerability Assessment" by external auditor KPMG Bangladesh
- **Outcome:**
- Greater reliance on information and better service from our centralized operations team.
- Revision of Technology Policy.

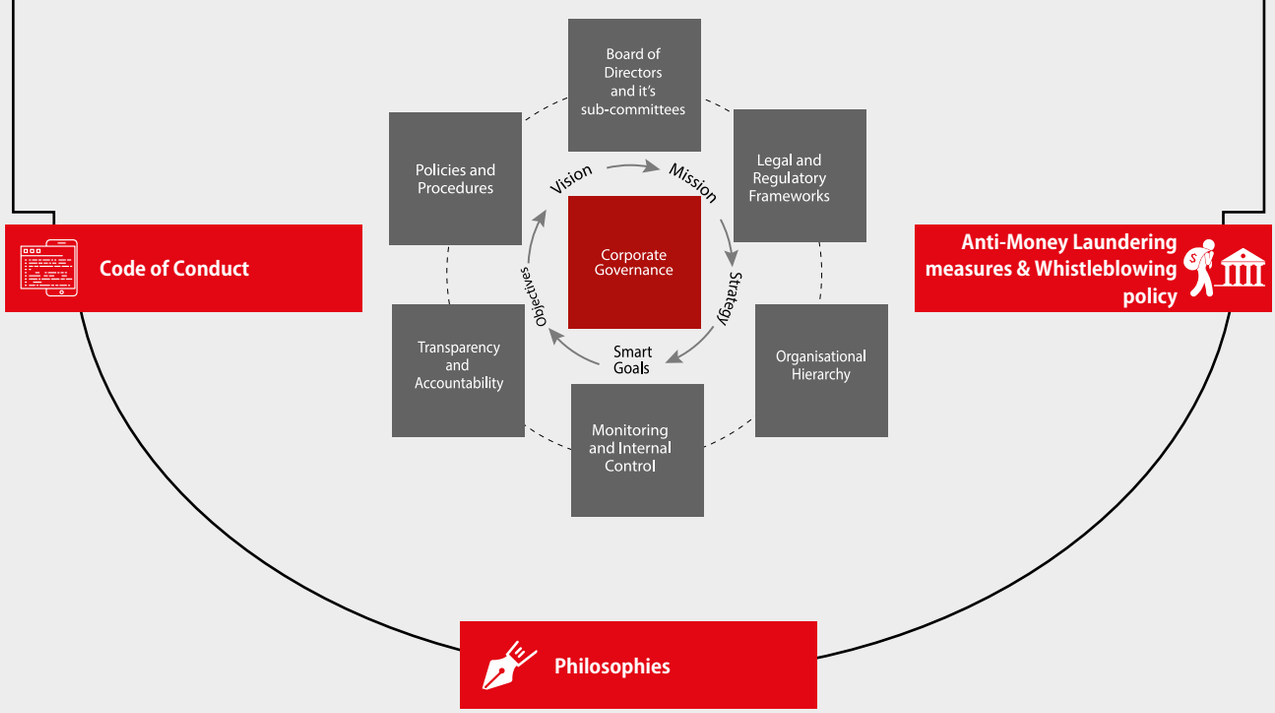
Business Continuity Plan (BCP)

- Initiated and implemented the BCP drill on a full day trial on November 06, 2018 for our major operational hub- Dllkusha branch.
- **Outcome:**

  Successful delivery of operations from designated disaster management zones without any hamper in service.

Integrity and Governance

- Introduction of the Integrity Policy
- Introduction of the Integrity Awards.
- **Outcome:**
  - Awarding an individual employee for Outstanding performance with Integrity under Integrity Award Policy;
  - Inspiring employees for their better performance with integrity.



1. Board of Directors

The Board of IDLC considers that its constitution should comprise Directors with an appropriate mix of skill, experience and personal attributes that allow the Directors individually and the Board collectively to discharge their responsibilities and duties under the law efficiently and effectively, understand the business of the Company and assess the performance of the management.

The composition of the Board embraces diversity. The Directors possess a wide range of local and international experience, expertise and specialized skills to assist in decision-making and leading the Company for the benefit of its shareholders.

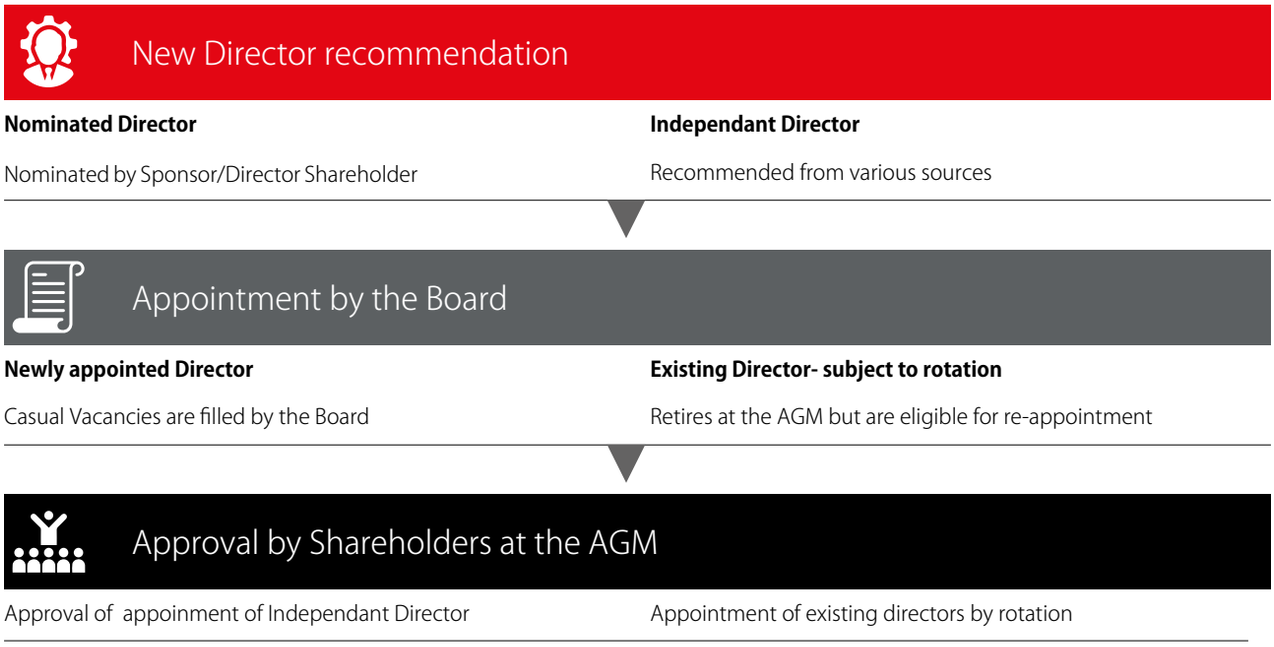
Name of the Director	Status	Executive Committee	Audit Committee	Subsidiary's Board
Aziz Al Mahmood	Chairman, NED	-	-	-
Atiqur Rahman	NED	Chairman	-	-
Monower Uddin Ahmed	IND, NED	-	Chairman	Chairman, IDLC IL
Md. Abdul Wadud	NED	Member	-	-
Mohammad Mahbubur Rahman FCA	NED	-	Member	-
Mahia Juned	NED	-	-	-
Md. Kamrul Hassan FCA	NED	-	Member	-
Syed Shahriyar Ahsan	NED	Member	Member	-
Mati Ul Hasan	NED	Member	-	-
Niaz Habib	IND, NED	-	-	Chairman, IDLC SL
Matiul Islam Nowshad CMgr, FCMI	IND, NED	-	-	Chairman, IDLC AML
Arif Khan CFA FCMA	ED	Member		Director, IDLC AML

NED = Non-Executive Director; ED = Executive Director; IND = Independent Director

1.1 IDLC's policy on appointment of Directors

The Directors of IDLC are :

- **Nominated Non-Executive Directors-** nominated from the senior management of the Sponsor shareholders
- **Non-executive Independent Directors-** recommendation received from various sources for highly capable and seasoned professionals.



In relation to the selection and appointment of new Director, the existing Board of Directors possess the following duties and responsibilities:

- Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- Identify any competencies not adequately represented and agreed to the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;
- The Directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by the Board in accordance with the stipulations of the Companies Act, 1994, and the Articles of IDLC;
- The CEO & Managing Director is appointed by the Board subject to the consent of the shareholders in the Annual General Meeting (AGM) and approval of Bangladesh Bank;
- Any change in the members of the Board requires intimation to the Bangladesh Bank, all scheduled banks and Financial Institutions (FIs), Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges.

1.1.1 Retirement and re-election of Directors

As per IDLC's Articles of Association, one-third of the non-executive Directors, except Independent ones, are required to retire from the Board every year in Annual General Meeting (AGM), comprising those who have been in office the longest since their last election. A retiring Director shall be eligible for re-election.

However, as per the governance code of BSEC, independent directors are appointed for a tenure of 3 (three) years with renewal option for another term of 3 (three) years.

Independent directors are appointed by the board and be approved by the shareholders in the AGM.

The following non-executive directors will retire from the board in the upcoming 34th AGM:

I.	Mr. Mati Ul Hasan	Director Nominated by Mercantile Bank Limited
II.	Mr. Md. Abdul Wadud	Director Nominated by The City Bank Limited
III.	Mr. Mohammad Mahbubur Rahman FCA	Director Nominated by The City Bank Limited
IV.	Mr. Atiqur Rahman	Director Nominated by Reliance Insurance Limited

1.2 Adequate representation of non-executive directors

We maintain the minimum requirement of non-executive directors as per guideline of Bangladesh Bank and BSEC, as the only Executive Director is the CEO & Managing Director while the rest 11 are Non-Executive Directors (including 3 independent Directors).

Composition of the Board, ensuring adequate number of Non-Executive Directors and their independence

IDLC's Board comprises of eleven (11) Non-Executive Directors including three (3) Independent Directors and one (1) Executive Director, the CEO & Managing Director. Directors possess a wide range of skills and experience over an array of professions, businesses and services.

All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always conducted with adherence to stringent and the highest possible ethical standards and in the best interests of all stakeholders.

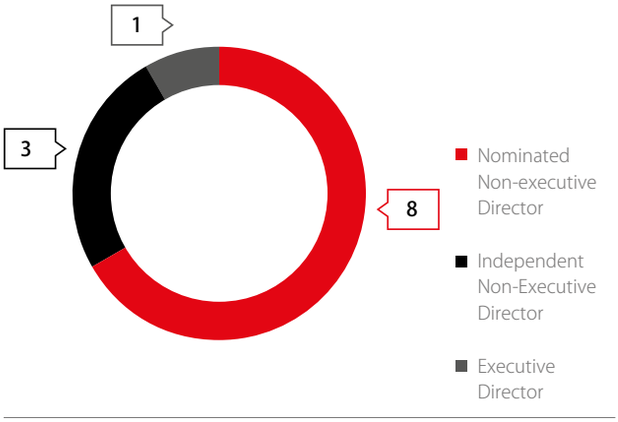
None of the directors of the Board, except the CEO & Managing Director, are involved in the day-to-day operations of the Company; rather, they provide their valuable insights and guidance to the management in the meeting of the Board and its committees.

1.3 Adequate number of Independent Directors in the Board and their independence

As per the revised Corporate Governance Code (CGC) of Bangladesh Securities and Exchange Commission (BSEC), at least one-fifth of the total directors of the Board shall be Independent Directors.

Thus, in compliance with the guideline, three (3) Directors out of the total twelve (12) Directors are independent, having no share or interest in IDLC. Independence of the respective Independent Directors is confirmed during selection and appointment of the Directors and they remain committed to continue with such independence throughout their tenure.

Board composition



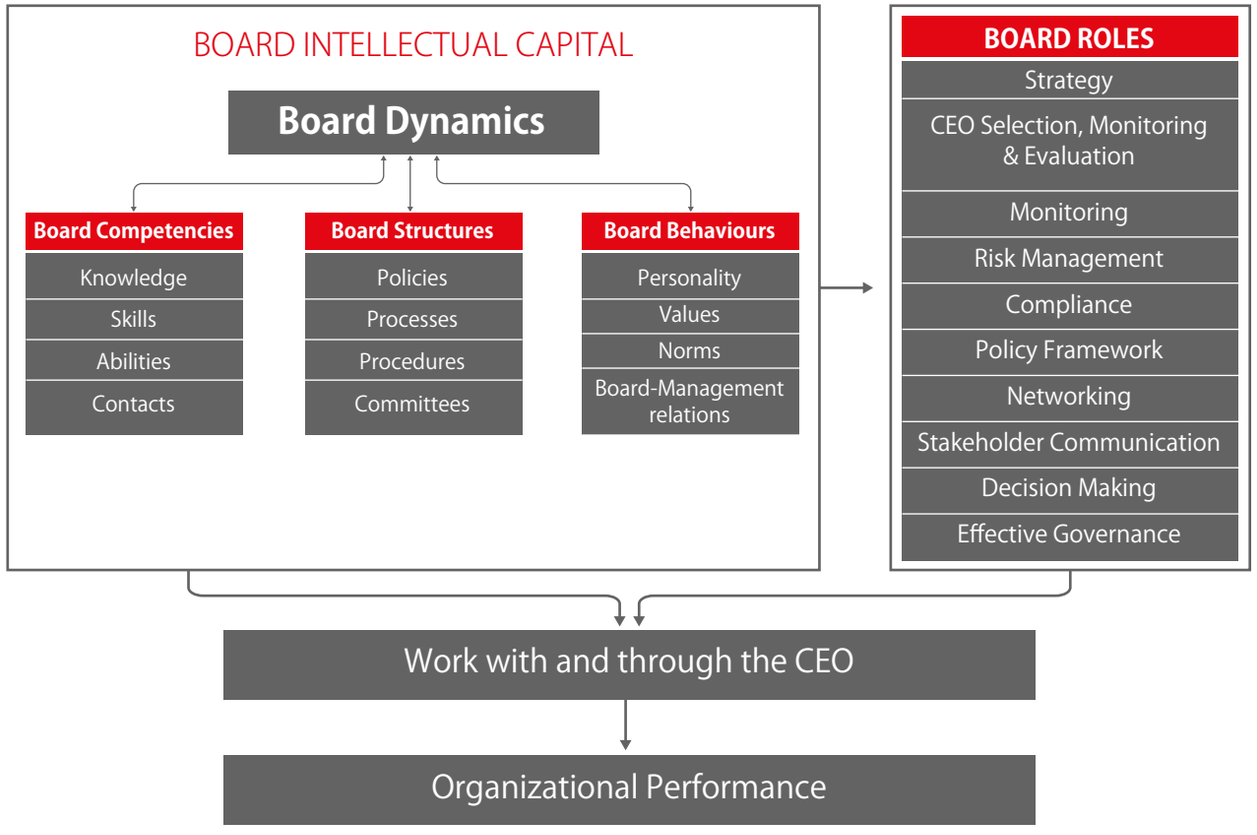
Role and responsibilities of the Board

The Board is committed to the Company to achieve superior financial performance and long-term prosperity, while meeting stakeholder expectations of sound corporate governance practices. The Board determines the corporate governance

arrangements for the Company. As with all its business activities, the Board is proactive with regards to corporate governance and puts in place those arrangements that it considers in the best interest of the Company and its shareholders and consistent with its responsibilities to other stakeholders.

A high performing board works effectively with the CEO to fulfill its roles to induce the best performance for the organisation and to deliver the optimum value to its stakeholders. This is illustrated in the model below:

THE BOARD ENVIRONMENT



The functions of the board may be segregated into four categories as specified below.

The Board duly complies with the guidelines issued by the Bangladesh Bank regarding the responsibility and accountability of the Board, its Chairman and Chief Executive/Managing Director, vide DFIM Circular No. 7, dated September 25, 2007.

The Board of Directors is in full control of the Company's affairs and is also fully accountable to shareholders. It firmly believes that the success of the Company hinges on the credible corporate governance practices embraced by it. Taking this into consideration, the Board of Directors set out its strategic focus and supervises the business and the related affairs of the Company. The Board also formulates the strategic objectives and policy framework for the Company. In discharging the above responsibilities, the Board caries out, inter alia, the following functions as per the charter of the Board and Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007:

Stakeholders	Responsibilities reserved to the Board
Shareholders	Approval of business strategy and vision in line with efforts to drive shareholder value creation.
	Approval of business plans, assuring that sufficient resources are available to implement and monitor the strategy.
	Approval and monitoring of major investments or divestitures and strategic commitments.
	Determination of capital structure and dividend policy.
	Approval and monitoring of financial reporting.
	Oversight of risk management, internal controls and compliance systems as per the Bangladesh Bank's 'Core Risk Guideline'.
	Recommendation for appointment or removal of external auditors and determination of the remuneration and terms of appointment of the auditors.
	Approval of annual budgets including major capital expenditure proposals.
	Regular review of financial performance and overdue situations.
	Monitoring the adequacy, appropriateness and operations of internal controls.
	Ensure that technology and information systems are sufficient to operate the organisation effectively and sustain competitiveness.
Customers	Benchmarking value creation for customers, clients and partners.
	Reinforcement of the corporate culture and core values and ensuring that the Company remains an employer of choice.
Employees	Review and approval of the CEO and Executive Management team's arrangements, remuneration and benefits.
	Oversight of succession planning for the CEO, Executive Management team and such other Executives as the Board may deem fit.
Community	Oversight of the management of social, economic and environmental concerns consistent with the delivery of sustainable outcomes for stakeholders and achievement of the Company's incident and injury-free vision.
	Reinforcement of reputation, brand and community relations.
Directors	Review of the size and composition of the Board.
	Director's nomination, selection, removal, succession planning and remuneration.
	Review of the Board's performance.

1.4 The Chairman of the Board and the CEO of the Company are different individuals

The Chairman of the Board is not the Chief Executive of the Company. The Chairman and the CEO & Managing Director are different individuals. The role of the Chairman and the CEO & Managing Director are independent and separate.

1.5 Role and responsibilities of the Chairman as defined by the Board

The Chairman runs the Board. The Chairman serves as the primary link between the Board and the management and works with the CEO and Company Secretary to set the agenda for Board meetings. It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities as Directors of the Company. The role and responsibilities of the Chairman of the Board is defined and set by the Board.

1.5.1 Role of the Chairman

The Chairman's primary role is to ensure that the Board is effective in its task of setting and implementing the Company's direction and strategy. The Chairman is appointed by the Board. The principal features of the role of the Chairman comprise the following:

- Providing leadership to the Board;
- Taking responsibility for the Board's composition and development;
- Ensuring proper information for the Board; Planning and conducting Board meetings effectively;
- Getting all Directors involved in the Board's work;
- Ensuring the Board's focus on key tasks;
- Engaging the Board in assessing and improving its performance;
- Overseeing the induction and development of Directors; and
- Supporting the CEO & Managing Director.

1.5.2 Responsibilities of the Chairman

The Chairman of the Board shall be responsible for the management, development and effective performance of the Board of Directors and provides leadership to the Board for all aspects of the Board's functions. The Chairman is responsible for leadership of the Board. In particular, he will:

- Ensure effective operations of the Board and its committees in conformance with the highest standards of corporate governance;
- Ensure effective communication with shareholders, host governments and other relevant constituencies and ensure that the views of these groups are understood by the Board;
- Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision making;
- Ensure that all Board Committees are properly established, composed and operated;
- Support the CEO & Managing Director in strategy formulation and, more broadly, provide support and give advice;
- Ensure an effective relationship among Directors, acting as the principal conduit for communication and issues relating to business strategy, planned acquisitions and corporate governance;
- Establish a harmonious and open relationship with the CEO & Managing Director;
- Ensure that Board Committees are properly structured and all corporate governance matters are fully addressed; and
- Encourage active engagement by all members of the Board.

1.5.3 Independence of non-executive directors from day to day operations

All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always conducted with adherence to stringent and the highest possible ethical standards and in the best interests of all stakeholders.

None of the directors of the Board, except the CEO & Managing Director, are involved in the day-to-day operations of the Company; rather, they provide their valuable insights and guidance to the management in the meeting of the Board and its committees.

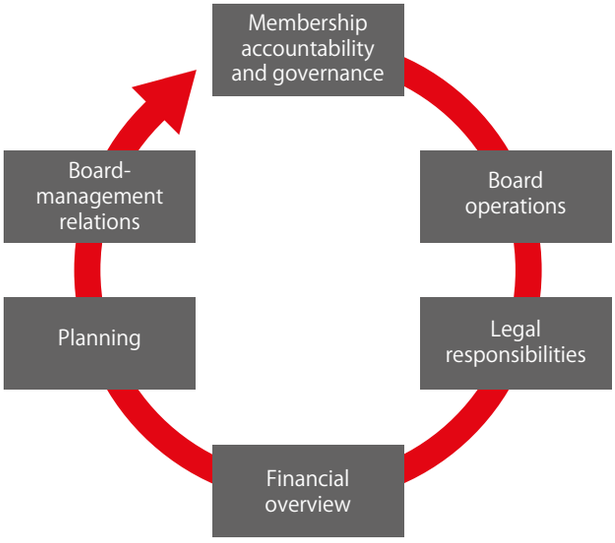
1.6 Annual appraisal of the Board's performance and disclosure

Appraising a board's performance can clarify the individual and collective roles and responsibilities of its directors, and better knowledge of what is expected of them can help boards become more effective. Done properly, board appraisals may also improve the working relationship between a company's board and its management.

Any discussion of performance appraisals must necessarily cover two broad areas—the what and the how. In the case of a board, what should be appraised is its ability first to define its responsibilities and establish annual objectives in the context of those general responsibilities, and then its record in achieving those objectives. An appraisal must also look at the resources and capabilities the board needs and has available to perform its job. The how of board appraisal is, of course, the process the board uses to evaluate its own performance.

Before a board can even begin to evaluate its performance in these broad areas of responsibility, it must articulate the specific actions that each of them implies. In other words, boards must set objectives for themselves within those broad categories against which they can eventually measure their performance. The board creates a set of objectives annually—generally speaking, at the beginning of the fiscal year—that reflects the directors' collective judgment about which aspects of the board's overall responsibilities need particular attention in the coming year.

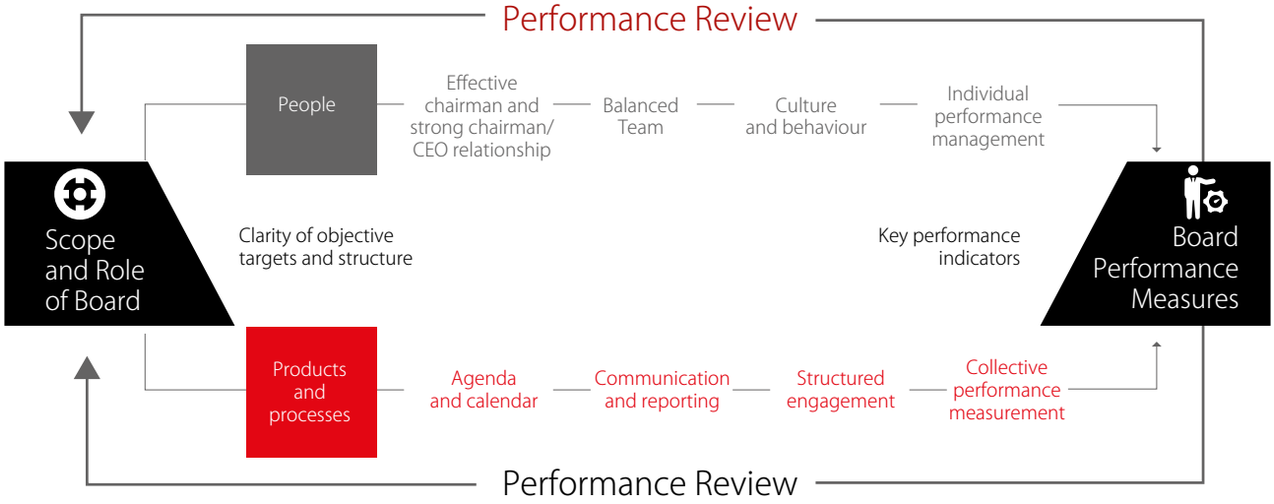
The following criteria are considered for the evaluation:



A board is a team of knowledge workers, and to do its job, the board needs the same resources and capabilities that any other successful team of knowledge workers needs such as *knowledge, information, power, motivation, and time.*

Self-evaluation is not an easy issue for any group to deal with. It is particularly difficult in the case of boards because it requires board members to make judgments and decisions about themselves and about issues that affect all stakeholders.

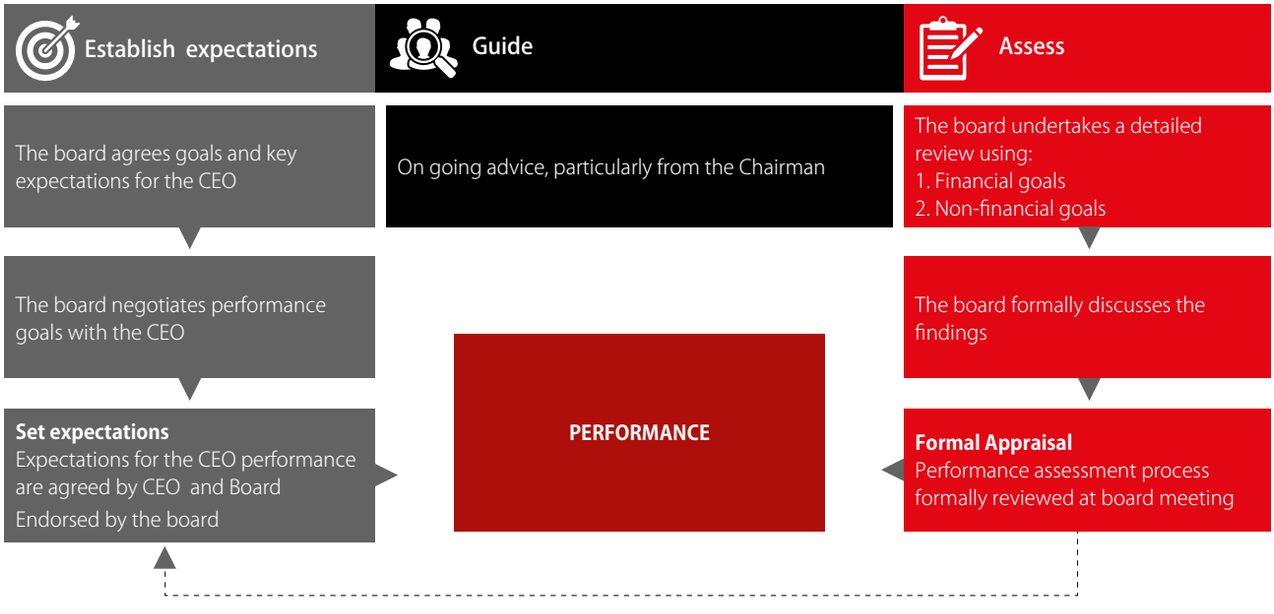
The effectiveness of the evaluation very much depends on how the board structures the evaluation process. It should consist of three phases: The first—setting annual board objectives at the beginning of the fiscal year. The process picks up again at the end of the year, when, in the second phase, the board secretary collects and disseminates information about the board's activities. With that information in hand, in the third phase, board members can judge how close they came to meeting their objectives while also examining the adequacy of the resources available to them over the year.



In a way, boards are like fire departments: they aren't needed every day, but they have to perform effectively when called upon. One chair observed that in good times corporate governance is largely irrelevant, but in bad times it is crucial. Formal, periodic board appraisals can help ensure that when the board is needed, all the right processes, procedures, members, and relationships are in place and ready to go.

1.7 Annual evaluation of the CEO & Managing Director by the Board

The Board of Directors evaluates the CEO & Managing Director based on the goals set for him considering the company vision and mission at the beginning of each year. The annual financial budget and other job objectives are discussed, reviewed and finalized by the Board at the start of the financial year. The Board considers both financial and non-financial goals during the appraisal.



1.7.1 Evaluation based on financial performance

At the end of each quarter, the CEO & Managing Director is evaluated based on the financial targets. The evaluation is done based on both:

- Achievement of targets against budget;
- Achievement of targets against the achievement of those targets in the previous year.

1.7.2 Evaluation based on Non-Financial goals

The CEO & Managing Director is also evaluated based on non-financial goals in an ongoing basis. The non-financial criteria include, but are not constricted to things such as:

- The confidence of the shareholders in the CEO, as reflected in the stock price of the company;
- The relationship of the company with the regulators;

In addition, at the end of each year, an annual assessment and evaluation of the achievements of pre-agreed targets is done. During this evaluation, the deviations from target, and the reasons for the deviations are discussed and assessed.

1.8 Training and Development of Directors

The Board recognizes the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board attend a formal induction programme to familiarize themselves with the Group's strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, audit, compliance and risk management.

The programme is conducted by the CEO & Managing Directors/ Heads of the business units as well as Senior Management. The Company Secretary also provides the new Directors with an information kit regarding disclosure obligations of a Director, Board Charter, Code of Ethics, the Constitution of the Company, Board Committees' Terms of Reference, and Schedule of Matters Reserved for the Board, amongst others.

The Board, together with the Board members of the subsidiaries of IDLC would also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Group's strategic direction.

In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

The Board ensures that a structured Director Learning and Education Programme is in place for its members. This programme shall ensure members have access to an appropriate continuing education programme and are kept up to date with current business, industry, regulatory and legislative developments and trends that will affect the Company's business operations.

Training during 2018

In our aim for continued improvement and our effort for striving to be an exemplary example for corporate governance practice, we have requested our honorable directors to participate in a workshop titled 'Board Enhancement Programme for Banks' arranged by International Finance Corporate (IFC), to enhance the effectiveness of the Board of the banking sector. The following Directors took part in the workshop:

- **Ms. Mahia Juned, nominated by The City Bank Limited;**
- **Mr. Mohammad Mahbubur Rahman FCA, nominated by The City Bank Limited; and**
- **Mr. Md. Kamrul Hasan FCA, nominated by The Transcom Group**

The training helped achieve the following:

- **Enhance interactions of board members with executive management;**
- **Understand the changes in the regulations affecting the board and board committee practices;**
- **Apply tools for effective strategy formulation and implementation;**
- **Understand future governance trends;**
- **Understand better the changes in the regulatory environment associated with product and market risks;**
- **Be aware of deeper aspects of Corporate Governance, with an understanding of global best practices;**
- **Align corporate governance best practices in the context of banking in Bangladesh; and**
- **Make better decision by playing a more proactive role.**

1.9 Financial and accounting knowledge and expertise of Directors

Our Board of Directors consists of members who possess a wide variety of knowledge and experience in finance, economy, management, business administration, marketing and law. This ensures that together, they formulate the right policy for the development of the business while having the specialized skills and the ability to foresee developments across a larger perspective and with enough independence to audit the management in a balanced manner.

Among them, two Directors are Fellow members of the Institute of Chartered Accountants of Bangladesh (ICAB), naming Mr. Mohammad Mahbubur Rahman and Mr. Md. Kamrul Hassan FCA. They provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

Expertise of Directors

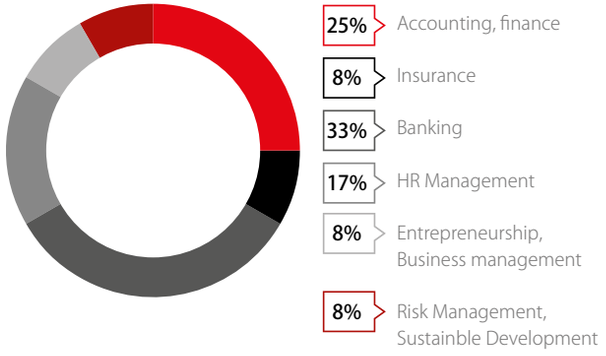
Professional background

Our Board comprises of experts from various fields that provide a well-rounded view to the company that helps in effective strategic management and implementation. The following diagrams depict the areas of expertise and the composition of the tenure of service of our board members.

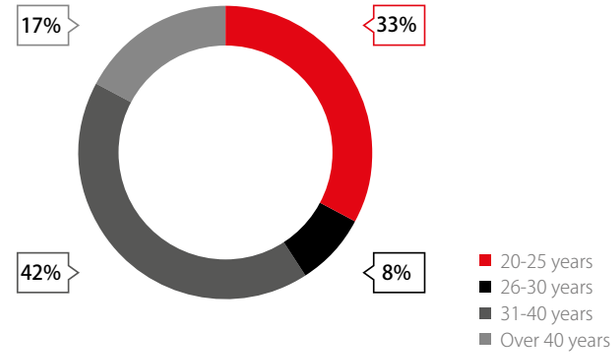
Length of service

All members of our Board are extensively accomplished in their respective fields, and proffer their adept and seasoned knowledge on the back of over 20 years of experience. Majority of our directors falls within the experience bracket of 31 to 40 years; assuring the stakeholders in their decision-making process and governing capabilities.

Professional Background



Length of service



Respective qualifications of the Directors in details are appended in Directors' profile on page no. 30 of this annual report.

1.10 Holding of Board meetings

As advised by the Bangladesh Bank, the meeting of the Board of a financial institution shall be held at its Corporate Head Office (CHO) or in the town in which its CHO is located. In compliance with this directive, the meeting of the Board of Directors is normally held at the registered Corporate Head Office of the Company. The meeting is held frequently, at least once a month, to help the Board discharge its responsibilities and functions as mentioned above. The meeting is scheduled well in advance and the notice of each Board meeting is given in writing to each Director by the Company Secretary.

1.10.1 Process of holding Board meetings

The Company Secretary prepares the detailed agenda for the meeting. The Board papers comprising the agenda, explanatory notes and proposed resolutions are circulated to the Directors well in advance for their review. The members of the Board have complete access to all the information of the Company, enabling them to work efficiently. The members of the Board are also free to recommend inclusion of any matter in the agenda for discussions, subject to the permission of the Chairman of the meeting. The Company Secretary, the Chief Financial Officer and Head of Internal Control and Compliances always attend the Board meetings and the senior management is invited to attend the Board meetings to provide additional inputs of the items being discussed by the Board and make necessary presentations. Accordingly recorded the minutes of the meetings and also kept all required books and records in line 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.

The details of attendance along with the amount of remuneration of Directors in the meeting of the Board and its committees are enclosed in Annexure-II of the Directors' Report. The amount of remuneration paid to the Directors is also disclosed in Note No. 30 of the audited financial statements.

1.10.2 Number of Board meetings held in 2018

The number of meetings of the Board and its committees held during the accounting year and the attendance of the Directors at those meetings and their respective remuneration are disclosed in Annexure-II of the Directors' Report on page no. 189 of this annual report.

The number of Directors required to constitute a quorum is six (6), out of the eleven Directors. During 2018, a total of twelve (12) Board meetings were held.

1.10.2.1 Key Activities of the Board in 2018

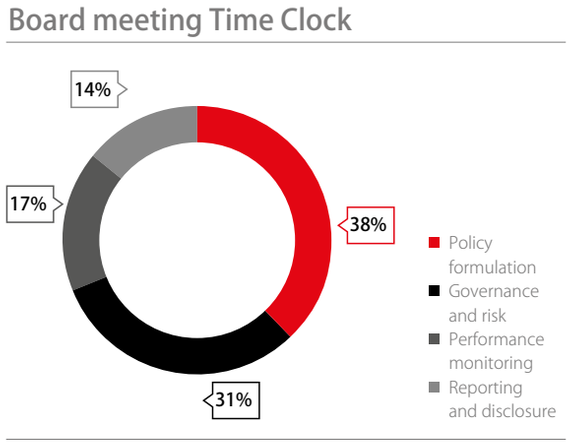
The following table shows a breakdown of the matters considered by the Board in 2018, in addition to business agenda.

1.10.2.1 Key Activities of the Board in 2018

The following table shows a breakdown of the matters considered by the Board in 2018, in addition to business agenda.

Quarter-wise Overview of Main Recurring Board Activities of 2018	
January – March	• Authorization of Financial Statements and Annual Report 2017 • Dividend recommendation • Appointment of Auditors and determination of Audit Fees • Approval of Performance Bonus for 2017 • Holding of Annual General Meeting • Review of Base Rate for the Fourth Quarter 2017
April – June	• Endorsement of First Quarter Financial Statement 2018 (January – March) • Employee Salary revision • Review of Base Rate for the First Quarter 2018
July – September	• Endorsement of Second Quarter Financial Statement 2018 (March - June) • Review of Base Rate for the Second Quarter 2018
October – December	• Endorsement of Third Quarter Financial Statement 2018 (September – July) • Approval of Budget for the year 2019 • Modification of Credit Policy • Review of Base Rate for the Third Quarter 2018

The Board spent it's time for the 2018 Board meetings* in the following manner:



* In determining the estimated time spent, we took into account the time discussing the relevant agenda items and the volume of supporting board papers.

Key Activities of 2018

- Issuance of Zero Coupon Bond
- Purchase of Land for IDLC Tower
- Change in Director of the Board
- Revision of Employee Salary Structure
- Inclusion of "IDLC FL Integrity Award Policy"
- Compliance with the Code of Conduct for the members of the Board
- Declaration of Dividend
- Revised Technology Policy
- Approval of the IDLC's Budget 2019
- Adoption of Directors' report to the shareholders for the year 2017
- Appointment of Statutory Auditors and fixation of their remuneration
- Appointment of Corporate Governance Auditors and fixation of their remuneration

1.10.3 Directors' remuneration

Directors are not entitled to any remuneration other than attending the meeting of the Board and its committees.

Bangladesh Bank vide its DFIM Circular No. 13 dated November 30, 2015, re-fixed the maximum limit of remuneration to the Directors for attending meetings of the Board and its committees at Taka 8,000 per meeting per Director.

1.11 Directors' report on preparation and presentation of financial statements and corporate governance

The Companies Act, 1994, requires the Directors to prepare financial statements for each accounting year. The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/ or other irregularities, selecting suitable accounting policies and applying those policies consistently and making reasonable and prudent judgments and estimates where necessary.

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on page no. 202 of this Annual Report.

1.12 Role of the Company Secretary (CS)

The Company Secretary acts as a mediator between the Company, its Board of Directors, stakeholders, the government and regulatory authorities. He has expertise in corporate laws, capital markets, security laws and corporate governance. He also advises the Board of Directors on the kind of practices to be adopted in upholding the high levels of corporate governance.

The Company Secretary ensures that the best management practices and work ethics are embraced to create value for the Company. He represents the Company among internal and external stakeholders, co-ordinates the policies of the Company, fulfills the management function and provides guidance on strategic decisions for the improvement and growth of the Company.

In compliance with the Corporate Governance Code, the Company Secretary has defined roles and responsibilities approved by the Board, which are indicated below:

- To ensure the compliance of the company in relation to financial and legal practices, as well as issues of corporate governance;
- To act as a point of communication between the board of directors and company shareholders, reporting in a timely and accurate manner on company procedures, performance and developments;
- To develop and oversee the systems that ensure the company complies with all applicable codes, as well as its legal and statutory requirements;
- Holding, managing and administering board and committee meetings and general meetings of shareholders;
- Organizing, preparing agendas for, and taking minutes of board meetings, audit committee meetings, executive committee and other committees of the Board, annual general meetings (AGMs) and extra-ordinary general meeting of the shareholders;
- Overseeing maintenance of statutory books, including registers of members, directors and registrar of meeting minutes;
- Dealing with correspondence, ensuring decisions made are communicated to the company stakeholders;
- Contributing to meeting discussions, as and when required, and advising members of the legal, governance, accounting and tax implications of proposed policies;
- Monitoring changes in relevant legislation and the regulatory environment, and taking appropriate action;
- Liaising with external regulators and advisers, such as lawyers and auditors;
- Filing statutory returns to regulatory bodies such as RJSC, Bangladesh Bank, Securities & Exchange Commission (SEC), Stock Exchanges, Central Depository System etc;
- Overseeing the preparation of company's statutory annual report and dispatching to stakeholders in timely manner;
- Assist management in corporate tax planning and ensure efficient and effective tax management and compliance with regard to tax withholding and statutory reporting to tax authority;
- Analyse tax implications in new diversified investments and assist management;
- To take competitive tax advantage from different alternative investment options;
- Oversee the filing of annual tax return, liaise with tax consultants time to time and attend hearing to tax office as and when required;
- Statutory reporting to Bangladesh Bank, SEC, NBR and other regulatory bodies under Financial institutions Act, 1993, Companies Act 1994, Securities & Exchange Regulations etc and
- Liaison with the outside parties for company affairs.

1.13 Role of the Chief Financial Officer (CFO)

A Chief Financial Officer (CFO) is the senior executive role with responsibility of managing the financial actions of a company. The CFO's primary responsibility for managing the company's finances, including financial planning, management of financial risks, record-keeping, and financial reporting. He also advises the Board of Directors on the kind of actions to be adopted in upholding the high levels of financial control and reporting.

In compliance with the Corporate Governance Code, the Chief Financial Officer (CFO) has defined roles and responsibilities approved by the Board, which are indicated below:

- To participate in planning and policy making, and unshouldering responsibility for the overall financial management of the Company;

- To regulate, supervise and implement a full and accurate set of accounting books and records reflecting all its activities in a manner commensurate with the relevant legislation such as Companies Act, 1994, Securities and Exchange Commission 1969, Financial Institutions Act, 1993, International Accounting Standards and Bangladesh Accounting Standards;
- To implement budgetary and financial control system to monitor the performance of the company, its flow of funds, the adherence to the budget;
- To comply with all reporting, accounting and audit requirements imposed by the capital market authority and regulatory bodies;
- To prepare annual budget, financial and business plans, feasibility studies for new diversification;
- To alert management and Board any irregularity, lack of compliance, lacunas and problems whether actual or potential concerning the financial system, financial plans, accounting, taxation which could or does have financial implication;
- To ensure proper tax management and compliance system;
- To help management maintain a proper capital structure with optimum leverage to bring more return on equity holders;
- To supervise and oversee the Accounts and Finance Department;
- To safeguard the asset of the company by ensuring efficient usage and control of assets;
- To plan and control organisational cost;
- Oversee the smooth operation of the finance and accounting function, tax management of the Company to provide sound day to day financial stewardship for the Company;
- Involve vigorously in business strategies, formulate long term business plans and keep close liaison with the Board of the Company;
- Plan, organize, direct and monitor the financial and administrative functions to ensure achievement of objectives and goals;
- Supervise collection of business plans and targets from other departments and ensure proper coordination for preparing annual budget of the Company;
- Overseeing and supervising preparation of various monthly management reports, MISs and variance analysis of actual with the budgets and report abnormalities;
- in timely manner, to ensure proper budgetary control system and provide;
- enhanced control and analysis on business unit's revenues and expenditures;
- Report on factors influencing business performance and to assess and evaluate the financial implications for new diversified operation and existing venture;
- Ensure overall accuracy of the accounting system, financial statements prepared at month end and year end, including Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and internal and external statutory returns;
- Oversee the monthly management accounts with detailed analysis of performance;
- Review and supervise the activity based and branch profitability statement of the company to assess the performance of different financial products and branches;
- Monitor and supervise the preparation of half yearly statutory accounts and ensure compliance of requirements of regulatory bodies in preparing and circulating the half yearly accounts to shareholders;
- Designing presentation of annual statutory financial statements and notes to the accounts to ensure proper compliance of Companies Act, Securities and Exchange Regulations, Financial Institutions Act, International and Bangladesh Accounting Standards' (IASs and BASs) and other applicable laws related to disclosures of financial information;
- Liaise with the External Auditor and oversee the audit procedure and
- Prepare statutory annual report and circulate to stakeholders within the time frame.

1.14 Role of the Head of Internal Audit and Compliance (HIAC)

A Head of Internal Audit and Compliance (HIAC) is the senior executive role with responsibility of managing the internal control

audit of a company. The HIAC's primary responsibility for managing the company's audit, internal control system, risks, compliance to internal & external regulation, and reporting. He also advises the Board of Directors on the kind of control system to be adopted in upholding the high levels of internal control.

In compliance with the Corporate Governance Code, the Head of Internal Audit and Compliance (HIAC) has a defined role and responsibilities approved by the Board, which are indicated below:

- Ensure proper internal control system are in place for smooth operation of the company;
- Check compliance to internal and external regulation of the company;
- Coordinate analysis of risk in different areas of operations;
- Prepare annual audit plans based on the results of the risk analysis;
- Schedule planned audits and coordinate planning for specific audits;
- Prepare audit programs and approaches that meet the objectives of audits, with a focus on compliance to internal control design and testing;
- Perform audit work including preparing work papers, documenting control weaknesses or inefficiencies and managing the completion of the audit within the given timeframe;
- Prepare draft audit report and conduct exit meetings to obtain management concurrence and responses;
- Prepare final audit reports and circulate the report to CEO and auditee;
- Place summary of audit report to the audit committee;
- Conduct special investigation on the allegation of fraud, forgery noticed by the management;
- Contribute to process improvements of existing departmental procedures and tools;
- Perform other duties and special projects as assigned by the CEO or Audit Committee and
- Create awareness in developing a culture of risk and control throughout the organisation.

1.15 Committees of the Board

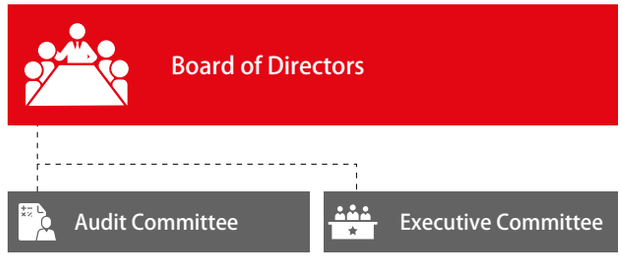
As per Bangladesh Bank guidelines, IDLC, being a Financial Institution (FI) can only form two subcommittees of the Board: Audit Committee (AC) and Executive Committee (EC). No other subcommittee of the Board is permitted by Bangladesh Bank.

Moreover, for ensuring good governance in the company, BSEC has advised that the Board shall have at least two sub-committees: Audit Committee and Nomination and Remuneration Committee.

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.

Hence, the Board has established two permanent Committees to assist, advice and make recommendations to the Board on matters falling within their respective responsibilities as per BSEC and Bangladesh Bank guidelines.

Each Committee is governed by a formal charter approved by the Board, setting out its objectives, responsibilities, structures and operations. The membership of the Board committees, as at the date of authorization of this Annual Report, is set out on the page no. 147 of this annual report.



Section no.	Name of Committee of the Board	Members of the Committee	Functions of the Committee	Number of meetings held in 2018
1.15.1	Executive Committee	Atiqur Rahman- Chairman Md. Abdul Wadud- Member Syed Shahriyar Ahsan- Member Mai Ul Hasan- Member Arif Khan CFA FCMA- Member	• Establishing strategic and operational plans • Taking prompt decisions to adapt to changes in the market • Determine and outline the area of business focus area where	12
1.15.2	Audit Committee (See Section 3 below for details)	Monower Uddin Ahmed- Chairman Mohammad Mahbubur Rahman FCA- Member Md. Kamrul Hassan FCA- Member Syed Shahriyar Ahsan- Member	• Examine any matter relating to the financial affairs of the Company; • Recommend financial statements to the Board for authorization; • Recommend external auditors for appointment; • Review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements	6

2. IDLC's Vision, Mission and Strategies

2.1 Board-approved vision and mission statements of the company

The Board of Directors, at its 193rd meeting held on May 13, 2012, redefined the Company's vision, mission, strategic objectives and value statements. Adhering to our value statements, we are driving towards our vision.

Our vision, mission, strategic objectives and value statements are depicted on page no. 14 of this annual report.

Management Committee and its subcommittees

To ensure that the company's vision, mission are adhered to, we have our Management Committee, depicted below, who are entrusted to set objectives and lead from the front. On the back of the Board's exemplary guidance, the Management and its various sub-committees determines IDLC's strategic objectives such as areas of business focus; policies, monitoring and process improvements.

No.	Name of the Committee	Members of the Committee	Functions of the Committees	Year 2018
1	**Management Committee**	• Arif Khan CFA, FCMA, CEO & Managing Director • M. Jamal Uddin, Deputy Managing Director & Head of Business • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Mir Tariquzzaman, Chief Technology Officer (CTO) • Ahmed Rashid, Head of SME Division • Syed Javed Noor, Head of Consumer Division • Mesbah Uddin Ahmed, Head of Corporate Division • Akhteruddin Mahmood, Group Head of Human Resources • Ataur Rahman Chowdhury, Head of Operations • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mohammad Jobayer Alam, CFA, Head of Treasury &Strategic Planning • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Mohammad Jobair Rahman Khan, FCA, Head of Group Corporate Affairs & Taxation and Group Company Secretary • Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited • Md. Saifuddin, Managing Director, IDLC Securities Limited • Rajib Kumar Dey, Managing Director, IDLC Asset Management Limited	• Oversee IDLC in accordance with its Constitution and applicable laws and regulations; • Overseas ongoing operations; • Segregation of the responsibilities and accountability of the committee from those of the Executive Officer to ensure good governance; • Monitoring achievement against strategic plans and allocated budget ; • Making key decisions for the Company's management and operations under the official delegation of authority from the Board.	Meetings held: weekly **Notable accomplishments:** 1. Review of the Business Continuity Plan; 2. Formation of the Central MIS segment; 3. Issuance of the zero coupon bond; 4. Re-engineering of the Consumer Division Business Model; 5. Authorizing extension of the Core Banking Software.
1.1	**Credit Evaluation Committee**	• Arif Khan CFA, FCMA, CEO & Managing Director • M. Jamal Uddin, Deputy Managing Director & Head of Business • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Ahmed Rashid, Head of SME Division • Syed Javed Noor, Head of Consumer Division • Mesbah Uddin Ahmed, Head of Corporate Division • Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning	Evaluates all projects/ proposals of the Company from the risk point of view.	Meetings held: Twice in a week Approved business proposals having a group exposure limit as given below: • Corporate & SME segment: Existing client- BDT 50 mn & New client- BDT 70 mn • Residential and Commercial Real Estate Finance: BDT 30 mn

No.	Name of the Committee	Members of the Committee	Functions of the Committees	Year 2018
1.2	**Asset Liability Management Committee (ALCO)**	• Arif Khan, CFA, FCMA, CEO & Managing Director • M. Jamal Uddin, Deputy Managing Director & Head of Business • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Ahmed Rashid, Head of SME Division • Syed Javed Noor, GM Head of Consumer Division • Mesbah Uddin Ahmed, Head of Corporate Division • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mohammad Jobayer Alam, CFA, Head of Treasury and Strategic Planning	• To instill a systematic management process for tracking the Balance Sheet risks in a timely manner. • To proactively review and manage potential liquidity risk and Interest rate risk which may arise from market movements, regulatory changes and/or changes in economic/political environment. • To review and set deposit-pricing and asset-pricing strategy of IDLC. Determine deposits and assets growth in the right bucket for better Asset Liability Management (ALM) of IDLC. • To ensure compliance with the regulations of Bangladesh Bank in respect of statutory obligations involved within the parameters of Balance Sheet Risks.	Meetings held: 13 **Notable accomplishments:** 1. Effectively managed liquidity and interest rate risk through proactive policy measures amid tight liquidity condition in the market; 2. Maintained spread within a satisfactory margin; 3. Ensured compliance with all regulatory guidelines.
1.3	**Remuneration Committee (HR & Compensation Committee)**	• Arif Khan, CFA, FCMA; CEO & Managing Director • M. Jamal Uddin, Deputy Managing Director & Head of Business • Mir Tariquzzaman, Chief Technology Officer (CTO) • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Ahmed Rashid, Head of SME Division • Syed Javed Noor, Head of Consumer Division • Mesbah Uddin Ahmed, Head of Corporate Division • Akhteruddin Mahmood, Group Head of Human Resource • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning	• Partner with the Human Resource function in driving the people agenda in alignment with the Organisational Strategy related to total reward system. • Ensure consistency of application of policies and procedures across the Group. • Ensure equal opportunity and transparency in terms of suitable recruitment, performance evaluation and other benefits-related issues	Meetings held: 7 **Notable accomplishments:** • From 2019 onwards, the committee would convene at-least once in a month for a formal meeting
1.4	**Corporate Governance Committee**	• Arif Khan, CFA, FCMA; CEO & Managing Director • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Mohammad Jobair Rahman Khan, FCA, Head of Statutory Reporting & Group Company Secretary	• Ensures that the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank. • Recommends and advises course of action in the areas where there is a scope of improvement.	Meetings held: 4 **Notable accomplishments:** Aligning Code of Conduct and IDLC's governance framework with the BSEC Corporate Governance Code date June 3, 2018.

No.	Name of the Committee	Members of the Committee	Functions of the Committees	Year 2018
1.5	**BASEL Implementation Committee**	• Arif Khan, CFA, FCMA; CEO & Managing Director • Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Mohammad Jobair Rahman Khan, FCA, Head of Statutory Reporting & Group Company Secretary	• Apply the action plan of BASEL-II and review thereof; • Communicate issues related to the implementation of BASEL-II to the management; • Assist in carrying out the quantitative impact study (QIS), if necessary; • Engage in capacity building and training according to the training need assessment (TNA) for the concerned officials; and • Establish a planning and supervisory review as required by Pillar-II of BASEL-II framework. **The reviews of the BASEL Implementation Committee include** • Review of action taken in previous BIU meetings • Economic and market status and outlook • Credit, market and operational risks related to capital adequacy • Review of BASEL implementation status	Meetings held: 4 **Notable accomplishments:** • Ensuring credit rating for eligible clients to constrain Risk Weighted Asset of portfolio; • Ensuring alignment of business strategies and planning with BASEL guidelines to ensure sound Capital Adequacy Ratio (CAR) as indicated by the improving trend of the CAR over the years.
1.6	**Integrity Committee**	• M. Jamal Uddin, Deputy Managing Director & Head of Business • Mir Tariquzzaman, Chief Technology Officer (CTO) • Ahmed Rashid, Head of SME • Syed Javed Noor, Head of Consumer Division • Md. Mesbah Uddin Ahmed, Head of Corporate Division • Akhteruddin Mahmood, Group Head of Human Resources • Mahbub-ul-Kader, CAMS, Group Head of Internal Control & Compliance	• Create awareness on code of integrity and good governance across the company; • Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards; • Amend existing policies and procedures as per requirements; • Evaluate and reward the respective employees for integrity and good work; • Improve e-governance system; • Develop complaint management system; • Implement code of conduct.	Meetings held: 2 **Notable accomplishments:** • Implementation of the Integrity Award Policy and selecting the employee for Integrity Awards.

No.	Name of the Committee	Members of the Committee	Functions of the Committees	Year 2018
1.7	**Central Compliance Unit (CCU)**	• M. Jamal Uddin, Deputy Managing Director & Head of Business • Asif Saad Bin Shams, Head of Credit & Collection • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance	• Keeping updated with changes in regulations regarding the combatting of money laundering and terrorist financing, and accordingly adopting changes to IDLC's AML and ATA compliance policy • Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements • Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives • Ensuring that proper KYC along with effective risk assessment and control procedures are in place • Providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions • Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars • Development of adequate testing procedures to detect and prevent lapses in compliance • Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures	Meetings held: 4 **Notable accomplishments:** • Ensured continued compliance with national AML/CFT laws and regulations; • Review of the AML/CFT policies and ensure its compliance across the organisation; • Reviewed and approved suspicious transaction reporting.
1.8	**Risk Management Forum (RMF)**	• Asif Saad Bin Shams, Chief Risk Officer and Head of Credit • Mir Tariquzzaman, Chief Technology Officer (CTO) • Akhteruddin Mahmood, Group Head of Human Resources • Ataur Rahman Chowdhury, Head of Operations • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Mohammad Jobayer Alam, Head of Treasury & Strategic Planning • Shafayet Hossain, Head of Special Asset Management • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Mohammad Jobair Rahman Khan, FCA, Head of Group Corporate Affairs & Taxation & Group Company Secretary • Jane Alam Romel, Group Chief Marketing Officer	• Design overall risk management strategy • Communicate views of the Board and senior management regarding the risk management culture and risk appetite across the Company • Prepare risk management policies and procedures • Monitor the prescribed/ threshold limits of risk appetite set by the regulator and/ or by the Company itself • Develop and observe the use of models to measure and monitor risks • Develop and oversee implementation of stress testing • Oversee the capital management functions in accordance with the risk-based capital adequacy measurement accord, i.e. BASEL-II/ III • Determine the most cost-effective way to minimize risks • Highlight risks in portfolios and deficiencies of the Company on a timely manner and report the analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions • Review market conditions, identify external threats and provide commensurate recommendations for precautionary measures • Develop overall information system/ MIS to support the risk management functions of the Company	Meetings held: 12 **Notable accomplishments:** • Reviewing the risk framework; • Reviewing the risks identified during the years • Successful formation of the Operational Risk Management Wing; • Reviewing and Compilation of Standard Operating Procedure for every activity across the organisation.

No.	Name of the Committee	Members of the Committee	Functions of the Committees	Year 2018
1.9	**ICT Steering Committee**	• Arif Khan, CFA, FCMA, CEO & Managing Director • M. Jamal Uddin, Deputy Managing Director & Head of Business • Mir Tariquzzaman, Chief Technology Officer (CTO) • Asif Saad Bin Shams, Chief Risk Officer & Head of Credit • Syed Javed Noor, Head of Consumer Division • Ahmed Rashid, Head of SME Division • Md. Mesbah Uddin Ahmed, Head of Corporate Division • Akhteruddin Mahmood, Group Head of Human Resources • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Ataur Rahman Chowdhury, Head of Operations • Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning • Mohammad Jobair Rahman Khan, FCA, Head of Corporate Affairs and Taxation • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Other stakeholders as decided by the committee	• Monitor management methods to determine and achieve strategic goals • Provide guidance related to risk, funding, or sourcing • Ensure project priorities and assessing feasibility for ICT proposals • Ensure that all critical technology projects have a component for "project risk management" • Consult and advise on the selection of technology to be implemented • Ensure that vulnerability assessment of new technology is performed • Provide direction and guidance regarding architecture design, need for legislative and regulatory compliance • Ensure compliance to regulatory and statutory requirements	Meetings held: 4 **Notable accomplishments:** 1. Approved the project for the year 2. Prioritize the IT projects and resource assignment for the approved projects 3. Take the status update of the ongoing IT projects 4. Provide necessary guidance to ensure compliance
1.10	**ICT Security and Risk Management Committee**	• Asif Saad Bin Shams, Chief Risk Officer & Head of Credit • Mir Tariquzzaman, Chief Technology Officer (CTO) • Md. Masud K. Majumder, ACA, Group Chief Financial Officer • Ataur Rahman Chowdhury, Head of Operations • Mahbub-ul-Kader, CAMS, Group Head of Internal Control and Compliance • Muhammad Sazzad Hossain, Head of Operational Risk Management	• Ensure development and implementation of ICT security objectives, ICT security related policies and procedures • Provide ongoing management support to the Information security processes • Ensure continued compliance with the business objectives, regulatory and legal requirements related to ICT security • Support to formulate ICT risk management framework/process and to establish acceptable ICT risk thresholds/ICT risk apatite and assurance requirements • Periodic review and provide approval for modification in ICT Security processes	Meetings held: 2 **Notable accomplishments:** • Provide guide lines and support to prepare the IT risk framework • Review of system audit by external IT Auditor
1.11	**IDLC Ladies Forum (IDLC LF)**	Shamima Akter Lovely, Head of Human Resources, Capital Market Operations and Head of Organisational Development & Talent Management **Executive Committee** Comprises of 11 women employees representing different divisions and branches of the Group **Secretary** Ayesha Haque, Head of CSR Members All the women employees of the Group	• Ensuring all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. • Enabling IDLC's management to better understand and address issues and develop strategies accordingly.	Number of meetings held: 3 **Notable accomplishments:** 1. Effective hosting of the Annual Ladies Forum meeting; 2. Ensuring proper management of issues raised .

2.2 Business objectives and areas of business focus

Our business objectives have been explained in detail in the section 'Strategy and Resource Allocation' in page no. 125.

2.3 Strategies to achieve the Company's business objectives

Aligned with our focus on enhancing shareholder communication and reporting our progress and prospects on an ongoing basis, we describe our strategy, resource allocation approach and our future plans to achieve our business objectives on page no. 125 of this annual report.

3. Audit Committee

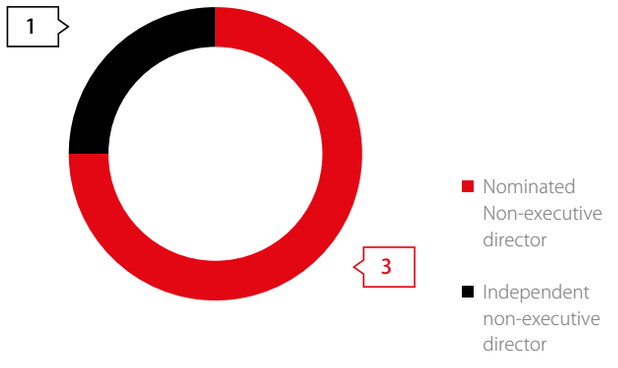
3.1 Appointment of members and composition of the Audit Committee

IDLC's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC Corporate Governance Code (CGC) notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, and international best practices on corporate governance.

Composition of the Audit Committee consisting of an Independent Director and Non-Executive Directors

In compliance Corporate Governance Code of BSEC, the Committee consists of four (4) non-executive members of the Board including an Independent Director who is the Chairman of the Committee. The quorum of the meeting shall not be filled until and unless the Independent Director attends the meeting. The Company Secretary acts as the secretary of the Audit Committee.

Audit Committee Composition



3.1.1 Qualification of the Chairman

Mr. Monower Uddin Ahmed, one of the Independent and Non-Executive Directors, is the Chairman of the Audit Committee, possessing of vast experience. His qualifications are addressed in detail in the brief profile on page no. 30 of this annual report. All the members of the Committee are 'financially literate' as defined by the corporate governance code.

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) [where presence of an independent director is a must] and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.

Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):

Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.

3.1.2 Terms of reference of Audit Committee – empowering to investigate employees and retain external counsel

The role of the Committee is further expounded on and clarified in the Terms of Reference (ToR) of the Audit Committee, which was revised in light of directives contained in DFIM Circular No. 13, dated 26 October, 2011 issued by the Bangladesh Bank and CGC of BSEC. According to the revised ToR of the Audit Committee, its principal duties and responsibilities include the following:

3.1.2.1 In respect of internal control:

1. Evaluating whether the management:
    a. Has an appropriate internal control and compliance culture with regards to risk management, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;
    b. Has clearly defined the duties and responsibilities of officials and
    c. Has full control over the operations of the Company
2. Reviewing the appropriateness of management information system (MIS) including information technology system and its use
3. Reviewing whether the management is complying with the recommendations made by internal and external auditors
4. Reviewing existing risk management procedures to ensure that processes are effectively run within the Company
5. Reviewing all fraud, forgery and internal control weaknesses discovered by internal, external or regulatory auditors and thereafter keeping the Board of Directors informed of all discoveries and subsequent corrective measures

3.1.2.2 In respect of financial statements:

1. Reviewing whether financial statements were prepared in compliance with all directives and guidelines prescribed by the Bangladesh Bank and other applicable standards
2. Engaging in discussions with external auditors and the management prior to the finalization of the financial statements
3. Attending and answering questions related to accounts and audit at the AGM

3.1.2.3 In respect of internal audit:

1. Reviewing the activities and organisational structure of internal audit and ensuring that there is no barrier or limitation to the performance of an independent internal audit;
2. Assessing the efficiency and effectiveness of internal audit;
3. Assessing whether the management is appropriately considering compliance of recommendations made by the internal auditors with regards to the observations identified by them and
4. Placing recommendations before the Board of Directors in case of change of accounting policies

3.1.2.4 In respect of external audit:

1. Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;
2. Review the Management's Discussion and Analysis before disclosing in the Annual Report;
3. Appraising the audit procedures and reviewing the management letter submitted by external auditors;
4. Assessing whether the management has appropriately considered the observations and recommendations made by the external auditors;
5. 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
6. Placing recommendations to the Board of Directors regarding the appointment of external auditors.

3.1.2.5 In respect of compliance with existing regulations:

Reviewing whether the rules and regulations set by regulatory authorities (Bangladesh Bank and other regulatory bodies) as well as internal policies and guidelines approved by the Board of Directors are being complied with.

3.1.2.6 Miscellaneous:

Placing quarterly reports before the Board of Directors on rectification / correction status of errors, fraud, forgery and other irregularities identified by internal auditors, external auditors and the Bangladesh Bank inspection teams.

Undertaking development functions through implementing an improved infrastructure and reporting system and Performing all other supervisory activities as assigned by the Board as well as evaluating its own efficiency on a regular basis

3.1.3 Composition of the Audit Committee:

The Audit Committee comprises of 4 members of the Board, which includes all Non-Executive Directors, which covers the requirement clause of having more than two-thirds of the members being Non-Executive Directors.

3.1.4 Relevant Expertise of the Committee:

All four of the Committee incumbents possess working experience in the fields of finance, accounting and audit. Two of these members of the Committee, Mr. Kamrul Hassan FCA and Mr. Mohammad Mahbubur Rahman FCA, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB), and have specialized expertise required for the role. The qualifications of the members of the Committee are addressed in detail in their brief profile on page no. 30 of this annual report.

3.1.5 Accessibility of Head of Internal Audit to the meeting of the Audit Committee

The Head of Internal Control and Compliance, Mr. Mahbub-ul-Kader has direct access to the Audit Committee, which in turn is directly accountable to the Board.

3.1.6 Holding of the Audit Committee meeting during 2018

As per its Terms of Reference and the BSEC Corporate Governance Code dated 03 June 2018, the Audit Committee is required to hold at least four (4) meetings in a year. During the year ended 31 December 2018, the Committee held Six (6) meetings. The details of the meetings held and members' attendance in the meetings are disclosed in Annexure II of the Directors' Report.

3.1.7 Quorum of the Audit Committee meetings

The number of Directors required to constitute a quorum is two (2) or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must according to the BSEC Corporate Governance Code dated 03 June 2018. The Company Secretary shall act as the secretary of the Committee.

3.1.8 The Audit Committee and Internal Control and Compliance

IDLC's Internal Control and Compliance (ICC) department is tasked with reviewing the Company's system of internal controls including the conduct of regular audits of all operational units. ICC is operationally independent in that its members are not involved in the Company's operational activities and that the Head of ICC (HoICC), in addition to his direct reporting line to the CEO & Managing Director, also has access to the Audit Committee.

The Audit Committee is responsible for approving the annual audit plan of ICC and reviewing the plan's subsequent implementation.

The internal audit reports or summaries thereof prepared by the ICC are reviewed on a regular basis by the Committee.

3.1.9 Reporting of the Audit Committee

The Audit Committee reports directly to the Board of Directors and under certain circumstances, can also report to the BSEC.

Immediate reporting to the Board of Directors the Audit Committee shall immediately report to the Board of Directors in the following cases:

- On conflict of interest;
- Suspected and presumed fraud or irregularity or material defect in the internal control system;

- Suspected infringement of laws, including securities-related laws, rules and regulations and
- Any other matter which should be disclosed to the Board of Directors immediately

No such issues arose at IDLC during the year ended 31 December 2018.

3.1.10 Immediate reporting to the Bangladesh Securities and Exchange Commission

If the Audit Committee has reported to the Board of Directors about anything that has a material impact on the financial conditions and results of operations of, and where the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the SEC, upon reporting of such matters to the Board of Directors for three such instances or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.

No such circumstances arose during the year ended 31 December 2018.

3.2 Objectives and Activities of the Audit Committee

3.2.1 Objectives of the Audit Committee

The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company. The committee will also ensure good monitoring systems within the business.

The principal functions of the Audit Committee are to exercise oversight over IDLC's risk management, financial reporting and regulatory compliance functions.

3.2.1.1 Activities during 2018

The Committee met six (6) times during the year 2018 and carried out the following tasks:

- Reviewed internal audit reports issued by the Internal Control and Compliance Department during the year 2017;
- Reviewed the report of the Audit Committee for 2017 prior to publication in the annual report 2017;
- Reviewed and approved annual audit plan of Internal Control and Compliance Department for the year 2018;
- Recommended for appointment of external auditors for the year 2018;
- Discussed the financial statements for the year ended December 31, 2017 with external auditors and management prior to their finalization as per DFIM circular number 13;
- Reviewed the financial statements of IDLC Finance Limited for the year ended December 31, 2017 as per clause no. 5.5 (f) of Corporate Governance Code (CGC) issued by Bangladesh Securities and Exchange Commission;
- Reviewed the management letter issued by A. Qasem & Co., Chartered Accountants, statutory auditors of the company based on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2017;
- Reviewed Bangladesh Bank core risk inspection report as of June 30, 2017 and management responses thereon;
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the first quarter ended March 31, 2018;
- Reviewed Finance and Accounting Manual of IDLC Finance Limited;
- Reviewed half-yearly unaudited financial statements of IDLC Finance Limited and its subsidiaries for the half-year ended on June 30, 2018;
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended September 30, 2018 and
- Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on information as of December 31, 2017 and management responses thereon.

3.2.2 Internal controls are well conceived, properly administered and satisfactorily monitored

Based on the review of activities of ICC department in 2018, the Audit Committee is of the view that the internal control and compliance procedures are well conceived, properly administered and satisfactorily monitored which have been stated by the report of the Audit committee on page no. 177 of this annual report.

3.2.3 Ensuring compliance with Laws, Regulations and timely settlements of statutory dues

Being compliant ensuring sustainable business is the ultimate focus of IDLC. IDLC puts its best effort to remain compliant with all applicable laws and regulations including the regulatory reporting in due course. IDLC has never been penalized for any regulatory non-compliance.

3.2.4 Audit committee's involvement in the review of the external audit functions

On the basis of the proposal of the Audit Committee, the board recommended A. Qasem & Co. Chartered Accountants, a partnership firm in Bangladesh and a member firm of Ernst & Young Global Limited, to the shareholders in the 33rd AGM to appoint them as statutory external auditors of the company for 2018. Accordingly the shareholders have approved their appointment.

Before their appointment as statutory auditors, declaration of their independence from IDLC was obtained, in compliance with DFIM Circular no. 04, dated April 30, 2015 of Bangladesh Bank.

In compliance with the BSEC corporate governance code, the statutory auditors did not perform any activities other than the statutory audit.

During their tenure, ICC department has coordinated and reviewed their functions and reported to the Audit Committee. Before presenting the financials before the board, the committee at its 66th meeting held on February 17, 2019 reviewed their activities and hold a discussion with them in this regard. And the committee

and the auditors, both have expressed their satisfaction.

All these have ben stated by the Audit Committee in their report on page no. 177 of this annual report.

3.2.5 Selection of appropriate accounting policies

While reviewing the financial statements for 2018 by the Audit Committee, they have reviewed that the financial statements were prepared following appropriate accounting policies that are in line with applicable accounting standards adopted by Institute of Chartered Accountants of Bangladesh (ICAB), which was also vetted by the statutory auditors and reflected in their report on page no. 260 of this annual report.

3.2.6 Review of interim financial statements before presenting to the board for authentication

In compliance with Bangladesh Bank DFIM circular No. 13, dated October 26, 2011 as well as the Terms of Reference (ToR) of the Audit Committee, the committee reviews the interim financials before presenting before the board.

3.2.7 Review of reliability of management information used for such computation

Based on the effectiveness of the internal control process along with its proper application and effective measures taken to prevent possible fraud and forgery, the Audit Committee expressed its satisfaction to the board on the reliability of management information used for preparation these financial statements.

Statutory auditors have also expressed their satisfaction in this regard and which was stated in their report on page no 207 of this annual report.

4.0 Internal Control and Risk Management

4.1 Acknowledgment of Directors' responsibility in respect of internal control of IDLC

IDLC's Board of Directors acknowledges its overall responsibility for maintaining the adequacy and effectiveness of the Group's system of internal controls. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the Group. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material mis-statements of management and financial information or against financial losses and fraud.

4.2 Internal control

IDLC has adopted the definition of internal control provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in its Internal Control — Integrated Framework. Accordingly, the Company defines internal control as a process, affected by its Board of Directors, management and other personnel, which is designed to provide reasonable assurance regarding the achievements of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with applicable laws and regulations. The control system applies across the IDLC Group to all divisions and departments of its operations.

4.2.1 Key features of the internal control system

The Company's internal control system consists of five interrelated components:

a. The control environment

The control environment refers to the orientation, awareness and actions of those in the governance and management roles with regards to the Company's internal control and its importance in the entity. Elements under IDLC's control environment include:

Active participation by those charged with governance as evidenced through regular meetings of its Board of Directors and Audit Committee;

The communication and fostering of an environment that consistently requires integrity and ethical behavior as evidenced by regular communication and confirmation of its Code of Conduct and zero tolerance for illegal or unethical behavior;

A formal well-defined organisational structure, setting out key areas of authority and responsibility and appropriate reporting lines that is relevant to the nature and size of the Company's business;

Human resource policies that demonstrate the Company's commitment towards recruiting employees who meet established standards of competence and ethical behavior

b. Risk assessment

Risk assessment refers to the process/(es) with which the Company identifies and assesses risks in the achievement of its objectives. A changing external and internal environment means that risk assessment is a dynamic process and must occur at all levels of the organisational structure, ranging from branch and department level reviews of portfolios, functions and operations to ManCom and ALCO meetings at the very top level of the management.

c. Control activities

Control activities are the policies and procedures that help ensure that the management directives are carried out. Control activities have various objectives and are applied throughout the Company at all levels and in all functions. These include activities such as authorization, reviews, reconciliations and verifications.

d. Information and communication

The information and communication component facilitates the functioning of the other components by providing information that is necessary for the attainment of Company objectives and by establishing a continuous process for collecting, sharing and disseminating necessary information from both within and outside the Company. Towards this end, the Company has established information systems that deal with internally generated data as well as external events, activities and conditions relevant to

business decision-making to produce operational, functional and compliance-related information. In addition to Flexcube, our other customized software have greatly enriched the capabilities of the Company's information systems. In a more general sense, the IDLC culture encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments.

e. Monitoring

Monitoring ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions. At IDLC, this is achieved through a variety of measures including ongoing monitoring which occurs in the course of, and as a part of, day-to-day operations as well as separate management reviews, evaluations and periodic internal audits of various departments and business functions.

Although the Board of IDLC is primarily responsible for ensuring that the Company has an adequate and effective control system in place, ultimately, all employees are accountable for managing internal controls. Business and operational units, particularly department heads, are in-charge of ensuring that internal controls are established, well-documented and maintained across his / her department. The Internal Control and Compliance (ICC) department acts as a second line of defense through conducting tests on the efficiency and effectiveness of the control systems through audit.

A prudently designed management structure, clearly defined responsibilities, delegation of authorities, risk awareness, establishment of accountability at each level and a system of periodic reporting and performance monitoring represent the key elements of the internal control framework employed at IDLC.

4.3 Directors' reviewing the adequacy of internal control

Subject to the caveats of reasonable assurance mentioned earlier, the Board confirms that it has reviewed and assessed the Group's system of internal controls with regards to its adequacy and effectiveness in providing reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with the applicable laws and regulations.

4.4 Identification of key risks IDLC is exposed to – both internally and externally

Risk is the element of uncertainty or the possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an organisation to cope with the vagaries of the complex business environment in which it operates.

IDLC always concentrates on delivering high value to its stakeholders through appropriate tradeoffs between risk and return. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers guidelines for managing core risks of financial instructions issued by Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016.

A well-structured and proactive risk management system is in place within the Company to address risks relating to:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Money laundering and terrorist financing risk

The new Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage and report in a more structured manner. The key among these are:

Strategic risk

Strategic risk has been defined as the risk of potential losses that might arise from adverse business decisions, sub-standard execution and failure to respond adequately to changes in the business environment. The guidelines set out the respective roles of the Board of Directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control.

IDLC has been managing strategic risks ever since its inception. This is evident from the Company's constantly evolving business model over the years. The Company has a clear strategic vision as to what it wants to become and a mission statement that enumerates the steps required to achieve its vision. Strategic issues are discussed at a variety of forums including meetings of the Management Committee and of the IDLC Board. Over the past few years, a separate Strategic Planning department has been instituted to assist senior management in this regard. The culmination of all these efforts are reflected in annual strategy and budget sessions, where the Company sets outs its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance risk

Compliance risk is defined as the current or prospective risk of legal actions and / or material financial losses that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the Board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, IDLC has always fostered a compliance-oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the IDLC Code of Conduct (requiring compliance with the laws and regulations) to ongoing communication from the senior management stressing the need to do business under the highest

levels of compliance. In general, compliance risk management is embedded in the day-to-day management of business processes and practices of the Company. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk is reviewed and appropriately amended to ensure conformity with the guidelines.

Reputation risk

Reputation risk may be defined as the risk of loss arising from damages to an organisation's reputation. The guidelines set out the respective roles of the Board and the senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

IDLC has already established a set of non - financial reputational risk indicators and put in place a structured process for monitoring these and any other matters that might give rise to potential reputational risks. Till date, no material reputational risk issue involving the Company has been identified.

Environmental and social risk

IDLC is focused on sustainability, shifting from the traditional financing approach. In this regard, the Company is strengthening its credit appraisal process to be much more stringent from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to sanctioning a loan.

A detailed discussion of these risks and the strategies adopted to manage and mitigate these are given in the Statement of Risk Management on page 55 of the report. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

4.5 Disclosure of the strategies adopted to manage and mitigate the risks

In order to address and mitigate the risks prudently, at IDLC, the following committees are operational, about which details are given on page no. 148 of this annual report:

- Credit Evaluation Committee (CEC): To evaluates all projects / proposals of financing activities of the Company from the risk point of view.
- Risk Management Forum (RMF): To introduce proactive risk management procedures in line with international best practices framework.
- Risk Analysis Unit (RAU): To act as the secretariat of the Risk Management Forum with responsibility for identifying and analysing the various types of risks appropriately and in a timely manner.
- Central Compliance Unit (CCU): Responsible for supervising the anti-money laundering (AML) and anti-terrorism activities (ATA) at IDLC.

5 Ethics and Compliance

The Board's commitment to establishing the highest levels of ethics and compliance.

5.1 Disclosure statement on ethics

The IDLC Group remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to IDLC.
- Their relationship with and responsibilities to customers.
- Compliance with laws and regulations.
- Acting in a professional and ethical manner.
- Protection of business assets.
- Disclosure of conflicts of interest.
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

The complete Code of Conduct can be read on page no. 159 of this annual report.

5.2 Dissemination of the statement of ethics and Code of Conduct

All IDLC employees are required to sign an annual declaration confirming that they have read and understood the Code of Conduct. The Human Resources department circulates the required declaration, and ensures that all employees signed the declaration. The Internal Control and Compliance (ICC) department, through regular audits, assesses whether any employees have breached the Code of Conduct.

5.3 Board's commitment to establishing high levels of ethics and compliance within IDLC

The IDLC Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance.

The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behavior:

- Setting down standards of expected behavior through the formulation and communication of a Code of Conduct.
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis.
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes.
- Establishing a clearly-defined organisational structure that assigns responsibility and authority for the conduct of organisational functions while at the same time ensuring accountability for individual actions.
- Establishing a variety of monitoring mechanisms including the creation and empowerment of an operationally independent internal audit team with reporting responsibilities to the audit committee.

- Ensuring instant action with zero tolerance for identified instances of unethical and/or non-compliant behavior.

5.3.1 Code of Conduct for Board members

The Board of Directors of IDLC is committed to the highest standards of conduct in their relationship with IDLC employees, customers, members, shareholders, regulators and the public. This refers to conducting our business in accordance with all applicable laws and regulations and also represents our commitment to the spirit of the law. Our actions should reflect IDLC's values, demonstrate ethical leadership and promote a work environment that upholds IDLC's reputation for integrity, ethical conduct and trust. This Code is intended to provide a statement of the fundamental principles applicable to our Directors.

Our Directors are encouraged to bring forth questions about particular circumstances that may involve one or more of the provisions of this Code to the Chairman of the Board.

In compliance with the revised corporate governance code issued by the BSEC, the Board shall lay down the Code of Conduct of all Board members and annual compliance of the Code has to be recorded.

5.3.2 Scope of the Code of Conduct

(a) A member must observe the Board's Code of Conduct whenever he/she:

- Conducts the business of the Board
- Acts as a representative of the Board

(b) The Board's Code of Conduct shall not have any effect in relation to the activities of a Board member undertaken other than in an official capacity, except and in so far as otherwise indicated

(c) Where a Board member acts as a representative of the Board at the meeting of another public body or Committee, he/she must, when acting in that capacity, comply with the Board's Code of Conduct, except and in so far as it conflicts with any other legal obligations to which he/she may be subject to.

5.3.3 General obligation

The Code of Conduct for Board members of the Company includes:

A. Prudent conduct and behavior

Each Board member should seek to use due care in the performance of his / her duties, be loyal to the Company, act in good faith and in a manner that such a Board member reasonably believes to be not opposed to the best interests of the Company. A Board member shall seek to:

i. Make reasonable efforts to attend Board and Committee meetings
ii. Dedicate time and attention to the Company
iii. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company
iv. Act in the best interest of, and fulfill their fiduciary obligations to, the Company's shareholders
v. Use due care and diligence in performing their duties of office and in exercising their powers attached to that office

B. Business opportunities

In carrying out their duties and responsibilities, the Board members shall avoid:

(ii) Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board member
(ii) Using Company property or information, or their position as Board member, for personal gain
(iii) Competing with the Company

C. Conflict of interest

Each Board member shall endeavor to avoid having his or her private interests interfere with:

(i) The interests of the Company
(ii) His or her ability to perform his or her duties and responsibilities objectively and effectively

The Board members shall avoid receiving or permitting members of their immediate family to receive improper personal benefits from the Company, including loans from or guarantees of obligations by the Company.

A Board member shall make a full disclosure to the entire Board of any transaction or relationship that such a member reasonably expects could give rise to an actual conflict of interest with the Company and seek the Board's authorization to pursue such transactions or relationships.

D. Company property

In carrying out their duties and responsibilities, the Board members shall endeavor to ensure that the management is using the Company's assets, proprietary information and resources to be used by the Company and its employees only for legitimate business purposes.

E. Confidential information

The Board members shall maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.

The Company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of any Board member other than the Company. These obligations apply not only during a Board member's term but thereafter as well.

F. Fair dealing

In carrying out their duties and responsibilities, the Board members shall endeavor to deal fairly and should promote fair dealing by the Company, its employees and agents with customers, suppliers and employees.

G. Compliance with laws and regulations

In carrying out their duties and responsibilities, the Board members shall comply and endeavor to ensure that the management is causing the Company to comply with all applicable laws, rules and regulations.

In addition, if any Board member becomes aware of any information that he / she believes constitutes evidence of material violation of any securities or other laws, rules and regulations applicable to the Company or the operation of its business, by the Company or any employee or another Board member, then such a Board member should bring such information to the attention of the CEO & Managing Director of the Company.

H. Insider trading

The Board members shall not engage in insider trading with respect to the purchase and sale of the Company's securities. The Board members shall not buy or sell securities while in possession of material non-public information about the issuer of that security, whether the issuer is IDLC or any another company. The Board members shall also not pass such information to someone who may buy or sell securities. The Code of Conduct for Board members sets forth guidelines for conduct and they affirm compliance with the Code on an annual basis. Accordingly, IDLC's Board designed the Code of Conduct for all the members of the Board and its annual compliance has been recorded for 2017. To abide by the code of integrity and good governance in line with the National Integrity Strategy of Bangladesh, IDLC constituted an 'Integrity Committee', composition and functions of which in detail are given on page 148 of this annual report.

5.4 Existence of effective anti-fraud programs and controls through whistle-blower mechanism

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. Whistleblower Guideline has been approved on December 17, 2017 Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

5.5 Redress of investor's complaints and recommendation

IDLC has a formal complaint and recommendation management process that is open to all stakeholders including both investors and customers. A dedicated complaints cell is headed by a senior member of the management for dealing with complaints and recommendations. Those may also be dropped at complaint boxes kept at all IDLC branches or can be submitted online on the IDLC website: www.idlc.com.

6. Remuneration Committee

IDLC's Remuneration Committee has been established with the senior executives in the name "HR and Compensation Committee" on 24 May 2007 to provide a forum for discussion on the Company's various HR-related issues.

6.1 Roles and responsibilities of the Committee

The principal role and function of the HR and Compensation Committee is to assist the human resource department in developing and administering a fair and transparent procedure for setting policies on the Group's overall human resource strategy. The responsibility of the committee is to ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification and competence, adequate training and development facilities, performance evaluation and promotion based on individual performance and contribution and other benefits-related issues with regards to the Company's operating results and comparable market statistics. The Composition, responsibilities and process of holding of the meeting of the committee is stated on page no. 149 of this annual report.

6.2 Composition of the Committee

As per Bangladesh Bank guideline, IDLC being a financial institution can only form 2 (two) committees: Executive Committee and Audit Committee, as sub-committee of the Board.

Hence, in compliance with the regulation, IDLC has form the committee with the senior executives' including the CEO & MD, executive director of the board as disclosed in the table in section 2.1 above.

6.3 Key policies with regard to remuneration of directors, senior management and employees

In compliance with the latest circular issued by Bangladesh Bank, vide DFIM Circular No. 13, dated November 30, 2015, directors are only entitled to the remuneration for attending the meeting of the board and its sub-committees.

Also in compliance with the DFIM Circular No. 02, dated March 25, 2015, of Bangladesh Bank, the remuneration of the CEO & Managing Director is approved by the Bangladesh Bank as recommended by the board.

Remuneration of all other employees are determined by the CEO & Managing Director.

6.4 Number of Meetings held and work performed

There were seven meetings of the HR Compensation Committee in the 2018.

6.4.1 Work Performed in 2018

The four meetings were held with following agenda:

January 2018-

1) Employee promotion phase I
2) Performance bonus

June 2018-

3) Salary revision

6.5 Remuneration of chairman, directors, CEO and senior executives

6.5.1 Chairman & directors:

As stated earlier, in compliance with the policy mentioned earlier,

the chairman of the board and other members are entitled to the remunerations. The remuneration paid to the chairman and directors during 2018 have been disclosed on page no. 189 of this annual report.

6.5.2 CEO & Managing Director

Remuneration paid to the CEO & MD as approve by Bangladesh Bank has also been disclosed on page no. 213 of this annual report.

6.5.3 Remuneration of senior executives

Remuneration for senior executives is market-based and competitive in order to attract, motivate and retain skilled and competent employees. The total remuneration package to senior executives comprises basic pay, allowances, retirement benefits (Gratuity and Provident Fund) and other benefits as per company's policies. Executives are also paid a variable amount each year (yearly performance bonus) determined based on the performance of the company and the outcome in the executive's personal area of responsibility and individually established targets that were set in the beginning of the year.

7. Human Capital

IDLC considers its human resources as its most important asset. We mobilize people and teams through engaging them with leading and cutting-edge financial industry practices and also as an attractive employer. IDLC offers a broad spectrum of opportunities for both professional and personal development as well as a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the knowledge, skills and enthusiasm of our employees are a major force that enables us to achieve consistent growth. IDLC believes its human resource is the most important driver of building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals.

7.1 Human resources policy

Disclosure of general description of the policies and practices codified and adopted by the Company with respect to human resource development and management, including succession planning, merit-based recruitment process, performance appraisal system, criteria for promotion and reward and motivation, training and development, grievance management and counselling are well-defined in the section "Our Human Capital" on page 90 of this annual report.

7.2 Organisational chart

IDLC's organisational chart outlines the internal structure of the Company. It emphasizes on the roles, responsibilities and relationships between individuals within the Company. It is used to depict the structure of IDLC as a whole as well as the Company segregated by divisions and departments.

The organisational chart is shown on page no. 91 of this annual report.

7.2.1 Structure

The Company's management structure comprises the CEO & Managing Director and the management team (ManCom). The ManCom is responsible for developing organisational and business strategies, embracing innovation and ensuring that the Company conforms to best governance and operating practices. The ManCom is also responsible for organisational effectiveness and the development of IDLC's values and culture. The ManCom is responsible for managing IDLC's performance and key business issues in line with the Company's long-term strategy and for talent and performance management. The ManCom is chaired by the CEO & Managing Director and the team meets face-to-face on a regular basis.

7.2.1.2 Management Committee (ManCom)

The Management Committee is a group elected among the management staff to take responsibility of the governance and strategic direction of IDLC. The role of the Management Committee is to oversee IDLC in accordance with its Constitution under the Financial Institutions Act, 1993.

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. A significant feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer. ManCom is always aware of IDLC's operations, keeps an eye on the big picture, monitors the strategic plan and if and whether the goals are being met. It needs to be satisfied that current events are in accordance with IDLC policies and objectives within the overall budget.

7.2.2 Performance review

The CEO is responsible for setting financial targets as well as operational and management goals for the members of the ManCom. Both short-term and long-term goals form part of the performance management of all senior executives. Long-term goals are directly linked with the Company's vision. Short-term goals are generally directly linked to the objectives of the Company. The CEO and the Evaluation Committee conduct a detailed review of the performance of senior executives against these goals on an annual basis at the end of each year.

7.2.3 Succession Planning and Talent Management

Succession planning and talent management should be treated as continuous practice whereby Management and Board prepared

for transitions at any time at a multiple level throughout the Company. This includes not only the Key Management Personnel level but also their direct reporting lines and other critical positions.

7.3 IDLC Ladies Forum (IDLC LF)

IDLC has launched its first Ladies Forum through a formal ceremony with the participation of all the female employees from different levels of positions, working areas and distribution points to address their views, problems and opinions to facilitate a better working environment for them. This Forum will provide all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly. More about the committee is described in page no. 152 of this annual report.

8. Communication and Relationship with Shareholders

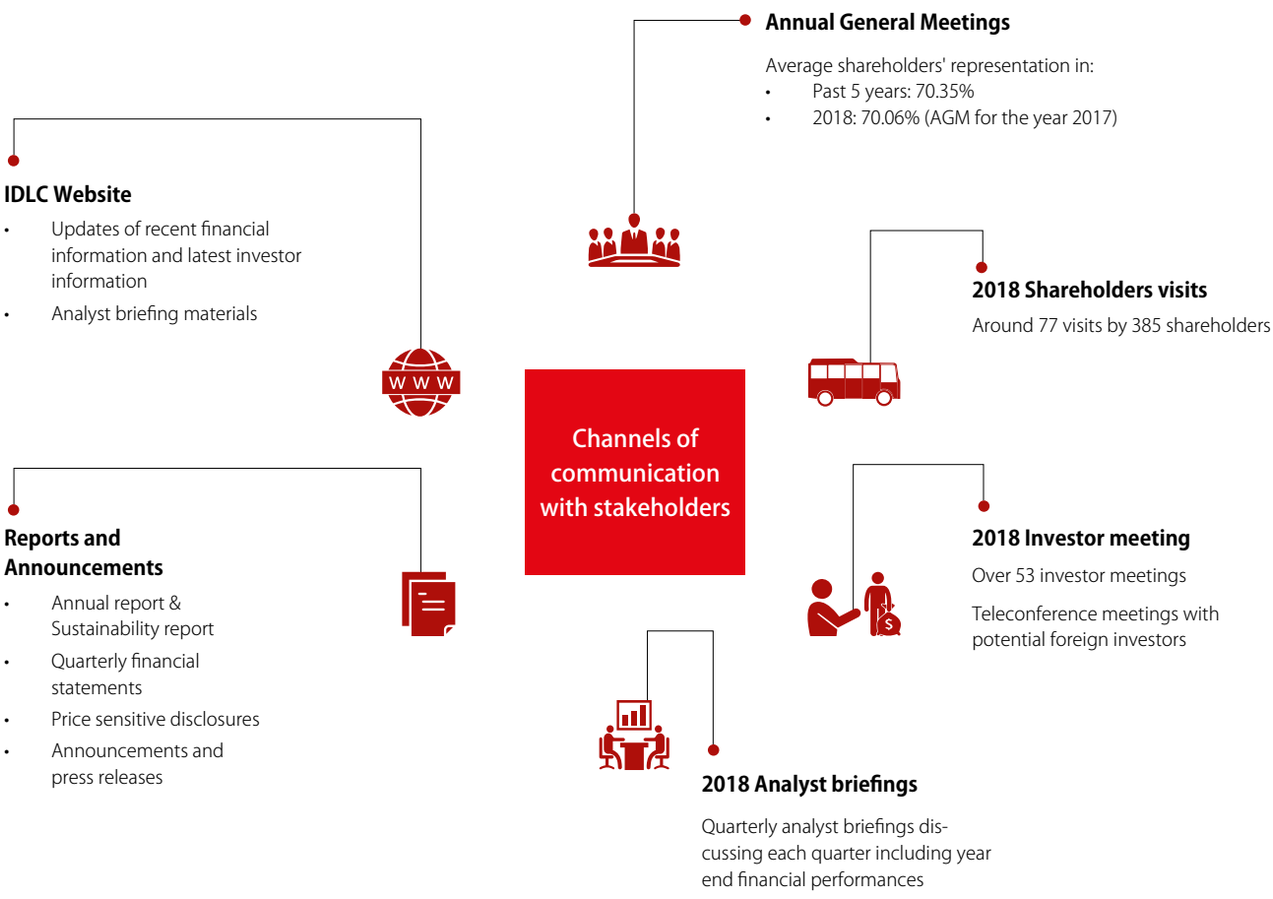
8.1 Strategy to facilitate effective communication with shareholders

It is the Company's policy that all external communication by the Company will:

- Be factual and subject to internal vetting and authorization before issue
- Not omit material information
- Express information in a timely, clear and objective manner IDLC strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

8.1.1 Way of communication with the stakeholders

The following diagram illustrates the multiple channels of communication with shareholders.



a. Communication through website

The Company's website www.idlc.com displays, inter-alia, the Annual Reports, half yearly reports, quarterly reports, monthly business reviews, product offerings, recent announcements, presentations and event updates.

All disclosures required by the Bangladesh Securities and Exchange Commission, Listing Regulations of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited and the Bangladesh Bank in the form of Price Sensitive Information (PSI) are made adequately and promptly. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public through print and online media.

b. Communication through quarterly reports

The Company reports to its shareholders four times a year through quarterly and half-yearly reports and a detailed Annual Report.

c. Quarterly earning disclosure

In the following day of the authentication of quarterly financial statements by the board, IDLC arranges a quarterly earning disclosure meeting with the analyst, press and foreign investors through webinar to explain and update further about the company in addition to the financials.

8.2 Policy on ensuring participation of shareholders

The Members whose names would appear in the Register of Members of the company and/or in the Depository on the 'Record Date' will be eligible to attend AGM and entitled to the Dividend as approved.

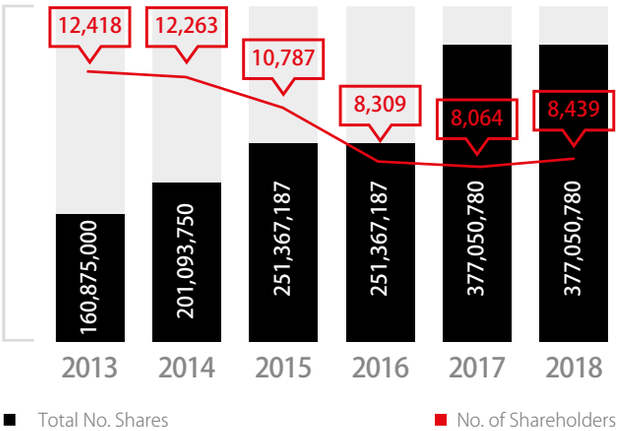
A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting;

Pursuant to Article 81 of the Articles of Association, a corporate member of the company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the company;

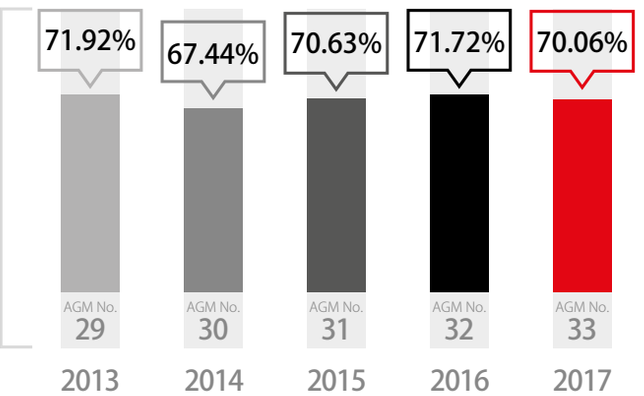
Soft copy of the Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by email registered with CDBL as per our record. The Members may also collect the Proxy Form from the Registered Office of the company. These will also be available in the website of the company: www.idlc.com;

Members/proxies are need to register their entry at the AGM in the counter at the entrance of the AGM venue.

Total Number of Shareholders against Total Number of Shares



Shareholding representation at the AGM in the last 5 years



8.2.1 Communication through AGM

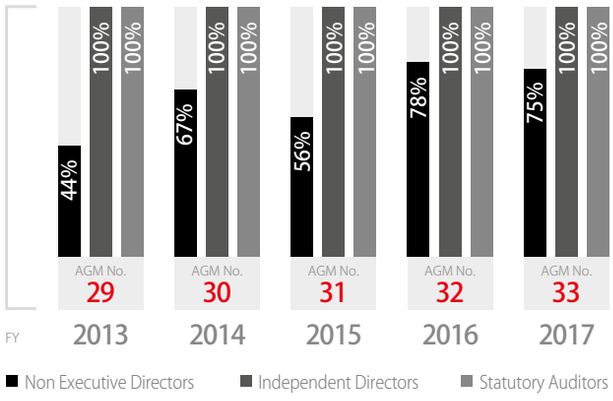
All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if they are unable to attend, to appoint proxies.

The shareholders who attend the AGM have the option to ask questions and give suggestions to the Board members during the AGM. The CEO & Managing Director, on behalf of the Board, answers the queries of the shareholders.

8.2.2 Process of communicating the schedule

At least 14 to 21 days before the AGM, soft copies of the Annual Report and notice of the AGM are mailed to shareholders as on the Record Date. Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

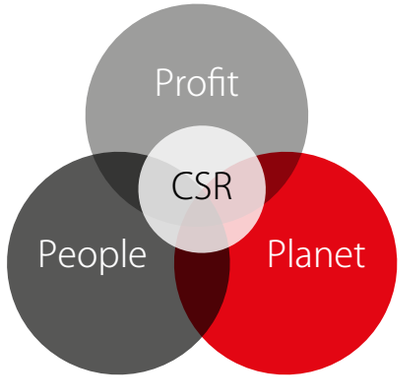
AGM attendance % of Non Executive Directors, Independent Directors & Statutory Auditors



9. Environmental and Social Obligation

9.1 Policy and practices on environmental and social obligation

At IDLC, we believe in the concept of a sustainable business, one that integrates good governance, environmental issues and social concerns with its business strategies to maximize value for stakeholders. IDLC's sustainability model is based on the 3P approach – People, Planet and Profit:



- People, our stakeholders with whom we engage for our business and the community where we live
- Planet, our surrounding environment and the planet
- Profit, our profit-generating capacity for long-term sustenance

Accordingly, IDLC has aligned its CSR (corporate social responsibility) initiatives to deliver on this commitment and aid community empowerment and responsible environmental management in a sustainable manner.

9.2 Activities undertaken

At IDLC, we are also focusing on Earth and its sustainability, shifting from the traditional financing approach. In this regard, we are making our credit appraisal process to be much more stringent from an environmental and social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan. Being the only listed member of UNEP FI, we have been following Environmental Risk Management guideline 2011 by Bangladesh Bank. Taking this approach one step further, IDLC is in the process of adopting an extensive environmental and social management system (ESMS) across the organisation with assistance from FMO, a Dutch development bank, and FI Konsult, IDLC's appointed consultant for this project. The overall goal of this project is to help IDLC identify customers with potentially high environmental and social risks, enable them to evaluate the E&S performance of such customers through its due diligence and credit appraisal processes and make those customers, especially who are not in compliance with local E&S regulations, behave more responsibly through the use of environmental or social covenants in the facility agreements. This project will not only satisfy the Central Bank's requirements but also enable IDLC to comply with internationally-acceptable risk management standards. Furthermore, execution of the green banking policy, which is in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guidelines is considered as yet another milestone towards sustainability.

In pursuance of these policy and practices, a detailed description of specific activates undertaken by IDLC is given on page no. 44 of this annual report.

10. IDLC's Overall Governance

At IDLC, the Board of Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its strategic objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance, to set the Company's risk appetite and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in its Terms of Reference (ToR) that address a wide range of corporate governance issues and list those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy, business plans and performance monitoring
- Financial reporting and controls, capital structure and dividend policy
- Group risk appetite and framework and risk management policies
- Corporate governance
- Others (shareholder documentation, Board and committee succession planning, constitution of Board committees, Board effectiveness review, committee reports and key business policies)

In pursuit of business sustainability and within the ambit of our integrated reporting framework, our governance structure, stewarded by our well-composed Board (as detailed above with regards to their core responsibilities), helps in value creation over the medium and long term. Some of the drivers that enable us to generate consistent value include the following:

- Our robust organisational leadership structure is composed of diversity that enables us to foster and converge a range of opinions and perspectives that are aligned with the long-term interests of the Company. Our highest levels of compliance with all the statutory and regulatory requirements and uncompromised stance with regards to ethics in our day-to-day business have led to the creation of a robust governance structure that ultimately delivers sustainable stakeholder value;

- We embrace a wide range of both generic as well as specific processes to take strategic decisions and also establish and monitor the culture of the organisation on an ongoing basis, including its attitude to risk and mechanisms for addressing integrity and ethical issues. As a core demonstration of our seriousness with regards to governance and compliance with the laws of the land, we ensure that all our members thoroughly understand our comprehensive Code of Conduct and sign it at the beginning of every year, ratifying their alignment with our ethics and philosophies;

- During the course of business, we take a wide range of actions including analysing key financial metrics, aligning resources with our growth aspirations and forecasting key risks that might impact our business over the long-term and their potential mitigation strategies. These help us influence course corrections, if any, in the path to achieving our goals and objectives as well as monitor the strategic direction of the organisation within the ambit of our overall risk management framework;

- Our robust organisational culture, ethics and values, nurtured over the years with care and sensitivity, is visible in the strength of our relationships with key stakeholders. We are not only the financial destination of choice among our customers who have reposed their faith and trust in us but also an employer of choice among our members due to an inspiring, engaging, motivating and enriching workplace that we provide to all our employees. Our high standards of governance and the attractiveness of our long-term structural growth prospects have made us an investment of choice among a broad range of shareholders and other reputed financial participants in the market;

- In our focus on reinforcing our governance culture and framework, we are implementing ongoing governance practices that go beyond the stipulated legal requirements. For instance, our focus on green banking not only fosters the development of green assets and environmental friendly practices but, in fact, aims to create an overall compliant corporate culture by helping clients understand and mitigate key environmental and social risks in their long-term plans and manufacturing facilities;

- One of the agenda of our Board is also to gauge the levels of innovation fostered within the enterprise even as the diversity of our Board enables us to understand the key trends shaping the market / industry and convert these into relevant business opportunities. Our women entrepreneur empowerment product, IDLC Purnota, is an excellent case in point demonstrating our ability to innovate a solution around a pressing need – that of ensuring viability among women in business; and

- Our best-in-class remuneration and incentives structures are continually aligned with the market, ensuring that our pay and benefit structures are among the best in the industry. These not only enable us to attract and retain core talent but also keep our workforce motivated and engaged enough for the organisation to reach its short, medium and long range goals and objectives, thus fostering a win-win relationship.

Key Pointers for the Stakeholders

IDLC is very much concerned of the stakeholders' interest on the company including the potential investors. IDLC with 33 years of financial expertise helps its clients to decide in taking right financial decisions. The following historical information will help our current and potential investors for their decision making:

Financial calendar to the stakeholders

Events for the year	2018	2017
Publication of Financial Statements for the 1st Quarter	April 26, 2018	April 26, 2017
Publication of Financial Statements for the Half-year	July 30, 2018	July 20, 2017
Publication of Financial Statements for the 3rd Quarter	October 15, 2018	October 17, 2017
Annual Financial statements approved by the Board	February 17, 2019	February 14, 2018
Date of Record	March 12, 2019	March 08, 2018
Dispatching notice for the Annual General meeting	March 13, 2019	March 09, 2018
Dispatching of Annual Report	March 13, 2019	March 14, 2018
Holding of Annual General Meeting	March 28, 2019	March 29, 2018
Transfer/ payment of Dividend	Expected within April 25, 2019	April 24, 2018

Comparative Shareholding Structure of IDLC as on December 31

Types of Share Holders	2018		2017	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Sponsor/Director	213,642,577	56.66	213,642,577	56.66
Institutions	66,134,139	17.54	60,283,024	15.99
Individuals	45,171,377	11.98	59,688,255	15.83
Foreign	52,102,687	13.82	43,436,924	11.52
Total shares held	**377,050,780**	**100.00**	**377,050,780**	**100.00**

Top ten shareholders of IDLC as on December 31

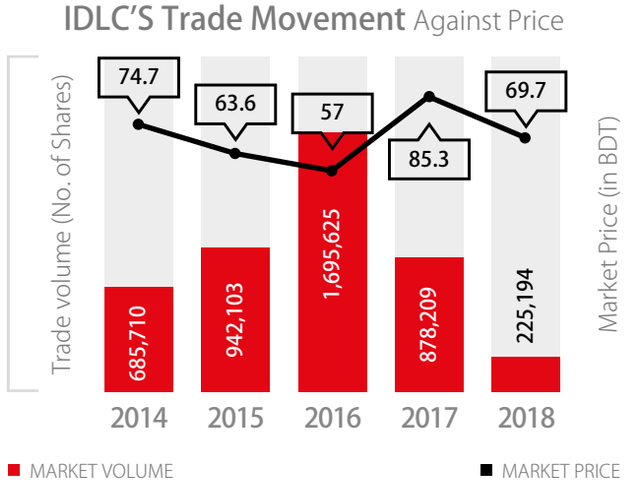
Sl. No.	Name of the shareholders	2018		2017	
		Number of shares held	% of Issued shares	Number of shares held	% of Issued shares
	The City Bank Limited (CBL) and its subsidiaries	**87,510,575**	**23.21%**	**87,510,575**	**23.21 %**
1	The City Bank Limited (CBL)	33,935,329	9.00 %	33,935,329	9.00 %
2	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90 %	37,328,028	9.90 %
3	City Brokerage Limited	16,247,218	4.31 %	16,247,218	4.31 %
	Transcom Group	**50,273,164**	**13.33%**	**50,273,164**	**13.33%**
4	Eskayef Bangladesh Limited	30,164,062	8.00%	30,164,062	8.00%
5	Transcraft Limited	15,132,033	4.01%	15,132,033	4.01%
6	Bangladesh Lamps Limited	4,977,069	1.32%	4,977,069	1.32%
7	Sadharan Bima Corporation (SBC)	28,727,494	7.62%	28,727,494	7.62%
8	Reliance Insurance Limited	26,393,553	7.00%	26,393,553	7.00%
9	Mercantile Bank Limited	20,737,791	5.50%	20,737,791	5.50%
10	Investment Corporation of Bangladesh (ICB)	17,785,020	4.72%	5,251,913	1.39%

Equity statistics of IDLC important to the stakeholders:

Particulars	2018	2017	2016	2015	2014
Number of shares in issue (No.)	377,050,780	377,050,780	251,367,187	251,367,187	201,093,750
Net asset value per share (BDT)	36.17	33.41	23.70	20.65	17.31
Market Capitalization (BDT in million)	26,280	32,162	14,328	15,987	15,022
Market value addition per share (BDT)	33.53	51.89	21.44	32.63	42.24
Shareholders' equity (BDT in million)	13,637	12,597	8,938	7,786	6,528

IDLC's share price as on December 31

Particulars	2018	2017	2016	2015	2014
Highest (BDT)	70.00	85.90	57.80	64.00	75.70
Lowest (BDT)	68.90	84.90	55.60	61.60	73.70
Closing (BDT)	69.70	85.30	57.00	63.60	74.70
Shares traded (No.)	225,194	878,209	1,695,625	942,103	685,710
Market Turnover (BDT in million)	15.67	74.97	96.50	59.55	51.42



Disclosures Under Pillar III- Market Discipline

The following detailed qualitative and quantitative disclosures are provided in accordance with Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions which has been published on December 28, 2011. The purpose of these requirements is to complement the capital adequacy requirements and the Pillar III – supervisory review process. These disclosures are intended for market participants to assess key information about the FI's exposure to various risks and to provide a consistent and understandable disclosure framework as per regulatory requirement. The FI has an approved disclosure policy to observe the disclosure requirements set out by the Bangladesh FI and International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) where relevant to the FI.

Basel II		
Pillar I	**Pillar II**	**Pillar III**
Minimum Capital Requirement (MCR)	Supervisory Review Process	Disclosure & Market Discipline

A) Scope of application

Qualitative Disclosures:

The name of the top corporate entity in the group to which this guidelines applies.

- IDLC Finance Limited

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).

- The IDLC Group has three wholly owned subsidiaries: IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited, which are fully consolidated.

Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

- **Not applicable.**

Quantitative Disclosures:

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

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:**

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% Revaluation Reserve for Equity Instruments

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 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

The amount of Tier 1 capital, with separate disclosure of:

Particulars	Amount in BDT crore
Paid up capital	377.05
Non-repayable share premium account	126.06
Statutory reserve	241.65
General reserve	100.00
Retained earnings	514.32
Minority interest in subsidiaries	0.00
Non-cumulative irredeemable preference shares	-
Dividend equalization account	4.65

(a)	**Total Tier 1 capital**	**1,363.73**
(b)	**The total amount of Tier 2 capital**	**63.81**
(c)	Other deductions from capital	-
(d)	**(d= a+b+c) Total eligible capital**	**1,427.55**

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)**

IDLC 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% 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 1 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 by taking eligible financial collaterals against transactions;
- Focusing more on booking high spread earning assets and thus increasing retained earnings.

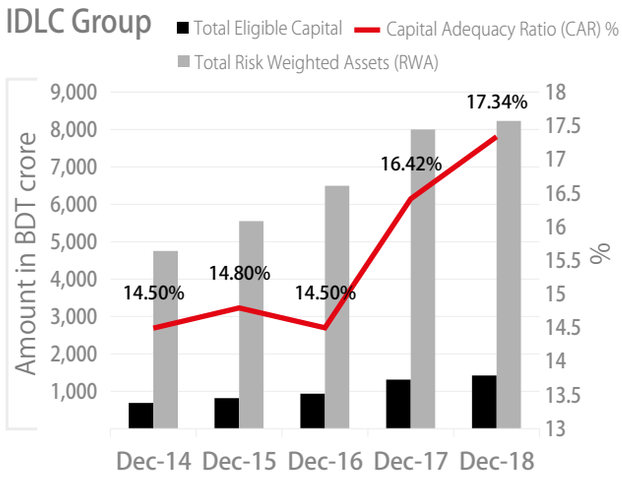
Strategic level:

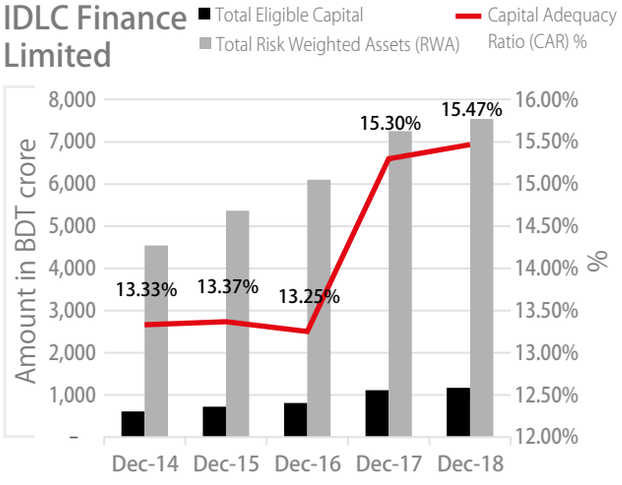
- Injecting fresh capital by issuing right shares, if required

Quantitative Disclosures		Amount in BDT crore
(b)	Capital requirement for Credit Risk	6,244.58
(c)	Capital requirement for Market Risk	1,125.72
(d)	Capital requirement for Operational Risk	863.56

(e) Total and Tier 1 capital ratio:

- For the consolidated group; and
- For stand alone





Particular	Consolidated	Stand Alone
CAR on Total capital basis (%)	17.34	15.47
CAR on Tier 1 capital basis (%)	16.56	14.62

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 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 guideline. For Example, 0.25% provision is maintained against SME-Standard loan/ lease, 1% provision is maintained against good loans (other than SME-Standard loan/ lease, 5% against SMA loan/ lease, 20% against sub-standard loan/ lease, 50% against doubtful loan/ lease and 100% against bad/ loss loan/ lease 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 IDLC:
    - 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, IDLC 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 IDLC, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Research team of CRM regularly reviews market situation and exposure of IDLC 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.

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

Appropriate internal control measures are in place at IDLC. IDLC has also established Internal Control and Compliances Department (ICC) to ensures, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements 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 plying their businesses in various geographical locations across the country. IDLC 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, IDLC 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 multilayer system. Depending on the size of the loan, a multilayer 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

IDLC 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 IDLC's total return. Central Bank's instructions are strictly followed in determining Single Borrower/Large Loan limit. Significant concentration of credit in terms of groups 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

IDLC 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.

Counterparty Credit Rating

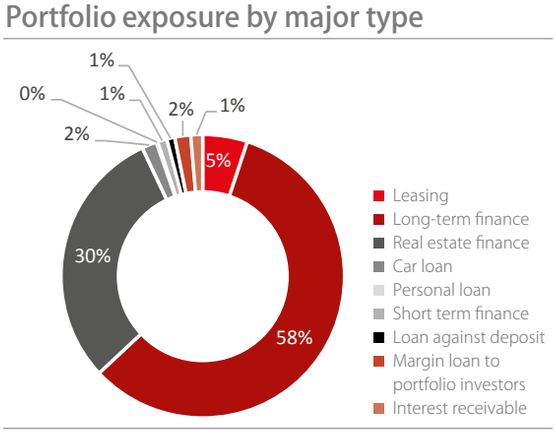
IDLC is taking initiatives to rate the Corporate Clients of the company immediately by the External Credit Assessment Institutions (ECAIs)/Rating Agencies duly recognized by the Central Bank. As on December 31, 2018, 736 clients with total net exposure of BDT 3,040.84 crore were eligible for credit rating. Among these 736 clients, 324 clients having net exposure of BDT 2,274.49 crore had valid credit ratings. That is, about 75% of ratable exposure was rated. We are optimistic of getting more 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.

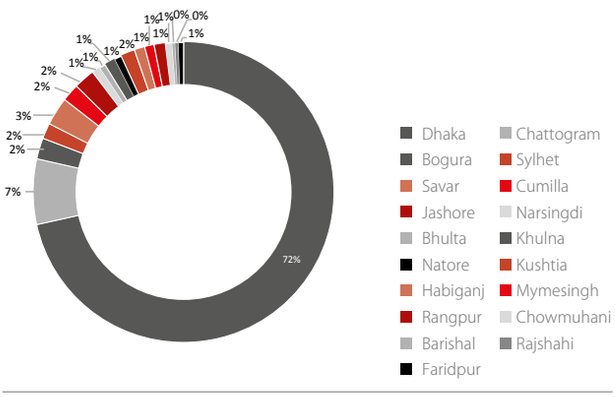
Quantitative Disclosures

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



Particular	Amount in BDT crore
Leasing	427.69
Long-term finance	4,864.02
Real estate finance	2,513.14
Car loan	140.98
Personal loan	14.79
Short term finance	90.56
Loan against deposit	75.78
Margin loan to portfolio investors	152.47
Interest receivable	114.01
Total	**8,393.43**

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



Area	Amount in BDT crore
Dhaka	6,002.82
Chattogram	589.72
Bogura	190.58
Sylhet	140.75
Savar	254.43
Cumilla	158.91
Jashore	190.71
Narsingdi	74.03
Bhulta	53.53
Khulna	100.33
Natore	63.44
Kushtia	129.71
Habiganj	95.32
Mymesingh	84.38
Rangpur	101.44
Chowmuhani	60.57
Barishal	26.67
Rajshahi	31.09
Faridpur	45.00
Total	**8,393.43**

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

Sector	Amount in BDT crore
Agriculture	318.06
Cement and Allied Industry	81.70
Electronics and Electrical Products	84.30
Food Production and Processing Industry	253.57
Garments and Knitwear	503.18
Glass, Glassware and Ceramic Industry	53.16
Housing	2,607.46
Iron, Steel and Engineering	313.39
Jute and Jute products	17.18
Leather and Leather Goods	7.34
Paper, Printing and Packaging	90.73
Pharmaceuticals and Chemicals	118.93
Plastic Industry	54.02
Power, gas water and sanitary services	87.57
Ship Manufacturing Industry	0.61
Telecommunication and Information Technology	193.04
Textile	323.50
Trade and Commerce	1,719.19
Transport and Aviation	204.28
Others	1,209.74
Total	**8,240.96**

Beside these, IDLC group portfolio includes total margin loan to clients by our capital market subsidiaries (IDLC SL and IDLC IL) of amount BDT 152.47 crore. Therefore, the total industry exposure amounts to **BDT 8,393.43 crore.**

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

Particulars	Amount in BDT crore
Repayable on demand	654.87
Over 1 month but not more than 3 months	563.26
Over 3 months but not more than 1 year	1,918.92
Over 1 year but not more than 5 years	3,618.81
Over 5 years	1,637.57
Total	**8,393.43**

(f) Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & advances

Movement of Non Performing Assets (NPAs)

Particular	Amount in BDT crore
Opening balance	195.44
Additions	65.67
Reductions	79.71
Closing balance	181.39

Movement of specific provisions for NPAs

Particular	Amount in BDT crore
Opening balance	57.63
Provisions made during the period	20.51
Write-off	(22.33)
Write-back of excess provisions	(9.90)
Closing balance	45.90

E) Equities: banking book positions

Qualitative Disclosures

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 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 condition of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

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 BDT Crore)

Particulars	Cost Price	Market Price
Quoted shares	621.47	571.50
Unquoted shares	429.74	-

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

- Nil

Particulars	Amount in BDT crore
Total unrealized gains (losses)	15.32
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier 2 capital.	-

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 equities is BDT 571.50 crore. Capital Requirement is 10% of the said value which stand to **BDT 57.15 crore.**
- **General Risk-** Market value of investment in equities is BDT 571.50 crore. Capital Requirement is 10% of the said value which stand to **BDT 57.15 crore.**

F) Interest rate in the banking book

Qualitative Disclosures

The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking 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. IDLC measure the Interest Rate Risk by calculation Duration Gap i.e. a positive Duration Gap affect company's profitability adversely with the increment of interest rate and a negative Duration Gap increase the company's profitability with the reduction of interest rate.

Quantitative Disclosures

The increase (decline) 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).

Maturity wise Distribution of Assets-Liabilities

(Amount in BDT Crore)

Particulars	1 to 30/31 day (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year
A. Total Rate Sensitive Liabilities (A)	508.92	741.66	615.82	1094.51	731.60
B. Total Rate Sensitive Assets (B)	522.59	744.52	581.98	881.59	1192.16
C. Mismatch	13.67	2.86	-33.83	-212.92	460.26
D. Cumulative Mismatch	13.67	16.54	-17.30	-230.22	230.04
E. Mismatch (%)	2.69%	0.39%	-5.49%	-19.45%	62.89

Interest Rate Risk - Increase in Interest Rate

Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	-3.76	-7.52	-11.29
Net Interest Income	4.60	9.20	13.80
Revised Regulatory Capital	1,428.39	1,429.22	1,430.06
Risk Weighted Assets	8,233.85	8,233.85	8,233.85
Revised CAR (%)	17.35%	17.36%	17.37%

G) Market risk

Qualitative Disclosures

Views of Board of Directors 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.

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.

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, IDLC 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 monthly meeting analyses 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:

IDLC minimizes the Equity Risks by Portfolio diversification as per investment policy of the company. The entire portfolio is managed by IDLC Investments Limited.

Quantitative Disclosures

The capital requirements for Market Risk:

Particular	Amount in BDT crore
Interest rate risk	-
Equity position risk	112.57
Foreign Exchange Position and Commodity risk (if any).	-

H) Operational Risk:

Qualitative disclosure:

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 ManCom members 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

IDLC'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 IDLC family. We aim to foster a sense of pride in working for IDLC and to be the employer of choice. As such thee exists no performance gap in IDLC.

Potential external events

No such potential external event exist to rise operational risk of IDLC at the time of reporting.

Policies and procedures for mitigating operational risk:

IDLC 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 mange 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. IDLC 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:

Capital requirement for operational risk:

Particular	Amount in BDT crore
Capital requirement for operational risk:	86.36

Report on Security Custodial Service of IDLC Finance Limited

Under rule 10(2) of the Securities and Exchange Commission (Security Custodial Service) Regulations, 2003

IDLC Finance Limited is a registered Security Custodian vide registration license no SC-06/2007 dated May 24, 2007 issued by Bangladesh Securities and Exchange Commission. The major responsibilities of the Security Custodian are as follows:

- Custody of client's securities
- Collection, book keeping and communication of gain, income, profit, stake on behalf of clients
- Collection, communication, dissemination and book keeping of any declaration, published or publicly available information, statement etc. of securities issuer
- Administer client's security and account

To facilitate these service IDLC Finance Limited has also obtained Custody Depository participant License vide registration license no.

BSEC/Registration/ CDBL-DP-414, dated December 17, 2014 issued by Bangladesh Securities and Exchange Commission.

IDLC Finance Limited as a Security Custodian confirms that proper internal audit and evaluation process are in place to ensure the following:

- Secure and appropriate custodial service
- No unwarranted change in the assets, records, agreements etc. occur
- Each client receives his/her due dividends, bonus share, right share, interest, principal etc. in a timely manner
- Prevent loss, theft, damage due to natural calamity

As on December 31, 2018, IDLC Finance Limited is the custodian of 265,078,727 ordinary shares of RAK Ceramic (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

IDLC Finance Limited is also providing security custodian service for 8,477,970 ordinary shares of Aamra Networks Limited held by Augere Holdings (Netherlands) B.V. In 2017, another agreement was entered with SEAF Bangladesh Ventures LLC for providing custodian service for 1,285,832 ordinary shares of ADN Telecom Limited.

Notice of the 34th Annual General Meeting

Notice is hereby given to all the Members of IDLC Finance Limited (IDLC) that the 34th Annual General Meeting (AGM) of the company will be held on **March 28, 2019 (Thursday) at 10:00 a.m. at "Utshab", Radisson BLU Water Garden Hotel, Airport Road, Dhaka Cantonment, Dhaka 1206,** to transact the following business:

Ordinary Agenda:

FLG190328-0034-01	Renewal of appointment of the CEO & Managing Director, Mr. Arif Khan for another tenure of three (3) years;
FLG190328-0034-02	Adoption of Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2018;
FLG190328-0034-03	Declaration of dividend for the year 2018 as recommended by the Board;
FLG190328-0034-04	Election of Directors;
FLG190328-0034-05	Appointment of Auditors of the Company until the conclusion of the next Annual General Meeting (AGM) and fixation of their remuneration; and
FLG190328-0034-06	Appointment of auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) for 2019 of the Company and fixation of their remuneration.

By order of the Board

Sd/-

Mohammad Jobair Rahman Khan FCA
Group Company Secretary
Dated: March 13, 2019

Notes:

- As notified earlier the **"Record Date"** was **Tuesday, March 12, 2019.** The Members whose names would appear in the Register of Members of the company and/or in the Depository on the 'Record Date' will be eligible to attend the 34th AGM and entitled to the Dividend as approved;
- Members are requested to update their respective BO Accounts with 12 Digit Taxpayer's Identification Number (TIN), bank account, mailing address, email address and contact number (mobile phone) through their respective Depository Participant (DP) before the 'Record Date'. Tax Deduction at Source (TDS) @15% (instead of 10%) will be made from the eligible cash dividend amount, if anyone fails to update his/her BO Account with the 12 Digit TIN before the Record Date;
- A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting;
- Pursuant to Article 81 of the Articles of Association, a corporate member of the company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the company;
- As per Bangladesh Securities and Exchange Commission notification No. BSEC/CMRRCD/2006-158/208/Admin/81, dated 20 June 2018 soft copies of the Annual Report along with the Attendance Slip, Proxy Form and the Notice will be forwarded to all the Members at their respective email address available with us as per CDBL record. The Members may also collect the Proxy Form from the Registered Office of the company. These will also be available in the website of the company: www.idlc.com. The printed annual report may be available if any shareholder requires in writing beforehand;
- Members/proxies are requested to register their entry at the AGM in the counter at the entrance of the AGM venue from **9.00 a.m. on March 28, 2019.**

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

Report of the Audit Committee

Scope of work of Audit Committee

The scope of the Audit Committee of IDLC Finance Limited is determined by its Terms of Reference (ToR) which, in turn, are shaped by directives from its principal regulators, Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC). These include, but are not limited to, exercising oversight over:

- The internal control system of the company
- Financial reporting
- The Internal Control and Compliance department
- Compliance with regulatory requirements

The Committee is authorized to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the Group and co-opt any resource (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit.

The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

Review of financial statements by the Audit Committee

The Audit Committee reviewed the annual financial statements for the year 2018 and placed its recommendations to the Board of Directors.

Review of the activities of the Internal Control and Compliance (ICC)

Major activities of the ICC department during the year were as follows:

- Execution of risk-based annual audit plan 2018
- Review of internal control system
- Issuance of timely responses to inquiries by regulators and other government agencies
- Coordination of regulatory inspections and statutory external audit
- Coordination of management responses to the external audit and regulatory inspection reports
- Management of IDLC Complaint Cell
- Monitoring of anti-money laundering compliance procedures
- Conduct of in-house fresher and refreshers training program on anti-money laundering and anti-terrorist financing regulations and its compliance procedure as part of overall awareness building efforts
- Coordination of Risk Analysis Unit & Risk Management Forum activities
- Facilitation of Audit Committee meetings.

In addition to the above regular activities, the department also carried out following development functions during the year:

- Introduced "Whistleblower Guidelines" for the IDLC Group.
- Acted as project coordinator for Information Systems Audit and Vulnerability Assessment of IDLC Finance Limited conducted by Rahman Rahman Huq, Chartered Accountants (Member firm of KPMG International in Bangladesh).
- Created regulatory circular and policy bank in IDLC's own intranet platform.
- Reviewed Standard Operating Procedure (SoP) manual of IDLC Securities Limited
- Developed and implemented score-based "KYC Risk Grading Matrix" for liability products.
- Conducted training program on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations for the executives of Financial Institutions under the banner of Bangladesh Leasing and Finance Companies Association (BLFCA).

All this enables the Committee to evaluate major risk areas, issue broad level guidance for management so as to ensure effective controls are in place and to provide accurate, appropriate and timely information to the Board of Directors, regulatory bodies and shareholders.

External audit

A. Qasem & Co. Chartered Accountants, a partnership firm in Bangladesh and a member firm of Ernst & Young Global Limited, acted as statutory external auditors of the company for 2018. Prior to finalization of the consolidated financial statements of the company for the year ended December 31, 2018, the Audit Committee sat with the statutory external auditors to discuss their audit of the same.

Independence of External Auditor

As a policy, the Committee prohibits the external auditors from performing any work that they may subsequently need to audit, or which might otherwise create a conflict of interest. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained.

The external auditors are not engaged by the company on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;

- Actuarial services; and
- Internal audit services

The Audit Committee appraised the expertise, resources, independence and objectivity of the external auditors and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election should be proposed to shareholders.

Resolutions of the Audit Committee meetings

The Committee met six (6) times during the year 2018 and carried out the following tasks:

- Held discussion with the statutory external auditors and management prior to finalization of financial statements for the year ended December 31, 2017 as per clause no.2 (kha-2) of circular number 13, dated October 26, 2011 issued by Department of Financial Institutions and Markets (DFIM), Bangladesh Bank.
- Reviewed the financial statements of IDLC Finance Limited for the year ended December 31, 2017 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission dated 07 August 2012.
- Recommended for appointment of statutory external auditors for the year 2018.
- Reviewed report of the audit committee for 2017 prior to its publication in the annual report 2017.
- Reviewed Internal Control & Compliance report of 2017.
- Reviewed and approved annual audit plan for the year 2018.
- Reviewed report on utilization of funds raised through rights issue as per clause No. 3.3.(X) of Corporate Governance Guideline issued by Bangladesh Securities and Exchange Commission, dated 07 August 2012.
- Reviewed and approved the IDLC Whistleblower Guidelines.
- Reviewed the quarterly un-audited financial statements (for 1st , 2nd and 3rd quarters ended 31st March, 30 June and 30 September of 2018 respectively) of IDLC Finance Limited and its subsidiaries as per clause no. 3.3 (vi) and 5.5 (g) of Corporate Governance Code (CGC) issued by Bangladesh Securities and Exchange Commission, dated 03 June 2018.s
- Reviewed the scope of work and terms of reference (ToR) for appointment of external audit firm for carrying out Information Systems Audit and Vulnerability Assessment of IDLC Finance Limited.
- Reviewed summaries, prepared on a quarterly basis, of internal audit and investigation reports circulated during 2018.
- Reviewed the compliance status of management letter issued by A. Qasem & Co, Chartered Accountants, statutory external auditors of the company, based on their annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2017.
- Reviewed Bangladesh Bank's comprehensive inspection report and its compliance report on Corporate Head Office and branches of IDLC Finance Limited based on the financials as of December 31, 2017.
- Reviewed the audited financial statements of IDLC Finance Limited and its subsidiaries for the nine months ended on September 30, 2018 for submission to regulatory authorities as part of the process for applying for issuance of non-convertible zero coupon bonds by IDLC Finance Limited.
- Reviewed the revised Information and Communication Technology (ICT) policy of IDLC Finance Limited.

Based on its reviews and above mentioned discussions, the Audit Committee is of the view that the internal control and compliance system of the company is adequate for purposes of presenting a true and fair view of the activities and financial status of the company and for ensuring that its assets are safeguarded properly.

Sd/-

Monower Uddin Ahmed
Chairman, Audit Committee

Assessment Report on the Going Concern of IDLC Finance Limited

Going concern is a fundamental accounting concept that underlies the preparation of financial statements of companies. Under the going Concern concept, it is assumed that a Company will continue in operation and that there is neither the intent nor the need to either liquidate it or to cease trading.

The purpose of this going concern statement is to bring together the requirements of Company law, accounting standards and Listing Rules on going concern.

The management of IDLC has made this assessment based on the accounting period ended on or after December 31, 2018. The management's assessment of whether the Company is a going concern involves making appropriate inquiries including review of budgets and future outcome of inherent risks involved in the business.

Considering the following major indicators, IDLC's management has reached the conclusion that the financial statement for the year 2018 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment.

At the close of financial year 2018, total borrowing from other banks and financial institutions was BDT 12,496 million. Based on our past experience, it can be said that there is every possibility that a major part of the debt would be renewed further or can be repaid from our existing cash flow.

Continuous financial support by lenders/ depositors

The Company enjoys a good track record and reputation in the settlement of its obligation with its lenders/ depositors. The Company was able to increase the level of confidence of depositors, which resulted in an increase of 17.10% in total deposits in 2018.

Positive key financial ratios

The Company's financial ratios indicate sound financial strength and prospects and are evident from financial highlights given on page no. 78 of this Annual Report.

Consistent payment of dividends

IDLC has been paying dividend consistently to its shareholders over the years. We refer to financial highlights on page no. 78 of this Annual Report to show our steady dividend payment records. Moreover, the Company has declared Cash dividend @ 35% (BDT 3.50 per Share) in 2018, which reflects the Company's long-term operational viability.

Credibility in payment of obligations

IDLC has strong credibility in terms of payment of its obligations to lenders. The Company is particular in fulfilling the terms of loan agreements and has never defaulted, even in terms of convenience.

Increasing trend of investment portfolio

The Company's investment in long term finance and real estate finance have increased by 23.95% and 17.10%, respectively, in 2018 as compared with 2017.

Operating indications

Strengthening of Human Capital

During the year 2018, the Company has recruited 105 new employees, which resulted in a net increase in human resource count to 1,335 at the end of the year 2018, in comparison to 1,318 at the end of the year 2017.

Average length of service of an employee at IDLC was 4.37 years in 2018 (3.53 years in 2017). A report on human resource has been given on page no. 90 of this Annual Report.

Business expansion

IDLC, in 2018, has been vested in growth through customer and market diversification through channeling resources towards developing smaller loan products for SME segment, exploring the affordable housing loan targeted at middle and lower income population segment of the country and mobilizing resources towards alternative investment. The Company has also strengthened its product/ service line through introducing new deposit product "Interest First Deposit" and launching second open-ended mutual fund "IDLC Growth Fund".

Corporate environment and employee satisfaction

There exists a healthy corporate environment in the Company. This is reflected in our Statement of Corporate Governance and Report on our Human Capital.

Other indications

Maintenance of Capital Adequacy Ratio (CAR)

As per the DFIM Circular Number 14, dated December 28, 2011 of the Bangladesh Bank prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions has come into force from January 01, 2012. As per the guidelines, Financial Institutions (FIs) are required to maintain a CAR @ 10%. Before its implementation, FIs have been reporting CAR to the Bangladesh Bank based on draft BASEL Accord for Financial Institutions.

In each quarter of 2018, IDLC Finance Limited as well as the Group had CAR above the minimum requirements of 10%.

Details are given in note No. 13.1 of the financial statements on page no. 262 and at "Disclosure under Pillar III-Market Discipline" on page no 168.

Strong equity base

As on December 31, 2018, total equity of IDLC stands at BDT 13,637 million (BDT 12,597 million in December 31, 2017), representing an increase of 8% over last year and reflects the Company's long-term viability.

Strong CAMEL rating

CAMEL rating is used by the Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by the Bangladesh Bank signifies satisfactory performance of IDLC. The report contained no adverse material observations of the Bangladesh Bank on the activities of the Company.

Changes in government policy

The management anticipates no significant changes in legislation or government policy, which may materially affect the business of the Company.

Statement of Directors' Responsibilities for Internal Control, Financial Reporting and Corporate Governance

Responsibility for financial statements

The Directors are responsible for ensuring that the Company keeps proper books of accounts of all the transactions and prepares financial statements, which give a true and fair view of the state of its affairs and profit/ loss for the year.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements. It ensures that the estimates and judgments relating to the financial statements were made on a prudent and reasonable basis so that they reflect in a true and fair manner, the form and substance of transactions and reasonably presents the Company's true state of affairs.

The Board of Directors confirm that the International Financial Reporting Standard (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts.

The Board also confirms that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company, and which enables it to ensure that the financial statements comply with the requirements of the Companies Act, 1994, Securities and Exchange Rules, 1987, Financial Institutions Act, 1993, and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

Responsibility for internal control systems

To ensure this, the Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Responsibility for Corporate Governance

At IDLC, we view the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging.

At our Company, the Board's primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group's strategic objectives and provides direction as a whole. A number of key decisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework.

At IDLC, we have also established and embraced - both in letter and spirit - our Code of Conduct, signed by each and every member as an acceptance to adhere to the principles of the Code during all business dealings. The Code also sets out guidance on best practices in the form of principles and provisions on how we should adopt and follow good governance practices. It has been the Board's view that the Company's governance regime has been fully compliant with the best practices set out in the Code during the year under review.

Opinion of external auditors

The auditor of the Company, A Qasem & Co., Chartered Accountants, member firm of Ernst & Young Global Limited, have carried out annual audit to review the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board meetings, relevant policies and expressed their opinion.

Moreover, in compliance with the conditions of the Corporate Governance Code (CGC) notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, and notification No. SEC/CMRRCD/2006-158/208/Admin/81, dated June 20, 2018, on financial reporting and disclosure issued by Bangladesh Securities and Exchange Commission (BSEC), Itrat Husain & Associates, Chartered Secretaries in Practice, have examined the compliance with the said conditions of Corporate Governance and certified that the governance of IDLC Finance Limited is highly satisfactory with the conditions of Corporate Governance Code stipulated in the above mentioned notification.

Directors' Report to the Shareholders of IDLC Finance Limited

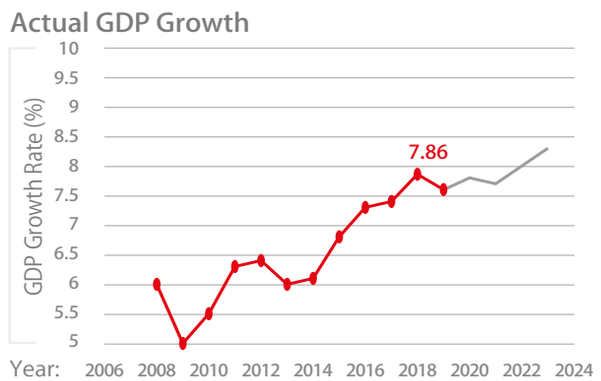
Dear Shareholders,

The Board of Directors of IDLC Finance Limited takes pleasure in presenting the audited financial statements of the Company for the year ended December 31, 2018; the Auditor's Report, along with IDLC Group's performance; issues with regards to the Companies Act, 1994, code issued by the Bangladesh Securities and Exchange Commission (BSEC), guidelines issue by the Bangladesh Bank and the Bangladesh Accounting and Financial Reporting Standards.

Macroeconomic review

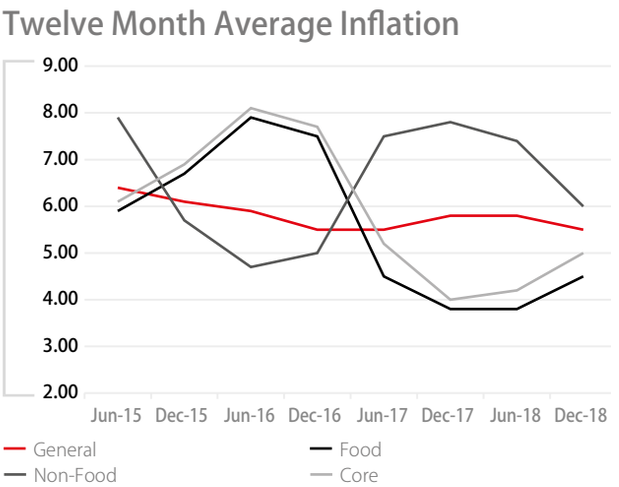
During the years 2013 to 2017 the average growth rate of global economy was 3.5% as per International Monetary Fund (IMF). Although the growth paced up in the first half of 2018, according to the IMF World Economic Outlook, it is estimated to have gone down to 3.7% and reduce further to 3.5% in 2019, as a major contributor, China, is expecting to experience 4% reduction in growth rate. This is attributable to continued trade tension among global powerhouses, tighter financial conditions and higher commodity prices. With protective trade measures taken by US administration and the looming BREXIT on the horizon, even the growth in the emerging and developing economies and India may not be able to maintain the global GDP growth trend, fears the experts.

Bangladesh, in an exciting contradiction to the global scenario, has made incredible progress in maintaining sustainable growth and achieving GDP growth at more than 6% on an average during the last decade. According to Bangladesh Bureau of Statistics (BBS), the GDP grew by 7.86% in FY 2018 from 7.28% in FY 2017, driven by strong domestic demand with support from robust credit growth, exports, and remittance inflows; a growth rate which is expected to continue within a range of 7.5% to 8.2% (as foreseen by Bangladesh Bank) in FY 2019. Some factors which adversely affected global GDP is likely to create positive impact of Bangladesh economy, especially the trade tension, which could increase demand for our readymade garments. Even the reduction in global oil prices would help in declining our current account deficit balance, as oil prices remain highly regulated in our economy.



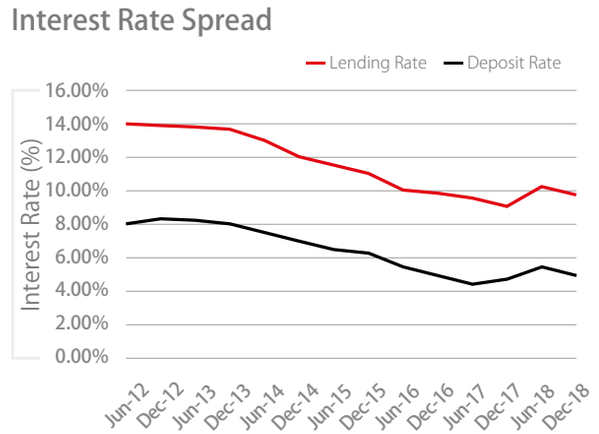
(Source: Monetary Policy January-June 2019)

This positive economic outlook is further reflected in the slowly declining headline CPI inflation rate over the last couple of years owing to prudent macroeconomic management in the backdrop of political stability to reach 5.45% in December 2018. Moreover, private sector credit growth during 2018 remained sufficient, standing at an average of 15%.



(Data Source: Monetary Policy Statement Jan-Jun 2019)

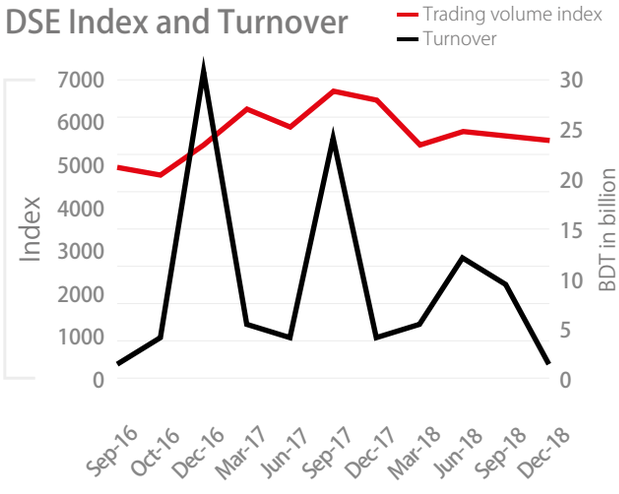
Despite all these economic positives, the financial system continued to display spillover effect of liquidity pressures from 2017 in the first half of 2018, which resulted in Bangladesh Bank to reduce the CRR by 1% and repo rate by 75 basis points and increase repo tenors. This subsequently managed to moderate sharp spike in liquidity pressures and helped stabilize excess liquidity. Reflecting the liquidity conditions and the credit demand, restrictions on advance-deposit ratio were imposed by Bangladesh Bank, which resulted in the narrowing of spreads as is reflected in the graph below.



(Source: Monetary Policy January-June 2019)

Capital markets review

The year 2017 saw the capital market cycle reaching its peak. Hence, in its natural course and in alignment with Global capital market, the subsequent year 2018 saw its regression. The Dhaka Stock Exchange Index, the country's premier bourse, reported an approximate trade index value of 5300 during the mid of 2018, which by the end of the year rose slight to 5400. DSE's market capitalization remained around 20% of GDP at the end of December 2018, which is indeed lower than that of year 2017 (Source: Monetary Policy January-June 2018). This significantly impacted the companies operating in the Capital Market. However, the upturn in trading volume being witnessed post the national election, from early 2019, gives a very hopeful outlook.



(Source: Monetary Policy January-June 2019)

Future National prospects

In 2018, Bangladesh fulfilled all three eligibility criteria for graduation from the UN's Least Developed Countries (LDC) list for the first time and is on track for graduation in 2024. Sustained economic growth has rapidly increased the demand for energy, transport and urbanization. In order to increase domestic and foreign investment, the Government of Bangladesh is formulating investment friendly policies, acts and laws especially to expedite the investment friendly environment by establishing 100 Economic Zones (EZs) throughout the country of which 79 has already received approval. Moreover, it is expected that the investment in the country will be increased and GDP growth will be accelerated as some comprehensive plans and programmes under Annual Development Programme (ADP) and Public Private Partnership (PPP) on structural development, rapid electrification, energy diversification, developed communication system and communication technology have been undertaken.

The country is at an important juncture, when with the right policies and timely action, it can move up within the middle-income bracket. In tandem, the financial industry is likely to have a significant positive impact.

IDLC's performance

IDLC, with its holistic financial solution base, ranging from basic loans/ small ticket loans to capital market-based solutions provided under three wholly-owned subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited), retains its distinction of being a role model in the financial market of the country.

Our goal in 2018, and forward, was and is channeled towards actuating improvement in order to ensure sustainable growth in the years to come. On the back of close monitoring of financial market and judicious strategic decisions, we managed to curb/ limit the impact for every market irregularities and adversities in 2018 through our vision of sustainable growth and development, trusting on our cohesive strategy of ***"Catalysing Change, Driving Progress".*** We have focused on restructuring initiatives and process re-engineering on the back of technological investment, to improve efficiency and efficacy. Moreover, we have introduced new products, launched program to strengthen customer relationship and have started mobilizing resources to venture into a new business avenue- **alternative investments**- after successfully obtaining license from BSEC in the mid of 2018.

Our drives have thus been translated into the strengthening of our Total Asset size by 14.09% to a hefty BDT 109,166 million, making us a frontrunner in the industry. The Net Interest Income reported a 6% growth over the previous year (2017) to BDT 4,223 million and Net Income after Tax stood at BDT 2,171 million, which contributed to the rise in shareholders' equity by 8.25% to BDT 13,637 million. It is also notable that our Cost to income ratio remained well contained despite significant pressure on spread and narrowing margin.

With our continued aim to ensure quality portfolio growth, we have managed to tighten the Non-Performing Loans (NPL) to 2.20% in 2018, which is a significant curtailment from 2.77% of the prior year. Our rigorous screening process and our intransigent stance in adhering to sustainable growth has enabled us to restrain our NPLs. This also resulted in a 92 basis points rise in Capital Adequacy Ratio of IDLC Group, from 16.42% in 2017 to 17.34% in 2018. Similar growth trend is also reflected in the ration for the IDLC FL, where at CAR for 2018 stands at 15.47% over 15.30% in 2017. The credit of this is attributable to the maintenance of optimally risk mitigated portfolio that allows for highly controlled growth in risk weighted assets.

Business analysis

IDLC's major business segments comprises of SME financing, Consumer Financing, Wealth Management and Corporate financing. While the SME division is focused on providing comprehensive financial solutions to medium and small enterprises, the corporate financing unit is engaged in providing larger and more sophisticated financial services to large and established corporations. The Consumer financing business, which has a typical business-to-consumer orientation, is engaged in providing quality home and car loans whereas Wealth Management provides a rounded solution to cater to management of funds in the form of deposits and various tailored capital market based solutions.

A major contributor to our 17.39% alleviation in our loan book size is the 12.43% growth of our SME division portfolio from BDT 30,850.92 million to BDT 34,687.01 million, as this business segment occupies 41% of our loan basket. Majority of this improvement was delivered by Small Enterprise Finance (SEF), which constitutes 77% of the SME portfolio, amounting to BDT 26,702.52 million in 2018 from BDT 23,058.02 million in 2017. This 16% growth in SEF loan book was made possible on account of innovative customer relationship management that is reflected in our low Turnaround Time (TAT. Equipped with our proficient and regularly trained resource personnel and coupled with the technology platform that we are building, we aim to extend our reach through micro enterprise finance.

The Consumer division loan portfolio- which comprises of Home Loans, Car Loans and Personal Loans- experienced an increase of 15.20% over prior year to BDT 27,822.73. Home loans, being the core driver of the consumer portfolio, currently holds 91.48% of the consumer loan book and grew by 17.12% during 2018. There remains immense untapped potential in not only the urban housing finance market but also in several semi-urban areas, which we plan to explore in the upcoming years, on the back of alternative modes of client sourcing. Our focus on better credit control and client monitoring has allowed a stronghold on the non-performing loan ratio which we plan to continue in the near future. With our car loans, we continued to employ a cautious approach in order to ensure the curbed NPL we enjoyed in 2018. Our prime focus for Consumer Division was to revamp its Business model to unlock productivity at all stages of the loan cycle. The added scalability expectedly allowed business growth, as reflected by the aforementioned numbers, without a proportional increase in resources.

Despite the intense competition arising in the market, fueled by the inclination towards national savings certificate from the depositors, our Wealth Management profile continued to enunciate strong growth. This is exemplified by the term deposit balance reaching BDT 71,338 million which is a 17.84% rise from the earlier BDT 60,538 million in 2017 as we continued to build on meaningful and insightful relationships with clients. In this drive we have launched the IDLC Priority Program which caters to serve High Net Worth deposit clients to focus on better customer experience and imbue customer loyalty. Another notable effort in this segment includes the launch of "Interest First Deposit" which within two months of its introduction managed to mobilize deposit of BDT 3.1 million, as at 31 December 2018. The feature of the product, immediate attainment of interest at the time of opening of account, is expected to laterally open window for further investment.

Although the strict competition in the corporate financing arena remained, our Corporate division achieved a stunning 37.88% growth in their loan portfolio in 2018, reaching BDT 19,899.87 million. This success has been possible through re-generation of some expired relationship as well as creation of new relationships with some prominent and big corporate houses, on the back of IDLC's ability to maintain sufficient liquidity when most Banks/ FIs were struggling to maintain and grown loan book. Two separate wings of the division, Structured Finance Division (SFD) and Sustainable Financing Unit (Green Banking), have also complemented the growth of core corporate financing business.

In 2018, the Structured Finance Department (SFD) continued on its strategy to focus on advisory services and corporate structuring functions; a fruitful route that would continue to be explored in the following year. Being in a knowledge-intensive business where the opportunity of expanding the understanding and awareness of different sophisticated financing products is high, our SFD arranged subordinated debt for banks and engaged in specialized corporate endeavors such as raising equity of social clubs. In conjunction, our Green Banking Unit has been remodeled to encompass a targeted approach, in order to combat the inherent challenges in this financing segment. With a view to protect and ensure environmental sustainability, our green financing loan book amounted to 0648 million in 2018, which is 5.72% enhancement from previous year. The Green Banking Unit not only tends to financing green initiative, it also works to make IDLC a green institution.

As is the nature, 2018 majorly experienced a spill-over effect from 2017, in the form of soaring deposit rates in the financial industry while the capital market industry headed for corrective measurements from the unusual boom from 2017. In effect, our capital market subsidiaries, IDLC Investments Limited (IDLCIL), IDLC Securities Limited (IDLCSL) and IDLC Asset Management Limited (IDLCAML) experienced some impact of the sliding bourse. However, the impact was controlled based on prudent and quick decisions that resulted in IDLCSL recording a net profit of BDT 365.53 million, IDLCIL booking net profit of BDT 180 million and IDLCAML penning a profit of BDT 34.79 million. Despite the market uncertainties, IDLC remained firm in its long-term objective and IDLC Asset Management Limited (IDLCAML) in its third year of operation, launched IDLC's second open-ended mutual fund 'IDLC Growth Fund' to cater to the highly potential market of mutual fund, that helped IDLCAML generate income of BDT 9.96 million in the form of management fee.

In conclusion, we can say that in spite of several external pressures coupled with changing regulations and industry practices regarding cutback of interest rates, fees and the fluctuating capital market, IDLC managed its liquidity proficiently and contained its cost of fund to a minimum. This is reflected in the financial analysis in the sections below.

Financial Performance Analysis

Amount in BDT million

Particulars	Quarterly and Annual Performance- IDLC GROUP						
	Q1	Q2	Q3	Q4	Year 2018	Year 2017	Y-o-Y Growth (%)
Net interest income	968	1,048	1,067	1,139	**4,223**	3,995	6%
Other operating income	490	392	547	172	**1,602**	2,286	-30%
Total operating income	1,458	1,441	1,614	1,312	**5,824**	6,280	-7%
Total operating expense	564	561	524	651	**2,300**	2,336	-2%
Profit before provisions	894	880	1,090	660	**3,524**	3,945	-11%
Provision for loans/investments	89	131	116	61	**397**	233	71%
Profit before taxes	806	749	974	599	**3,127**	3,712	-16%
Provision for taxes	255	188	264	250	**956**	1,435	-33%
Net profit after taxation	551	561	710	349	**2,171**	2,277	-5%

Amount in BDT million

Particulars	Quarterly and Annual Performance- IDLC Finance Limited						
	Q1	Q2	Q3	Q4	Year 2018	Year 2017	Y-o-Y Growth (%)
Net interest income	917	959	978	1,071	**3,926**	3,805	3%
Other operating income	281	184	166	149	**779**	997	-22%
Total operating income	1,198	1,143	1,145	1,220	**4,705**	4,801	-2%
Total operating expense	475	465	425	549	**1,913**	1,934	-1%
Profit before provisions	723	679	719	671	**2,792**	2,867	-3%
Provision for loans/investments	97	109	110	50	**366**	228	60%
Profit before taxes	626	569	609	621	**2,426**	2,639	-8%
Provision for taxes	231	166	194	244	**835**	1,057	-21%
Net profit after taxation	395	403	415	377	**1,591**	1,582	1%

The tables above depicts that our core income, which is the Interest Income, was on the rise due to our rigorous efforts on increasing disbursements and ebbing cost of fund, that resulted in a Net Interest Income to rise by 6%. Other Operating Income, however, declined due to capital market operations and implementation of regulations by Bangladesh Bank regarding restriction on fee income.

It must be noted that the year 2017 was a year of unprecedented profitability, reaped primarily from the capital market operations as the bourses were on an all-time high. Naturally, the bourses dipped in 2018 to complete its trend cycle and impacted our 3 subsidiaries. Having said that, the impact was controlled to a mere 5% decline in Net Profit after Taxation. It also needs to be mentioned that the Provision for loans/investments for the group rose significantly to account for diminution in value of investments, imbued by the market condition. Nevertheless, with the end of the national elections, the market has started to accelerate and shows good growth prospects. As the holdings in IDLC's proprietary investments portfolio remains fundamentally strong, it is expected to generate more value in the coming days. As such, we are confident that we would be stronger and better in the upcoming year in terms of consolidated performance.

Meanwhile IDLC Finance Limited, separately, remained on the upturn. This was attained through our successful re-pricing of portfolio and our committed drive for operational efficiency, through analysis of each of the activity streams and rationalization, standardization and simplification of processes and activities. This resulted in curtailing total operating expenses (reduction by 2%), which coupled with 2.5% reduction tax rate to 37.5 (for financial institutions) allowed for a favorable performance for the company.

Quarterly disclosed financial performance and 2018 financial performance:

As stipulated by law, the Company is required to publish the financial performance of its 1st, 2nd and 3rd quarters. The company remained fairly consistent throughout the year in terms of performance and generating profit with a slight moderation in the last quarter.

The tables above reflects a growth spurt in Interest Income in the last quarter which is attained through increase in disbursement and better control over cost of fund, that led to the improvement in Net Interest Income in the last quarter. In juxtaposition, the other operating income took a dip in the last quarter, owing to

the fall in Investment Income in the last quarter, as the capital market activities prior to the national election slowed down at the end of year. Meanwhile, the operating expenses increased due to increase in overall marketing, administrative and employee engagement related activities held at that period. It should be mentioned here that some of the reasons mentioned above tend to demonstrate a seasonal/cyclical nature and slight decrease in profits was experienced in the last quarter of 2018 as well. We are confident that the company will manage the transition from decreasing interest rate environment to an increasing one prudently and will deliver strong financial performance in 2019 as well.

Analysis- post Right Issue

In the year 2017, IDLC raised BDT 2,513.67 million capital through Right Issue of shares, the utilization of which was clearly reported in the Annual Report of 2017. The fund raised was deployed for yielding SME, Consumer and Corporate portfolio; all of the three have performed well during 2017 and 2018, as is mentioned above. The slight adversities in the performance numbers are attributable to uncontrollable external factors, in spite of which we managed to perform fairly.

Way Forward

With the stabilized economic and political scenario in the start of 2019 and major Government plans under way for investment and development, we are hopeful to reap marked benefits from the possible proliferation of the financial sectors. The following are planned for:

- Striving for operational efficiency and excellence with further process automations;
- Finding path for spreading out geographical distribution of retail product; and
- Continued efforts towards fortifying fee-based income generation capacity.

Further analysis on future planning is discussed in the Management Discussion on page no. 125.

IDLC's contribution to the economy of Bangladesh

Being a key player in the financial market not only bestows IDLC with the responsibility of its shareholders but also to the national economy. IDLC, with its solid pillars of governance and compliance takes its role in social and economic development very seriously.

As such, in addition to providing financial solutions that help ensure generate employment and contribute to the nation's growth and development, we directly contribute to the government exchequer in the form of various taxes in correct measures. In 2018, IDLC deposited BDT 1,072 million to the Government exchequer against own income, which included BDT 1,007 million as corporate income tax and BDT 65 million as value added tax. In addition, BDT 934.38 million was collected and deposited to the Government exchequer in the form of withholding tax, VAT and excise duty.

As a quality employment generator, our business provided direct employment to 1,335 members with a recruitment of 105 new employees during the course of 2018. In 2018 and going forward we have focused towards efficiency. As such, despite these recruitments, the Salary and other allowances decreased by 0.14%. Detail in this regard is on page no. 89 under the section Contribution to National Economy.

Management's Discussion & Analysis

A more detailed discussion and analysis of the financials, as delivered by the CEO & Managing Director, is appended on page no, 20

Key Operational and Financial Information

Key operational and financial information over the last five years, as per the requirements of No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, has been presented on page no. 78.

Highlights of the Company's operations as per the DFIM Circular No. 11 dated December 23, 2009, have also been presented on page no. 84.

Risk Management

At IDLC, we believe that getting risk management right is an essential component of success. The identification, evaluation and management of risk, together with the way we respond to changes in the external operating environment are keys to sustainable growth and underpin the robustness of our business plans and strategic objectives, protecting our license to operate and our reputation and helping create a long-term source of competitive advantage.

Risk management is embedded in IDLC's organisational structure, operations and management systems. Business risks across the Group are addressed in a structured and systematic way through a predefined risk management structure. This ensures that the Board's assessment of risk is informed by risk factors and mitigating controls originating from and identified by the Group's assets, functional departments and operations, including the Company's subsidiaries. Moreover, IDLC possesses a detailed risk management system with procedures in place to support risk evaluation across the Group. The risks associated with the delivery of the business plan and annual work programs and the associated mitigation measures are maintained in asset or project risk matrices and registers.

IDLC possesses different committees for risk management. The Credit Evaluation Committee (CEC) and Asset and Liability Committee (ALCO) is constituted by the Company's senior management team which regularly reviews issues related to the markets, credit and liquidity and, accordingly, recommend and implement appropriate measures to proactively identify and mitigate risks. IDLC possesses an approved Asset Liability Management (ALM) policy under the responsibility of the ALCO, together with a robust ALM software and dedicated ALM desk to generate necessary MIS for improving ALCO's decision-making abilities.

The Company's Credit Risk Management (CRM) department independently scrutinizes projects from a risk-weighted perspective and assists relevant departments in setting business development priorities. These are aligned with the Company's risk

appetite while optimizing the risk-return trade-off derived from relevant risk exposures.

The CRM team also clearly defines exceptionally high-risk sectors and prohibits lending to those projects which the Company does not ascribe to, including those which represent negative environmental, social or ethical standards. A separate Operational Risk Management wing has been formed during the year to oversee the operational risk and its mitigation at transactional level.

At an individual exposure level, a risk grading model (RGM) is used to promote corporate safety and sustainability by facilitating informed decision-making. At the portfolio level, the Company actively tracks the quality of its loans by analysing risk migration and assessing trends in non-performing assets. Such indicators prompt timely decision-making by the relevant risk management committees and help preserve the quality of loans and advances.

IDLC's Credit Administration Department (CAD) and Internal Control and Compliance (ICC) departments are responsible for assessing operational risks across the Company and also ensure an appropriate framework to identify, assess and manage operational risks.

IDLC has also established a BASEL Implementation Unit (BIU) responsible for implementing Capital Adequacy and Market Discipline (CAMD) instructions of the Bangladesh Bank across the Company and managing risk-based capital adequacy. The BASEL Implementation Desk (BID) specifically carries out risk-based capital analysis and places it to the BIU along with recommendations to facilitate enhanced decision-making for maintaining minimum/ regulatory capital and managing related risks.

Details about our risk management policies and practices are discussed in the 'Statement of Risk Management on page no. 55.

Corporate and Financial Reporting Framework

The Directors of IDLC, in conformance with the BSEC Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, confirm compliance with the financial reporting framework for the following:

- The financial statements, prepared by the management of IDLC make a fair presentation of its activities, operational details and results, cash flow information and changes in equity structure.
- Proper books and accounts of the Company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been consistently applied in preparation of the financial statements. Any change or deviation has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- Internal control processes have been properly designed and effectively implemented and monitored.
- Minority shareholders have been duly protected as have effective means of redress.
- No significant doubt exists upon the Company's ability to continue as a going concern.
- Comparative analysis of significant deviations have been highlighted and reasons have been explained in the sections above.

Compliance and conviction

IDLC is in complete compliance of all applicable laws and regulations and does not adhere to any non-compliance of regulatory requirements, any loan default by the company or its directors or senior management.

CEO and CFO's declaration certificate

The CEO and CFO's declaration to the Board is appended on page no 206

Senior management

Disclosure of all senior management personnel have been accounted for in page no 38.

Related Party Transactions

Disclosure of all related party transactions, including basis for such transactions, has been provided in Note 40 on page no. 275.

Insider Trading

The members of the board of IDLC, or its sub –committee, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.

Shareholding Pattern

IDLC's shareholding pattern as on December 31, 2018, is disclosed as per the new CGC of BSEC in Annexure-I of this annual report on page no. 188.

Board Meetings and Attendance by the Directors

During the year 2018, a total of twelve meetings of the Board were held. Attendance by the Directors and remuneration to the Directors has been summarized in Annexure-II of this annual report on page no. 188.

Dividend

Proposed Annual Dividend- The Board has proposed Cash Dividend: 35% (@ BDT 3.50 per share) for the year 2018.

Interim Dividend- No cash or bonus share dividend was declared as interim dividend during 2018. No Bonus Share shall be declared as interim dividend.

Directors

Resume and line of expertise

A brief resume of the directors are appended in page no. 30, which includes his/her nature of expertise and qualifications. An

analysis of the directors' experience and expertise and its impact on the corporate governance of the company is included in the Corporate Governance Report in page no.136.

Related entities with the Directors

The names of the companies in which the directors holds directorship and membership of committees of the board are included in the note Related Party Transactions of the financial statements in page no. 275.

Retirement and re-election

As per Article 116 of the Articles of Association of the Company, the following Directors will retire from the office of the Company at the 34th Annual General Meeting:

Mr. Mati Ul Hasan	Director Nominated by Mercantile Bank Limited
Mr. Mohammad Mahbubur Rahman FCA	Director Nominated by The City Bank Limited
Mr. Md. Abdul Wadud	Director Nominated by The City Bank Limited
Mr. Atiqur Rahman	Director Nominated by Reliance Insurance Limited

However, they are also eligible for re-election.

Auditors

The statutory auditors of the Company, A Qasem & Co. Chartered Accountants have successfully completed their second year as the statutory auditors of the Company, as appointed at the 33rd Annual General Meeting. As per the stipulation of FID Circular No. 03, dated March 02, 1999, they are eligible for appointment for three consecutive years. On the basis of the proposal of the Board's Audit Committee, the Board recommends the reappointment of A Qasem & Co., Chartered Accountants, as the auditors of the Company for the year 2019 at a remuneration of BDT 700,000 (BDT seven lac only) for IDLC Finance Limited (Solo) and BDT 100,000 (BDT one lac only) each for the 3 subsidiaries, totaling BDT 1,000,000 (BDT ten lac only) for the Group.

Status of Compliance

Status of the compliance of conditions of Corporate Governance Code imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 along with a certificate from a practicing Chartered Secretary has been enclosed in Annexure-III on page no. 190 of this annual report.

We also enclose a statement of compliance on the good governance guidelines issued by the Bangladesh Bank as Annexure-IV on page no. 202 of this annual report.

On behalf of the Board of Directors,

Sd/-

Aziz Al Mahmood
Chairman
IDLC Finance Limited

Annexure-I

Shareholding pattern as on December 31, 2018 as required by the Corporate Governance Code issued by BSEC

Particulars	No. of shares held	% of total shares of IDLC	Remarks
Shares held by:			
(a) Parent or Subsidiary or Associated Companies and other related parties:	**NIL**		
Sub-Total	**NIL**		
(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children:			
Directors, their spouses and minor children	50	0.00001%	
Chief Executive officer (CEO) and his spouse and minor children	NIL		
Chief Financial Officer (CFO) and his spouse and minor children	NIL		
Company Secretary (CS) and his spouse and minor children	NIL		
Head of Internal control and Compliance (HICC)	2,776	0.00074%	
Sub-Total	**2,826**	**0.00075%**	
(c) Executives (Top five person other than CEO, CFO, CS, HICC):			
1. M. Jamal Uddin, Deputy Managing Director	7,500	0.00199%	
2. Asif Saad Bin Shams, Head of Credit and Collection	NIL		
3. Mir Tariquzzaman, Chief Technology Officer (CTO)	NIL		
4. Ahmed Rashid, Head of SME Division	NIL		
5. Syed Javed Noor, Head of Consumer Division	NIL		
Sub-Total	**7,500**	**0.00199%**	
(d) Shareholders holding 10% or more voting right:			
The City Bank Limited (CBL) and its subsidiaries	**87,510,575**	**23.20923%**	
The City Bank Limited (CBL)	33,935,329	9.00020%	
City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90000%	
City Brokerage Limited	16,247,218	4.30903%	
Transcom Group:	**50,273,164**	**13.33326%**	
Eskayef Pharmaceuticals Limited	30,164,062	8.00000%	
Transcraft Limited	15,132,033	4.01326%	
Bangladesh Lamps Limited	4,977,069	1.32000%	
Sub-Total	**137,783,739**	**36.54249%**	
Total	**137,794,065**	**36.54523%**	

Annexure-II

Meeting attended by the Directors of IDLC Finance Limited during 2018

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid for the year 2018
	Total BOD meeting Held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total EC meeting Held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total AC meeting Held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	
				(BDT)				(BDT)				(BDT)	(BDT)
Mr. Aziz Al Mahmood	12	12	100	96,000	-	-	-	-	-	-	-	-	96,000
Mr. Atiqur Rahman	12	10	83	80,000	-	-	-	-	-	-	-	-	80,000
Mr. Monower Uddin Ahmed	12	11	92	88,000	-	-	-	-	6	6	100	48,000	136,000
Mr. S.M. Mashrur Arefin	12	10	83	80,000	10	10	100	80,000	-	-	-	-	160,000
Mr. Adil Islam*	2	1	50	8,000	2	2	100	16,000	-	-	-	-	24,000
Ms. Meherun Haque**	2	1	50	8,000	-	-	-	-	-	-	-	-	8,000
Ms. Mahia Juned***	9	8	89	64,000	-	-	-	-	-	-	-	-	64,000
Mr. Mohammad Mahbubur Rahman,FCA	12	12	100	96,000	-	-	-	-	6	5	83	40,000	136,000
Mr. Md. Kamrul Hassan FCA	12	9	75	72,000	-	-	-	-	6	6	100	48,000	120,000
Mr. Syed Shahriyar Ahsan	12	9	75	72,000	12	10	83	80,000	6	5	83	40,000	192,000
Mr. R A Howlader****	3	1	33	8,000			-	-	-	-	-	-	8,000
Mr. Mati Ul Hasan*****	1	0	0	-	1	1	100	8,000	-	-	-	-	8,000
Mr. Niaz Habib	12	11	92	88,000	12	11	92	88,000	-	-	-	-	176,000
Mr. Matiul Islam Nowshad CMgr, FCMI	12	9	75	72,000	-	-	-	-	-	-	-	-	72,000
Total Remueration paid				**832,000**				**272,000**				**176,000**	**1,280,000**

Note: Remuneration paid to the Directors for attending meetings are exclusive of VAT amount.

Leave of absence was granted to the Directors those who could not attend at the meeting.

* Nomination of Mr. Adil Islam was withdrawn from the Board of IDLC by The City Bank Limited on March 29, 2018.

**Nomination of Ms. Meherun Haque was withdrawn from the Board of IDLC by The City Bank Limited on February 14, 2018.

*** Ms. Mahia Juned nominated by The City Bank Limited was appointed as a Director in the Board of IDLC to replace Mr. Adil Islam on March 29, 2018.

**** Nomination of Mr. R A Howlader was withdrawn from the Board of IDLC by Mercantile Bank Limited on November 22, 2018.

***** Mr. Mati Ul Hasan nominated by Mercantile Bank Limited was appointed as a Director in the Board of IDLC to replace Mr. R A Howlader on November 22, 2018.

Annexure III

ITRAT HUSAIN & ASSOCIATES
CHARTERED SECRETARIES IN PRACTICE

Report to the shareholders of IDLC Finance Limited on compliance of Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **IDLC Finance Limited** for the year ended 31 December 2018. This Code relates to the Notification No. BSEC/CMRRCD/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 the 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, 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 the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;

(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; and

(d) The governance of the company is **highly satisfactory.**

Dhaka, 25 February 2019

For: Itrat Husain & Associates

Sd/-

Itrat Husain FCMA, FCS
Chief Executive

"THE GLASS HOUSE" (13TH FLOOR), 38 GULSHAN AVENUE, GULSHAN-1, DHAKA-1212, BANGLADESH
CELL: 01713092222; 01819259703 EMAIL: itratshahed@gmail.com

Compliance Report on Corporate Governance Code by BSEC

Status of Compliance with the Corporate Governance Code (CGC) as on December 31, 2018

[As per condition No. 1(5) (xxvii)]

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/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)

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1	Board of Directors			
1(1)	**Size of the Board of Directors:** The number of Board members shall not be less than 5 (five) and more than 20 (twenty);	√		Number of Board members of IDLC Finance Limited is 11 (eleven) including 3 (three) Independent Directors. Refer to IDLC's Corporate Governance Report on page no. 136 of this Annual Report.
1(2)	**Independent Directors (ID)**			
1(2)(a)	At least one fifth (l/5) of the total number of Directors shall be Independent Directors	√		Number of Board members of IDLC Finance Limited is 11 (eleven) including 3 (three) Independent Directors. Refer to IDLC's Corporate Governance Report on page no. 136 of this Annual Report
1(2)(b)	**Criteria of "Independent Director"**			
1(2)(b) (i)	Who either does not hold share in the company or holds less than one (1%) shares of the total paid up shares of the company;	√		None of the Independent Directors hold any share 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 holds 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	√		None of the Independent Directors has such connection as affirmed.
1(2)(b) (iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;			None of the Independent Directors is ex-employee of the Company.
1(2)(b) (iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Such declaration was given during appointment
1(2)(b) (v)	Who is not a member or TREC 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;	√		
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;	√		
1(2)(b) (viii)	Who shall not be an 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 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)	Independent Director(s) shall be appointed by the Board of Directors and approved by the Shareholders in the Annual General Meeting (AGM);	√		

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		No such vacancy created
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.	√		Refer to the Annexure II of the Directors' Report on page no. 137 of this Annual Report.
1(3)	**Qualification of Independent Director(ID)**			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		Qualification of respective Independent Director is disclosed in Director's Profile on page no. 31, 34 & 35 of this Annual Report.
1(3)(b)(i)	Business Leader who is/was a promoter or director of an unlisted company having minimum paid-up capital of One Hundred million or any listed company or a member of any national or international chamber of commerce or business association; or			Not applicable.
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	√		
1(3)(b)(iii)	Former official of government in the position not below 5th Grade of the national pay scale and educational background of bachelor degree in economics or commerce or business or law; or			Not applicable.
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or			Not applicable.
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; or			Not applicable.
1(3)(c)	The independent director must have at least 10 (ten) years of in any field mentioned in clause (b);	√		
1(3)(d)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such deviation occurred
1(4)	**Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer**			
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;	√		Reference to the Corporate Governance Report on page no. 139 of this Annual Report
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;	√		Reference to the Corporate Governance Report on page no. 139 of this Annual Report.
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;			Such option is permitted by the Articles of the Company.
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.	√		No such situation was occurred to execute such option.
1(5)	**The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):**			
1(5)(i)	Industry outlook and possible future developments in the industry;	√		Refer to the 'Directors' Report' on page no. 181 of this Annual Report
1(5)(ii)	Segment-wise or product-wise performance;	√		Refer to the 'Directors' Report' on page no. 182 of this Annual Report
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		Refer to the 'Directors' Report' on page no. 185 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1(5)(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		IDLC being a Financial Institution such formation of P&L is not followed rather format prescribed by Bangladesh Bank is followed
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);			No such item exists
1(5)(vi)	A detailed 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;	√		Refer to the 'Directors' Report' on page No. 186 and subsequently elaborated in the note No. 39 of 'Audited Financial Statements' of this Annual Report
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			Refer to the 'Directors' Report' on page No. 185 and subsequently elaborated in the note No. 39 of 'Audited Financial Statements' of this Annual Report
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			Not applicable as because IDLC's financial results have boosted up after Rights Offer.
1(5)(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		No such variation has occurred which has properly been mentioned in 'Directors' Report' on page no. 184 of this Annual Report
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		Refer to the Directors' Report on page no. 189 as well as note no. 269 of the financial statements of this Annual Report
1(5)(xi)	A statement that 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;	√		Refer to the 'Directors' Report' on page no. 186 of this Annual Report
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		Refer to the 'Directors' Report' on page no. 186 as well as the auditors; report on page no. 207 of this Annual Report
1(5)(xiii)	A statement that 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;	√		Refer to the 'Directors' Report' on page no. 186 as well as the auditors' report on page no. 207 of this Annual Report
1(5)(xiv)	A statement that 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;	√		Refer to the 'Directors' Report' on page no. 186 as well as the auditors' report on page no. 207 of this Annual Report
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		Refer to the 'Directors' Report' on page no. 186 as well as the auditors' report on page no. 207 of this Annual Report
1(5)(xvi)	A statement that 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;	√		Refer to the 'Directors' Report' on page no. 186 of this Annual Report
1(5)(xvii)	A statement that 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;	√		No such going concern issues have been aroused and a status of going concern key indicators have been mentioned on page no. 179 of this annual report.
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;	√		No such deviation has occurred which has properly been mentioned in 'Directors' Report' on page no. 184 of this Annual Report
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		Refer to the 'Directors' Report' on page no. 185 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;	√		The Board of Directors at 277th meeting of the Board, held on February 17, 2019 declared cash dividend @35% for 2018.
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		Refer to the 'Directors' Report' on page no. 186 of this Annual Report
1(5)(xxii)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		Refer to the 'Directors' Report' on page no. 186 of this Annual Report
1(5)(xxiii)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1(5)(xxiii)(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		Refer to the Annexure-I of the Directors' Report on page no. 188 of this Annual Report.
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1(5)(xxiv)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-			
1(5)(xxiv) (a)	A brief resume of the director;	√		Information regarding the Directors' are disclosed in brief profile of the Directors' on page no. 30-35 of this Annual Report
1(5)(xxiv)(b)	Nature of his/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)	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			
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements	√		Refer to the Financial Capital: Analysis with the Management Committee on page no. 67-77 of this Annual Report
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;	√		
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.	√		
1(6)	**Meetings of the Board of Directors**			

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
	Conducting Board meetings and recording the minutes of the meetings and keeping required books and records in line 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.;	√		Reference to the Corporate Governance Report on page no. 143 of this Annual Report .
1(7)	**Code of Conduct for the Chairperson, other Board members and Chief Executive Officer**			
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;	√		Reference to the Corporate Governance Report on page no. 139 & 158 of this Annual Report.
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	√		Reference to the Corporate Governance Report on page no. 159 of this Annual Report.
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		Refer to the 'Directors' Report' page no. 136 of this Annual Report
2(b)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors 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	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	**Appointment**			
3(1)(a)	The Board shall appoint a MD or CEO, CS, CFO and HIAC;	√		Refer to the Corporate Governance Report on page no. 139 & 145 of this Annual Report
3(1)(b)	The positions of the MD or CEO, CS, CFO and 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)	**Requirement to attend Board of Directors' Meetings:**			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters	√		Refer to the Corporate Governance Report on page no. 143 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
3(3)	**Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)**			
3(3)(a)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		Refer to the 'Report of the CEO & MD and CFO to the Board' on page no. 206 of this Annual Report
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;	√		
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 this Annual Report ;	√		
4	Board of Directors' Committee			
	The Board shall have at least following sub-committees:			
	(i) Audit Committee; and	√		
	(ii) Nomination and Remuneration Committee.			As per Bangladesh Bank guidelines, IDLC being 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	AUDIT COMMITTEE:			
5(1)	**Responsibility to the Board of Directors**			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(1)(b)	The Audit Committee shall assist the Board of Directors 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.	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(1)(c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(2)	**Constitution of the Audit Committee:**			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members.	√		Refer to the Corporate Governance Report on page no. 154 of this Annual Report
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director.	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
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;	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without Independent Director	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(3)	**Chairman of the Audit Committee**			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
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)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM). Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	√		
5(4)	**Meeting of the Audit Committee**			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		Refer to the Corporate Governance Report on page no. 154 of this Annual Report
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.	√		Refer to the Corporate Governance Report on page no. 154 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
5(5)	**Role of Audit Committee:**			
5(5)(a)	Oversee the financial reporting process	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(5)(b)	Monitor choice of accounting policies and principles	√		
5(5)(c)	Monitor Internal Control Risk management process	√		
5(5)(d)	Oversee hiring and performance of external auditors	√		
5(5)(e)	Hold the meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption	√		Audit Committee at its 66th meeting held on February 17, 2019 conducted the session.
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	√		Refer to the Corporate Governance Report on page no. 153 of this Annual Report
5(5)(h)	Review the adequacy of internal audit function	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in this Annual Report ;	√		
5(5)(j)	Review statement of significant related party transactions submitted by the management	√		
5(5)(k)	Review Management Letters/ 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	√		
5(5)(m)	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: 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: 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 this Annual Report along with the comments of the Audit Committee.			Not applicable in 2018, which the committee reviewed in 2017.
5(6)	**Reporting of the Audit Committee:**			
3(4)(a)(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		Refer to the Corporate Governance Report on page no. 154 of this Annual Report
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)	Report on conflicts of interests;	√		No such event occurred
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	√		No such event occurred
5(6)(a)(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;	√		No such event occurred
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.	√		No such event occurred
5(6)(b)	Reporting to the Authorities – Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation	√		No such event occurred
5(7)	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii)	√		No such event occurred

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
6	Nomination and Remuneration Committee (NRC)			As per Bangladesh Bank guidelines, IDLC being 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.
6(1)	**Responsibility to the Board of Directors**			
6(1)(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)	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			
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			

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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			
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;			
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			
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			

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:-	√		A. Qasem & Co (EY Bangladesh), chartered Accountants have declared such independence during their appointment
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: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	√		
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	**Maintaining a website by the Company**			
8(1)	The company shall have an official website linked with the website of the stock exchange;	√		Web address is: www.idlc.com.
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);	√		The required information are available in the website under the link: https://www.idlc.com/price-sensitive-information-notices.php
9	**Reporting and Compliance of Corporate Governance**			
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 this Annual Report .	√		The required Certificate is available on page no. 190 of 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.	√		The agenda will be placed in the 34th Annual General Meeting. Refer to the notice of the AGM, on page no. 176 of this Annual Report.
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.	√		Refer to the 'Directors' Report' on page no. 187 of this Annual Report

Annexure IV-

Statement of compliance with the good governance guideline issued by the Bangladesh Bank

Bangladesh Bank vide, DFIM Circular No. 7, dated 25 September 2007, issued a policy on the responsibility & accountability of the Board of Directors, Chairman & Chief Executive of financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines.

A status report on compliance with those guidelines is stated below:

Sl. No.	Particulars	Status of Compliance
1.	**Responsibilities and authorities of the Board of Directors:** The Board of Directors should focus mainly on the policy matters and evaluation of the performance of the institution, such as:	
	(a) Work-planning and strategic management:	
	(I) The Board shall determine the Vision/ Mission of the institute. In order to enhance operational efficiency and to ensure business growth, they shall chalk out strategies and work-plans on annual basis. The Board shall review such strategies on quarterly rests and shall modify accordingly, if required. If any structural modification is required, shall bring those changes with consultation with the management.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard to the success/ failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders on future plans and strategies.	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will appraise those on half yearly basis.	Complied
	(b) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors of the Company for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities. Except the Executive Committee and Audit Committee, no other committee or sub-committee can be formed, even in temporary basis.	Complied
	(c) Financial management:	
	(i) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recover overdue loan/lease.	Complied
	(iii) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board to the maximum extend shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget.	Complied
	(iv) The Board shall adopt the process of operation of bank accounts. To ensure transparency in financial matters, groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(d) Management of loan/lease/investments:	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(iii) Any large loan/lease/investment proposal must be approved by the Board.	Complied
	(e) Risk management:	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(f) Internal control and compliance management:	

Sl. No.	Particulars	Status of Compliance
	An Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditors, external auditors and Bangladesh Bank Inspection team as well.	Complied
	(g) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. The Chairman and directors of the Board shall not interfere on the administrative job in line with the approved Service Rule. Only the authority for the appointment and promotion of the Managing Director/ Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board incompliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(h) Appointment of CEO:	
	The Board shall appoint a competent CEO for the institution with the prior approval of the Bangladesh Bank and shall approve the proposal for increment of his salary and allowances.	Complied
	(I) Benefits offer to the Chairman:	
	For the interest of the business, the Chairman may be offered an office room, a personal secretary, a telephone at the office and a vehicle subject to the approval of the Board.	Complied
2	Responsibilities of the Chairman of the Board of Directors:	
	(a) Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(b) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(c) The Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
3	Responsibilities of Managing Director:	
	(a) 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;	Complied
	(b) For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(c) All recruitment/ promotion, except those of DMD, GM and equivalent positions shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the institution;	Complied
	(d) Managing Director may re-schedule job responsibilities of employees;	Complied
	(e) Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary action shall vested to the Managing Director.	Complied
	(f) Managing Director shall sign all the letters/statements relating to compliance of polices 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 by MD.	Complied

REPORTS & FINANCIAL STATEMENTS-GROUP

- **Report of the CEO and Managing Director and the Chief Financial Officer**
- **Independent Auditor's Report**
- **Consolidated Financial Statements - IDLC Group**
  - Consolidated Balance Sheet
  - Consolidated Profit and Loss Account
  - Consolidated Cash Flow Statement
  - Consolidated Statement of Changes in Equity
- **Financial Statements - IDLC Finance Limited**
  - Balance Sheet
  - Profit and Loss Account
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  - Statement of Changes in Equity
  - Liquidity Statement
  - Notes to the Consolidated and Separate Financial Statements

Report of the CEO & Managing Director and the Chief Financial Officer

Date: February 17, 2019

The Board of Directors
IDLC Finance Limited
Bay's Galleria (1st Floor)
57 Gulshan Avenue
Dhaka.

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

Dear Sirs,

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

(1) The Financial Statements of IDLC Finance Limited for the year ended on December 31, 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 December 31, 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,

Sd/-
Arif Khan, CFA, FCMA
CEO & Managing Director

Sd/-
Md. Masud Karim Majumder, ACA
Chief Financial Officer (CFO)

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Independent Auditor's Report
To the shareholders of IDLC Finance Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated financial statements of IDLC Finance Limited and its subsidiaries (the "Group") as well as the separate financial statements of IDLC Finance Limited (the "Company"), which comprise the consolidated and separate balance sheet as at 31 December 2018, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

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 auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and 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 judgement, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk	Our response to the risk
Measurement of provision for loans and advances	
The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions. 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. At year end of 2018 the Group reported total gross loans and advances of BDT 83,934,280,017 (2017: BDT 71,498,548,035) and provision for loans and advances of BDT 1,318,975,417 (2017: BDT 1,145,270,344). We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias: • Completeness and timing of recognition of loss events in accordance with criteria set out in 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; • 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; • Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;	**We tested the design and operating effectiveness of key controls focusing on the following:** • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly classification of loans (CL); **Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:** • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note # 07 to the financial statements	
Measurement of deferred tax assets	
In 2018, the Group and the Company reports net deferred tax assets (DTA) amounted to BDT 67,344,846 (2017: BDT 40,762,419) Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Group's future taxable income. We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTA's. Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.
See note # 9.4 to the financial statements	

Other information

The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditor's report thereon. We obtained Director's report and performance analysis with the management committee prior to the date of our auditor's report. We expect to obtain the remaining reports of the Annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover 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 identified above when it becomes available 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

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have performed on the other information obtained prior to the date of the auditor's 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 consolidated and separate financial statements and internal controls

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note 2 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. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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, 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 purpose 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 those books;

(iii) the consolidated balance sheet and consolidated 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 expenditures incurred and payments made were for the purpose of the Company's business for the year;

(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) statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;

(x) taxes and duties were collected 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 is 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 Group & Company and we have spent around 960 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 the Financial Institutions Act,1993 in preparing these financial statements; and

(xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
17 February, 2019

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IDLC Finance Limited and its Subsidiaries

Consolidated Balance Sheet

As at 31 December 2018

Particulars	Note	2018 BDT	2017 BDT
PROPERTY AND ASSETS			
Cash	3		
In hand (including foreign currencies)	3.1	434,090	385,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	2,564,995,968	1,095,727,369
		2,565,430,058	**1,096,112,369**
Balance with other banks and financial institutions	4		
Inside Bangladesh	4(a)	13,670,184,483	13,631,778,315
Outside Bangladesh	4(b)	-	-
		13,670,184,483	**13,631,778,315**
Money at call and short notice	5	-	-
Investments	6		
Government		-	-
Others		7,300,477,507	7,922,749,192
		7,300,477,507	**7,922,749,192**
Loans and advances	7		
Loans, cash credit, overdraft etc.		83,934,280,017	71,498,548,035
Bills purchased and discounted		-	-
		83,934,280,017	**71,498,548,035**
Fixed assets including land, building, furniture and fixtures	8(c)	**552,025,946**	**662,791,925**
Other assets	9	**1,143,290,024**	**874,963,255**
Non-banking assets		-	-
Total Assets		**109,165,688,035**	**95,686,943,091**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	**12,496,240,919**	**11,400,359,336**
Deposits and other accounts	11		
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		70,257,701,507	59,853,619,702
Bearer certificate of deposits		-	-
Other deposits		2,455,047,719	2,238,814,210
		72,712,749,226	**62,092,433,912**
Other liabilities	12	**10,319,370,941**	**9,596,670,976**
Total Liabilities		**95,528,361,086**	**83,089,464,224**

Particulars	Note	2018 BDT	2017 BDT
Capital/Shareholders' equity			
Paid-up capital	13	3,770,507,800	3,770,507,800
Share premium	14	1,260,585,930	1,260,585,930
Statutory reserves	15	2,416,541,850	2,098,412,371
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		5,143,188,211	4,421,469,765
Total Equity attributable to equity holders of the company		**13,637,323,791**	**12,597,475,866**
Non-controlling interest		**3,158**	**3,001**
Total Liabilities and Shareholders' equity		**109,165,688,035**	**95,686,943,091**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsements		-	-
Letters of guarantee		11,853,790	91,601,562
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
		761,853,790	**841,601,562**
Other commitments	17.2		
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Un-drawn note issuance and revolving underwriting facilities		-	-
Un-drawn formal standby facilities, credit lines		-	-
Un-disbursed contracted loans and leases		1,774,929,398	1,184,170,146
		1,774,929,398	**1,184,170,146**
Total Off-Balance Sheet items including contingent liabilities		**2,536,783,188**	**2,025,771,708**
Net Assets Value (NAV) per share	37	**36.17**	**33.41**

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the consolidated balance sheet referred to in our separate report of even date.

Dhaka,
17 February 2019

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

Consolidated Profit and Loss Account

For the year ended 31 December 2018

Particulars	Note	2018 BDT	2017 BDT
Interest income	19	11,162,932,726	8,892,872,138
Interest on deposits and borrowings etc.	20	(6,940,206,955)	(4,898,052,961)
Net interest income		**4,222,725,771**	**3,994,819,177**
Investment income	21	559,293,311	1,082,497,483
Commission, exchange and brokerage	22	597,129,398	755,121,539
Other operating income	23	445,097,147	447,973,309
Total operating income		**5,824,245,627**	**6,280,411,508**
Salaries and allowances	24	1,291,787,009	1,293,549,163
Rent, taxes, insurance, electricity etc.	25	224,066,909	220,165,817
Legal expenses	26	13,840,499	25,855,925
Postage, stamp, telecommunication etc.	27	38,997,409	37,748,974
Stationery, printing, advertisements etc.	28	170,416,794	139,569,069
Managing Director's salary and benefits	29	11,940,004	11,940,004
Directors' fees	30	2,144,666	2,283,518
Auditors' fees	31	2,841,940	1,368,381
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	170,661,980	193,101,509
Other expenses	33	373,257,311	410,185,643
Total operating expenses		**2,299,954,521**	**2,335,768,003**
Profit before provision		**3,524,291,106**	**3,944,643,505**
Provision for loans and investments	12.6(ii)		
General provision		91,218,921	61,886,988
Specific provision		83,980,521	170,923,913
Provision for diminution in value of investments		221,812,982	-
Other provisions		-	-
Total provision		**397,012,424**	**232,810,901**
Total profit before taxation		**3,127,278,682**	**3,711,832,604**

Particulars	Note	2018 BDT	2017 BDT
Provision for taxation			
Current tax expense	12.2	982,835,113	1,448,167,284
Deferred tax income	9.4	(26,556,853)	(13,454,473)
		956,278,260	**1,434,712,811**
Net profit after taxation		**2,171,000,422**	**2,277,119,793**
Attributable to:			
Shareholders of the Company		2,171,000,265	2,277,119,177
Non-controlling interest		157	616
		2,171,000,422	**2,277,119,793**
Appropriations to:			
Statutory reserves		318,129,479	316,408,021
General reserves		-	-
Dividend etc.		-	-
		318,129,479	316,408,021
Retained surplus		**1,852,870,786**	**1,960,711,156**
Earnings Per Share (EPS)	36	**5.76**	**6.13**

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

This is the consolidated profit & loss account referred to in our separate report of even date.

Dhaka,
17 February 2019

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

Consolidated Cash Flow Statement

For the year ended 31 December 2018

Particulars	2018 BDT	2017 BDT
A) Cash flows from operating activities		
Interest received	10,949,131,152	8,870,522,996
Interest paid	(3,540,435,841)	(2,146,404,404)
Dividend received	151,755,893	137,228,732
Fees and commission received	597,129,398	755,121,539
Paid to employees and suppliers	(2,141,228,690)	(2,171,542,986)
Payment of income tax	(1,007,233,668)	(1,058,910,701)
Received from other operating activities	843,946,298	1,379,575,318
Cash generated from operating activities before changes in operating assets and liabilities	**5,853,064,541**	**5,765,590,494**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	351,952,217	321,121,665
Long-term finance	(9,397,377,217)	(6,198,456,511)
Real estate finance	(3,669,874,683)	(3,353,294,266)
Car loan	448,720,278	511,304,825
Personal loan	(55,079,042)	(4,900,190)
Loan against deposit	(342,592,008)	73,045,124
Margin loan to portfolio investors	538,591,267	(721,292,737)
Short term finance	(127,829,509)	67,716,381
Other assets	(236,768,481)	(91,253,076)
Term and other deposits	10,620,315,314	12,768,109,082
Net drawdown of short term loan	3,210,000,000	565,000,000
Payable and accrued expenses	(3,214,951,788)	(2,473,954,907)
Deferred liability-employee gratuity	4,257,123	13,536,253
Portfolio investors' fund	228,997,522	183,555,256
Deferred tax liability	25,573	471,990
Interest suspense account	(44,779,963)	22,695,287
	(1,686,393,395)	1,683,404,176
Net cash flows from/(used in) operating activities	**4,166,671,146**	**7,448,994,670**
B) Cash flows from investing activities		
Purchase of fixed assets	(56,508,623)	(187,993,259)
Disposal of fixed assets	17,237,038	28,916,411
Net proceeds of investment in securities	622,271,685	(3,574,432,425)
Net cash flows from/(used in) investing activities	**583,000,100**	**(3,733,509,273)**

Particulars	2018 BDT	2017 BDT
C) Cash flows from financing activities		
Drawdown of term loans	1,659,707,940	2,786,742,982
Repayment of term loans	(3,773,826,356)	(4,515,761,089)
Proceeds from right issue	-	2,513,671,860
Dividend paid	(1,127,828,973)	(1,125,587,669)
Net cash flows from/(used in) financing activities	**(3,241,947,389)**	**(340,933,915)**
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	**1,507,723,857**	**3,374,551,482**
E) Effects of exchange rate changes on cash and cash equivalents	**-**	**-**
F) Cash and cash equivalents at beginning of the year	**14,727,890,684**	**11,353,339,202**
G) Cash and cash equivalents at end of the year (D+E+F)	**16,235,614,541**	**14,727,890,684**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	434,090	385,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	2,564,995,968	1,095,727,369
Balance with other banks and financial institutions (Note-4)	13,670,184,483	13,631,778,315
Money at call and short notice (Note-5)	-	-
	16,235,614,541	**14,727,890,684**
Net operating cash flow per share (NOCFPS) (Note-38)	**11.05**	**19.76**

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the consolidated cash flow statement referred to in our separate report of even date.

Sd/-
A Qasem & Co.
Chartered Accountants

Dhaka,
17 February 2019

IDLC Finance Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

Particulars	Attributable to equity holders of the company							Non-controlling interest	Total equity
	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total		
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance at 01 January 2018	3,770,507,800	1,260,585,930	2,098,412,371	1,000,000,000	46,500,000	4,421,469,765	12,597,475,866	3,001	12,597,478,867
Dividend for 2017:									
30% cash dividend	-	-	-	-	-	(1,131,152,340)	(1,131,152,340)	-	(1,131,152,340)
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**3,290,317,425**	**11,466,323,526**	**3,001**	**11,466,326,527**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-	-	-
Net profit for the year 2018	-	-	-	-	-	2,171,000,265	2,171,000,265	157	2,171,000,422
Appropriation to reserves	-	-	318,129,479	-	-	(318,129,479)	-	-	-
Balance at 31 December 2018	**3,770,507,800**	**1,260,585,930**	**2,416,541,850**	**1,000,000,000**	**46,500,000**	**5,143,188,211**	**13,637,323,791**	**3,158**	**13,637,326,949**

IDLC Finance Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Attributable to equity holders of the company							Non-controlling interest	Total equity
	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total		
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance at 01 January 2017	2,513,671,870	3,750,000	1,782,004,350	1,000,000,000	46,500,000	3,591,910,951	8,937,837,171	2,385	8,937,839,556
Dividend for 2016:									
30% cash dividend	-	-	-	-	-	(1,131,152,342)	(1,131,152,342)	-	(1,131,152,342)
Rights Issue	1,256,835,930	1,256,835,930	-	-	-	-	2,513,671,860	-	2,513,671,860
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**2,460,758,609**	**10,320,356,689**	**2,385**	**10,320,359,074**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-	-	-
Net profit for the year 2017	-	-	-	-	-	2,277,119,177	2,277,119,177	616	2,277,119,793
Appropriation to reserves	-	-	316,408,021	-	-	(316,408,021)	-	-	-
Balance at 31 December 2017	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**4,421,469,765**	**12,597,475,866**	**3,001**	**12,597,478,867**

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the consolidated statement of changes in equity referred to in our separate report of even date.

Sd/-
A Qasem & Co.
Chartered Accountants

Dhaka,
17 February 2019

IDLC Finance Limited

Balance Sheet

As at 31 December 2018

Particulars	Note	2018 BDT	2017 BDT
PROPERTY AND ASSETS			
Cash	3		
In hand (including foreign currencies)	3.1	330,000	285,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	2,564,995,968	1,095,727,369
		2,565,325,968	**1,096,012,369**
Balance with other banks and financial institutions	4		
Inside Bangladesh	4(a)	12,496,696,308	12,676,746,983
Outside Bangladesh	4(b)	-	-
		12,496,696,308	**12,676,746,983**
Money at call and short notice	5	-	-
Investments	6	-	-
Government		-	-
Others		2,792,871,764	3,213,212,864
		2,792,871,764	**3,213,212,864**
Loans and advances	7		
Loans, cash credit, overdraft etc.		82,409,607,473	70,665,633,916
Bills purchased and discounted		-	-
		82,409,607,473	**70,665,633,916**
Fixed assets including land, building, furniture and fixtures	8(c)	**499,135,123**	**597,256,072**
Other assets	9	**4,418,113,871**	**4,362,120,314**
Non-banking assets		-	-
Total Assets		**105,181,750,507**	**92,610,982,518**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	**12,246,240,919**	**11,230,359,336**
Deposits and other accounts	11		
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		71,338,071,965	60,538,332,988
Bearer certificate of deposits		-	-
Other deposits		2,455,047,719	2,238,814,210
		73,793,119,684	**62,777,147,198**
Other liabilities	12	**8,113,798,073**	**8,034,379,208**
Total Liabilities		**94,153,158,676**	**82,041,885,742**

Particulars	Note	2018 BDT	2017 BDT
Capital/Shareholders' equity			
Paid-up capital	13	3,770,507,800	3,770,507,800
Share premium	14	1,260,585,930	1,260,585,930
Statutory reserves	15	2,416,541,850	2,098,412,371
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		2,534,456,251	2,393,090,675
Total Equity		**11,028,591,831**	**10,569,096,776**
Total Liabilities and Shareholders' equity		**105,181,750,507**	**92,610,982,518**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsements		-	-
Letters of guarantee		11,853,790	91,601,562
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
		761,853,790	**841,601,562**
Other commitments	17.2		
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Un-drawn note issuance and revolving underwriting facilities		-	-
Un-drawn formal standby facilities, credit lines		-	-
Un-disbursed contracted loans and leases		1,774,929,398	1,184,170,146
		1,774,929,398	**1,184,170,146**
Total Off-Balance Sheet items including contingent liabilities		**2,536,783,188**	**2,025,771,708**
Net Assets Value (NAV) per share	37	**29.25**	**28.03**

The annexed notes from 1 to 46 form an integral part of these financial statements.

Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

This is the balance sheet referred to in our separate report of even date.

Sd/-
A Qasem & Co.
Chartered Accountants

Dhaka,
17 February 2019

IDLC Finance Limited

Profit and Loss Account

For the year ended 31 December 2018

Particulars	Note	2018 BDT	2017 BDT
Interest income	19	10,941,528,941	8,706,732,278
Interest on deposits and borrowings etc.	20	(7,015,750,078)	(4,902,102,651)
Net interest income		**3,925,778,863**	**3,804,629,627**
Investment income	21	297,145,292	516,904,081
Commission, exchange and brokerage	22	45,343,775	42,055,874
Other operating income	23	436,992,055	437,656,645
Total operating income		**4,705,259,985**	**4,801,246,227**
Salaries and allowances	24	1,053,414,823	1,050,489,189
Rent, taxes, insurance, electricity etc.	25	183,828,267	179,080,115
Legal expenses	26	11,192,037	21,562,320
Postage, stamp, telecommunication etc.	27	31,073,127	30,186,959
Stationery, printing, advertisements etc.	28	145,763,908	114,900,212
Managing Director's salary and benefits	29	11,940,004	11,940,004
Directors' fees	30	1,464,473	1,619,200
Auditors' fees	31	2,496,940	1,023,381
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	144,578,253	170,014,444
Other expenses	33	327,422,345	353,343,088
Total operating expenses		**1,913,174,177**	**1,934,158,912**
Profit before provisions		**2,792,085,808**	**2,867,087,315**
Provision for loans and investments	12.6(ii)		
General provision		93,718,957	57,242,047
Specific provision		119,238,640	170,923,913
Provision for diminution in value of investments		153,176,921	-
Other provision		-	-
Total provision		**366,134,518**	**228,165,960**
Total profit before taxation		**2,425,951,290**	**2,638,921,355**
Provision for taxation			
Current tax expense	12.2	849,919,592	1,065,400,300
Deferred tax income	9.4	(14,615,697)	(8,519,052)
		835,303,895	1,056,881,248
Net profit after taxation		**1,590,647,395**	**1,582,040,107**
Appropriations to:			
Statutory reserves		318,129,479	316,408,021
General reserves		-	-
Dividend etc.		-	-
		318,129,479	316,408,021
Retained surplus		**1,272,517,916**	**1,265,632,086**
Earnings Per Share (EPS)	36	**4.22**	**4.26**

The annexed notes from 1 to 46 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the profit & loss account referred to in our separate report of even date.

Sd/-
A Qasem & Co.
Chartered Accountants

Dhaka,
17 February 2019

IDLC Finance Limited

Cash Flow Statement

For the year ended 31 December 2018

Particulars	2018 BDT	2017 BDT
A) Cash flows from operating activities		
Interest received	10,731,926,558	8,674,735,935
Interest paid	(3,615,978,964)	(2,150,454,094)
Dividend received	31,927,537	48,998,371
Fees and commission received	45,343,775	42,055,874
Paid to employees and suppliers	(1,775,575,765)	(1,788,319,626)
Payment of income tax	(776,058,345)	(838,214,694)
Received from other operating activities	690,850,641	897,113,940
Cash generated from operating activities before changes in operating assets and liabilities	**5,332,435,437**	**4,885,915,706**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	351,952,217	321,121,665
Long-term finance	(9,397,377,217)	(6,198,456,511)
Real estate finance	(3,669,874,683)	(3,353,294,266)
Car loan	448,720,278	511,304,825
Personal loan	(55,079,042)	(4,900,190)
Loan against deposit	(342,592,008)	73,045,124
Loan to subsidiaries	1,230,349,692	(969,549,692)
Short term finance	(127,829,509)	67,716,381
Other assets	(25,007,203)	(2,452,510,933)
Term and other deposits	11,015,972,486	13,364,084,868
Net drawdown of short term loan	3,130,000,000	565,000,000
Payable and accrued expenses	(3,704,275,721)	(2,285,530,377)
Interest suspense account	(44,779,963)	22,695,287
	(1,189,820,671)	(339,273,819)
Net cash flows from/(used in) operating activities	**4,142,614,766**	**4,546,641,887**
B) Cash flows from investing activities		
Purchase of fixed assets	(47,724,871)	(151,047,125)
Disposal of fixed assets	15,979,319	27,565,812
Net proceeds of investment in securities	420,341,100	(465,109,407)
Net cash flows from/(used in) investing activities	**388,595,548**	**(588,590,719)**
C) Cash flows from financing activities		
Drawdown of term loans	1,659,707,940	2,786,742,982
Repayment of term loans	(3,773,826,356)	(4,515,761,089)
Proceeds from right issue	-	2,513,671,860
Dividend paid	(1,127,828,973)	(1,125,587,669)
Net cash flows from/(used in) financing activities	**(3,241,947,389)**	**(340,933,915)**
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	**1,289,262,924**	**3,617,117,254**
E) Effects of exchange rate changes on cash and cash equivalents	**-**	**-**
F) Cash and cash equivalents at beginning of the year	**13,772,759,352**	**10,155,642,099**
G) Cash and cash equivalents at end of the year (D+E+F)	**15,062,022,276**	**13,772,759,352**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	330,000	285,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	2,564,995,968	1,095,727,369
Balance with other banks and financial institutions (Note-4)	12,496,696,308	12,676,746,983
Money at call and short notice (Note-5)	-	-
	15,062,022,276	**13,772,759,352**
Net operating cash flow per share (NOCFPS) (Note-38)	**10.99**	**12.06**

The annexed notes from 1 to 46 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the cash flow statement referred to in our separate report of even date.

Dhaka, 17 February 2019

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

Statement of Changes in Equity

For the year ended 31 December 2018

Particulars	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total
	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance at 01 January 2018	3,770,507,800	1,260,585,930	2,098,412,371	1,000,000,000	46,500,000	2,393,090,675	10,569,096,776
Dividend for 2017:							
30% cash dividend	-	-	-	-	-	(1,131,152,340)	(1,131,152,340)
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**1,261,938,335**	**9,437,944,436**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2018	-	-	-	-	-	1,590,647,395	1,590,647,395
Appropriation to reserve	-	-	318,129,479	-	-	(318,129,479)	-
Balance at 31 December 2018	**3,770,507,800**	**1,260,585,930**	**2,416,541,850**	**1,000,000,000**	**46,500,000**	**2,534,456,251**	**11,028,591,831**

IDLC Finance Limited

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total
	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance at 01 January 2017	2,513,671,870	3,750,000	1,782,004,350	1,000,000,000	46,500,000	2,258,610,930	7,604,537,150
Dividend for 2016:							
30% cash dividend	-	-	-	-	-	(1,131,152,342)	(1,131,152,342)
Rights Issue	1,256,835,930	1,256,835,930	-	-	-	-	2,513,671,860
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**1,127,458,589**	**8,987,056,669**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2017	-	-	-	-	-	1,582,040,107	1,582,040,107
Appropriation to reserves	-	-	316,408,021	-	-	(316,408,021)	-
Balance at 31 December 2017	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**2,393,090,675**	**10,569,096,776**

The annexed notes from 1 to 46 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

This is the statement of changes in equity referred to in our separate report of even date.

Dhaka,
17 February 2019

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

Liquidity Statement

As at 31 December 2018

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5 years term	Total
	BDT	BDT	BDT	BDT	BDT	BDT
Assets						
Cash in hand (including balance with Bangladesh Bank)	2,565,325,968	-	-	-	-	2,565,325,968
Balance with other banks and financial institutions	4,346,696,308	6,400,000,000	1,750,000,000	-	-	12,496,696,308
Money at call and short notice	-	-	-	-	-	-
Investments	216,500,776	1,948,506,988	120,000,000	500,000,000	7,864,000	2,792,871,764
Loans & advances	6,548,677,294	5,632,617,612	17,664,527,129	36,188,068,883	16,375,716,555	82,409,607,473
Fixed assets including land, building, furniture and fixtures	11,113,318	22,079,791	87,216,820	195,228,847	183,496,347	499,135,123
Other assets	-	437,389,132	-	-	3,980,724,739	4,418,113,871
Non-banking assets	-	-	-	-	-	-
Total assets	**13,688,313,664**	**14,440,593,523**	**19,621,743,949**	**36,883,297,730**	**20,547,801,641**	**105,181,750,507**
Liabilities						
Borrowing from Bangladesh Bank, other banks and financial institutions & its agents	4,401,845,130	2,674,430,011	1,651,199,377	2,963,543,618	555,222,783	12,246,240,919
Deposits	4,745,328,998	13,318,700,521	16,829,788,112	38,403,187,869	496,114,184	73,793,119,684
Other accounts	-	-	-	-	-	-
Provision and other liabilities	372,649,670	745,299,341	3,725,242,966	2,022,431,867	1,248,174,229	8,113,798,073
Total liabilities	**9,519,823,798**	**16,738,429,873**	**22,206,230,455**	**43,389,163,354**	**2,299,511,196**	**94,153,158,676**
Net Liquidity Gap	**4,168,489,866**	**(2,297,836,350)**	**(2,584,486,506)**	**(6,505,865,623)**	**18,248,290,445**	**11,028,591,831**

The annexed notes from 1 to 46 form an integral part of these financial statements.

IDLC Finance Limited and its Subsidiaries

Notes to the Consolidated and Separate Financial Statements

As at and for the year ended 31 December 2018

1. Company and its activities

1.1 Legal status and nature of the Company

IDLC Finance Limited (The Company ""IDLC"") was incorporated in Bangladesh as a public limited company on 23 May 1985 under the Companies Act, 1913 in its earlier name of Industrial Development Leasing Company of Bangladesh Limited. The Company changed its name in August 2007. The registered office of the company is situated at Bay's Galleria (1st Floor), 57 Gulshan Avenue, Gulshan 1, Dhaka. The Company is registered as a Financial Institution under the Financial Institutions Act, 1993, governed by Bangladesh Bank (the Central Bank of Bangladesh)

The Company went for public issue of its shares in 1993. Its shares are listed in both the Stock Exchanges in Bangladesh.

1.2 Principal activities and nature of operation

When incorporated, the Company started with lease and term financing, as its core businesses. It expanded its activities into 'Short-Term Finance' (factoring of accounts receivable and work order financing) and 'Real Estate Finance' operations in 1997. It also started car loan and personal loan services to individuals in 2004 and 2007, respectively. Now, the company has evolved itself as multiproduct financial institution.

1.3 Subsidiary companies

1.3.1 IDLC Securities Limited (IDLC SL)

IDLC Securities Limited, a wholly owned subsidiary company (99.99%) of IDLC Finance Limited, was incorporated on 19 April 2006 as a private limited company under Companies Act, 1994. The Company had started its operation from September 2006. The main objective of the Company is to act as a member of stock exchanges to operate the Central Depository System (CDS) and to carry on the business of brokers, jobbers or dealers in stocks, shares, securities, commodities, commercial papers, bonds, obligations and debentures etc.

1.3.2 IDLC Investments Limited (IDLC IL)

As required by the Bangladesh Securities & Exchange Commission (BSEC), the Company formed a separate subsidiary (99.99%) on 19 May 2010 in the name and style of "IDLC Investments Limited" to transfer its merchant banking activities. As per Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996, the services of issue management, portfolio management, underwriting of shares and securities advisory services fall under the purview of merchant banking operation. The Company obtained license from the Bangladesh Securities and Exchange Commission (BSEC) on 02 August 2011 and commenced its business on 16 August 2011.

1.3.3 IDLC Asset Management Limited (IDLC AML)

IDLC Asset Management Limited (IDLC AML), another wholly owned subsidiary company (99.99%) of IDLC Finance Limited, was incorporated on 19 November 2015 as a private limited company under Companies Act, 1994.

The main objective of the Company is to carry out the business of asset management, primarily, through launching and managing mutual funds to cater diverse needs of investors. Beside institutional fund management IDLC AML also aims to facilitate alternative investments in terms of private equity and venture capital.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements and separate financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, except the circumstances where local regulations differ, and the Companies Act, 1994, the Financial Institutions Act, 1993, Securities and Exchange Rules, 1987 & the (Listing) Regulations, 2015 of Dhaka & Chittagong Stock Exchanges and other applicable laws and regulations.

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been kept blank in the financial statements.

The requirements of accounting standards as per IFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note-2.3.**

However, this departure with IFRS has been made by following all of the relevant provisions of IAS 1 and the details disclosures are given in **Note-2.3** by following the provision of Para 20 of IAS 1 (Presentation of Financial Statements).

2.2 Basis of measurement

This financial statements have been prepared based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and no adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

2.3 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance with Bangladesh Bank's requirements

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Financial Institutions 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 IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed below along with financial impact where applicable:

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, expected credit losses are required to be measured through a loss allowance at an amount equal to: α) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or β) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).	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 and Special Mentioned Accounts (SMA)) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.	In separate Financial Statements, an amount of BDT 366.13 million has been charged as incremental provision for leases, loans and advances, which includes BDT 93.72 million as general provision on good loan for the year 2018. Also, as at 31 December 2018, accumulated provision for leases, loans and advances stand at BDT 1,248.17 million. In consolidated Financial Statements, the same amount is BDT 397.01 million which includes general provision of BDT 91.22 million. Also, as at 31 December 2018, accumulated provision for leases, loans and advances stand at BDT 1,318.98 million.
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	Investment in shares falls either under at "fair value through profit/ loss (FVTPL)" or "fair value through other comprehensive income (FVTOCI)" where any change in the fair value in case of FVTPL at the year-end is taken to profit or loss, and any change in fair value in case of FVTOCI is taken to other comprehensive income.	As per FID circular No. 08, dated 03 August 2002 investments in quoted shares and unquoted 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; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year, total market value of all shares of IDLC Finance Limited & its subsidiaries is less than the cost price. As on December 31, 2018 there was BDT 499.00 million gross loss on consolidated investment in marketable listed securities and BDT 166.72 million gross loss on investment by IDLC Finance Limited in marketable securities.
3	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At the year end, in separate Financial Statements interest suspense account has decreased to BDT 351.27 million from BDT 396.05 million resulting decrease of BDT 44.78 million of interest suspense. This amount has been shown in other liabilities in note 12.5
4	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
5	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against the provision for lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against the provision for leases, loans and advances.
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements" IFRS 9 "Financial Instruments" & IFRS 7 "Financial Instruments: Disclosure"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement. IAS 1 requires separate line item for intangible assets on the face of statement of financial position. IFRS 9 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. 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 include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
7	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
8	Current/ Non-current distinction	IAS 1 "Presentation of Financial Statement"	As per Para 60 of IAS 1 "Presentation of Financial statement": An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial posit ion.	As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.
9	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure but there is a disclosure in the financial statements.

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
10	Impairment of Margin Loan (Loans and receivables	IFRS 9 "Financial Instruments"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. SEC/CMRRCD/2009-193/196 dated 28 December 2016, provisions for the year 2016 on impairment of principal portion of margin loan shall be kept at 20% on each quarter for the five quarters starting from December 2016.	There is no such impact for this. However, we have been maintaining full provision for unrealized loss (if any) of margin loan in the portfolio.
11	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements'' complete set of financial statements are: i) statement of financial position, ii)statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are: i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
12	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements'' para 54: the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
13	Other comprehensive income	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements'' Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.	Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement. As such the financial institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.	Financial Statements for 2018 and corresponding year 2017 have been prepared as per the guideline and templates issued by Bangladesh Bank. There is no financial impact for this departure in the financial statements.
14	Disclosure of presentation of profit	N/A	There is no requirement to show appropriation of profit in the face of statement of comprehensive income.	As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account	Financial Statements for 2018 and corresponding year 2017 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

2.4 Components of the financial statements

The financial statements comprise of (As per DFIM Circular No. 11, Dated 23 December 2009):

a) Consolidated and Separate Balance Sheet as at 31 December 2018;
b) Consolidated and Separate Profit and Loss Account for the year ended 31 December 2018;
c) Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2018;
d) Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2018;
e) Liquidity Statement for the year ended 31 December 2018 and
f) Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2018.

2.5 Directors' responsibility statement

The Board of Directors' takes the responsibility for the preparation and presentation of these financial statements.

2.6 Date of authorisation

The Board of directors has authorised this financial statements for public issue on 17 February 2019 .

2.7 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.8 Use of estimates and judgments

The preparation of financial statements in conformity with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

The most critical estimates and judgments are applied to the following:

- Provision for impairment of loans, leases and investments
- Gratuity
- Useful life of depreciable assets

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognised in the period in which the estimates are revised. In accordance with the guidelines as prescribed by IAS 37: "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized in the following situations:

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recongnized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

Contingent Assets

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognized, rather they are disclosed in the financial statements when they arise.

2.9 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries, as mentioned in note No. 1.3.1, 1.3.2 and 1.3.3 have been consolidated in accordance with International Financial Reporting Standard (IFRS) 10 "Consolidated Financial Statements". The consolidation of the financial statements have been made after eliminating all material inter company balances, income and expenses arising from inter company transactions.

The total profits of the Company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to non-controlling shareholders being deducted as 'Non-controlling Interest'.

All assets and liabilities of the Company and of its subsidiaries are shown in the consolidated balance sheet. The interest of non-controlling shareholders of the subsidiary are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

2.10 Branch accounting

The Company has thirty branches, with no overseas branch as on 31 December 2018. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

2.11 Accounting for leases

As Lessor

As per International Accounting Standard (IAS) 17: "Leases", all leases are treated as finance lease since assets leased under agreements are transferred substantially to customers with all the risks and rewards associated with ownership, other than legal title and all leases are full payout leases.

In accordance with the said standard, the aggregate lease receivables including un-guaranteed residual value throughout the primary lease term are reported as gross lease receivables while the excess of gross lease receivables over the total acquisition cost including interest during the period of acquiring the lease assets constitutes the unearned lease income. The balance of the unearned lease income is amortised to revenue on a monthly basis over the primary lease term yielding a constant rate of return over the period.

At present, the company does not have any operating lease arrangement with any lessee.

As Lessee

All assets are recognized as fixed assets including land, building, furniture and fixture against their obligation as liability. Lease payments of finance lease include two components, mainly finance charge and redemption of principal payment (obligation under finance lease).

2.12 Accounting for term finance & other finances

Books of accounts for term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealised principal for long-term finance, real estate finance, car loans and other finances are accounted for as term finance assets of the Company. Interest earnings are recognised as operational revenue periodically.

2.13 Accounting for Margin Loan

Margin Loan to Portfolio investors is given at an agreed ratio (not more than the ratio prescribed by BSEC) between investor's deposit and loan amount to purchase securities against respective investor account. The new investor are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it is changed due to changes in market price of share. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

2.14 Investment in securities

Investment in marketable ordinary shares has been shown at cost, on an aggregate portfolio basis. Investment in non-marketable shares has been valued at cost. Full provision for diminution in value of shares as on closing of the year on an aggregate portfolio basis is made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated 31 January 2012.

2.15 Property and equipment

i) Recognition and measurement

Own assets

Items of own fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per International Accounting Standard (IAS) 16: "Property, Plant and Equipment".

Leasehold assets

Leasehold assets of which the company assumes substantially all the risks and rewards of ownership are accounted for as finance leases and capitalised at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payments, whichever is lower as per International Accounting Standard (IAS) 17: "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on Fixed assets

Subsequent expenditure is capitalised only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognised as an expense as and when they are incurred.

iii) Depreciation

Depreciation is charged to amortise the cost of assets, over their estimated useful lives, using the straight-line method in accordance with IAS16: "Property, Plant and Equipment". Full depreciation is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged from the month of disposal. Asset category wise depreciation rates are as follows:

Particulars of Property, plant and equipment	Rates (Yearly)
Furniture and fixtures	12.50%
Building	2.50%
Electrical equipment	20.00%
Curtain and carpets	33.33%
Office equipment	20.00%
Office decoration	20.00%
Telephone and telex	33.33%
Motor vehicles	25.00%
Computers	20.00%
Software (Office Operation)	33.33%
Software (Business Operation)	20.00%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Depreciation methods, useful lives and residual values, if any are reviewed at the balance sheet date.

2.16 Intangible assets and amortization of intangible assets

Recognition & Measurement

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of 3 or 5 years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits in the specifications to which it relates. All other expenditures are expensed as incurred.

2.17 Revenue recognition

Revenue is only recognised when it meets the following five steps model framework.

a) identify the contract(s) with a customers;

b) identify the performance obligations in the contract;

c) determine the transaction price;

d) allocate the transaction price to the performance obligations in the contract;

e) recognise revenue when (or as) the entity satisfies a performance obligation.

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

Lease income

Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on net investment in the finance lease. The unearned lease income is recognised on installment date as revenue on an accrual basis over the terms of the lease. However, lease income is not recognised if capital or interest receivable is in arrears for more than three months.

Interest on real estate finance

Interest on real estate finance is recognised 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 nine months.

Interest on term loans and short term finance

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

Portfolio management fee

Portfolio management fees are recognised on the market value of the clients' portfolio on monthly basis and charged to client's balance on quarterly basis.

Issue management & Corporate advisory fee

Issue management and corporate advisory fees are recognised according to the stage of completion of services as agreed and defined in issue management and corporate advisory agreement between company and clients.

Brokerage commission

Brokerage commission is recognised as income when selling or buying order is signed and trade is executed.

Dividend income

Dividend is recognised as income when the right to receive income is established.

Profit or loss on sale of securities

Profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

Fee based revenues

Fees on services rendered by the company are recognised as and when services are rendered.

Mutual fund management fees

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay a management fee based on following criteria:

a. 2.50 percent per annum of the weekly average NAV up to BDT 5.00 crore (Five crore BDT);
b. 2.00 percent per annum for additional amount of the weekly average NAV up to BDT 25.00 crore (Twenty Five crore BDT) over BDT 5.00 crore (Five crore BDT);
c. 1.50 percent per annum for additional amount of the weekly average NAV up to BDT 50.00 crore (Fifty crore BDT) over BDT 25.00 crore (Twenty Five crore BDT); and
d. 1.00 percent per annum for additional amount of the weekly average NAV over BDT 50.00 crore (Fifty crore BDT), accrued and payable quarterly at the end of the period.

Mutual fund formation fee

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay Mutual Fund Formation fee to the Asset Management Company as mentioned in the Published Prospectus of the Fund approved by Bangladesh Securities and Exchange Commission.

Mutual fund Pre-scheme formation fee

As per BSEC Directive vide ref no.: SEC/CMRRCD/2009 – 193/ 160 dated 28 May 2014, Asset Manager can accrue management fees from scheme of the Mutual Fund for the period starting from the registration date of the scheme to pre-trade period according to the Rule 65(2).

2.18 Interest suspense account

Lease income earned, interest on term finance (car loans, personal loans) overdue beyond three months period and interest on real estate finance overdue beyond nine months period and interest on short term finance overdue beyond permitted credit term plus ninety days period are not recognised as revenue and are credited to the interest suspense account.

2.19 Accounts receivable

Accounts receivable at the balance sheet date is stated at amounts which are considered realisable. Specific allowance is made for receivable considered to be doubtful for recovery.

2.20 Securitization

Securitization of various leases/loans result in sale of these assets to Special Purpose Vehicles ('SPVs'), which, in turn issue securities to investors. Financial assets are partially or wholly derecognised when the control of the contractual rights in the securitized assets are lost.

2.21 Borrowing cost

Borrowing costs are recognised as expense in the year in which they are incurred unless capitalisation is permitted under International Accounting Standard (IAS) 23: "Borrowing Costs".

2.22 Cash flow statements

Cash flow statements are prepared using the direct method as stipulated in International Accounting Standard (IAS) 7: "Cash Flow Statements", and in accordance with the instruction of Bangladesh Bank.

2.23 Conversion of foreign currency transactions

Foreign currency transactions are translated into BDT at rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the year are reported at the rates prevailing on the balance sheet date. Exchange gains or losses arising out of the said conversions are recognised as income or expense for the year after netting off.

2.24 Provision for doubtful accounts and future losses

Provision has been made at estimated rates on outstanding exposures, based on aging and continuous review of the receivables, as per the Bangladesh Bank Provisioning policy. A general provision has been made by the company to cover unforeseen losses on all leases, loans and investments excluding those for which a specific provision has been kept. The provision is considered adequate to meet any probable future losses.

2.25 Write-off

Write-off describes a reduction in recognised value. It refers to the recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written-off") the Company's balance sheet.

Recovery against debts written-off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable.

2.26 Employees' benefit obligation

2.26.1 Defined contribution plan

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a Board of Trustees and is funded by equal contributions both by the employees and the Company at a predetermined rate. The contributions are invested separately from the Company's asset.

2.26.2 Defined benefit plan

The Company also operates a funded gratuity scheme (which is a defined benefit scheme as specified in IAS 19). Gratuity fund is administered by a Board of Trustees and Company contributions are invested separately from company assets. Employees are entitled to gratuity benefit after completion of minimum years of service with the Company. The Company is contributing to the fund as prescribed by actuarial valuation report. The gratuity is calculated on the last basic pay and is payable at the rate of below table:

Duration of the services	Amount entitled of receive
For services from 05 to below 10 years	One month's basic pay for each year of service.
For services from 10 to below 15 years	One & a half month's basic pay for each year of service.
For services from 15 years & above	Two month's basic pay for each year of service.

2.26.3 Other employees benefit obligation

The Company operates a group life insurance scheme for its permanent employees.

The Company also has real estate loan for its permanent employees. Employees are entitled to real estate loan after completion of minimum five years of services with the Company.

2.27 Taxation

Tax expense comprises current and deferred tax.

2.27.1 Deferred tax

The Company accounts for deferred tax as per International Accounting Standard (IAS) 12: "Income Taxes". Deferred tax is provided using the balance sheet method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

Deferred tax normally results in a liability being recognized within the Statement of Financial Position. IAS 12 defines a deferred tax liability as being the amount of income tax payable in future periods. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

2.27.2 Current tax

Provision for current tax is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments made thereto from time to time.

2.28 Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recovered. Accordingly, the Company estimates the recoverable amount of the assets. Impairment losses, if any, is recognised in the profit and loss account when the estimated recoverable amount of an asset is less than its carrying amount.

2.29 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, term deposits and investment in call loan that are readily convertible to a known amount of cash (with less than three months maturity) and that are subject to an insignificant risk of change in value.

2.30 Bank loans

Bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on accrual basis and charged to profit and loss account.

2.31 Earnings Per Share (EPS)

The Company calculates earnings per share in accordance with International Accounting Standards (IAS) 33: "Earnings Per Share" which has been shown in the face of the Profit and Loss Account and the computation is stated in note 36.

2.32 Related party disclosure

As per International Accounting Standard (IAS) 24: "Related Party Disclosures", parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 40.

2.33 Statutory reserves

As per clause no: 6 of Financial Institutions Regulations, 1994, Financial Institution is required to transfer at least 20% of it's profit after tax and before appropriation of dividend in a particular year, if the financial institution's sum of Share Premium Account (if any) and Statutory Reserves is less than the paid up capital of that financial institution. Accordingly, 20% of current year's profit after tax has been transferred to Statutory Reserves Account.

2.34 Determination and presentation of operating segment

After incorporation, the company started with lease and loan as its core financing business. By times, it diversified its business into investment banking business, brokerage business and asset management business. The company has decided it's various operating segment considering nature of segmental business. Thus four operating segments of the Group are reported and presented. Profit and loss account of above operations and other operation have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), and results of its operation has been combined, item by item, with the financial results of the Company.

Compliance with International Financial Reporting Standard (IFRS)

As on 01 January 2010, the Company determines and presents operating segments based on information that is internally provided to the Company's Management Committee (ManCom), which is the Company's Chief Operating Decision Maker (CODM). This is due to the adoption of the International Financial Reporting Standard (IFRS) 8 " Operating Segments". Since the adoption of this IFRS only affects presentation and disclosure aspects, there is no impact on the earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with the Company's other components, whose operating results are regularly reviewed by the Company's ManCom to make decisions about resources allocated to the segments and assess its performance and for which discrete financial information is available.

For the separate financial statements, the Company has determined one reportable segments such as core financing business and for the consolidated financial statements, the subsidiaries of the Company have been determined to be a separate reportable segment in addition to the other segments. Thereafter, for the separate financial statements, the Company has one reportable segment which is core financing business and for the consolidated financial statements, the subsidiaries of the Company (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) have been determined to be three separate reportable segments in addition to the core financing business.

Information about operating segment has been presented in note 34.

2.35 Proposed dividend

Proposed dividend has not been recognised as a liability in the balance sheet in accordance with International Accounting Standard (IAS) 10: "Events After the Reporting Period".

2.36 Events after the reporting period

All material events occurring after the reporting date have been considered and where necessary, adjusted for or disclosed in note no: 45.

2.37 Minority interest in subsidiaries

A minority interest, which is also referred to as non-controlling interest (NCI), is ownership of less than 50% of a company's equity by an investor or another company. For accounting purposes, minority interest is a fractional share of a company amounting to less than 50% of the voting shares. Minority interest shows up as a noncurrent liability on the balance sheet of companies with a majority interest in a company, representing the proportion of its subsidiaries owned by minority shareholders. Also, minority interest is reported on the consolidated income statement as a share of profit belonging to minority shareholders.

2.38 Liquidity statement

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the year as per following basis:

a) Balances with other banks and financial institutions are on the basis of their maturity term;
b) Investments are on the basis of their expected liquidation & residual maturity term;
c) Loans, advances and leases are on the basis of their repayment/maturity schedule;
d) Fixed assets are on the basis of their useful lives;

e) Other assets are on the basis of their adjustment terms;

f) Borrowings from other banks and financial institutions as per their maturity/repayment terms;

g) Deposits and other accounts are on the basis of their maturity term and behavioral past trends;

h) Other long term liabilities are on the basis of their maturity terms and

i) Other liabilities are on the basis of their settlement terms.

2.39 Status of compliance of International Accounting Standards and International Financial Reporting Standards

In addition to compliance with local regulatory requirements, in preparing the Consolidated Financial Statements and Separate Financial Statements, IDLC applied following IASs and IFRSs:

Name of the IAS	IAS No.	Status
Presentation of Financial Statements	1	Applied *
Inventories	2	N/A
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A
Separate Financial Statements	27	Applied
Investment in Associates and Joint Ventures	28	N/A
Financial Reporting in Hyperinflationary Economics	29	N/A
Interests in Joint Ventures	31	N/A
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of the IFRS	IFRS No.	Status
Share Based payment	2	N/A
Business combination	3	N/A
Insurance Contracts	4	N/A
Non-current assets held for sale and discontinued operation	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosures	7	Applied *
Operating Segments	8	Applied
Financial Instruments	9	Applied *
Consolidated Financial Statements	10	Applied
Joint Arrangement	11	N/A
Disclosure of Interest in Other Entities	12	N/A
Fair Value Measurement	13	Applied *
Revenue from Contracts with customers	15	Applied

N/A= Not Applicable

* As the regulatory requirements differ with the standards, relevant disclosures have been made in accordance with Bangladesh Bank's requirements (please see note 2.3).

2.40 BASEL II & its implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' were introduced on 01 January 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" came fully into force from 01 January 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all FIs for the purpose of statutory compliance. As per CAMD guidelines, Financial Institutions should maintain a Capital Adequacy Ratio (CAR) of minimum 10%. In line with CAMD guideline's requirement, IDLC has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

2.41 Financial risk management

IDLC always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk management system is in place within the Company to address risks relating to credit, market, liquidity, operations and money laundering and terrorist financing. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers guidelines for managing core risks of financial instructions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated 18 September 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016.

Credit Risk

To encounter and mitigate credit risk the company employed multilayer approval process, policy for maximum exposure limit of sector or groups, policy for customers' assets maximum exposure limit, mandatory search for credit report from Credit Information Bureau, 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 Team, strong follow up of compliance of credit policies by Internal Control and Compliance Department (ICCD), taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

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 from risk point of view. An independent Credit Risk Management Department is in place, at IDLC, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

Market Risk

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. IDLC has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

Liquidity Risk

Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

Operational Risk

Appropriate internal control measures are in place, at IDLC, to address operational risks. IDLC has also established an Operational Risk Management (ORM) department to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk. The function of the ORM department is to exercise constant vigilance against erosion of Shareholders' value by identifying, assessing, measuring and managing operational risk resulting from inadequate or failed internal processes, people and systems or from external events.

Money Laundering and Terrorist Financing Risk

In IDLC, money laundering and terrorist financing risk takes two broad dimensions:

a) Business risk which is the risk that IDLC may be used for money laundering or for the financing of terrorism and

b) Regulatory risk which is the risk that IDLC fails to meet regulatory obligations under the Money Laundering Prevention Act, 2012 (subsequently amended in 2015) and the Anti-Terrorism Act, 2009 (subsequently amended in 2012 and 2013).

To mitigate the risks, IDLC, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), has in place a strict compliance program consisting of the following components:

a) Internal policies, procedures and controls, which are continually updated as and when required, to identify and report

instances of money laundering and terrorism financing;

b) A dedicated structure and sub-structure within the organisation, headed by a Central Compliance Unit (CCU), for proactively managing AML and CFT compliance;

c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;

d) Independent audit functions, including internal and external audit, to test the programs;

e) Ongoing employee training programs.

Additional risks required to be addressed under new regulatory requirements

DFIM Circular No.03 of 2016, introduced the Integrated Risk Management Guidelines for Financial Institutions ("the guidelines"). These guidelines supplement, and do not replace, existing risk management guidelines.

The Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage in a more structured manner. Key among these are:

Strategic Risk

Strategic risk has been defined as the risk of possible losses that might arise from adverse business decisions, substandard execution and failure to respond properly to changes in the business environment. The guidelines set out the respective roles of the board of the directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control.

IDLC has been managing strategic risks ever since its inception. This is evident from the constantly evolving business model of the company over the years. The company has a clear strategic vision as to what it wants to be and a mission statement that states what it will do to achieve its vision. Strategic issues are discussed at a variety of forums including meetings of the Management Committee and of the IDLC Board. Over the past few years, a separate Strategic Planning department has been set up to assist senior management in this regard. The culmination of all these efforts are reflected in annual Strategy and Budget sessions, where the company sets out its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, IDLC has always fostered a compliance oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the IDLC code of conduct (which requires compliance with the law & regulations) to repeated communications from senior management stressing the need to do business in a compliant manner. In general, compliance risk management is embedded in the day to day to business processes and practices of the company. Concerned departments are kept informed of latest legal and regulatory requirements by the ICC and Corporate Affairs departments. A consideration of compliance (or any potential non-compliance) with laws and regulations is a standard part of the company's regular decision making processes. Wherever deemed necessary, appropriate legal advice is sought from qualified internal and/or external legal counsel.

Reputation Risk

Reputation risk may be defined as the risk of loss arising from damages to an organisation's reputation. The guidelines set out the respective roles of the Board and senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

IDLC has already established a set of non-financial reputational risk indicators and put in place a process for monitoring these and any other matters that might give rise to potential reputational risk issues. Till date, no material reputational risk issue involving the company has been identified.

Environmental & Social Risk

As the best financial brand in promoting sustainable business practices, IDLC have adopted Environmental & Social Risk Management System as one of its integral parts of Credit Risk Assessment to compute environmental & social risks from our financial footprints. IDLC is one of the front runners to add "Environmental & Social Management System (ESMS)" within its framework, a global standard to minimize environmental & social risks from the organisational activities. With the co-operation of FMO (Netherlands Development Finance Company), IDLC have the most efficient ESMS system of the market, blending the local & international standards for formulating E&S risks before financing any proposal. Our ESMS system comprises the guidelines like: Environmental & Social Risk Management Guideline by Bangladesh Bank, the Environment Conservation Rules 1997, IFC Performance Standards & ADB Safeguard for financing. Also with the help of an exclusion

list, IDLC is contributing to protect its mother nature by prohibiting any illegal/high E&S risk associated project financing. In addition to this, IDLC also adopted the 10 UNGC (United Nations Global Compact) principles within its organisational framework as the only signatory of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh. IDLC also have a dedicated E&S team to rollout the operations of ESMS across the organisation, capacity building of the business unit as well as the credit risk management officials to strengthen the core of our E&S Risk management.

2.42 Custodial Service

IDLC Finance Limited is a registered Security Custodian vide registration license no: SC-06/2007 dated 24 May 2007 issued by Bangladesh Securities and Exchange Commission. To facilitate this service IDLC Finance Limited has also obtained Custody Depository participant License vide registration license no. BSEC/Registration/ CDBL-DP-414, dated 17 December 2014 issued by Bangladesh Securities and Exchange Commission. The major responsibilities of the Security Custodian are as follows:

- Custody of client's securities;
- Collection, book keeping and communication of gain, income, profit, stake on behalf of clients;
- Collection, communication, dissemination and book keeping of any declaration, published or publicly available information, statement etc. of securities issuer;
- Administer client's security and account.

IDLC Finance Limited as a Security Custodian confirms that proper internal audit and evaluation process are in place to ensure the following:

- Secure and appropriate custodial service;
- No unwarranted change in the assets, records, agreements etc. occur;
- Each client receives his/her due dividends, bonus share, right share, interest, principal etc. in a timely manner;
- Prevent loss, theft, damage due to natural calamity.

As on 31 December 2018, IDLC Finance Limited is the custodian of 265,078,727 ordinary shares of RAK Ceramic (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

IDLC Finance Limited is also providing security custodian service for 8,477,970 ordinary shares of Aamra Networks Limited held by Augere Holdings (Netherlands) B.V. In 2017, another agreement was entered with SEAF Bangladesh Ventures LLC for providing custodian service for 1,285,832 ordinary shares of ADN Telecom Limited.

2.43 New accounting standards not yet adopted

The Company has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. As per the Company's assessment, only material impact of new standards adopted in 2018 is relating to calculation of impairment provision as per IFRS 9. However, in absence of any revised guideline from Bangladesh Bank, the Company continued previously used impairment, classification and measurement policies for its loans and advances. Accordingly, these amendments have no material impact on the financial statements of the Company.

In December 2017, ICAB vide letter I/I/ICAB-2017 decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Company has not early applied the following new standards in preparing these financial statements.

(a) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Company has not yet assessed the potential impact of IFRS 16 on its financial statements.

b) IFRS 17 Insurance contract

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Company has not yet assessed in potential impact of IFRS 17 on its financial statements.

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
3.	Cash				
3.1	**Cash in hand (including foreign currencies)**				
	In local currency	330,000	285,000	434,090	385,000
	In foreign currency	-	-	-	-
		330,000	**285,000**	**434,090**	**385,000**
3.2	**Balance with Bangladesh Bank and its agent (including foreign currencies)**				
	In local currency	2,564,995,968	1,095,727,369	2,564,995,968	1,095,727,369
	In foreign currency	-	-	-	-
		2,564,995,968	1,095,727,369	2,564,995,968	1,095,727,369
		2,565,325,968	**1,096,012,369**	**2,565,430,058**	**1,096,112,369**

3.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institutions Act, 1993 & Financial Institutions Regulations, 1994, FID Circular No. 06, dated 06 November 2003, FID Circular No. 02 dated 10 November 2004 and DFIM Circular Letter No. 01, dated 12 January 2017

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except Banks & Financial Institutions)

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other Banks and Financial Institutions, unencumbered treasury bill, bond and any other assets approved by Government gazette or by Bangladesh Bank.

a)	**Cash Reserve Requirement**				
	Required reserve	1,385,890,719	1,089,008,878	1,385,890,719	1,089,008,878
	Actual reserve maintained	1,393,211,299	1,100,802,430	1,393,211,299	1,100,802,430
	Surplus/ (deficit)	**7,320,580**	**11,793,552**	**7,320,580**	**11,793,552**
b)	**Statutory Liquidity Reserves**				
	Required reserve (including CRR)	3,957,672,444	3,031,445,013	3,957,672,444	3,031,445,013
	Actual reserve maintained (including CRR) (note 3.3.1)	4,011,076,275	3,064,750,283	4,011,076,275	3,064,750,283
	Surplus/ (deficit)	**53,403,831**	**33,305,270**	**53,403,831**	**33,305,270**

3.3.1 Actual reserve maintained (including CRR)

The City Bank Limited	-	250,991	-	250,991
Standard Chartered Bank	153,267,412	-	153,267,412	-
Citibank N.A.	32,313,731	30,162,037	32,313,731	30,162,037
Bangladesh Bank	1,325,495,132	1,084,337,255	1,325,495,132	1,084,337,255
Social Islami Bank Limited	-	800,000,000	-	800,000,000
Meridian Finance & Investment Limited	-	200,000,000	-	200,000,000
One Bank Limited	1,800,000,000	-	1,800,000,000	-
Jamuna Bank Limited	-	450,000,000	-	450,000,000
Standard Bank Limited	400,000,000	-	400,000,000	-

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
Union Bank Limited	-	500,000,000	-	500,000,000
Al-Arafah Islami Bank Limited	300,000,000	-	300,000,000	-
	4,011,076,275	**3,064,750,283**	**4,011,076,275**	**3,064,750,283**

4. Balance with other banks and financial institutions in Bangladesh

4(a) Inside Bangladesh

Current deposits in local currency

Woori Bank limited	5,832	15,927	5,832	15,927
Bank Al- Falah Limited	1,460	5,430	1,460	5,430
One Bank Limited	-	-	3,295,766	8,645,318
Jamuna Bank Limited	7,240	8,390	7,240	8,390
The City Bank Limited	19,100,962	38,884,706	19,100,962	38,884,706
National Bank Limited	12,048,186	3,949,086	12,048,186	3,949,086
Bank Asia Limited	12,609,106	13,098,902	12,609,106	13,098,902
State Bank of India	13,345,504	4,700,049	13,345,504	4,700,049
Commercial Bank of Ceylon PLC	507,076	3,586,580	1,620,138	3,925,605
Citibank N.A	162,608,798	134,980,349	162,608,798	134,980,349
Standard Chartered Bank	(936,536,798)	(1,084,422,501)	(501,109,222)	(733,627,887)
Mutual Trust Bank Limited	(1,719,021)	170,695,065	(1,719,021)	170,695,065
Exim Bank Limited	3,655,870	5,980,591	3,655,870	5,980,591
Dutch Bangla Bank Limited	30,182,492	32,387,903	30,182,492	32,387,903
BRAC Bank Limited	23,901,508	1,275,452	44,576,133	15,082,664
Dhaka Bank Limited	5,062,481	14,570,753	5,062,481	14,570,753
NRB Bank Limited	-	-	190,901	3,048,006
Mercantile Bank Limited	1,157,719	2,290,910	1,157,719	2,290,910
IDLC Investments Limited	106,347,259	9,586,771	-	-
	(547,714,326)	(648,405,637)	(193,359,655)	(281,358,233)

Short-term deposit accounts

Prime Bank Limited	1,078,215	7,989,445	1,078,215	7,989,445
Dutch Bangla Bank Limited	-	-	5,957,617	3,472,106
The City Bank Limited	58,991,780	(34,098)	58,991,780	(34,098)
BRAC Bank Limited	-	-	18,686,987	38,049,436
Southeast Bank Limited	9,891,608	9,769,680	9,891,608	9,769,680
Citibank N.A.	321,351	90,303,317	321,351	90,303,317
Standard Chartered Bank	(20,606)	923,270,021	(18,699)	923,803,070
Commercial Bank of Cylon	6,154,568	3,850,090	10,430,301	34,602,618
One Bank Limited	1,446,866,126	-	1,454,233,015	42,405,043
NCC Bank Limited	-	-	374,459,810	445,409,692
Exim Bank Limited	1,281,127,581	-	1,637,350,766	-
Eastern Bank Limited	-	-	-	777,653

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
	NRB Bank Limited	11	4,165	12	88,586
		2,804,410,634	1,035,152,620	3,571,382,763	1,596,636,548
	Fixed Deposits				
	Al-Arafah Islami Bank Limited	900,000,000	700,000,000	900,000,000	700,000,000
	AB Bank Limited	200,000,000	-	200,000,000	-
	Meghna Bank Limited	750,000,000	750,000,000	750,000,000	750,000,000
	South Bangla Agriculture & Commerce Bank Limited	90,000,000	-	90,000,000	-
	Union Bank Limited	-	1,100,000,000	-	1,100,000,000
	ONE Bank Limited	2,200,000,000	2,000,000,000	2,200,000,000	2,000,000,000
	Southeast Bank Limited	500,000,000	-	500,000,000	-
	Jamuna Bank Limited	1,550,000,000	1,450,000,000	1,550,000,000	1,450,000,000
	Social Islami Bank Limited	-	1,400,000,000	-	1,400,000,000
	Mercantile Bank Limited	-	500,000,000	-	500,000,000
	The City Bank Limited	-	1,290,000,000	-	1,290,000,000
	Dhaka Bank Limited	3,000,000,000	2,000,000,000	3,000,000,000	2,000,000,000
	NRB Global Bank Limited	-	450,000,000	-	450,000,000
	Standard Bank Limited	750,000,000	450,000,000	750,000,000	450,000,000
	Meridian Finance & Investment Limited	-	200,000,000	-	200,000,000
	IPDC Finance Limited	300,000,000	-	317,661,375	-
	Trust Bank Limited	-	-	2,500,000	2,500,000
	Standard Chartered Bank	-	-	32,000,000	24,000,000
		10,240,000,000	12,290,000,000	10,292,161,375	12,316,500,000
		12,496,696,308	**12,676,746,983**	**13,670,184,483**	**13,631,778,315**
4(b)	**Outside Bangladesh**	-	-	-	-
	Total balance	**12,496,696,308**	**12,676,746,983**	**13,670,184,483**	**13,631,778,315**
4.1	**Maturity grouping of balance with other banks and financial institutions:**				
	Payable on demand	(547,714,326)	(648,405,637)	573,612,474	280,125,695
	Up to 1 month	4,894,410,634	4,485,152,620	4,906,819,405	4,502,152,620
	Over 1 month but not more than 3 months	6,400,000,000	7,440,000,000	6,407,000,000	7,447,000,000
	Over 3 months but not more than 6 months	1,750,000,000	1,400,000,000	1,755,252,604	1,400,000,000
	Over 6 months but not more than 1 year	-	-	27,500,000	2,500,000
	Over 1 year but not more than 5 years	-	-	-	-
	Over 5 years	-	-	-	-
		12,496,696,308	**12,676,746,983**	**13,670,184,483**	**13,631,778,315**
5	**Money at call and short notice**	-	-	-	-
		-	-	-	-
6	**Investments**				
	Government securities				
	Treasury bill	-	-	-	-
	National Investment bonds	-	-	-	-
	Bangladesh Bank bill	-	-	-	-

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
Government notes/bonds		-	-	-	-
Prize bonds		-	-	-	-
Others		-	-	-	-
		-	-	-	-
Other investments					
Investment in non marketable ordinary shares	(Note 6.1)	7,864,000	7,864,000	107,864,000	7,864,000
Investment in debenture and bonds	(Note 6.2)	420,000,000	774,750,000	738,434,071	952,536,324
Investment in marketable securities	(Note 6.3)	2,165,007,764	2,230,598,864	6,254,179,436	6,762,348,868
Investment in open end mutual fund	(Note 6.4)	200,000,000	200,000,000	200,000,000	200,000,000
Other investments		-	-	-	-
Gold etc.		-	-	-	-
		2,792,871,764	3,213,212,864	7,300,477,507	7,922,749,192
		2,792,871,764	**3,213,212,864**	**7,300,477,507**	**7,922,749,192**

6.1 Investment in non marketable ordinary shares

	No. of Shares				
Credit Rating Agency of Bangladesh Limited	17,198	1,719,800	1,719,800	1,719,800	1,719,800
* The Bangladesh Rating Agency Limited (BDRAL)	61,442	6,144,200	6,144,200	6,144,200	6,144,200
Jayson Pharmaceuticals Limited	-	-	-	100,000,000	-
		7,864,000	**7,864,000**	**107,864,000**	**7,864,000**

* Previously the name was Dan & Bradstreet Rating Agency Bangladesh Limited

6.2 Investment in bonds

Mercantile Bank Limited	180,000,000	240,000,000	180,000,000	240,000,000
The City Bank Limited	-	234,750,000	-	234,750,000
United Commercial Bank Limited	240,000,000	300,000,000	240,000,000	300,000,000
Paramount Textile Limited	-	-	155,366,353	-
Impress-Newtex Composite Textile Limited	-	-	163,067,718	177,786,324
Total	**420,000,000**	**774,750,000**	**738,434,071**	**952,536,324**

6.3 Investment in marketable securities

Investment in marketable securities (Note 6.3.1)	2,164,334,034	2,230,598,864	6,251,214,676	6,762,348,868
Investment in Initial Public Offering (Note 6.3.2)	673,730	-	2,964,760	-
	2,165,007,764	**2,230,598,864**	**6,254,179,436**	**6,762,348,868**

6.3.1 Investment in marketable securities

Details of marketable securities are given below:

Business Segments	IDLC Finance Limited		IDLC Group	
	Cost price	Market price at the end of the year	Cost price	Market price at the end of the year
	BDT	BDT	BDT	BDT
Mutual Funds	65,047,280	49,424,293	111,868,701	82,570,203
Banks	811,777,588	755,399,495	1,859,301,277	1,698,891,831
Textiles	174,260	649,727	797,904	3,112,488
Pharmaceuticals & Chemicals	94,606	285,865	126,625,002	110,585,907
Fuel & Power	248,633,386	232,781,498	693,548,344	625,183,366
Financial Institutions	9,999,990	9,999,990	10,139,376	10,139,882
Telecom	385,727,689	321,596,126	1,242,080,287	1,095,983,128
Food & Allied	-	-	17,069,331	17,673,083
Cement	-	-	673,406,309	655,144,254
Engineering & Others	642,879,235	627,475,133	1,516,378,145	1,452,932,183
	2,164,334,034	**1,997,612,126**	**6,251,214,676**	**5,752,216,325**

All investments in marketable securities are valued on an aggregate portfolio basis, at cost value, at the balance sheet date.

Market price for securities not listed as on reporting date, has been shown at cost for calculation purpose.

As on 31 December 2018 there was BDT 498,998,351 gross loss on consolidated investment in marketable securities and BDT 166,721,908 gross loss on investment by IDLC Finance Limited in marketable securities.

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
6.3.2 Investment in Initial Public Offering	**673,730**	**-**	**2,964,760**	**-**

6.4 Investment in open end mutual fund

IDLC Finance Limited (IDLC FL) invested BDT 200,000,000 as the sponsor in open-ended mutual fund. IDLC Asset Management Limited (IDLC AML) is the fund manger of this mutual fund. The objective of the fund is to provide attractive risk adjusted returns to the unit holders by investing the proceeds in the Capital Market and Money Market.

6.5 Maturity grouping of investments

On demand	-	-	-	-
Up to 1 month	216,500,776	243,846,287	2,425,150,033	601,246,494
Over 1 month but not more than 3 months	1,948,506,988	2,186,752,577	3,831,029,537	5,395,490,444
Over 3 months but not more than 6 months	60,000,000	60,000,000	145,524,491	147,940,697
Over 6 months but not more than 1 year	60,000,000	138,250,000	82,056,922	340,880,023
Over 1 year but not more than 5 years	500,000,000	576,500,000	808,852,524	1,421,463,534
Over 5 years	7,864,000	7,864,000	7,864,000	15,728,000
	2,792,871,764	**3,213,212,864**	**7,300,477,507**	**7,922,749,192**

7 Loans and advances

Inside Bangladesh:

Lease receivable	(Note-7.1)	4,276,868,347	4,628,820,564	4,276,868,347	4,628,820,564
Long-term finance	(Note-7.2)	48,640,216,228	39,242,839,011	48,640,216,228	39,242,839,011
Real estate finance	(Note-7.3)	25,131,391,869	21,461,517,186	25,131,391,869	21,461,517,186
Car loans	(Note-7.4)	1,409,802,577	1,858,522,855	1,409,802,577	1,858,522,855

			IDLC Finance Limited		IDLC Group	
			2018	2017	2018	2017
			BDT	BDT	BDT	BDT
	Personal loan	(Note-7.5)	147,936,414	92,857,372	147,936,414	92,857,372
	Short term finance	(Note-7.6)	905,551,197	777,721,688	905,551,197	777,721,688
	Loan to subsidiaries	(Note-7.7)	-	1,230,349,692	-	-
	Loan against deposit (LAD)		757,756,771	415,164,763	757,756,771	415,164,763
	Margin loan to portfolio investors	(Note-7.8)	-	-	1,524,672,544	2,063,263,811
	Interest receivable	(Note-7.9)	1,140,084,071	957,840,785	1,140,084,071	957,840,785
			82,409,607,473	70,665,633,916	83,934,280,017	71,498,548,035
	Outside Bangladesh		-	-	-	-
			82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**
7.1	**Lease receivable**					
	Balance at 01 January		4,628,820,564	4,949,942,229	4,628,820,564	4,949,942,229
	Add: Addition during the year		1,589,662,430	1,708,529,716	1,589,662,430	1,708,529,716
			6,218,482,994	6,658,471,945	6,218,482,994	6,658,471,945
	Less: Realisation during the year		1,941,614,647	2,029,651,381	1,941,614,647	2,029,651,381
	Balance at 31 December		**4,276,868,347**	**4,628,820,564**	**4,276,868,347**	**4,628,820,564**
7.1a	**Lease receivable**					
	Gross lease receivable		5,179,625,886	5,438,756,145	5,179,625,886	5,438,756,145
	Less: Unearned lease income		902,757,539	809,935,581	902,757,539	809,935,581
	Lease receivable		**4,276,868,347**	**4,628,820,564**	**4,276,868,347**	**4,628,820,564**

		2018		2017	
		BDT	% of total	BDT	% of total
7.1.1	**Aging analysis of lease receivable**				
	Up to one year	1,689,119,293	39.49	1,918,986,448	41.46
	Above one year to three years	1,971,227,095	46.09	2,118,808,251	45.77
	Above three years to five years	611,379,071	14.30	582,539,749	12.59
	More than five years	5,142,888	0.12	8,486,116	0.18
		4,276,868,347	**100.00**	**4,628,820,564**	**100.00**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
7.2	**Long-term finance**				
	Balance at 01 January	39,242,839,011	33,044,382,500	39,242,839,011	33,044,382,500
	Add: Disbursement during the year	31,209,698,141	26,025,645,752	31,209,698,141	26,025,645,752
		70,452,537,152	59,070,028,252	70,452,537,152	59,070,028,252
	Less: Realisation during the year	21,812,320,924	19,827,189,241	21,812,320,924	19,827,189,241
	Balance at 31 December	**48,640,216,228**	**39,242,839,011**	**48,640,216,228**	**39,242,839,011**
7.3	**Real estate finance**				
	This represents loans to individuals, employees under the Company's real estate loan scheme and corporate bodies for purchase and construction of apartments and homes in urban areas for periods ranging from 5 to 20 years.				
	Balance at 01 January	21,461,517,186	18,108,222,920	21,461,517,186	18,108,222,920
	Add : Disbursement during the year	7,382,569,786	8,096,148,345	7,382,569,786	8,096,148,345
		28,844,086,972	26,204,371,265	28,844,086,972	26,204,371,265
	Less : Realisation during the year	3,712,695,103	4,742,854,079	3,712,695,103	4,742,854,079
	Balance at 31 December	**25,131,391,869**	**21,461,517,186**	**25,131,391,869**	**21,461,517,186**

		2018		2017	
		BDT	% of total	BDT	% of total
7.3.1	**Aging analysis of real estate finance**				
	Up to one year	2,242,491,145	8.92	2,210,261,219	10.30
	Above one year to three years	4,280,158,323	17.03	4,276,997,252	19.93
	Above three years to five years	4,245,154,066	16.89	4,143,035,544	19.30
	More than five years	14,363,588,335	57.15	10,831,223,171	50.47
		25,131,391,869	**100.00**	**21,461,517,186**	**100.00**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
7.4	**Car loans**				
	Balance at 01 January	1,858,522,855	2,369,827,680	1,858,522,855	2,369,827,680
	Add : Disbursement during the year	361,691,440	455,177,855	361,691,440	455,177,855
		2,220,214,295	2,825,005,535	2,220,214,295	2,825,005,535
	Less : Realisation during the year	810,411,718	966,482,680	810,411,718	966,482,680
	Balance at 31 December	**1,409,802,577**	**1,858,522,855**	**1,409,802,577**	**1,858,522,855**
7.5	**Personal loan**				
	Balance at 01 January	92,857,372	87,957,182	92,857,372	87,957,182
	Add : Disbursement during the year	94,760,641	47,387,733	94,760,641	47,387,733
		187,618,013	135,344,915	187,618,013	135,344,915
	Less : Realisation during the year	39,681,599	42,487,543	39,681,599	42,487,543
	Balance at 31 December	**147,936,414**	**92,857,372**	**147,936,414**	**92,857,372**
7.6	**Short term finance**				
	Factoring of account receivable	**905,551,197**	**777,721,688**	**905,551,197**	**777,721,688**
7.7	**Loan to Subsidiaries**				
	Balance at 01 January	1,230,349,692	260,800,000	-	-
	Add : Disbursement during the year	8,413,400,000	11,593,399,692	-	-
		9,643,749,692	11,854,199,692	-	-
	Less : Realisation during the year	9,643,749,692	10,623,850,000	-	-
	Balance at 31 December	**-**	**1,230,349,692**	**-**	**-**
7.7.1	**Loan to IDLC Investments Limited**				
	Balance at 01 January	1,230,349,692	260,800,000	-	-
	Add : Disbursement during the year	5,738,400,000	10,098,399,692	-	-
		6,968,749,692	10,359,199,692	-	-
	Less : Realisation during the year	6,968,749,692	9,128,850,000	-	-
	Balance at 31 December	**-**	**1,230,349,692**	**-**	**-**
7.7.2	**Loan to IDLC Securities Limited**				
	Balance at 01 January	-	-	-	-
	Add : Disbursement during the year	2,675,000,000	1,495,000,000	-	-
		2,675,000,000	1,495,000,000	-	-
	Less : Realisation during the year	2,675,000,000	1,495,000,000	-	-
	Balance at 31 December	**-**	**-**	**-**	**-**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
7.8	**Margin loan to portfolio investors**				
	Balance at 01 January	-	-	2,063,263,811	1,341,971,074
	Add : Disbursement during the year	-	-	2,872,174,251	7,265,731,928
		-	-	4,935,438,062	8,607,703,002
	Less : Realisation during the year	-	-	3,410,765,518	6,544,439,191
	Balance at 31 December	**-**	**-**	**1,524,672,544**	**2,063,263,811**

Margin loan to portfolio investors are provided by the subsidiaries of the Company as part of their normal business activities and the Group considers this as having similar characteristics of retail/personal lending. Based on detailed review, the Group note that shortfall, if any on individual client's portfolio and margin lending exposure are temporary in nature and any potential shortfall is expected to be recouped in near future. Moreover, the Group has also continuing its recovery efforts by requesting those clients to bring in additional fund to cover shortfall. Nevertheless, the Group is closely monitoring this matter and if it become obvious that additional provision is required it shall be provided for in due course.

7.9	**Interest Receivables**				
	Lease receivable	77,832,232	113,515,497	77,832,232	113,515,497
	Long-term finance	676,210,534	511,476,489	676,210,534	511,476,489
	Real estate finance	320,225,059	269,372,331	320,225,059	269,372,331
	Car loan	13,329,194	17,799,917	13,329,194	17,799,917
	Personal loan	1,793,519	1,913,680	1,793,519	1,913,680
	Loan against deposit (LAD)	40,490,071	34,730,266	40,490,071	34,730,266
	Short term finance	10,203,462	9,032,605	10,203,462	9,032,605
		1,140,084,071	**957,840,785**	**1,140,084,071**	**957,840,785**
7.10	**Net loans, advances and leases**				
	Gross performing loans, advances and leases (Note-7)	82,409,607,473	70,665,633,916	83,934,280,017	71,498,548,035
	Less:				
	Interest suspense (Note-12.5)	351,271,406	396,051,369	351,271,406	396,051,369
	Provision for loans and advances/investments (Note-12.6 (i))	1,248,174,229	1,105,347,063	1,318,975,417	1,145,270,344
		1,599,445,635	1,501,398,432	1,670,246,823	1,541,321,713
		80,810,161,838	**69,164,235,484**	**82,264,033,194**	**69,957,226,322**
7.11	**Residual maturity grouping of loans, advances and leases**				
	Repayable on demand	6,548,677,294	6,370,297,692	6,548,677,294	6,370,297,692
	Over 1 month but not more than 3 months	5,632,617,612	4,279,556,642	5,632,617,612	4,279,556,642
	Over 3 months but not more than 1 year	17,664,527,129	15,329,541,777	19,189,199,673	16,162,455,896
	Over 1 year but not more than 5 years	36,188,068,883	32,330,656,107	36,188,068,883	32,330,656,107
	Over 5 years	16,375,716,555	12,355,581,698	16,375,716,555	12,355,581,698
		82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**
7.12	**Loans, advances and leases on the basis of significant concentration**				
	a) Loans, advances and lease to the institutions in which Directors have interest	1,915,239	5,542,279	1,915,239	5,542,279
	b) Loans, advances and lease to Chief Executive and other senior executives	26,314,578	29,607,918	26,314,578	29,607,918
	c) Loans, advances and lease to customer groups:				
	i) Real estate finance	24,789,745,569	21,039,978,039	24,789,745,569	21,039,978,039
	ii) Car loan	1,423,131,770	1,874,864,482	1,423,131,770	1,874,864,482
	iii) Personal loan	128,047,324	74,622,789	128,047,324	74,622,789
	iv) Loan against deposit (LAD)	798,246,842	449,895,029	798,246,842	449,895,029
	v) Small and medium enterprises	33,220,931,682	29,042,919,423	33,220,931,682	29,042,919,423

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
vi) Special program loan (BB refinancing scheme)	1,915,626,645	2,320,105,027	1,915,626,645	2,320,105,027
vii) Staff loan	207,692,419	168,553,962	207,692,419	168,553,962
viii) Industrial loans, advances and leases (Note- 7.12 (d))	19,897,955,405	14,429,195,276	19,897,955,405	14,429,195,276
ix) Other loans and advances	-	1,230,349,692	1,524,672,544	2,063,263,811
	82,381,377,656	70,630,483,719	83,906,050,200	71,463,397,838
	82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**
d) Details of Industrial loans, advances and leases				
i) Agricultural industries	1,427,569,484	1,156,782,868	1,427,569,484	1,156,782,868
ii) Textiles, Apparels & Accessories	5,392,694,525	3,745,717,889	5,392,694,525	3,745,717,889
iii) Food and beverage	1,188,892,233	717,318,604	1,188,892,233	717,318,604
iv) Pharmaceuticals	790,035,707	729,915,255	790,035,707	729,915,255
v) Leather & leather products, chemicals	39,806,010	3,740,188	39,806,010	3,740,188
vi) Power, energy & engineering	3,149,571,491	2,198,318,968	3,149,571,491	2,198,318,968
vii) Real estate & Home appliances, cement, ceramics	1,959,399,082	1,164,505,726	1,959,399,082	1,164,505,726
viii) IT & services	4,054,299,798	3,758,318,657	4,054,299,798	3,758,318,657
ix) Transportation	844,773,812	342,441,376	844,773,812	342,441,376
x) Other industries	1,050,913,263	612,135,745	1,050,913,263	612,135,745
	19,897,955,405	**14,429,195,276**	**19,897,955,405**	**14,429,195,276**
7.13 Loans, advances and leases -geographical location-wise				
Inside Bangladesh:				
Dhaka	58,503,548,731	50,230,348,898	60,028,221,275	51,063,263,017
Chattogram	5,897,230,040	5,772,257,573	5,897,230,040	5,772,257,573
Bogura	1,905,776,173	2,004,857,286	1,905,776,173	2,004,857,286
Sylhet	1,407,478,566	1,299,497,044	1,407,478,566	1,299,497,044
Savar	2,544,336,902	1,937,591,290	2,544,336,902	1,937,591,290
Cumilla	1,589,100,828	1,615,463,040	1,589,100,828	1,615,463,040
Jashore	1,907,053,650	1,651,275,716	1,907,053,650	1,651,275,716
Narsingdi	740,341,900	739,423,482	740,341,900	739,423,482
Bhulta	535,258,224	499,044,383	535,258,224	499,044,383
Khulna	1,003,320,505	863,910,501	1,003,320,505	863,910,501
Natore	634,362,043	624,204,671	634,362,043	624,204,671
Kushtia	1,297,104,904	965,613,975	1,297,104,904	965,613,975
Habiganj	953,210,431	731,315,279	953,210,431	731,315,279
Mymesingh	843,836,850	680,673,141	843,836,850	680,673,141
Rangpur	1,014,371,145	673,507,323	1,014,371,145	673,507,323
Chowmuhani	605,674,751	149,937,776	605,674,751	149,937,776
Barishal	266,682,427	65,289,333	266,682,427	65,289,333
Rajshahi	310,920,849	98,427,269	310,920,849	98,427,269
Faridpur	449,998,554	62,995,936	449,998,554	62,995,936
	82,409,607,473	70,665,633,916	83,934,280,017	71,498,548,035
Outside Bangladesh:	-	-	-	-
	82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT

7.14 Details of large loan/investments

There were no clients with outstanding amount and classified loans/investments exceeding 15% of total capital of the financial institution. Total capital of the financial institution was BDT 11,028.59 million as at 31 December 2018 (BDT 10,569.10 million in 2017).

7.15 Particulars of loans, advances and leases

i) Loans, advances and leases considered good in respect of which the financial institution is fully secured	10,087,200,665	11,968,539,208	11,611,873,209	12,801,453,326
ii) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors' personal guarantee	3,919,970,937	4,062,553,626	3,919,970,937	4,062,553,626
iii) Loans, advances and leases considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	68,402,435,871	54,634,541,083	68,402,435,871	54,634,541,083
	82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**
iv) Loans, advances and leases adversely classified; provision not maintained there against	-	-	-	-
v) Loans, advances and leases due by directors or officers of the financial institution or any of them either separately or jointly with any other persons [Note-7.12 (b) & (c) (vii)]	234,006,997	198,161,880	234,006,997	198,161,880
vi) Loans, advances and leases due from companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in case of private companies, as members	1,915,239	5,542,279	1,915,239	5,542,279
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 separately or jointly with any other person	234,006,997	198,161,880	234,006,997	198,161,880
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in the case of private companies, as member	1,915,239	5,542,279	1,915,239	5,542,279
ix) Due from bank and financial institutions	1,313,323,157	1,722,520,583	1,313,323,157	1,722,520,583
x) Classified loans, advances and leases				
a) Classified loans, advances and leases on which interest has not been charged (Note-7.16)	1,813,924,860	1,954,376,108	1,813,924,860	2,283,703,116
b) Provision required for the year	571,269,530	397,524,787	639,905,591	402,169,728
Provision released during the year	(205,135,012)	(169,358,827)	(242,893,167)	(169,358,827)
Total provisions charged during the year	366,134,518	228,165,960	397,012,424	232,810,901
c) Amount of written off loans, advances and leases	223,307,352	203,975,835	223,307,352	203,975,835
Total amount realised against loans and leases previously written off	44,219,017	20,260,467	44,219,017	20,260,467

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
d) Provision kept against loans and advances classified as bad debts	314,624,406	489,377,162	314,624,406	489,377,162
e) Interest credited to Interest Suspense Account (Note-12.5)	351,271,406	396,051,369	351,271,406	396,051,369
xi) Cumulative amount of written off loans, advances and leases				
Balance at 01 January	946,103,233	742,127,398	946,103,233	742,127,398
Amount written off during the year	223,307,352	203,975,835	223,307,352	203,975,835
	1,169,410,585	946,103,233	1,169,410,585	946,103,233
The amount of written off loans, advances and leases for which law suits have been filed	2,305,689,606	1,916,638,713	2,305,689,606	1,916,638,713

7.16 Classification of loans, advances and leases

Unclassified				
Standard including staff loan	79,403,804,931	67,800,162,979	80,928,477,475	68,303,750,090
Special Mention Account (SMA)	1,191,877,682	911,094,829	1,191,877,682	911,094,829
	80,595,682,613	68,711,257,808	82,120,355,157	69,214,844,919
Classified				
Sub-standard	445,572,337	291,087,794	445,572,337	620,414,802
Doubtful	343,558,708	217,098,520	343,558,708	217,098,520
Bad/Loss	1,024,793,815	1,446,189,794	1,024,793,815	1,446,189,794
	1,813,924,860	1,954,376,108	1,813,924,860	2,283,703,116
	82,409,607,473	**70,665,633,916**	**83,934,280,017**	**71,498,548,035**

7.17 Particulars of required provision for loans, advances and leases

Status	Base for provision	Rate (%)				
General Provision						
Loans and leases (Excluding SMA)	50,879,667,349	1.00%	508,796,673	422,516,871	510,961,800	427,182,032
Loans and leases SME-STD (Excluding SMA)	28,524,137,582	0.25%	71,310,344	63,871,189	71,310,344	63,871,189
Special Mention Account (SMA)	1,117,267,476	5.00%	55,863,374	42,654,421	55,863,374	42,654,421
			635,970,391	529,042,481	638,135,518	533,707,642

Status	Base for provision	Rate (%)				
Specific provision						
Sub-standard	299,982,831	20%	59,996,566	32,715,892	59,996,566	67,974,012
Doubtful	168,811,890	50%	84,405,945	54,211,528	84,405,945	54,211,528
Bad/ Loss	314,624,406	100%	314,624,406	489,377,162	314,624,406	489,377,162
			459,026,917	576,304,582	459,026,917	611,562,702
Required provision for loans, advances and leases			1,094,997,308	1,105,347,063	1,097,162,435	1,145,270,344
Required provision for diminution in value of investments			153,176,921	-	221,812,982	-
Total provision required			1,248,174,229	1,105,347,063	1,318,975,417	1,145,270,344
Total provision maintained (Note - 12.6 (i))			1,248,174,229	1,105,347,063	1,318,975,417	1,145,270,344
Excess/(short) provision at 31 December			-	-	-	-

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
8	**Fixed assets including land, building, furniture and fixtures**				
	a. Cost				
	Balance at 01 January	1,302,771,783	1,205,376,097	1,502,935,732	1,376,871,985
	Addition during the year	47,724,871	151,047,125	56,508,623	187,993,259
		1,350,496,653	1,356,423,222	1,559,444,355	1,564,865,244
	Disposal/Adjustments during the year	(48,060,112)	(53,651,439)	(51,280,763)	(61,929,512)
	Balance at 31 December	1,302,436,541	1,302,771,783	1,508,163,591	1,502,935,732
	b. Accumulated depreciation				
	Balance at 01 January	705,515,711	598,463,488	840,143,807	722,598,634
	Charged during the year	137,598,412	145,839,286	158,725,831	164,225,017
		843,114,123	744,302,774	998,869,638	886,823,651
	Disposal/Adjustments during the year	(39,812,705)	(38,787,063)	(42,731,993)	(46,679,844)
	Balance at 31 December	803,301,418	705,515,711	956,137,645	840,143,807
	c. Written down value (a-b)	**499,135,123**	**597,256,072**	**552,025,946**	**662,791,925**

A schedule of fixed assets including land, building, furniture and fixtures is given in Annexure-A

9.	**Other assets**				
	Investment in subsidiary companies	(Note-9.1)	3,949,999,790	3,949,999,790	-	-
	Accounts receivable	(Note-9.2)	243,987,618	182,287,683	845,806,562	578,936,375
	Advances, deposits and prepayments	(Note-9.3)	193,401,514	213,723,589	215,268,866	236,588,461
	Deferred tax asset	(Note-9.4)	30,724,949	16,109,252	67,344,846	40,762,419
	Investment in stock exchanges	(Note-9.5)	-	-	14,869,750	18,676,000
			4,418,113,871	**4,362,120,314**	**1,143,290,024**	**874,963,255**
9.1	**Investment in subsidiary companies**					
	IDLC Securities Limited	(Note-9.1.1)	1,649,999,900	1,649,999,900	-	-
	IDLC Investments Limited	(Note-9.1.2)	2,199,999,900	2,199,999,900	-	-
	IDLC Asset Management Limited	(Note-9.1.3)	99,999,990	99,999,990	-	
			3,949,999,790	**3,949,999,790**	**-**	**-**

9.1.1 Out of the total of 20,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 19,999,992 (including bonus shares issued in 2008, 2009 and 2010) ordinary shares of BDT 100 each.

9.1.2 Out of the total of 22,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 21,999,999 ordinary shares of BDT 100 each.

9.1.3 Out of the total of 10,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 9,999,999 ordinary shares of BDT 10 each.

9.2	**Accounts receivable**				
	Interest receivable	(Note-9.2.1)	171,293,681	140,307,327	172,088,157	140,529,869
	Other receivables	(Note-9.2.2)	72,693,937	41,980,357	673,718,405	438,406,507
			243,987,618	**182,287,683**	**845,806,562**	**578,936,375**
9.2.1	**Interest receivable**					
	Interest receivable, Fixed deposit		149,025,347	121,666,250	149,819,823	121,888,792
	Receivable from Investment in bonds		22,268,333	18,641,077	22,268,333	18,641,077
			171,293,681	**140,307,327**	**172,088,157**	**140,529,869**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
9.2.2	**Other receivables**				
	Accrued other income	25,662,064	32,403,180	25,662,064	32,403,180
	Other receivable	47,031,873	9,577,177	648,056,341	406,003,327
		72,693,937	**41,980,357**	**673,718,405**	**438,406,507**
9.3	**Advances, deposits and prepayments**				
	Deposits and prepayments	8,111,772	7,957,426	8,742,785	8,620,606
	Advance against expenses	185,289,742	205,766,163	206,526,081	227,967,855
		193,401,514	**213,723,589**	**215,268,866**	**236,588,461**

Advances, deposits and prepayments are considered good but not secured by collateral.

9.4 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 liability is arrived at as follows:

2018

Assets (excluding land):

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	BDT	BDT	BDT	BDT	BDT	BDT
Fixed assets net of depreciation as on 31 December 2018 (IDLC AML)	-	-	-	11,348,992	9,817,499	(1,531,493)
Total	**-**	**-**	**-**	**11,348,992**	**9,817,499**	**(1,531,493)**

2017

Assets (excluding land):

Fixed assets net of depreciation as on 31 December 2017 (IDLC AML)	-	-	-	11,697,280	10,238,854	(1,458,426)
Total	**-**	**-**	**-**	**11,697,280**	**10,238,854**	**(1,458,426)**
Applicable tax rate for IDLC FL (2017: 40%, 2018: 37.5%)			37.50%			-
Applicable tax rate for IDLC AML			-			35.00%
Deferred tax liability as on 31 December 2018			-			(536,023)
Deferred tax liability as on 31 December 2017			-			(510,449)
Deferred tax (expenses)/ income accounted for during the year			-			(25,573)

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	BDT	BDT	BDT	BDT	BDT	BDT
Deferred tax asset is arrived at as follows:						
2018						
Assets (excluding land):						
Fixed assets net of depreciation as on 31 December 2018 (IDLC FL)	472,176,653	542,662,941	70,486,287	-	-	-
*Difference for vehicle	(11,446,911)	-	11,446,911	-	-	-
Fixed assets net of depreciation as on 31 December 2018 (IDLC SL)	-	-	-	27,736,205	48,946,378	21,210,173
Fixed assets net of depreciation as on 31 December 2018 (IDLC IL)	-	-	-	13,008,583	22,929,921	9,921,338
Total	**460,729,743**	**542,662,941**	**81,933,198**	**40,744,788**	**71,876,299**	**31,131,511**
Liabilities:						
Employee gratuity as on 31 December 2018 (IDLC SL)	-	-	-	32,087,130	-	32,087,130
Employee gratuity as on 31 December 2018 (IDLC IL)	-	-	-	14,424,395	-	14,424,395
Total	-	-	-	**46,511,525**	-	**46,511,525**
Loss on sale of secondary shares (IDLC IL)	-	-	-	88,361,906	-	88,361,906
Total	-	-	-	**88,361,906**	-	**88,361,906**
	-					
Grand Total	-	-	-	**134,873,431**	-	**134,873,431**
2017						
Assets (excluding land):						
Fixed assets net of depreciation as on 31 December 2017 (IDLC FL)	570,297,602	609,810,828	39,513,226	-	-	-
* Difference for vehicle	(759,904)	-	759,904	-	-	-
Fixed assets net of depreciation as on 31 December 2017 (IDLC SL)	-	-	-	36,018,198	54,834,699	18,816,501
Fixed assets net of depreciation as on 31 December 2017 (IDLC IL)	-	-	-	17,756,828	25,729,052	7,972,224
Total	**569,537,698**	**609,810,828**	**40,273,130**	**53,775,026**	**80,563,751**	**26,788,725**
Liabilities:						
Employee gratuity as on 31 December 2017 (IDLC SL)	-	-	-	27,071,908	-	27,071,908
Employee gratuity as on 31 December 2017 (IDLC IL)	-	-	-	11,550,577	-	11,550,577
Employee gratuity as on 31 December 2017 (IDLC AML)	-	-	-	3,631,925	-	3,631,925
Total	-	-	-	**42,254,410**	-	**42,254,410**

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	BDT	BDT	BDT	BDT	BDT	BDT
Applicable tax rate for IDLC Finance Limited (2017: 40.00%, 2018: 37.5%)			37.50%			-
Applicable tax rate for IDLC Securities Limited			-			35.00%
Applicable tax rate for IDLC Investments Limited			-			37.50%
Applicable tax rate for IDLC Asset Management Limited			-			35.00%
Applicable tax rate for loss on sale of secondary shares			10.00%			10.00%
Deferred tax asset as on 31 December 2018			30,724,949			36,619,897
Deferred tax asset as on 31 December 2017			16,109,252			24,653,167
Deferred tax (expenses)/ income accounted for during the year			14,615,697			11,966,730
Net deferred tax (expense)/income			**14,615,697**			**11,941,156**

2018: Consolidated deferred tax income was BDT 26,556,853, which includes BDT 14,615,697 for deferred tax income of IDLC Finance Limited, BDT 2,593,113 for deferred tax income of IDLC Securities Limited, BDT 10,644,790 for deferred tax income of IDLC Investments Limited and BDT 1,296,747 for deferred tax expense of IDLC Asset Management Limited.

2017: Consolidated deferred tax income was BDT 13,454,473, which includes BDT 8,519,052 for deferred tax income of IDLC Finance Limited, BDT 3,204,526 for deferred tax income of IDLC Securities Limited, BDT 1,876,182 for deferred tax income of IDLC Investments Limited and BDT 145,287 for deferred tax expense of IDLC Asset Management Limited.

* This represents the permanent difference related to sedan cars, not plying for hire, owned by IDLC. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently BDT 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
9.5	**Investment in stock exchanges**				
	DSE membership at cost	-	-	11,418,750	15,225,000
	CSE membership at cost	-	-	3,451,000	3,451,000
		-	**-**	**14,869,750**	**18,676,000**

IDLC Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges.

Stock Exchange	Type of Shares	Number of Shares	Face Value
Dhaka Stock Exchange Limited	Floated (53.33%)	2,886,042	10
	Blocked (46.67%)	2,525,287	10
		5,411,329	
Chittagong Stock Exchange Limited	Floated (40%)	1,714,932	10
	Blocked (60%)	2,572,398	10
		4,287,330	

Valuation of membership has been shown at cost in the accounts.

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
10.	**Borrowings from other banks, financial institutions**				
	Inside Bangladesh (Note- 10.1)	12,246,240,919	11,230,359,336	12,496,240,919	11,400,359,336
	Outside Bangladesh	-	-	-	-
		12,246,240,919	**11,230,359,336**	**12,496,240,919**	**11,400,359,336**
10.1	**Inside Bangladesh**				
	Secured loans				
	Secured long term loans				
	Woori Bank	93,333,333	213,333,333	93,333,333	213,333,333
	Total secured long-term loans	93,333,333	213,333,333	93,333,333	213,333,333
	Secured short Term Loan				
	Citi Bank N.A.	560,000,000	400,000,000	560,000,000	400,000,000
	Bank Alfalah Limited	-	200,000,000	-	200,000,000
	Standard Chartered Bank	2,500,000,000	1,550,000,000	2,750,000,000	1,720,000,000
	Commercial Bank of Ceylon Plc	535,000,000	535,000,000	535,000,000	535,000,000
	Total secured short term loan	3,595,000,000	2,685,000,000	3,845,000,000	2,855,000,000
	Total secured loans	**3,688,333,333**	**2,898,333,333**	**3,938,333,333**	**3,068,333,334**
	Unsecured loans				
	Zero Coupon Bond				
	A. K. Khan & Company Limited	221,932,710	325,316,491	221,932,710	325,316,491
	Universal Jeans Limited	176,137,072	258,187,691	176,137,072	258,187,691
	Grameen Telecom Trust	109,204,984	160,076,369	109,204,984	160,076,369
	Square Pharmaceuticals Limited	88,068,536	129,093,846	88,068,536	129,093,846
	Pragati Life Insurance Limited	17,613,707	25,818,769	17,613,707	25,818,769
	BETS Consulting Services Limited	17,613,707	25,818,769	17,613,707	25,818,769
	Dr. Abdus Shabur	3,522,741	5,163,754	3,522,741	5,163,754
	Bangla Telecom Limited	22,405,003	31,124,005	22,405,003	31,124,005
	Bangladesh Infrastructure Finance Fund Limited	224,050,028	311,240,055	224,050,028	311,240,055
	Delsey Cotton Spinning Mills Ltd.	44,810,006	62,248,011	44,810,006	62,248,011
		925,358,494	1,334,087,760	925,358,494	1,334,087,760
	Unsecured Long-term loans				
	Kreditanstalt fÜr Wiederaufbau (KfW)	71,318,636	81,275,994	71,318,636	81,275,994
	Bangladesh Bank (JICA-FDI Fund)	80,000,000	-	80,000,000	-
	Bangladesh Bank (BB Fund-Small Enterprise Refinancing Program)	23,086,110	33,785,833	23,086,110	33,785,833
	Bangladesh Bank (Women-Small Enterprise Refinancing Program)	1,491,262,084	2,312,457,441	1,491,262,084	2,312,457,441
	Bangladesh Bank (ADB Fund-Small Enterprise Refinancing Program)	-	24,478,125	-	24,478,125
	Bangladesh Bank (New Entrepreneur Refinancing Scheme)	36,618,976	101,998,846	36,618,976	101,998,846
	Bangladesh Bank (Home Loan Refinancing Program)	511,290,606	570,052,125	511,290,606	570,052,125
	Bangladesh Bank (Agro Loan Refinancing Program)	745,184,154	1,243,407,764	745,184,154	1,243,407,764

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
Bangladesh Bank (JICA Refinancing Program)	341,717,392	564,763,035	341,717,392	564,763,035
SME Foundation	73,450,000	30,000,000	73,450,000	30,000,000
FMO	-	310,720,000	-	310,720,000
Investment Promotion & Financing Facilities (IPFF)	576,593,459	602,458,911	576,593,459	602,458,911
Bangladesh Bank Solar Bio Gas & ETP Scheme	232,813,652	2,916,668	232,813,652	2,916,668
Bangladesh Bank Milk Production Scheme	5,400,000	3,400,000	5,400,000	3,400,000
Bangladesh Bank (SMEDP 2)	300,700,000	-	300,700,000	-
Saudi Bangladesh Industrial & Agricultural Investment Company Limited	423,114,023	616,223,500	423,114,023	616,223,500
	4,912,549,092	6,497,938,242	4,912,549,092	6,497,938,242
Total unsecured long-term loan	**5,837,907,586**	**7,832,026,002**	**5,837,907,586**	**7,832,026,002**
Unsecured Short Term Loans				
Short-term loans				
One Bank Limited	-	500,000,000	-	500,000,000
National Credit & Commerce Bank Limited	500,000,000	-	500,000,000	-
South Bangla Agriculture and Commerce Bank Limited	550,000,000	-	550,000,000	-
	1,050,000,000	500,000,000	1,050,000,000	500,000,000
Call Loans				
Janata Bank Limited	160,000,000	-	160,000,000	-
United Finance Limited	50,000,000	-	50,000,000	-
Sonali Bank Limited	420,000,000	-	420,000,000	-
Southeast Bank Limited	390,000,000	-	390,000,000	-
National Credit & Commerce Bank Limited	150,000,000	-	150,000,000	-
Jamuna Bank Limited	300,000,000	-	300,000,000	-
Mutual Trust Bank Limited	200,000,000	-	200,000,000	-
	1,670,000,000	-	1,670,000,000	-
Total unsecured short-term loans	**2,720,000,000**	**500,000,000**	**2,720,000,000**	**500,000,000**
Total Borrowings	**12,246,240,919**	**11,230,359,336**	**12,496,240,919**	**11,400,359,336**

10.2 Security against borrowings from other banks and financial institutions

Secured	3,688,333,333	2,898,333,333	3,938,333,333	3,068,333,334
Unsecured	8,557,907,586	8,332,026,002	8,557,907,586	8,332,026,002
	12,246,240,919	**11,230,359,336**	**12,496,240,919**	**11,400,359,336**

Secured loans are covered by first equitable mortgage of all present and future immovable properties and by floating charges on movable assets of the Company ranking pari-passu among the lenders. The Company has a Pari Passu Security Sharing Agreement (PPSSA) among the secured lenders stipulating the procedure in the sharing of the security provided by the Company. Loans repayable within one year have been placed under current liabilities. Details of loans are as follows:

10.3 Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	-	-	-	-
Up to 1 month	4,401,845,130	1,605,519,521	4,651,845,130	1,775,519,521
Over 1 month but within 3 months	2,674,430,011	2,135,231,625	2,674,430,011	2,135,231,625
Over 3 months but within 1 year	1,651,199,377	2,854,049,599	1,651,199,377	2,854,049,599
Over 1 year but within 5 years	2,963,543,618	3,983,406,946	2,963,543,618	3,983,406,946
Over 5 years	555,222,783	652,151,645	555,222,783	652,151,645
	12,246,240,919	**11,230,359,336**	**12,496,240,919**	**11,400,359,336**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
11 Deposits and other accounts					
Current accounts and other accounts etc		-	-	-	-
Bills payable		-	-	-	-
Savings bank deposits		-	-	-	-
Term deposits	(Note-11.1)	71,338,071,965	60,538,332,988	70,257,701,507	59,853,619,702
Bearer certificate of deposits		-	-	-	-
Refundable deposits	(Note-11.2)	2,455,047,719	2,238,814,210	2,455,047,719	2,238,814,210
		73,793,119,684	**62,777,147,198**	**72,712,749,226**	**62,092,433,912**
11.1 Term deposits					
This represents deposits received from institutions and individuals for a period not less than three months.					
Balance at 01 January		60,538,332,988	47,563,668,197	59,853,619,702	47,474,930,697
Add: Deposits received during the year		41,936,331,303	35,652,152,030	41,936,331,303	35,652,152,030
		102,474,664,291	83,215,820,227	101,789,951,005	83,127,082,727
Less: Matured/encashed during the year		31,136,592,326	22,677,487,239	31,136,592,326	22,677,487,239
Inter-company deposit		-	-	395,657,172	595,975,786
Balance at 31 December		**71,338,071,965**	**60,538,332,988**	**70,257,701,507**	**59,853,619,702**
11.1.1 Rate of interest					
Rate of interest on term deposit receipts ranges from 6.65% to 11.10% (2017: 5.00% to 9.00%).					
11.2 Refundable deposits					
The Company takes deposits from the clients of lease and loan on signing of agreement, refundable at the end of the contract period. Balance at December 31 stands as under:					
Deposits against loan and lease rental		256,306,587	265,089,005	256,306,587	265,089,005
Deposits against financing as per term of agreements (Security deposits)		2,198,741,132	1,973,725,205	2,198,741,132	1,973,725,205
		2,455,047,719	**2,238,814,210**	**2,455,047,719**	**2,238,814,210**
Security deposits are interest bearing while deposits against loan and lease are non interest bearing.					
11.3 Group-wise break-up of deposits and other accounts					
Government		-	-	-	-
Bank		18,000,000,000	18,061,108,682	18,000,000,000	18,061,108,682
Other institutions		31,337,791,508	25,543,937,556	30,257,421,050	24,859,224,270
Individuals		24,455,328,176	19,172,100,960	24,455,328,176	19,172,100,960
		73,793,119,684	**62,777,147,198**	**72,712,749,226**	**62,092,433,912**
11.4 Maturity analysis of deposits					
Maturity analysis of Term deposits					
Payable on demand		-	-	-	-
Up to 1 month		4,566,491,104	5,344,500,085	4,153,370,646	5,323,936,799
Over 1 month but within 6 months		23,884,949,210	20,245,242,210	23,226,799,210	19,613,242,210
Over 6 months but within 1 year		6,029,055,073	5,296,549,566	6,019,955,073	5,265,149,566
Over 1 year but within 5 years		36,371,556,448	29,250,203,773	36,371,556,448	29,249,453,773
Over 5 years but within 10 years		456,273,341	383,765,557	456,273,341	383,765,557
Above 10 years		29,746,789	18,071,797	29,746,789	18,071,797
		71,338,071,965	**60,538,332,988**	**70,257,701,507**	**59,853,619,702**

			IDLC Finance Limited		IDLC Group	
			2018	2017	2018	2017
			BDT	BDT	BDT	BDT
	Maturity analysis of Refundable deposit					
	Payable on demand		160,873,540	154,034,285	160,873,540	154,034,285
	Up to 1 month		17,964,355	10,100,628	17,964,355	10,100,628
	Over 1 month but within 6 months		91,398,745	88,646,804	91,398,745	88,646,804
	Over 6 months but within 1 year		143,085,605	153,371,962	143,085,605	153,371,962
	Over 1 year but within 5 years		2,031,631,421	1,826,268,158	2,031,631,421	1,826,268,158
	Over 5 years but within 10 years		10,094,053	6,392,373	10,094,053	6,392,373
			2,455,047,719	**2,238,814,210**	**2,455,047,719**	**2,238,814,210**
12	**Other liabilities**					
	Payable and accrued expenses	(Note- 12.1)	4,471,796,045	4,567,608,997	5,724,736,747	5,343,166,922
	Provision for income tax	(Note-12.2)	2,022,431,867	1,948,570,620	2,257,218,747	2,281,617,302
	Deferred liability-employee gratuity	(Note-12.3)	-	-	46,511,525	42,254,402
	Portfolio investors' fund	(Note-12.4)	-	-	599,996,551	370,999,029
	Interest suspense account	(Note-12.5)	351,271,406	396,051,369	351,271,406	396,051,369
	Provision for doubtful accounts and future losses	(Note-12.6(i))	1,248,174,229	1,105,347,063	1,318,975,417	1,145,270,344
	Unpaid dividend		20,124,526	16,801,159	20,124,526	16,801,159
	Deferred tax liability	(Note-9.4)	-	-	536,023	510,449
			8,113,798,073	**8,034,379,208**	**10,319,370,941**	**9,596,670,976**
12.1	**Payable and accrued expenses**					
	Receipt against leases		492,814,517	616,546,078	492,814,517	616,546,078
	Liabilities for expenses		3,482,710,057	2,803,290,053	4,732,451,978	3,575,729,042
	Liabilities for other finance		496,271,471	1,147,772,866	499,470,252	1,150,891,802
			4,471,796,045	**4,567,608,997**	**5,724,736,747**	**5,343,166,922**
12.2	**Provision for income tax**					
	Provision					
	Balance at 01 January		7,715,275,299	6,649,874,999	8,907,870,073	7,459,702,789
	Less: Adjustment during the year		-	-	-	-
			7,715,275,299	6,649,874,999	8,907,870,073	7,459,702,789
	Add: Provision made during the year		849,919,592	1,065,400,300	982,835,113	1,448,167,284
			8,565,194,891	7,715,275,299	9,890,705,186	8,907,870,073
	Settlement of previous year's tax liability		-	-	-	-
	Balance at 31 December		**8,565,194,891**	**7,715,275,299**	**9,890,705,186**	**8,907,870,073**
	Advance tax					
	Balance at 01 January		5,766,704,679	4,928,489,985	6,626,252,771	5,567,342,071
	Add: Payment made during the year:					
	Under sections 64 and 74 of ITO, 1984		631,848,670	740,958,309	676,502,387	765,827,621
	Deduction at source		143,091,781	96,076,385	329,613,387	291,903,080
	Others		1,117,894	1,180,000	1,117,894	1,180,000
			776,058,345	838,214,694	1,007,233,668	1,058,910,701
			6,542,763,024	5,766,704,679	7,633,486,439	6,626,252,771
	Less: Adjustment during the year		-	-	-	-
			6,542,763,024	5,766,704,679	7,633,486,439	6,626,252,771
	Net balance at 31 December		**2,022,431,867**	**1,948,570,620**	**2,257,218,747**	**2,281,617,302**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
12.3	**Deferred Liability-employee gratuity**				
	Balance at 01 January	-	-	42,254,402	28,718,149
	Add: Addition during the year	-	-	9,752,299	13,760,293
		-	-	52,006,701	42,478,442
	Less: Payment during the year	-	-	5,495,176	224,040
	Balance at 31 December	**-**	**-**	**46,511,525**	**42,254,402**
12.4	**Portfolio investors' fund**				
	This represents the balance of deposits made with the IDLC Investments Limited by the portfolio investors to take margin loan and buy marketable securities. The balance of fund has been arrived at as follows:				
	Balance at 01 January	-	-	370,999,029	187,443,773
	Add: Deposit and share sold by clients	-	-	8,066,944,138	10,248,279,322
		-	-	8,437,943,167	10,435,723,095
	Less: Purchase of share and deposit withdraw by clients	-	-	7,837,946,616	10,064,724,066
	Balance at 31 December	**-**	**-**	**599,996,551**	**370,999,029**
12.5	**Interest suspense accounts**				
	On lease finance	35,695,541	84,677,038	35,695,541	84,677,038
	On real-estate finance	117,578,938	122,264,764	117,578,938	122,264,764
	On term finance	191,832,774	180,832,816	191,832,774	180,832,816
	On car loan	3,404,606	4,440,593	3,404,606	4,440,593
	On personal loan	980,226	1,412,351	980,226	1,412,351
	On short term finance	1,779,321	2,423,807	1,779,321	2,423,807
		351,271,406	**396,051,369**	**351,271,406**	**396,051,369**
12.6	**Provision for loans and advances/investments**				
12.6(i)	Balance at 01 January	1,105,347,063	1,081,156,938	1,145,270,344	1,116,435,278
	Provision required for the year	571,269,530	397,524,787	639,905,591	402,169,728
	Provision released during the year	(205,135,012)	(169,358,827)	(242,893,167)	(169,358,827)
	Provision charged for the year (Note-12.6(ii))	366,134,518	228,165,960	397,012,424	232,810,901
	Write off during the year	223,307,352	203,975,835	223,307,352	203,975,835
	Balance at 31 December	**1,248,174,229**	**1,105,347,063**	**1,318,975,417**	**1,145,270,344**
12.6(ii)	**Provision charged for the year**				
	General provision	93,718,957	57,242,047	91,218,921	61,886,988
	Specific provision	119,238,640	170,923,913	83,980,521	170,923,913
	Provision for diminutions in value of investments	153,176,921	-	221,812,982	-
	Other Provisions	-	-	-	-
		366,134,518	**228,165,960**	**397,012,424**	**232,810,901**
12.6(iii)	**Product wise break up of provision**				
	Lease	109,855,135	153,648,511	109,855,135	153,648,511
	Long- term finance	584,038,617	539,516,413	584,038,617	539,516,413
	Real estate finance	333,400,005	319,627,905	333,400,005	319,627,905
	Car loan	24,189,408	31,346,700	24,189,408	31,346,700
	Investment in shares	161,040,921	7,864,000	229,676,984	7,864,000
	Personal Loan	6,420,648	5,747,825	6,420,648	5,747,825
	Short term finance	8,169,354	18,429,350	8,169,354	18,429,350

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
	Loan against Deposit	7,982,468	4,498,950	7,982,468	4,498,950
	Loan to subsidiaries	-	12,303,497	-	482,392
	Other Assets	13,077,673	12,363,912	13,077,673	12,363,912
	Margin loan	-	-	2,165,124	51,744,386
		1,248,174,229	**1,105,347,063**	**1,318,975,417**	**1,145,270,344**

13 Share capital

	Authorised				
	1,000,000,000 ordinary shares of BDT 10 each	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**
	Issued, subscribed and paid-up				
	377,050,780 ordinary shares of BDT 10 each	**3,770,507,800**	**3,770,507,800**	**3,770,507,800**	**3,770,507,800**

Paid-up share capital as on 31 December 2018 comprises the following:

Composition of shareholding:

Sl. No.	Name of the Shareholders	31 December 2018			31 December 2017
		% of holding	Number of shares	BDT	BDT
1	**SPONSORS/DIRECTORS**				
	The City Bank Limited (CBL) and its subsidiaries	23.21	87,510,575	875,105,750	875,105,750
	The City Bank Limited (CBL)	9.00	33,935,329	339,353,290	339,353,290
	City Bank Capital Resources Limited (CBCRL)	9.90	37,328,028	373,280,280	373,280,280
	City Brokerage Limited	4.31	16,247,218	162,472,180	162,472,180
	Transcom Group	13.33	50,273,164	502,731,640	502,731,640
	Eskayef Pharmaceuticals Limited	8.00	30,164,062	301,640,620	301,640,620
	Transcraft Limited	4.01	15,132,033	151,320,330	151,320,330
	Bangladesh Lamps Limited	1.32	4,977,069	49,770,690	49,770,690
	Sadharan Bima Corporation (SBC)	7.62	28,727,494	287,274,940	287,274,940
	Reliance Insurance Limited	7.00	26,393,553	263,935,530	263,935,530
	Mercantile Bank Limited	5.50	20,737,791	207,377,910	207,377,910
		56.66	**213,642,577**	**2,136,425,770**	**2,136,425,770**
2	**GENERAL**				
	Institutions				
	Investment Corporation of Bangladesh (ICB)	4.72	17,785,020	177,850,200	52,519,130
	Bangladesh Fund	1.51	5,680,374	56,803,740	63,300,000
	Marina Apparels Limited	1.00	3,770,506	37,705,060	37,705,060
	Other Institutions	10.32	38,898,239	388,982,390	449,306,050
	Sub-Total	**17.54**	**66,134,139**	**661,341,390**	**602,830,240**
	Individuals				
	General Public (Individuals)	11.98	45,171,377	451,713,770	596,882,550
	Sub-Total	**11.98**	**45,171,377**	**451,713,770**	**596,882,550**
3	**FOREIGN**				
	Institutions & Individuals	13.82	52,102,687	521,026,870	434,369,240
		13.82	**52,102,687**	**521,026,870**	**434,369,240**
	Total Holdings	**100.00**	**377,050,780**	**3,770,507,800**	**3,770,507,800**

The shares were listed with Dhaka Stock Exchange Limited on 20 March 1993, and with Chittagong Stock Exchange Limited on 25 November 1996, and quoted at BDT 69.70 at Dhaka Stock Exchange Limited and BDT 68.30 at Chittagong Stock Exchange Limited respectively on 31 December 2018.

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT

13.1 Capital Adequacy Ratio (CAR):

As per the Section 4(GHA) of the Financial Institutions Rule, 1994 and subsequently updated vide DFIM Circular No. 5, dated 24 July 2011, the minimum paid-up capital of the Financial Institution (FI) shall be BDT 100 crore; provided that the sum of paid-up capital and reserves shall not be less than the minimum capital required under the Risk-Based Assets of the company, criteria determined by the Bangladesh Bank.

The surplus eligible capital of the company as well as the Group at the close of business on 31 December 2018 were BDT 412.25 crore and BDT 604.16 crore, respectively.

Details are as follows:

Core Capital (Tier-1)/Shareholders' Equity

Paid-up capital	(Note-13)	3,770,507,800	3,770,507,800	3,770,507,800	3,770,507,800
Share premium	(Note-14)	1,260,585,930	1,260,585,930	1,260,585,930	1,260,585,930
Statutory reserves	(Note-15)	2,416,541,850	2,098,412,371	2,416,541,850	2,098,412,371
General reserves	(Note-16)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Dividend equalization reserves		46,500,000	46,500,000	46,500,000	46,500,000
Retained earnings		2,534,456,251	2,393,090,675	5,143,188,211	4,421,469,765
Non-controlling interest		-	-	3,158	3,001
A) Sub-Total		**11,028,591,831**	**10,569,096,776**	**13,637,326,949**	**12,597,478,867**

Supplementary capital (Tier -II)

General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)*	635,970,391	529,042,481	638,135,518	533,707,642
Assets Revaluation Reserves up to 50%	-	-	-	-
Revaluation Reserve for Securities up to 45%	-	-	-	-
All others preference shares	-	-	-	-
Others (if any other item approved by Bangladesh Bank)	-	-	-	-
B) Sub-Total	**635,970,391**	**529,042,481**	**638,135,518**	**533,707,642**
C) Total eligible capital	**11,664,562,222**	**11,098,139,257**	**14,275,462,467**	**13,131,186,509**
Total assets including off-balance sheet exposures	**107,718,533,695**	**94,636,754,226**	**111,702,471,223**	**97,712,714,799**
D) Total risk weighted assets	**75,420,815,521**	**72,546,445,689**	**82,338,539,263**	**79,991,798,556**
E) Required capital based on risk weighted assets (10% of D)	**7,542,081,552**	**7,254,644,569**	**8,233,853,926**	**7,999,179,856**
F) Surplus (C-E)	**4,122,480,670**	**3,843,494,688**	**6,041,608,540**	**5,132,006,654**
Capital Adequacy Ratio (%)	**15.47**	**15.30**	**17.34**	**16.42**

* Limited to 1.25% of RWA as per CAMD guideline.

14 Share premium

Balance at 01 January	1,260,585,930	3,750,000	1,260,585,930	3,750,000
Add: Received during the year	-	1,256,835,930	-	1,256,835,930
Balance at 31 December	**1,260,585,930**	**1,260,585,930**	**1,260,585,930**	**1,260,585,930**

This represents Share Premium amount was received @50% over par value of share @BDT 100 against issue of 75,000 Ordinary Shares during IPO in 1993 and subsequently Share Premium amount was received @100 % over par value of share @BDT 10 per share on 125,683,593 no. of Ordinary Shares in 2017 against Rights Issue (1R:2).

15 Statutory reserves

Balance at 01 January	2,098,412,371	1,782,004,350	2,098,412,371	1,782,004,350
Add: Transferred on appropriation of profit	318,129,479	316,408,021	318,129,479	316,408,021
Balance at 31 December	**2,416,541,850**	**2,098,412,371**	**2,416,541,850**	**2,098,412,371**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT

In compliance with the clause no 6 of Financial Institutions Regulations, 1994, Financial Institution is required to transfer at least 20% of it's profit after tax and before appropriation of dividend in a particular year, if the financial institution's sum of Share Premium Account (if any) and Statutory Reserves is less than the paid up capital of that financial institution. Accordingly, 20% of current year's profit after tax has been transferred to Statutory Reserves Account.

16 General reserves

Balance at 01 January		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Add: Transferred on appropriation of profit		-	-	-	-
Balance at 31 December		**1,000,000,000**	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**

17 Business commitments and contingencies

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities. No material losses are anticipated as a result of these transactions. These contingent liabilities and business commitments are quantified below:

17.1 Contingent liabilities

Acceptances and endorsements		-	-	-	-
Letters of guarantee	(Note-17.1.1)	11,853,790	91,601,562	11,853,790	91,601,562
Irrevocable letters of credit		-	-	-	-
Bills for collection		-	-	-	-
Indemnity bond		-	-	-	-
Corporate guarantee	(Note-17.1.2)	750,000,000	750,000,000	750,000,000	750,000,000
		761,853,790	**841,601,562**	**761,853,790**	**841,601,562**

17.1.1 Money for which the Company is contingently liable in respect of guarantee given in favour of:

Directors or officers	-	-	-	-
Government	-	-	-	-
Banks and other financial institutions	-	-	-	-
Others	11,853,790	91,601,562	11,853,790	91,601,562
	11,853,790	**91,601,562**	**11,853,790**	**91,601,562**

17.1.2 The Company is contingently liable on behalf of IDLC Securities Limited for the guarantees given below in favour of:

Dhaka Stock Exchange Limited	700,000,000	700,000,000	700,000,000	700,000,000
Chattogram Stock Exchange Limited	50,000,000	50,000,000	50,000,000	50,000,000
	750,000,000	**750,000,000**	**750,000,000**	**750,000,000**

17.2 Other commitments

Documentary credits and short term trade related transactions	-	-	-	-
Forward assets purchased and forward deposits placed	-	-	-	-
Un-drawn note issuance and revolving underwriting	-	-	-	-
Un-drawn formal standby facilities, credit lines	-	-	-	-
Lease and term finance commitments outstanding at 31 December	647,584,179	344,407,701	647,584,179	344,407,701
Real estate finance commitments outstanding at 31 December	1,126,786,809	828,654,280	1,126,786,809	828,654,280
Car loan commitments outstanding at 31 December	434,333	408,333	434,333	408,333
Personal loan commitments outstanding at 31 December	124,077	124,077	124,077	124,077
Loan Against Deposit commitments outstanding at 31 December	-	10,575,755	-	10,575,755
	1,774,929,398	**1,184,170,146**	**1,774,929,398**	**1,184,170,146**

		2018		2017	
		Contracts/ sanction	Disbursement	Contracts/ sanction	Disbursement
		BDT	BDT	BDT	BDT

17.2.1 Sanction and Disbursements

On 31 December, the Company had following amounts of sanction and disbursement :

Lease and term finance	1,583,097,789	935,513,610	941,023,600	596,615,899
Real estate finance	3,775,381,207	2,648,594,398	2,738,969,670	1,910,315,390
Car loans	4,010,000	3,575,667	2,560,000	2,151,667
Personal loans	1,000,000	875,923	1,000,000	875,923
Loan Against Deposit (LAD)	-	-	10,575,755	-
	5,363,488,996	**3,588,559,598**	**3,694,129,025**	**2,509,958,879**

17.2.2 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2018 (2017: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2018 (2017: nil).

17.2.3 Unacknowledged debt

The Company had no claim, legal or others, which has not been acknowledged as debt at the balance sheet date.

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT

18 Income statement

Income					
Interest, discount and similar income	(Note-18.1)	11,206,746,696	9,174,637,988	11,570,470,144	9,838,140,889
Dividend income	(Note-21)	31,927,537	48,998,371	151,755,893	137,228,732
Fees, commission and brokerage	(Note-22)	45,343,775	42,055,874	597,129,398	755,121,539
Other operating income	(Note-23)	436,992,055	437,656,645	445,097,147	447,973,309
		11,721,010,063	9,703,348,878	12,764,452,582	11,178,464,469
Expenses					
Interest on deposits and borrowings etc	(Note-20)	7,015,750,078	4,902,102,651	6,940,206,955	4,898,052,961
Administrative expenses	(Note-18.2)	1,448,153,420	1,434,976,538	1,767,971,379	1,761,357,343
Other expenses	(Note-33)	327,422,345	353,343,088	373,257,311	410,185,643
Depreciation on assets	(Note-32)	137,598,412	145,839,286	158,725,831	164,225,017
		8,928,924,255	6,836,261,563	9,240,161,476	7,233,820,964
Operating Income		**2,792,085,808**	**2,867,087,315**	**3,524,291,106**	**3,944,643,505**

18.1 Interest, discount and similar income

Interest income	(Note-19)	10,941,528,941	8,706,732,278	11,162,932,726	8,892,872,138
Gain on sale of marketable securities and DSE shares	(Note - 21)	184,568,942	349,300,398	303,852,150	808,151,293
Income from investment in bonds	(Note-21)	80,648,813	99,583,090	103,685,268	118,095,236
Income from investment in commercial paper	(Note-21)	-	19,022,222	-	19,022,222
		11,206,746,696	**9,174,637,988**	**11,570,470,144**	**9,838,140,889**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
18.2	**Administrative expenses**				
Salary and allowances	(Note-24)	1,053,414,823	1,050,489,189	1,291,787,009	1,293,549,163
Rent, taxes, insurance, electricity, etc	(Note-25)	183,828,267	179,080,115	224,066,909	220,165,817
Legal expenses	(Note-26)	11,192,037	21,562,320	13,840,499	25,855,925
Postage, stamp, telecommunication, etc	(Note-27)	31,073,127	30,186,959	38,997,409	37,748,974
Stationery, printing, advertisement, etc	(Note-28)	145,763,908	114,900,212	170,416,794	139,569,069
Managing Director's salary and fees	(Note-29)	11,940,004	11,940,004	11,940,004	11,940,004
Directors' fees	(Note-30)	1,464,473	1,619,200	2,144,666	2,283,518
Auditors' fees	(Note-31)	2,496,940	1,023,381	2,841,940	1,368,381
Repair of Company's assets	(Note-32)	6,979,841	24,175,158	11,936,149	28,876,492
		1,448,153,420	**1,434,976,538**	**1,767,971,379**	**1,761,357,343**
19	**Interest income**				
This represents interest income from the following products:					
Lease finance		558,016,665	561,588,550	558,016,665	561,588,550
Real estate finance		2,750,373,868	2,187,021,348	2,750,373,868	2,187,021,348
Term finance		5,821,349,436	4,605,514,561	5,821,349,436	4,605,514,561
Short term finance		113,978,460	104,661,960	113,978,460	104,661,960
Car loan		207,466,154	287,787,934	207,466,154	287,787,934
Personal loan		15,435,326	12,122,550	15,435,326	12,122,550
Margin loan to portfolio investors		-	-	210,696,771	210,724,275
Loan to subsidiaries		58,713,463	77,150,892	-	-
		9,525,333,372	**7,835,847,795**	**9,677,316,680**	**7,969,421,178**
Interest on balance with other banks and financial institutions		1,361,109,502	819,774,626	1,430,529,979	872,341,103
Call loan		124,389	-	124,389	-
Loan against deposit		54,961,678	51,109,857	54,961,678	51,109,857
		10,941,528,941	**8,706,732,278**	**11,162,932,726**	**8,892,872,138**
20	**Interest on deposits and borrowings etc.**				
Interest on term deposits		5,995,380,911	4,012,549,026	5,908,049,669	4,001,085,608
Interest on borrowings		694,102,214	595,483,462	705,890,333	602,897,190
Interest on secured/unsecured zero coupon bonds		109,535,327	140,719,276	109,535,327	140,719,276
Interest on security deposit		117,083,682	107,201,859	117,083,682	107,201,859
Interest on call loan		99,647,944	46,149,028	99,647,944	46,149,028
		7,015,750,078	**4,902,102,651**	**6,940,206,955**	**4,898,052,961**
21	**Investment income**				
Gain on sale of marketable securities		184,568,942	349,300,398	269,779,083	808,151,293
Dividend income		31,927,537	48,998,371	151,755,893	137,228,732
Income from investment in bonds		80,648,813	99,583,090	103,685,268	118,095,236
Income from investment in commercial paper		-	19,022,222	-	19,022,222
Gain/(loss) on sale of DSE Shares		-	-	34,073,067	-
		297,145,292	**516,904,081**	**559,293,311**	**1,082,497,483**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
22	**Commission, exchange and brokerage**				
	Agency fees	17,821,666	18,079,166	17,821,666	18,079,166
	Arrangement fees	12,908,201	14,415,672	12,908,201	14,415,672
	Advisory fees	14,013,041	8,436,956	14,013,041	8,436,956
	Commission & brokerage	-	698,267	387,845,448	543,155,522
	Documentation fees	-	-	547,000	945,500
	Custodial fees	600,867	425,813	600,867	425,813
	Fees from mutual fund	-	-	22,347,863	13,655,430
	Issue management fees	-	-	16,282,616	2,500,000
	Portfolio management fees	-	-	50,102,579	50,818,643
	Corporate advisory fees	-	-	43,529,723	44,059,460
	Settlement charges	-	-	31,130,394	58,629,377
		45,343,775	**42,055,874**	**597,129,398**	**755,121,539**
23	**Other operating income**				
	Application, processing and documentation fees	285,091,762	284,658,987	285,091,762	284,658,987
	Loan settlement and others	71,819,912	93,966,736	71,819,912	93,966,736
	Service charges	15,557,202	10,055,799	15,557,202	10,055,799
	Gain on disposal of fixed assets	7,731,912	12,701,436	8,688,267	13,666,742
	Account opening & BO account maintenance fees	-	-	2,502,630	3,369,052
	IPO service charge	-	-	83,675	45,810
	Revenue from write off collection	44,219,017	20,260,467	44,219,017	20,260,467
	Commission on Corporate Guarantee	2,761,111	2,661,458	2,761,111	2,661,458
	Miscellaneous income	9,811,139	13,351,762	14,373,571	19,288,258
		436,992,055	**437,656,645**	**445,097,147**	**447,973,309**
24	**Salaries and allowances**	**1,053,414,823**	**1,050,489,189**	**1,291,787,009**	**1,293,549,163**

24.1 Salaries and allowances

Salaries and allowances of IDLC Finance Limited include annual contribution of BDT 39,359,549 to Provident Fund and BDT 35,000,000 to Gratuity Fund. Salaries and allowances of IDLC Group include annual contribution of BDT 47,565,987 to Provident Fund and BDT 45,132,036 to Gratuity Fund.

24.2 Employee benefits

IDLC Finance Limited operates a funded gratuity scheme (which is a defined benefit scheme as specified in IAS 19). Gratuity fund is administered by a Board of Trustees and Company contributions are invested separately from company assets. Employees are entitled to gratuity benefit after completion of minimum years of service with the Company. The Company is contributing to the fund as prescribed by actuarial valuation report. Disclosures of IDLC Finance Limited Employees' Gratuity Fund has been given below:

		IDLC Finance Limited	
		2018	2017
		BDT	BDT
	Net defined benefit assets & liabilities		
	Defined benefit obligation (Note: 24.2.1)	(282,364,295)	(231,257,703)
	Fair value of plan assets (Note: 24.2.2)	209,563,537	174,300,068
	Net defined benefit obligation	**(72,800,758)**	**(56,957,635)**
24.2.1	**Change in benefit obligation**		
	Benefit obligation at end of prior year	(231,257,703)	(170,910,472)
	Current service cost	(20,456,129)	(24,272,643)
	Interest expense	(17,922,472)	(19,067,811)
	Benefit payments	12,802,766	32,443,050
	Remeasurements due to change in demographic assumptions	(2,100,000)	(1,720,007)
	Remeasurements due to change in financial assumptions	-	(36,775,390)
	Measurements due to experience adjustments	(23,430,757)	(10,954,430)
	Defined benefit obligation at end of year	**(282,364,295)**	**(231,257,703)**
24.2.2	**Change in fair value of plan assets**		
	Fair value of plan assets at end of prior year	174,300,068	134,355,274
	Interest income	13,066,235	12,386,588
	Employer contributions	35,000,000	60,001,256
	Benefit payments from plan assets	(12,802,766)	(32,443,050)
	Fair value of plan assets at end of year	**209,563,537**	**174,300,068**
	Fair value of plan assets		
	Cash and cash equivalents	815,988	8,092,134
	Debt instruments	208,747,549	166,207,934
	Total fair value of plan assets	**209,563,537**	**174,300,068**
	Expected cash flows for following year		
	Expected employer contributions	39,660,000	29,880,000
	Expected total benefit payments		
	Year 1	6,600,000	-
	Year 2	-	5,400,000
	Year 3	5,800,000	-
	Year 4	2,600,000	5,400,000
	Year 5	600,000	2,400,000
	Significant actuarial assumptions		
	Discount rate in %	7.75%	7.75%
	Future salary growth in %	8.00%	8.00%

Sensitivity analysis

A change of 100 basis points in following significant assumptions would have increased/(decreased) defined benefit obligation of the company by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	As at 31 December 2018	
	1% increase	1% decrease
	BDT	BDT
Discount rate in %	(36,529,757)	44,258,855
Future salary growth in %	43,700,739	(36,762,294)

Significant characteristics of the gratuity plan

Plan sponsor	: IDLC Finance Limited
Name of the gratuity plan	: IDLC Finance Limited Employees' Gratuity Fund
Nature of benefits	: Final salary defined benefit plan
Risks associated with the plan	: Plan sponsor bears interest rate risks associated of the plan
Vesting criteria	: 5 year of continuous service
Applicable salary	: Last drawn monthly basic salary
Maximum limit of benefit paid	: No upper limit on benefit
Basis of gratuity	: Accrued benefit
Normal retirement age	: 60 years
Benefit calculation	: - Past service of 5 years to 10 years: One month's basic pay for each year of service - Above from 10 years to 15 years: One & a half month's basic pay for each year of service - More than 15 years: Two month's basic pay for each year of service

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
25	**Rent, taxes, insurance, electricity, etc.**				
	Rent, rate and taxes	137,519,744	132,275,809	169,992,408	166,374,941
	Insurance	4,427,032	4,894,850	5,129,399	5,467,303
	Power and electricity	41,881,491	41,909,456	48,945,102	48,323,573
		183,828,267	**179,080,115**	**224,066,909**	**220,165,817**
26	**Legal expenses**				
	Renewal and registration	2,936,533	7,557,918	4,372,468	9,146,039
	Other professional charges	8,255,504	14,004,402	9,468,031	16,709,886
		11,192,037	**21,562,320**	**13,840,499**	**25,855,925**
27	**Postage, stamp, telecommunication, etc.**				
	Postage	1,313,866	983,837	1,437,546	1,178,394
	Telecommunication and internet etc.	29,759,261	29,203,122	37,559,863	36,570,580
		31,073,127	**30,186,959**	**38,997,409**	**37,748,974**
28	**Stationery, printing, advertisements, etc.**				
	Stationery & printing	63,494,722	50,467,568	66,952,177	54,811,257
	Advertisement and publicity	82,269,186	64,432,644	103,464,617	84,757,812
		145,763,908	**114,900,212**	**170,416,794**	**139,569,069**

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
29	**Managing Director's salary and benefits**				
	Basic pay	6,000,000	6,000,000	6,000,000	6,000,000
	Allowances	2,340,000	2,340,000	2,340,000	2,340,000
	Bonus	2,500,000	2,500,000	2,500,000	2,500,000
	Company's contribution to provident fund	1,100,004	1,100,004	1,100,004	1,100,004
		11,940,004	**11,940,004**	**11,940,004**	**11,940,004**
30	**Directors' fees**				
	Honorarium for attending meeting	1,464,473	1,619,200	2,144,666	2,283,518
	Incidental expenses for attending meeting	-	-	-	-
		1,464,473	**1,619,200**	**2,144,666**	**2,283,518**

30.1 Directors' fees

In compliance with Bangladesh Bank's circular No. DFIM Circular No. 13, dated 30 November 2015, BDT 8,000 has been paid to directors of the board excluding the CEO & Managing Director for attending per meeting of the board and its sub-committees of IDLC Finance Limited.

31	**Auditors' fees**				
	Annual statutory audit fees (including VAT)	690,000	690,000	1,035,000	1,035,000
	Other audit fees (including VAT)	1,806,940	333,381	1,806,940	333,381
		2,496,940	**1,023,381**	**2,841,940**	**1,368,381**
32	**Depreciation and repair of company's assets**				
	Freehold assets (Note-8 (b))	137,598,412	145,839,286	158,725,831	164,225,017
	Repair and maintenance for premises, vehicles, computers and computers accessories	6,979,841	24,175,158	11,936,149	28,876,492
		144,578,253	**170,014,444**	**170,661,980**	**193,101,509**
33	**Other expenses**				
	Bank charges	5,327,621	6,657,090	6,013,353	7,151,481
	Books and periodicals	259,294	270,515	354,122	362,175
	Car expenses	29,999,451	30,722,420	34,628,979	34,650,208
	Donations and subscriptions	776,698	593,860	1,025,885	2,333,937
	Medical & welfare expenses	11,986,406	17,825,322	13,575,220	19,126,991
	Entertainment expenses	11,906,446	14,985,561	13,897,613	17,840,538
	Consultancy fees	6,386,555	10,233,741	6,386,555	10,233,741
	Office service expenses	84,382,011	84,755,788	103,896,982	105,399,803
	Training expenses	17,634,321	13,797,528	20,398,275	24,505,923
	Travel and conveyances	21,631,229	23,296,703	23,812,073	25,415,283
	CDBL charges	6,450	900	1,309,782	1,398,729
	Howla and Laga charge	-	-	54,476,277	61,975,600
	Portfolio Management Charge	46,435,225	50,632,208	-	-
	Sales Incentive	56,192,312	57,640,875	57,194,893	57,640,875
	Repossession fees and others	34,498,325	41,930,577	36,287,302	42,150,359
		327,422,345	**353,343,088**	**373,257,311**	**410,185,643**

34 Operating Segment Report

Revenue and profit	For the year 2018				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External revenue					
Net interest income	3,925,778,863	141,712,554	149,261,504	5,972,850	4,222,725,771
Investment income	297,145,292	(24,626,633)	275,432,622	11,342,030	559,293,311
Commission and brokerage	45,343,775	140,236,524	387,845,448	81,114,415	654,540,162
Other operating income	436,992,055	2,793,125	5,003,960	308,007	445,097,147
Inter-segment revenue/interest expense	28,617,779	10,592,480	(81,250,492)	(15,370,532)	(57,410,764)
Total Segment Revenue (A)	**4,733,877,764**	**270,708,050**	**736,293,042**	**83,366,770**	**5,824,245,627**
Other operating expenses	1,775,575,765	91,522,314	288,049,361	43,492,014	2,198,639,454
Major non-cash expenses					
Depreciation	137,598,412	6,420,028	11,492,255	3,215,136	158,725,832
Provision for future losses	366,134,518	(15,303,571)	40,466,147	5,715,330	397,012,424
Inter-segment expense	(46,435,224)	(3,544,074)	(7,431,465)	-	(57,410,764)
Total Segment Expense (B)	**2,232,873,471**	**79,094,696**	**332,576,298**	**52,422,480**	**2,696,966,945**
Reportable segment profit before tax (A-B)	**2,501,004,294**	**191,613,354**	**403,716,744**	**30,944,290**	**3,127,278,682**

Revenue and profit	For the year 2017				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External revenue					
Net interest income	3,804,629,627	105,256,335	81,930,215	3,003,000	3,994,819,177
Investment income	516,904,081	276,369,399	255,817,499	33,406,504	1,082,497,483
Commission and brokerage	42,055,874	153,132,304	544,912,056	68,491,399	808,591,633
Other operating income	437,656,645	5,324,197	4,964,344	28,123	447,973,309
Inter-segment revenue/interest expense	(74,937,474)	57,379,583	(30,860,899)	(5,051,304)	(53,470,094)
Total Segment Revenue (A)	**4,726,308,753**	**597,461,818**	**856,763,215**	**99,877,722**	**6,280,411,508**
Other operating expenses	1,788,319,626	83,005,574	301,844,658	51,843,222	2,225,013,079
Major non-cash expenses:					
Depreciation	145,839,286	6,413,744	10,118,568	1,853,419	164,225,017
Provision for future losses	228,165,960	4,644,941	-	-	232,810,901
Inter-segment expense	(50,632,208)	(383,085)	(2,454,801)	-	(53,470,094)
Total Segment Expense (B)	**2,111,692,664**	**93,681,174**	**309,508,425**	**53,696,641**	**2,568,578,904**
Reportable segment profit before tax (A-B)	**2,614,616,089**	**503,780,644**	**547,254,790**	**46,181,081**	**3,711,832,604**

Segment assets and liabilities	For the year 2018				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External assets					
Total assets	105,181,750,507	4,205,692,659	4,934,669,138	208,787,960	114,530,900,264
Inter-segment assets	(4,056,347,049)	(57,250,000)	(1,195,700,000)	(55,915,180)	(5,365,212,229)
Total Segment Assets	**101,125,403,458**	**4,148,442,659**	**3,738,969,138**	**152,872,780**	**109,165,688,035**
External liabilities					
Total liabilities	94,153,158,676	1,461,015,740	1,316,733,851	24,486,365	96,955,394,632
Inter-segment liabilities	(1,109,779,215)	(284,747,259)	(32,507,072)	-	(1,427,033,546)
Total Segment Liabilities	**93,043,379,461**	**1,176,268,481**	**1,284,226,779**	**24,486,365**	**95,528,361,086**

Segment assets and liabilities	For the year 2017				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External assets					
Total assets	92,610,982,518	4,838,156,060	4,135,974,638	178,816,816	101,763,930,032
Inter-segment assets	(5,189,936,253)	(34,150,000)	(801,033,333)	(51,867,355)	(6,076,986,941)
Total Segment Assets	**87,421,046,265**	**4,804,006,060**	**3,334,941,305**	**126,949,461**	**95,686,943,091**
External liabilities					
Total liabilities	82,041,885,742	1,027,850,542	2,129,234,044	29,302,154	85,228,272,482
Inter-segment liabilities	(698,184,987)	(1,439,936,463)	(686,808)	-	(2,138,808,258)
Total Segment Liabilities	**81,343,700,755**	**(412,085,921)**	**2,128,547,236**	**29,302,154**	**83,089,464,224**

35 Tax expenses

35.1 Current tax

Provisions for current tax has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of Income Tax Ordinance, 1984 and amendments made thereto. The current tax rate for the Company is 37.50% on taxable income (In 2017: 40%). Adequate provision has been made for disputed tax against which appeal has been made and decision is pending.

35.2 Deferred tax

Deferred tax is provided using the balance sheet method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes as per International Accounting Standard (IAS) 12: "Income Taxes".

		IDLC Finance Limited		IDLC Group	
		2018	2017	2018	2017
		BDT	BDT	BDT	BDT
35.3	**Average effective tax rate**				
	The average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: "Income Taxes".				
	Tax expenses (A)	835,303,895	1,056,881,248	956,278,260	1,434,712,811
	Accounting profit before tax (B)	2,425,951,290	2,638,921,355	3,127,278,682	3,711,832,604
	Average effective tax rate (A÷B)	**34.43%**	**40.05%**	**30.58%**	**38.65%**

36 Earnings Per Share (EPS)

Earnings Per Share as shown in the face of the Profit and Loss Account is calculated in accordance with International Accounting Standard (IAS) 33: "Earnings Per Share".

Basic earnings per share has been calculated as follows:

Earnings attributable to ordinary shareholders (Net profit after tax) (A)	1,590,647,395	1,582,040,107	2,171,000,265	2,277,119,177
Weighted average number of ordinary shares outstanding during the year (B)	377,050,780	371,384,449	377,050,780	371,384,449
Earnings Per Share (A÷B)	**4.22**	**4.26 ***	**5.76**	**6.13***

* As IDLC Finance Limited has issued right share in the year 2017, required adjustments have been made to the weighted average number of shares to reflect Theoretical Ex Right Share Price (TERP) for 2017, as per IAS 33 "Earnings Per Share".

37 Net Asset Value (NAV) Per Share

Net Asset (total assets less total liabilities) (A)	11,028,591,831	10,569,096,776	13,637,326,949	12,597,478,867
Total number of ordinary shares outstanding (B)	377,050,780	377,050,780	377,050,780	377,050,780
Net Asset Value per share (NAV) (A÷B)	**29.25**	**28.03**	**36.17**	**33.41**

38 Net Operating Cash Flows Per Share (NOCFPS)

Net cash flows from operating activities (A)	4,142,614,766	4,546,641,887	4,166,671,146	7,448,994,670
Total number of ordinary shares outstanding (B)	377,050,780	377,050,780	377,050,780	377,050,780
Net operating cash flows per share (NOCFPS) (A÷B)	**10.99**	**12.06**	**11.05**	**19.76**

39 Reconciliation of Net Profit with Cash Flows from Operating Activities

Net profit after tax	1,590,647,395	1,582,040,107	2,171,000,422	2,277,119,793
Items not involved in cash movement:				
Add: Depreciation	137,598,412	145,839,286	158,725,831	164,225,017
Add: Provision for loans and investments	366,134,518	228,165,960	397,012,424	232,810,901
Add: Provision for taxation	849,919,592	1,065,400,300	982,835,113	1,448,167,284
Add/(Less): Accrued expenses	3,399,771,114	2,751,648,557	3,877,988,860	2,555,699,956
Add/(Less): Accrued income	(243,943,221)	(32,171,201)	(449,113,473)	(60,351,590)
Less: Gain On Disposal of Fixed assets	(7,731,912)	(12,701,436)	(8,688,267)	(13,666,742)
Increase/(Decrease) in Employee gratuity	-	-	4,257,123	13,536,253
Increase/(Decrease) in deferred tax	(14,615,697)	(8,519,052)	(26,556,854)	(13,454,473)
Adjustments to reconcile net profit after tax to net cash provided by operating activities	**6,077,780,201**	**5,719,702,521**	**7,107,461,179**	**6,604,086,399**

	IDLC Finance Limited		IDLC Group	
	2018	2017	2018	2017
	BDT	BDT	BDT	BDT
Increase/(decrease) in operating assets and liabilities				
(Increase)/Decrease in Loans & advances	(11,561,730,271)	(9,553,012,664)	(12,253,488,696)	(9,304,755,709)
(Increase)/Decrease in Other assets	20,322,075	(2,439,564,002)	25,125,845	(39,324,165)
Increase/(Decrease) in Short term borrowings	3,130,000,000	565,000,000	3,210,000,000	565,000,000
Increase/(Decrease) in Term & other deposits	11,015,972,486	13,364,084,868	10,620,315,314	12,768,109,082
Increase/(Decrease) in Payable and accrued expenses	(3,718,891,418)	(2,294,049,429)	(3,719,726,387)	(2,291,460,779)
(Increase)/Decrease in Income tax	(776,058,345)	(838,214,694)	(1,007,233,668)	(1,058,910,701)
Increase/(Decrease) in Portfolio investors fund	-	-	228,997,522	183,555,256
Increase/(Decrease) in Interest suspense	(44,779,963)	22,695,287	(44,779,963)	22,695,287
	(1,935,165,436)	**(1,173,060,634)**	**(2,940,790,033)**	**844,908,271**
Net cash flows from/(used in) operating activities	**4,142,614,766**	**4,546,641,887**	**4,166,671,146**	**7,448,994,670**

40 Related party disclosure

a. Particulars of Directors and their interest in different entities

SL no.	Name of the Director	Status in IDLC	Name of the firms/companies in which interested is the proprietor, partner, director, managing agent, guarantor, employee etc.	Status in interested entity	(%) of Holding/ Interest in the concern as on 31 December 2018
1.	Mr. Aziz Al Mahmood	Chairman	Danish Condensed Milk Bangladesh Limited	Managing Director	75.00%
			Danish Milk Bangladesh Limited	Managing Director	75.00%
			Danish Foods Limited	Managing Director	75.00%
			Danish Distribution Network Limited	Managing Director	75.00%
			Rubel Steel Mills Limited	Managing Director	75.00%
			Danish Dairy Firm Limited	Managing Director	75.00%
			Suborna Bhumi Housing Limited	Managing Director	50.00%
			Fabiana Flower Mills Limited	Managing Director	75.00%
			Voice Tel Limited	Managing Director	22.50%
			Partex Tissue Limited	Managing Director	70.00%
			Partex LPG Limited	Managing Director	90.00%
			Danish Multipurpose Farm Limited	Managing Director	70.00%
			Star Particle Board Mills Limited	Director	15.00%
			Corvee Maritime Company Limited	Director	15.00%
			Partex Furniture Industries Limited	Director	15.00%
			Partex Builders Limited	Director	15.00%
			Partex Laminates Limited	Director	15.00%
			Partex Limited	Director	15.00%
			Partex Housing Limited	Director	50.00%
			Partex PVC Limited	Director	15.00%
			Star Adhesive Limited	Director	15.00%
			Partex Aeromine Logistics Limited	Director	15.00%
			Partex Cables Limited	Director	15.00%

SL no.	Name of the Director	Status in IDLC	Name of the firms/companies in which interested is the proprietor, partner, director, managing agent, guarantor, employee etc.	Status in interested entity	(%) of Holding/ Interest in the concern as on 31 December 2018
2.	Mr. S.M. Mashrur Arefin	Director	The City Bank Limited	Managing Director	-
			CBL Money Transfer Sdn.Bhd.	Director-nominated By CBL	-
			City Bank Capital Resources Limited	Director-nominated By CBL	-
3.	Mr. Monower Uddin Ahmed	Independent Director	Monower Associates	CEO & Lead Consultant	100%
4.	Ms. Mahia Juned	Director	The City Bank Limited	Deputy Managing Director & Head of Operations	-
5.	Mr. Mohammad Mahbubur Rahman FCA	Director	The City Bank Limited	Deputy Managing Director & Chief Financial Officer (CFO)	-
			City Bank Capital Resources Limited	Director nominated by CBL	-
			City Brokerage Limited	Director nominated by CBL	-
6.	Mr. Md. Kamrul Hassan FCA	Director	Transcom Group of Companies	Executive Director - Finance	-
			National Asset Management Limited	Director	12%
7.	Mr. Syed Shahriyar Ahsan	Director	Sadharan Bima Corporation	Managing Director	-
			Investment Corporation of Bangladesh	Director – Nominated by SBC	-
			Central Depository Bangladesh Limited	Director – Nominated by SBC	-
			National Tea Company Limited	Director – Nominated by SBC	-
			SBC Securities and Investment Limited.	Chairman-Nominated by SBC	-
			Aroma Tea Limited	Director – Nominated by SBC	-
			Asian Reinsurance Corporation	Council Member for Bangladesh	-
8.	Mr. Atiqur Rahman	Director	Transcom Limited	Group Finance Director	-
			M. Rahman Tea Co. Limited		7.29%
			Monipur Tea Co. Limited		3.66%
			Marina Tea Co. Limited		8.11%
			W. Rahman Jute Mills Limited		0.01%
			Heritage Agro Farms Limited		5.00%
			Reliance Insurance Limited	Director nominated by Transcom Limited	-
9.	Mr. Mati Ul Hasan	Director	Mercantile Bank Limited	Additional Managing Director & CRO	-
10.	Mr. Niaz Habib	Independent Director	-	-	-
11.	Mr. Matiul Islam Nowshad CMgr, FCMI	Independent Director	Axiata Group Berhad	Special Projects Director	-

b. Significant contract where the Company is party and wherein Directors have interest - Nil

c. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with or without common directors and key management positions. The Company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24: " Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Details of transactions with related parties and balances with them as at 31 December 2018 were as follows:

Name of the related party	Transaction nature	Relationship	Balance as at 01 January 2018	Addition	Adjustment	Balance at year end 31 December 2018 receivable/ (payable)
			BDT	BDT	BDT	BDT
The City Bank Limited	Term Deposit	Sponsor shareholder	(2,590,000,000)	(6,500,000,000)	4,790,000,000	(4,300,000,000)
	Subordinated Bond	Sponsor shareholder	234,750,000	-	(234,750,000)	-
	Term Deposit	Sponsor shareholder	(97,098,917)	(75,472,255)	172,571,172	-
Mercantile Bank Limited	Subordinated Bond	Shareholder	240,000,000	-	(60,000,000)	180,000,000
Transcom group	Lease/Loan	Shareholder	3,260,414	-	(1,363,337)	1,897,076
	Term Deposit	Shareholder	(934,497,594)	(579,123,928)	243,214,722	(1,270,406,800)
Reliance Insurance Limited	Term Deposit	Shareholder	(125,500,000)	(116,861,800)	44,361,800	(198,000,000)
Directors & their families	Lease/Loan	Shareholder	2,246,295	-	(2,246,295)	-
	Term Deposit	Shareholder	(55,045,720)	(71,142,526)	28,327,016	(97,861,229)
IDLC Securities Limited	Loan to IDLC IL	Subsidiary	200,000,000	-	(21,600,000)	178,400,000
	Term Deposit	Subsidiary	(600,000,000)	(400,000,000)	-	(1,000,000,000)
IDLC Investments Limited	Borrowings from IDLC SL	Subsidiary	(200,000,000)	-	21,600,000	(178,400,000)
	Term Deposit	Subsidiary	(34,150,000)	(26,500,000)	3,400,000	(57,250,000)
IDLC Asset Management Limited	Term Deposit	Subsidiary	(50,563,286)	-	27,442,828	(23,120,458)
			(4,006,598,808)	**(7,769,100,508)**	**5,010,957,906**	**(6,764,741,411)**

d. Share issued to Directors and executives without consideration or exercisable at a discount - Nil

e. Lending policy to related parties

Related parties are allowed Loans and Advances as per General Loan Policy of the Company.

f. Loans, advances and leases to Directors and their related concern

Name of the related party	Transaction nature	Classification status	Provision kept	Security amount
Transcom group	Lease/Loan	Standard	19,152	110,750

g. Investment in the Securities of Directors and their related concern - Nil

41 Receivable from Directors

The Company has receivable from Directors of the Company amounting BDT 1,897,076 as at 31 December 2018.

42 Disclosure on Audit committee

a. Particulars of audit committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with DFIM Circular no. 13 issued on October 26, 2011 by Bangladesh Bank and in accordance with Bangladesh Securities and Exchange Commission (BSEC) condition No. 5 of the notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018.

The Audit Committee of the Board of Directors as of 31 December 2018 consisted of the following members of the Board:

Name	Status at the Company	Status at the Committee
Mr. Monower Uddin Ahmed	Independent Director	Chairman
Mr. Mohammad Mahbubur Rahman FCA	Director	Member
Mr. Md. Kamrul Hassan FCA	Director	Member
Mr. Syed Shahriyar Ahsan	Director	Member

The company secretary is to act as the Secretary of the Audit Committee .

	Meeting No	Held on
b. Meetings held by the committee during the year by date:	60th	14-Feb-2018
	61st	25-Apr-2018
	62nd	29-Jul-2018
	63rd	19-Aug-2018
	64th	14-Oct-2018
	65th	19-Dec-2018

c. Six meetings of the audit committee were held during the year 2018 where it carried out the following tasks:

i) Conducted discussions with the statutory external auditors and management prior to finalization of financial statements for the year ended 31 December 2017

ii) Reviewed the financial statements of IDLC Finance Limited for the year ended 31 December 2017;

iii) Recommended for appointment of statutory external auditors for the year 2018;

iv) Reviewed report of the audit committee for 2017 prior to its publication in the annual report 2017;

v) Reviewed Internal Control & Compliance report of 2017;

vi) Reviewed and approved annual audit plan for the year 2018;

vii) Reviewed report on utilization of funds raised through rights issue;

viii) Reviewed and approved the IDLC Whistle Blower Guideline;

ix) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited for the first quarter ended on 31 March 2018;

x) Recommended appointment of external audit firm for ICT audit of IDLC Finance Limited;

xi) Reviewed the management letter issued by the statutory external auditors, A. Qasem & Co, Chartered Accountants, based on their annual audit of financial statements of IDLC Finance Limited for the year ended 31 December 2017;

xii) Reviewed the summary of internal audit & investigation reports circulated in the first quarter of 2018;

xiii) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited for the second quarter ended on 30 June 2018;

xiv) Reviewed the compliance status of management letter issued by A. Qasem & Co, Chartered Accountants, statutory external auditors of the company, based on their annual audit of financial statements of IDLC Finance Limited for the year ended 31 December 2017;

xv) Reviewed the compliance status of Bangladesh Bank's inspection reports on Dilkusha, Gazipur, Uttara & Mirpur branches of IDLC Finance Limited, based on financials as of 31 December 2017;

xvi) Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on the financials as of 31 December 2017 and management responses thereto;

xvii) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended on 30 September 2018;

xviii) Reviewed the summary of internal audit & investigation reports circulated in the third quarter of 2018;

xix) Reviewed the audited financial statements of IDLC Finance Limited and its subsidiaries for the nine months ended on 30 September 2018 prior to their authentication by the Board for submission to regulatory authorities as part of the process for applying for issuance of non-convertible zero coupon bonds by IDLC Finance Limited;

xx) Reviewed the revised ICT policy of IDLC Finance Limited.

43 Foreign remittance

There were no foreign remittance during the year 2018.

44 Number of employees

The Company paid an aggregate amount more than BDT 36,000 per annum to 1,150 employees, who were in employment for full year or part of the year. (2017: 1,154)

45 Events after the reporting period

45.1 Dividend for the year 2018

The Board of Directors of IDLC Finance Limited at its 277th Board Meeting held on 17 February 2019, recommended to the shareholders a cash dividend @ 35% i.e. BDT 3.5 per share (amounting to BDT 1,319,677,730) based on financial performance of 2018. This will be considered for approval by the shareholders at the 34th Annual General Meeting (AGM) to be held on 28 March 2019.

Out of the distributable dividend, 1.94% is comprised of Taxed Dividend, amounting to BDT 25,542,030, which will be fully distributed.

45.2 Purchase of Land

The Board of Directors of IDLC Finance Limited at its 261st meeting held on 16 October 2017 at 4.00 p.m., has decided to purchase a land measuring 20 Katha 14 Chhatak, located at 153, Tejgaon Industrial Area, Dhaka for construction of IDLC's future Corporate Headquarter at a cost of BDT 57.98 Crore (BDT fifty-seven crore and ninety-eight lac only) excluding the cost of registration and other related expenses. Accordingly, on February 05, 2019 the registration of that land has been executed.

46 General

46.1 The Company publishes its quarterly accounts as per the Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2008-183/Admin/03-34, dated 27 September 2009.

46.2 The Company does not have any restriction on distribution and payment of dividends.

46.3 During the year under report, no matters were submitted to a vote of shareholders of the Company.

46.4 Previous year's figures have been rearranged where necessary to conform to current year's presentation.

Dhaka, 17 February, 2019	Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

Fixed assets including land, building, furniture and fixtures-for 2018

Annexure - A

Asset category	Cost				Rate %	Depreciation				Written down value at 31 December 2018
	Balance at 01 January 2018	Addition during the year	Disposal/ adjustment during the year	Balance at 31 December 2018		Balance at 01 January 2018	Charged for the year	Adjustment during the year	Balance at 31 December 2018	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	25,937,101	5,187,983	-	31,125,083	176,394,219
Furniture and fixtures	90,315,859	5,184,259	(2,469,342)	93,030,776	12.50	36,708,013	9,948,508	(1,837,220)	44,819,301	48,211,475
Electrical equipment	81,037,425	2,703,847	(4,193,483)	79,547,789	20.00	49,808,858	9,367,514	(3,732,740)	55,443,632	24,104,157
Curtain and carpets	4,642,899	873,549	(328,613)	5,187,835	33.33	2,907,215	1,165,407	(257,289)	3,815,333	1,372,502
Office equipment	121,410,081	4,317,592	(5,822,950)	119,904,724	20.00	82,241,692	14,856,080	(5,656,652)	91,441,121	28,463,603
Office decoration	149,687,850	4,883,690	(6,391,432)	148,180,108	20.00	72,981,018	21,910,532	(5,818,433)	89,073,117	59,106,991
Computers	171,402,743	11,600,441	-	183,003,184	20.00	96,037,907	21,176,830	-	117,214,737	65,788,447
Software (Office Operation)	33,042,494	4,237,051	-	37,279,545	33.33	28,168,806	3,637,991	-	31,806,797	5,472,747
Software (Business Operation)	137,540,494	-	-	137,540,494	20.00	133,939,095	1,028,969	-	134,968,064	2,572,430
Telephone and telex	10,582,494	2,520,242	(647,854)	12,454,882	33.33	8,269,774	1,444,154	(475,766)	9,238,162	3,216,720
Motor vehicles	268,631,671	11,404,200	(28,206,439)	251,829,432	25.00	168,516,231	47,874,443	(22,034,604)	194,356,070	57,473,362
Total 2018	**1,302,771,783**	**47,724,871**	**(48,060,112)**	**1,302,436,541**		**705,515,711**	**137,598,412**	**(39,812,705)**	**803,301,418**	**499,135,123**

Fixed assets including land, building, furniture and fixtures-for 2017

Asset category	Cost				Rate %	Depreciation				Written down value at 31 December 2017
	Balance at 01 January 2017	Addition during the year	Disposal/ adjustment during the year	Balance at 31 December 2017		Balance at 01 January 2017	Charged for the year	Adjustment during the year	Balance at 31 December 2017	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	20,749,118	5,187,983	-	25,937,101	181,582,202
Furniture and fixtures	80,113,694	11,856,586	(1,654,421)	90,315,859	12.50	28,392,735	9,517,012	(1,201,733)	36,708,013	53,607,847
Electrical equipment	73,366,607	11,512,907	(3,842,089)	81,037,425	20.00	44,116,701	9,066,281	(3,374,124)	49,808,858	31,228,567
Curtain and carpets	4,068,398	1,024,451	(449,950)	4,642,899	33.33	2,105,442	1,094,755	(292,981)	2,907,215	1,735,684
Office equipment	91,913,364	31,230,640	(1,733,923)	121,410,081	20.00	71,957,365	12,018,105	(1,733,778)	82,241,692	39,168,389
Office decoration	121,069,649	30,980,029	(2,361,829)	149,687,850	20.00	56,697,601	18,645,106	(2,361,689)	72,981,018	76,706,832
Computers	133,051,766	38,350,977	-	171,402,743	20.00	77,593,707	18,444,200	-	96,037,907	75,364,836
Software (Office Operation)	31,905,836	1,136,658	-	33,042,494	33.33	22,398,904	5,769,902	-	28,168,806	4,873,688
Software (Business Operation)	137,540,494	-	-	137,540,494	20.00	121,877,160	12,061,935	-	133,939,095	3,601,399
Telephone and telex	9,329,361	1,817,817	(564,684)	10,582,494	33.33	7,303,848	1,380,244	(414,317)	8,269,774	2,312,720
Motor vehicles	288,539,155	23,137,060	(43,044,544)	268,631,671	25.00	145,270,908	52,653,764	(29,408,441)	168,516,231	100,115,440
Total 2017	**1,205,376,097**	**151,047,125**	**(53,651,439)**	**1,302,771,783**		**598,463,488**	**145,839,286**	**(38,787,063)**	**705,515,711**	**597,256,072**

A.1 Details of disposals/adjustments-for 2018

Asset category	Cost	Accumulated depreciation	Book value	Sale price/ adjustment	Profit/(loss) on disposal	Mode of disposal	Buyer
	BDT	BDT	BDT	BDT	BDT		
Free hold assets :							
Furniture and fixtures	2,469,342	(1,837,220)	632,122	222,635	(409,487)	As per policy of the Company	Employees/Outsider
Electrical equipment	4,193,483	(3,732,740)	460,743	508,327	47,584	As per policy of the Company	Employees/Outsider
Curtain and carpets	328,613	(257,289)	71,324	84,660	13,336	As per policy of the Company	Employees/Outsider
Office decoration	6,391,432	(5,818,433)	572,999	57,523	(515,476)	As per policy of the Company	Employees/Outsider
Office equipment	5,822,950	(5,656,652)	166,298	791,870	625,572	As per policy of the Company	Employees/Outsider
Telephone and telex	647,854	(475,766)	172,087	196,518	24,431	As per policy of the Company	Employees/Outsider
Motor vehicles	28,206,439	(22,034,604)	6,171,835	14,117,786	7,945,951	As per policy of the Company	Employees/Outsider
Total 2018	**48,060,112**	**(39,812,705)**	**8,247,408**	**15,979,319**	**7,731,912**		

A(a) Consolidated fixed assets including land, building, furniture and fixtures-for 2018

Asset category	Cost				Rate %	Depreciation				Written down value at 31 December 2018
	Balance at 01 January 2018	Addition during the year	Disposal/ adjustment during the year	Balance at 31 December 2018		Balance at 01 January 2018	Charged for the year	Adjustment during the year	Balance at 31 December 2018	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	25,937,101	5,187,983	-	31,125,083	176,394,219
Furniture and fixtures	108,574,018	5,916,493	(2,809,497)	111,681,014	12.50	46,372,467	11,676,470	(1,954,200)	56,094,737	55,586,277
Electrical equipment	105,956,223	3,223,786	(4,329,706)	104,850,304	20.00	70,729,957	10,555,308	(3,868,918)	77,416,347	27,433,957
Curtain and carpets	5,884,508	1,019,773	(328,613)	6,575,667	33.33	3,820,262	1,365,808	(257,289)	4,928,781	1,646,887
Office equipment	157,519,357	6,403,013	(5,854,668)	158,067,703	20.00	113,287,954	16,453,466	(5,688,360)	124,053,060	34,014,643
Office decoration	181,153,710	5,137,104	(6,391,487)	179,899,327	20.00	89,501,205	25,953,991	(5,818,444)	109,636,752	70,262,574
Computers	195,119,528	12,996,448	-	208,115,976	20.00	112,738,036	23,519,287	-	136,257,323	71,858,653
Software (Office Operation)	43,282,873	4,237,051	-	47,519,924	33.33	35,426,043	4,363,897	-	39,789,940	7,729,984
Software (Business Operation)	139,245,597	2,931,023	-	142,176,620	20.00	134,116,621	2,214,894	-	136,331,515	5,845,105
Telephone and telex	13,946,953	2,989,732	(860,354)	16,076,332	33.33	10,991,938	1,897,914	(667,489)	12,222,363	3,853,969
Motor vehicles	317,775,191	11,654,200	(30,706,439)	298,722,952	25.00	197,222,225	55,536,812	(24,477,292)	228,281,744	70,441,208
Total 2018	**1,502,935,732**	**56,508,623**	**(51,280,763)**	**1,508,163,591**		**840,143,807**	**158,725,831**	**(42,731,993)**	**956,137,645**	**552,025,946**

Consolidated Fixed assets including land, building, furniture and fixtures -for 2017

Asset category	Cost				Rate %	Depreciation				Written down value at 31 December 2017
	Balance at 01 January 2017	Addition during the year	Disposal/ adjustment during the year	Balance at 31 December 2017		Balance at 01 January 2017	Charged for the year	Adjustment during the year	Balance at 31 December 2017	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Free hold assets:										
Land	26,958,470	-	-	26,958,470		-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	20,749,118	5,187,983	-	25,937,101	181,582,202
Furniture and fixtures	97,374,689	13,293,973	(2,094,644)	108,574,018	12.50	36,472,604	11,531,461	(1,631,598)	46,372,467	62,201,552
Electrical equipment	95,970,699	13,827,614	(3,842,089)	105,956,223	20.00	64,113,090	9,990,991	(3,374,124)	70,729,957	35,226,267
Curtain and carpets	5,109,062	1,261,731	(486,285)	5,884,508	33.33	2,855,226	1,294,347	(329,311)	3,820,262	2,064,246
Office equipment	125,458,984	34,504,408	(2,444,035)	157,519,357	20.00	102,790,783	12,941,045	(2,443,875)	113,287,954	44,231,404
Office decoration	150,272,999	36,013,543	(5,132,832)	181,153,710	20.00	72,403,675	22,221,897	(5,124,367)	89,501,205	91,652,505
Computers	151,998,424	43,121,104	-	195,119,528	20.00	92,449,197	20,288,839	-	112,738,036	82,381,492
Software (Office Operation)	39,708,911	3,573,962	-	43,282,873	33.33	28,244,756	7,181,286	-	35,426,043	7,856,830
Software (Business Operation)	137,540,494	1,705,103	-	139,245,597	20.00	121,877,160	12,239,461	-	134,116,621	5,128,976
Telephone and telex	12,508,526	2,308,112	(869,684)	13,946,953	33.33	9,897,557	1,761,944	(667,563)	10,991,938	2,955,015
Motor vehicles	326,451,426	38,383,709	(47,059,944)	317,775,191	25.00	170,745,467	59,585,764	(33,109,006)	197,222,225	120,552,966
Total 2017	**1,376,871,985**	**187,993,259**	**(61,929,512)**	**1,502,935,732**		**722,598,634**	**164,225,017**	**(46,679,844)**	**840,143,807**	**662,791,925**

REPORTS & FINANCIAL STATEMENTS- SUBSIDIARIES

- **IDLC Securities Limited**
  - Management Committee
  - Directors' Report to the Shareholders
  - Independent Auditor's Report
  - Statement of Financial Position
  - Statement of Profit and Loss and Other Comprehensive Income
  - Statement of Cash Flow
  - Statement of Changes in Equity
  - Notes to the Financial Statements
- **IDLC Investments Limited**
  - Management Committee
  - Directors' Report to the Shareholders
  - Independent Auditor's Report
  - Statement of Financial Position
  - Statement of Profit and Loss and Other Comprehensive Income
  - Statement of Cash Flow
  - Statement of Changes in Equity
  - Notes to the Financial Statements
- **IDLC Asset Management Limited**
  - Management Committee
  - Directors' Report to the Shareholders
  - Independent Auditor's Report
  - Statement of Financial Position
  - Statement of Profit and Loss and Other Comprehensive Income
  - Statement of Cash Flow
  - Statement of Changes in Equity
  - Notes to the Financial Statements

IDLC Securities Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Md. Momin Uddin
Head of International & Institutional Sales

A.H.M. Nazmul Hasan
Head of Operations

Kazi Monirul Islam, CFA
Head of Research

Mohammad Jobair Rahman Khan FCA
Head of Group Corporate Affairs & Taxation and Group Company Secretary

Sakhawat Hossain
Head of Finance

Sitting from left

Golam Ahad Chowdhury
Head of Trading & Business Development

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Md. Saifuddin
Managing Director

Shamima Akter Lovely
Head of HR- Capital Market & Head of Organisational Development

Directors' Report

To the Shareholders of IDLC Securities Limited

NIAZ HABIB
Independent Director & Chairman

Dear valued Shareholders,

It is with immense pleasure that the Board of IDLC Securities Limited (IDLC SL) presents the Directors' Report, the audited financial statements of the Company for the year ended December 31, 2018 and the Auditor's Report thereon along with a capital market overview, the Company's performance and other matters in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

Total market capitalization of Bangladesh stands around USD 50 billion with more than 580 securities including stocks, corporate bonds, treasury bonds and mutual funds whereas the equity market capitalization stands around USD 43.0 billion. Interestingly, the top 10 market cap companies represent about 45% of the equity market capitalization and all 12 listed MNCs represent about 30% of the equity market capitalization. The country's equity market is still in nascent stage. While our market-cap-to-GDP is only about 16%, it is much higher for countries like India (75%), Vietnam (72%), the Philippines (75%), Thailand (105%), Malaysia (110%) and Indonesia (40%). We believe there is ample scope for the market to grow significantly over time with the listing of new equities in the coming days. Besides, the demand for investment vehicles will continue to increase in line with rising MAC (Middle and Affluent Class) population in our country. Boston Consultant Group expects that Bangladesh's MAC population will triple to 34 million by 2025 from 11.7 million in 2015. On top of that, we believe, strategic partnership of Dhaka Stock Exchange (DSE) with a consortium of the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) will bring many qualitative improvements in our market including adoption of technology and thus accelerate the growth of our market. In this high potential environment, IDLCSL is positioning itself to capture a significant share of this emerging growth, going forward.

2018 has been a challenging year for Bangladesh stock market with 13.9% decline in prime index DSEX compared to 24.0% gain in 2017. The year started with index value of 6,244.5 and ended with index value of 5,385.6. Throughout the year 2018, DSEX was in downtrend except a few attempts to recover. Average trade volume in DSE also declined substantially by 36.8% to Taka 5.5 billion in 2018 from Taka 8.7 billion in 2017.

It is my great pleasure to inform you that your Company achieved commendable performance in this challenging environment – proving its resilience to market volatility. IDLC SL made a net profit after tax of Taka 365.5 million, which is only 3.7% lower than Taka 379.5 million reported in 2017. While net brokerage commission income decreased by 30.6% to Taka 333.4 million, net investment income witnessed a 4.8% growth to Taka 268.0 million in 2018 from Taka 255.8 million in 2017 and net interest income increased by 82% to 149 million from 82 million in 2017. Careful stock selection and prudent navigation between equity and fixed income (cash/FDR/bond) exposure helped achieve higher investment and interest income in 2018.

Market share of your Company grew to 4.72% in 2018 from 4.02% in the previous year. The average daily turnover of your Company decreased by only 25.9%, whereas daily average turnover of the market decreased by 37% in 2018. During last three years, IDLCSL moved into 2nd Position in DSE in terms of turnover in 2018 from 5th Position in 2015. This was a big achievement for your Company. This was achieved based on fundamental improvement in performance management, key resource retention, increased contribution from foreign & captive business and rise in our active customer base.

IDLC SL achieved significant footing in foreign brokerage business in 2018 and hence contribution from foreign brokerage business to total basket increased to 10.4% from 8.5% in 2017. To retain the momentum, IDLC SL conducted two overseas roadshows in USA and remodeled sell-side research & foreign brokerage business. We believe, the initiatives taken in 2018 will enhance franchise value of our foreign brokerage business and capacity of our research.

Operational highlights of 2018

Particulars	2014	2015	2016	2017	2018
No. of Accounts at the beginning	10,756	12,854	13,960	15,352	17,171
Accounts opened during the year	3,062	2,514	1,878	2,358	1,506
Accounts closed during the year	(964)	(1,408)	(486)	(539)	(2,167)
No. of accounts at year end	12,854	13,960	15,352	17,171	16,510
Growth (year on year)	19.5%	8.6%	10.0%	11.85%	-3.85%
Composition of client base:					
Individual	12,530	13,602	14,933	16,363	15,685
Institution & Foreign	199	226	287	685	713
NRB	125	132	132	123	112
Total	12,854	13,960	15,352	17,171	16,510

Currently, IDLC SL has 16,500+ clients including 713 institutional and foreign clients. Moreover, the Company serves more than 2,500 customers as a panel broker of its enlisted merchant banks. In 2018, IDLCSL closed 1900 inactive accounts. As a result, total number of accounts in 2018 shows de-growth of 3.85%. Normalizing that impact of inactive account closure, in fact, client base grew by 8% in 2018.

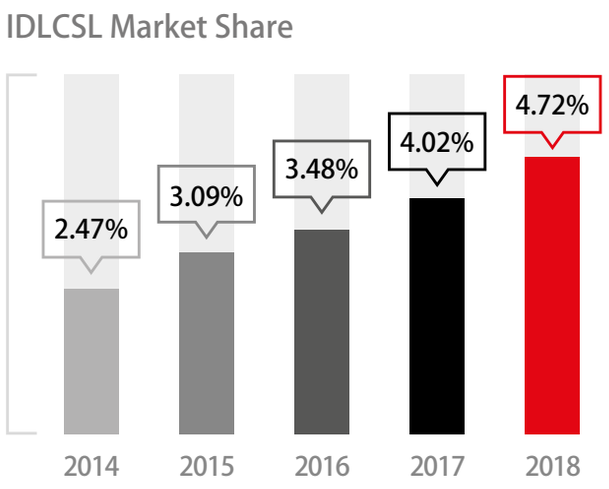
Key achievements of 2018

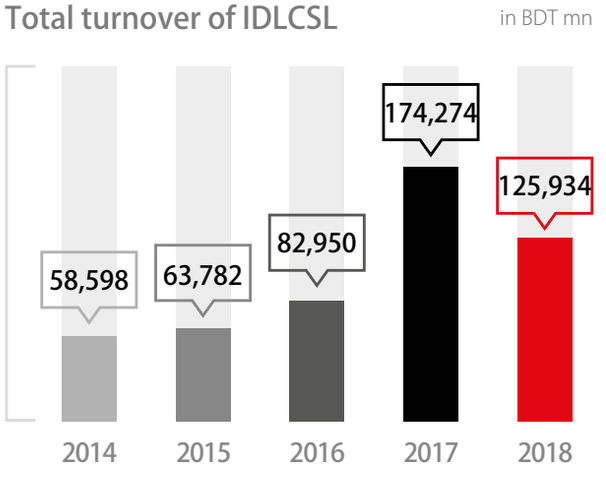
- Secured 2nd position with substantial increase in market share
- Enhanced retail and strategic sales efforts
- Achieved significant footing in foreign sales operation
- Conducted two overseas roadshow in USA
- Remodeled sell-side research & foreign brokerage business
- Reviewed and restructured our operational risk management process

Financial highlights of 2018

Amount in BDT Million	2014	2015	2016	2017	2018
Total turnover of IDLCSL	58,597.6	63,781.9	82,950.0	174,273.6	125,934.4
Total turnover of IDLCSL Growth (%)	31.3%	8.8%	30.1%	110.1%	-27.7%
Total assets	1,407.2	1,557.6	2,145.1	4,136.0	4,934.7
Total assets Growth (%)	-5.4%	10.7%	37.7%	92.8%	19.3%
Total shareholders' equity	929.2	1,025.3	1,128.7	3,108.1	3,473.7
Total shareholders' equity Growth (%)	4.4%	10.3%	10.1%	175.4%	11.8%
Net brokerage commission income	172.0	203.0	249.8	480.5	333.4
Net brokerage income Growth (%)	30.7%	18.0%	23.1%	92.3%	-30.6%
Net interest income	86.4	71.6	53.0	81.9	149.3
Net interest income Growth (%)	-16.9%	-17.1%	-26.0%	54.6%	82.2%
Income from share market investment	(5.8)	51.7	70.7	255.8	268.0
Investment income growth (%)	-118.9%	-986.3%	36.9%	261.6%	4.8%
Operating expenses	155.9	181.0	187.0	247.5	237.6
Operating expenses Growth (%)	14.9%	16.1%	3.3%	32.4%	-4.0%
Net profit before tax & provision	97.9	147.5	191.8	575.7	518.0
Net profit before tax & provision Growth (%)	-25.3%	50.6%	30.0%	200.2%	-10.0%
Net Profit after Tax	38.9	96.1	103.4	379.5	365.5
Net Profit after Tax Growth (%)	-35.1%	147.0%	7.6%	267.1%	-3.7%
Return on assets*	2.7%	6.5%	5.6%	14.8%	8.1%
Return on equity*	4.3%	9.8%	9.6%	24.6%	11.1%

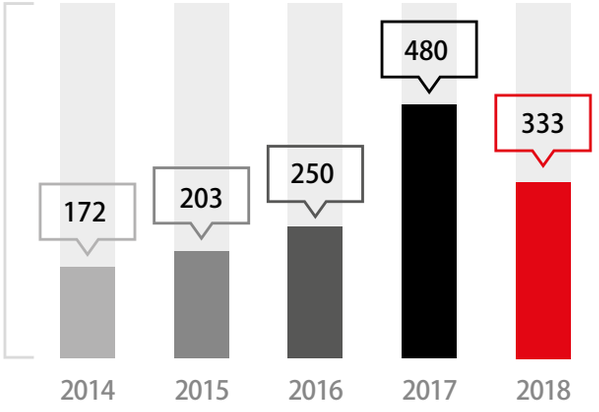
* Time weighted ROA & ROE in 2017



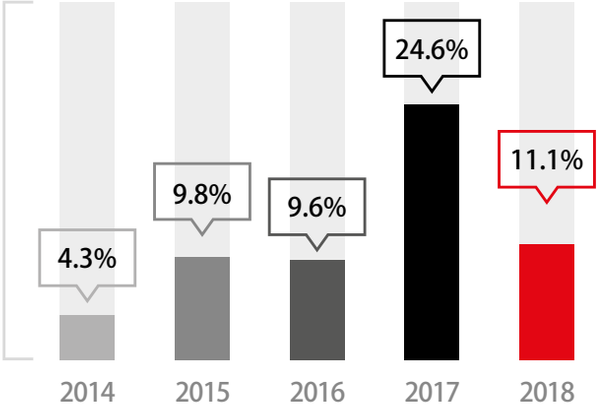


Net brokerage commission income

in BDT mn

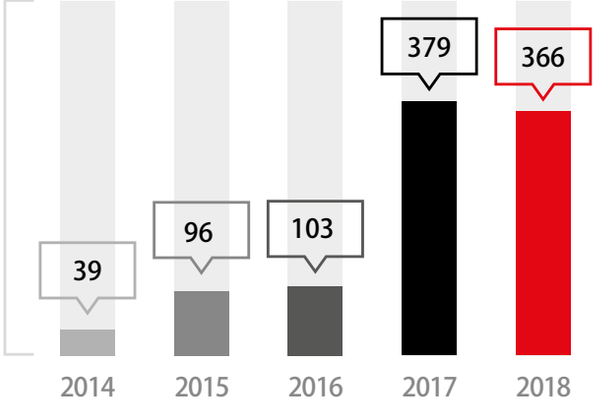


Return on Equity



Net Profit after Tax

in BDT mn



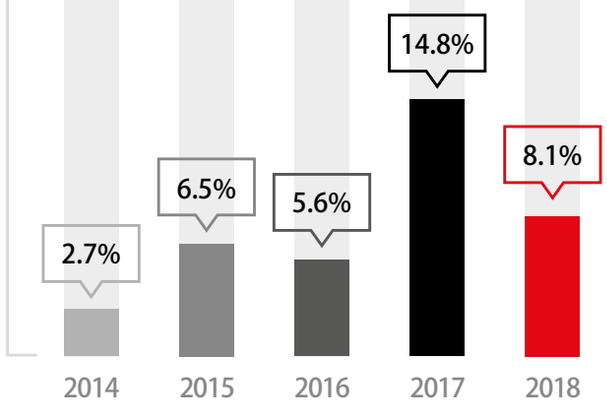
Human resource development

We believe in performance, meritocracy and equal opportunity in every aspects of human resource management. We maintain a culture of continuous learning and invest substantially in talent management. As part of IDLCSL's human resource development initiatives, a significant number of employees attended different training programs during the year, including both managerial development and technical competency. In addition, 1 employee attended high leadership training abroad.

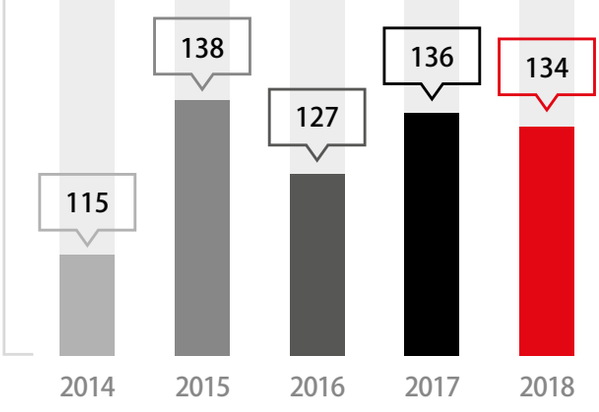
We believe in keeping a high morale and having motivated employees all around the organisation. In this regard, we also arranged high quality team building and motivational sessions across the board.

At the end of 2018, the total number of employees stood at 134 as compared with 136 in 2017.

Return on Assets



No. of Employees



Major HR initiatives in 2018

- New online performance appraisal module for all the employees
- Focus on in-house training programs on priority basis
- Introduction of annual internal training calendar

Top-five risks impacting our business and key mitigation strategies

Risk	Mitigation Strategy
Political uncertainty	Balancing between scale of the business and uncertainty
Regulatory risk	Improve internal control, training and monitoring employees for enhancing compliance
Investment risk	Prudent investment exposure management
Retention of skilled human resources	Performance and motivation management
Shift in technology	We are closely monitoring technological changes to adopt the appropriate technology and remain contemporary with regards to the prevailing standards

Outlook for 2019

At IDLC SL, we intend to:

- Solidify our market position
- Continue focus on foreign and premium brokerage segments
- Enhance capacity of sell side research
- Continue focus on capacity building of dealers
- Embrace new technology conducive for brokerage business

Books of accounts

At IDLC Securities, proper books of accounts have been maintained. The appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure there-from has been adequately disclosed. The financial statements prepared by the management of IDLC Securities Limited present fairly its state of affairs, the result of its operations, cash flows and changes in the shareholders' equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profits

Considering Company's investment opportunities, growth potentials and comparative cost benefit analysis of paying out dividend and overall better tax management, the Board of IDLC Securities Limited decided not to disburse any dividend to the shareholders of the Company for 2018.

Appointment of auditors

In terms of Article 102 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Securities Limited at its 12th meeting appointed A. Qasem & Co., Chartered Accountants, as the auditors for the company for 2018. Accordingly, the auditors of the Company, A. Qasem & Co., Chartered Accountants, has completed their second year of audit of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2019 and they have also offered themselves for re-appointment. The Board has recommended A. Qasem & Co. Chartered Accountants, to the shareholders at the AGM to be appointed as the auditors of the Company for the year 2019 at an existing remuneration of Taka 100,000 (Taka One Hundred Thousand only).

Going concern

There is no significant doubt on IDLC Securities Limited's ability to continue as a going concern.

Appreciation

I would like to thank the Board and colleagues for their continued support and unstinted cooperation and on their behalf express my sincere appreciation to the entire IDLC Securities team. I would like to acknowledge the exceptional efforts of our employees who worked hand-in-hand to meet the challenges of a difficult year. They were called upon to embrace major difficulties, at the same time maintaining the highest standards of service to our clients and also adhering to the compliance of rules and regulations.

Special thanks to our parent company, IDLC Finance Limited for providing all out support needed for the company to grow and expand its operations.

On behalf of the Board, I would like to thank our loyal customers and honorable shareholders (especially IDLC Finance Limited, our parent company) for their trust reposed on us. The members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, the Dhaka and Chittagong stock exchanges, the Central Depository Bangladesh Limited and Bangladesh Bank, who have remained as partners in the growth of our Company.

For and on behalf of the Board of Directors,

Sd/-

Niaz Habib
Chairman
IDLC Securities Limited

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Independent Auditor's Report to the Shareholders of IDLC Securities Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IDLC Securities Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, 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).

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 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.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report of its parent-IDLC Finance Limited is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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 identified above when it becomes available 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.

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

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.

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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987 and other applicable laws and regulations.

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 those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the Company's business.

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
14 February 2019

IDLC Securities Limited

Statement of Financial Position

As at 31 December 2018

	Notes	2018 BDT	2017 BDT
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	27,620,781	35,535,541
Intangible asset	5	823,508	482,658
Investment in Stock Exchanges	6	14,869,750	18,676,000
Investment in Bond	7	155,366,353	-
Deferred tax assets	8	18,654,056	16,060,943
		217,334,449	**70,755,142**
Current Assets			
Advances, deposits and prepayment	9	13,060,061	17,771,694
Investment in marketable securities	10	2,126,037,264	2,365,849,893
Accounts receivable	11	237,482,931	34,554,226
Short term loan to IDLC Investments Limited	12	178,400,000	200,000,000
Margin loan to clients	13	126,049,423	85,310,055
Cash and cash equivalents	14	2,036,305,009	1,361,733,629
		4,717,334,689	**4,065,219,497**
Total Assets		**4,934,669,138**	**4,135,974,639**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2,000,000,000	2,000,000,000
Retained earnings	16	1,473,653,398	1,108,124,097
		3,473,653,398	**3,108,124,097**
Liabilities			
Current Liabilities			
Accounts payable	17	1,015,781,251	669,743,510
Short term loan	18	250,000,000	170,000,000
Liabilities for expenses	19	32,909,342	47,843,563
Provision for income tax	20	121,858,999	140,263,468
Provision for diminution in value of investments	21	40,466,147	-
Total liabilities		**1,461,015,740**	**1,027,850,541**
Total equity and liabilities		**4,934,669,138**	**4,135,974,639**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
14 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 BDT	2017 BDT
Operating Income			
Brokerage commission income	22	387,845,448	542,457,255
Brokerage commission expense	23	(54,476,277)	(61,975,600)
Net brokerage commission income (a)		**333,369,171**	**480,481,655**
Interest income	24	168,031,595	92,092,622
Interest expense	25	(18,770,091)	(10,162,407)
Net interest income (b)		**149,261,503**	**81,930,215**
Net investment income (c)	26	268,001,158	255,817,500
Other operating income (d)	27	2,622,980	3,414,862
Total Operating Income (A=a+b+c+d)		**753,254,812**	**821,644,232**
Operating Expenses			
Salaries & allowances	28	143,487,798	151,203,907
Rent, taxes, insurance, electricity, etc.	29	45,012,512	47,912,751
Legal expenses	30	1,610,635	3,492,603
Postage, stamp, telecommunication, etc.	31	7,133,066	6,901,887
Stationery, printing, advertisements, etc.	32	14,219,821	10,159,861
Directors' Fee & Meeting Expenses	33	291,193	278,818
Audit fee		115,000	115,000
Depreciation and amortization	4	11,492,255	10,118,568
Other expenses	34	14,271,593	17,349,430
Total Operating Expenses (B)		**237,633,874**	**247,532,824**
Operating Profit (A-B)		**515,620,938**	**574,111,408**
Non-operating Income	35	2,380,980	1,549,481
Profit before Provisions and Tax		**518,001,918**	**575,660,889**
Provision for diminution in value of investments	21	(40,466,147)	-
Profit before Provision for Income Tax		**477,535,771**	**575,660,889**
Provision for Income Tax		**112,006,470**	**196,186,981**
Current tax	20	114,599,583	199,391,506
Deferred tax expense/(income)	8	(2,593,113)	(3,204,525)
Net Profit After tax		**365,529,301**	**379,473,908**
Other comprehensive income		-	-
Total Comprehensive Income		**365,529,301**	**379,473,908**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
14 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

Statement of Cash Flows

For the year ended 31 December 2018

	2018 BDT	2017 BDT
A. Cash flow from operating activities		
Net profit during the year	**365,529,301**	**379,473,908**
Adjustments for:		
Depreciation & amortization	11,492,255	10,118,568
Gain on disposal of property, plant and equipment	(931,360)	(523,452)
Cash generated from operating activities before changes in working capital:	**10,560,895**	**9,595,116**
Changes in workings capital:		
(Increase)/decrease in accounts receivable	(202,928,705)	83,399,835
(Increase)/decrease in deferred tax asset	(2,593,113)	(3,204,525)
(Increase)/decrease in margin loan to clients	(40,739,368)	(43,848,432)
Decrease/(increase) in advances, deposits and prepayments	4,711,632	3,823,055
Increase/(decrease) in accounts payable	346,037,741	(94,674,465)
(Decrease)/increase in provision for expenses	(14,934,221)	24,656,631
Increase/(decrease) in provision for current tax	(18,404,469)	81,374,700
Net cash flow from operating activities	**447,239,694**	**440,595,822**
B. Cash flow from investing activities		
Acquisition of property, plant and equipment	(2,986,987)	(16,068,424)
Investment in shares/securities	239,812,631	(1,480,325,864)
Investment in Stock Exchanges	3,806,250	-
Investment in Bond	(155,366,353)	-
Provision for diminution in value of investments	40,466,147	-
(Disbursement)/Reimbursement of Short term loan to IDLC Investments Limited	21,600,000	(100,000,000)
Net cash (used in)/ flow from investing activities	**147,331,687**	**(1,596,394,288)**
C. Cash flows from financing activities		
Receipt of short term loan - Standard Chartered Bank	80,000,000	-
(Repayment)/Reciept of short term loan - IDLC Finance Limited	-	-
Share Capital	-	1,600,000,000
Net cash flow from in financing activities	**80,000,000**	**1,600,000,000**
D. Net surplus/(deficit) in cash & cash equivalents for the year (A+B+C)	674,571,381	444,201,534
E. Cash & cash equivalents at the beginning of the year	1,361,733,629	917,532,095
F. Cash and cash equivalents at the end of the year	**2,036,305,009**	**1,361,733,629**
***Cash and cash equivalents:**		
Cash in hand	100,000	100,000
Cash at bank	1,001,705,009	735,133,629
Fixed deposits	1,034,500,000	626,500,000
	2,036,305,009	**1,361,733,629**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
14 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

Statement of Changes in Equity

For the year ended 31 December 2018

Particular	Share Capital BDT	Retained Earnings BDT	Total Equity BDT
Balance as on 01 January 2017	**400,000,000**	**728,650,188**	**1,128,650,188**
Addition during the year	1,600,000,000	379,473,908	1,979,473,908
Balance as on 31 December 2017	**2,000,000,000**	**1,108,124,097**	**3,108,124,097**
Addition during the year	-	365,529,301	365,529,301
Balance as on 31 December 2018	**2,000,000,000**	**1,473,653,398**	**3,473,653,398**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
14 February 2019

IDLC Securities Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2018

1. Company and its activities

1.1 Legal status of the Company

IDLC Securities Limited (IDLCSL) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-61319 (3328)/06 with effect from 19 April 2006 as a private limited company limited by shares having its registered office at DR Tower (4th Floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 under the Companies Act 1994. The Company is a Trading Right Entitlement Certificate (TREC) holder of both Dhaka Stock Exchange Limited (058) and Chittagong Stock Exchange Limited (119). The company commenced its business operations on 18 September 2006 as a wholly owned subsidiary of IDLC Finance Limited.

1.2 Nature of business

The principal activities of IDLC Securities Limited are to act as a member of stock exchanges, the central depository system (CDS) companies and to carry on the business of broker, jobbers or dealers in stocks, shares, securities, bonds, debentures. The Company is also authorized to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities, etc. The company has ten (10) branches in Bangladesh located at Purana Paltan , Chittagong, Dhanmondi, Mohakhali (DOHS), Gulshan, Narayanganj, Uttara, Gazipur, Khatunganj, and Sylhet. IDLC Securities Limited possesses following licenses from regulatory authorities:

Name of Institutions	License No:	Nature of Business
Bangladesh Securities and Exchange Commission (BSEC)	3.1/DSE/58/2006/130	Stock Broker Business with DSE
Bangladesh Securities and Exchange Commission (BSEC)	3.1/DSE/58/2008/233	Stock Dealer Business with DSE
Bangladesh Securities and Exchange Commission (BSEC)	3.2/CSE/119/2006/135	Stock Broker Business with CSE
Bangladesh Securities and Exchange Commission (BSEC)	3.2/CSE/119/2006/176	Stock Dealer Business with CSE
Central Depository Bangladesh Limited (CDBL)	CDBL- DP 229	Depository functions

2. Basis of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 1994 and other applicable laws and regulations.

2.2 Other regulatory compliance

As required, IDLC Securities Limited also complies with the applicable provisions of the following major laws/ statutes:

-Securities and Exchange Rules, 1987;

-Securities and Exchange Commission Act, 1993;

-Securities and Exchange Commission (Stock-Dealer, Stock-Broker and Authorized Representatives) Rules, 2000;
-Income Tax Ordinance, 1984;

-Income Tax Rules, 1984;

-Negotiable Instruments Act, 1881; and

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

-Notes to the Financial Statements

2.5 Functional and presentational currency

These financial statements are presented in Bangladeshi Taka (BDT) which is the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest integer.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the year end.

Provisions and accrued expenses are recognized in the financial statements in line with International Accounting Standard (IAS) 37: "Provisions, Contingent Liabilities and Contingent Assets" when - the Company has a legal or constructive obligation as a result of past event; and

i. It is probable that an outflow of economic benefit will be required to settle the obligation.

ii. A reliable estimate can be made for the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.7 Statement of cash flows

Statement of Cash Flows is prepared in accordance with International Accounting Standard (IAS) 7: "Statement of Cash Flows" and the cash flows from operating activities are presented under the indirect method as prescribed by the Securities and Exchange Rules, 1987.

2.8 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.9 Recognition and measurement of financial assets

In accordance with International Financial Reporting Accounting Standard (IFRS) 9, financial assets may be recognized at fair value, with gain and losses taken to the income statement in net investment income. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

2.10 Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise and in accordance with the International Accounting Standard (IAS)-18 "Revenue Recognition":

a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

b. Interest income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis and applied to the customers' account on quarterly basis.

c. Dividend income and gain/(loss) on sale of marketable securities

Dividend income is recognized when right to receive or payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

2.11 Investment in stock exchanges for membership

In accordance with section 8 of the Exchanges Demutualization Act, 2013, both stock exchange memberships have been converted into shares through the issuance of two completely de-linked assets to the former members in the Exchange, namely (a) fully paid-up shares and (b) trading right. Exchanges shall have the authority to issue Trading Right Entitlement Certificate (TREC), as per the Exchanges Demutualization Act, 2013 and as outlined in the scheme, to provide the right to trade any securities enlisted in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) to eligible brokers and dealers. Such TRECs will be totally separated from the ownership of the Exchange as there is no obligation for TREC holders to be or remain shareholders of the exchange.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and fixed deposits which are held and are available for use by the Company without any restriction. There is insignificant risk of change in the value of the above items.

3. Significant accounting policies

3.1 Property, plant and equipment and depreciation

All Property, Plant and Equipment are stated at cost less accumulated depreciation as per IAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use.

3.1.1 Depreciation and Amortization

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is charged using the straight-line method on the acquisition cost of PPE and such cost is written off over the estimated useful lives of assets, in accordance with IAS 16. Depreciation for full month is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. The rates of depreciation used to write off the amount of assets are as follows:

Category of assets	Rate of depreciation
Computer peripherals	20.00% p.a.
Office equipments	20.00% p.a.
Electrical equipments	20.00% p.a.
Motor vehicles	25.00% p.a.
Office decoration	20.00% p.a.
Furniture & fixtures	12.50% p.a.
Telephone and telex	33.33% p.a.
Curtain & carpet	33.33% p.a.

3.1.2. Intangible Assets and Amortization of Intangible assets

The main item includes in intangible asset is computer software. Intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with IAS 38: "Intangible Assets". Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortization. Intangible asset is amortized over a period of three (03) years.

3.2 Provision for tax

3.2.1. Current tax

Provision for current tax is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments made thereto from time to time.

3.2.2. Deferred tax

Deferred Tax is calculated as per International Accounting Standard (IAS)-12 “Income Taxes”. Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences. Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

3.3. Provision for expenses

Provision for expenses is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made.

3.4. Provision for diminution in value of investments

Investment in quoted shares and un-quoted shares are revalued at the year end at market price and as per book value of last audited statement of financial position. 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 qouted shares) and book value (for quoted shares) are higher than the cost except investment in mutual fund. Incase of mutual fund Bangladesh Securities and Exchange Commission's (BSEC) directive no. SEC/CMRRCD/2009-193/172 dated 30 June 2015 has been followed.

3.5. Employee benefits

IDLC Securities Limited maintains defined benefit plan for its eligible permanent employees. Employee provident fund and gratuity plan are considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to employees as per condition of the fund. The eligibility is determined according to the terms and conditions set in the service rules of the company. The provident fund is recognized under the Income Tax Ordinance 1984.

3.6. Related party disclosure

As per International Accounting Standard (IAS) 24: "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 37.

3.7. Events after the reporting date

Events after the reporting date that provides additional information about company's financial position at the reporting date are reflected in the financial statements. Events after the reporting date that are material but not adjusting event are discussed in the notes.

3.8. Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS/IFRS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC SL applied following IAS and IFRS:

Name of the IAS	IAS No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Name of the IFRSs	**No.**	**Status**
Revenue from Contracts with Customers	15	Applied
Financial Instruments	9	Applied
Financial Instruments: Disclosures	7	Applied

		2018	2017
		BDT	BDT
4.	**Property, plant and equipment**		
	A. Cost :		
	Opening balance	134,071,311	121,869,099
	Addition during the year	3,284,561	16,680,285
		137,355,872	138,549,384
	Disposal for the year	(2,970,651)	(4,478,073)
		134,385,221	**134,071,311**
	B. Accumulated depreciation:		
	Opening balance	98,535,771	93,890,434
	Charged for the year	10,897,963	9,035,002
		109,433,734	102,925,436
	Disposal for the year	(2,669,294)	(4,389,665)
		106,764,440	**98,535,770**
	C. Written down Value (A-B)	**27,620,781**	**35,535,541**
	A schedule of property, plant and equipment is given in Annexure - A.		
5.	**Intangible asset**		
	A. Cost:		
	Opening balance	5,993,705	5,993,705
	Addition during the year	935,143	-
		6,928,848	**5,993,705**
	B. Accumulated amortization		
	Opening balance	5,511,048	4,427,481
	Amortization for the year	594,292	1,083,566
		6,105,340	**5,511,048**
	C. Written down value (A-B)	**823,508**	**482,658**
6.	**Investment in Stock Exchanges**		
	Dhaka Stock Exchange Limited (DSE) (Note: 6.1)	11,418,750	15,225,000
	Chittagong Stock Exchange Limited (CSE) (Note: 6.2)	3,451,000	3,451,000
		14,869,750	**18,676,000**
6.1	**Dhaka Stock Exchange Limited (DSE)**		
	Purchase of DSE membership from Mehnaz Mannan & Co.	11,193,750	15,000,000
	Share transfer stamp duty	225,000	225,000
		11,418,750	**15,225,000**
6.2	**Chittagong Stock Exchange Limited (CSE)**		
	Purchase of CSE membership from Technohaven Securities Limited	3,400,000	3,400,000
	Share transfer stamp duty	51,000	51,000
		3,451,000	**3,451,000**
		14,869,750	**18,676,000**

This represents the amount paid for purchasing membership of Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) including stamp duty for transferring shares.

Stock Exchange	Types of Shares	Number of shares	Face value (Taka)
Dhaka Stock Exchange	Floated (53.33%)	2,886,042	28,860,420
	Blocked (46.67%)	2,525,287	25,252,870
		5,411,329	**54,113,290**

Stock Exchange	Types of Shares	Number of shares	Face value (Taka)
Chittagong Stock Exchange	Floated (40%)	1,714,932	17,149,320
	Blocked (60%)	2,572,398	25,723,980
		4,287,330	**42,873,300**

As per the provision of the Exchanges Demutualization Act, 2013 and in accordance with the Bangladesh Securities and Exchange Commission (BSEC) approved Demutualization Scheme, DSE allotted total 5,411,329 ordinary Shares at face value of Tk.10.00 each and CSE allotted total 4,287,330 ordinary shares at face value of Tk.10.00 each against the membership respectively.

	2018	2017
	BDT	BDT
7. Investments in Bond		
Investment in Zero Coupon Bond	149,111,291	-
Interest capitalized during the period	6,255,062	-
	155,366,353	**-**

8. Deferred tax assets

Deferred tax asset for 2018 is arrived at as follows:

	Carrying Amount	Tax base	Taxable Temporary Difference
	BDT	BDT	BDT
As on 31 December 2018			
Assets:			
Fixed assets net of depreciation	27,736,205	48,946,378	21,210,172
Liabilities:			
Provision for gratuity	32,087,130	-	32,087,130
Total			**53,297,302**
Applicable tax rate for business income			35%
Deferred tax assets as on 31 December 2018			18,654,056
Deferred tax assets as on 31 December 2017			16,060,943
Deferred tax income accounted for 2018			**2,593,113**

Deferred tax asset for 2017 is arrived at as follows:

As on 31 December 2017			
Assets:			
Fixed assets net of depreciation	36,018,198	54,834,699	18,816,500
Liabilities:			
Provision for gratuity	27,071,908	-	27,071,908
Total			**45,888,407**
Applicable tax rate for business income			35%
Deferred tax assets as on 31 December 2017			16,060,943
Deferred tax assets as on 31 December 2016			12,856,417
Deferred tax income accounted for 2017			**3,204,525**

			2018	2017
			BDT	BDT
9.	**Advances, deposits and prepayment**			
	Advances and prepayments	(Note: 9.1)	12,772,061	17,483,694
	Security deposit	(Note: 9.2)	288,000	288,000
			13,060,061	**17,771,694**
9.1	**Advances and prepayments**			
	Advances	(Note: 9.1.1)	2,109,359	2,402,405
	Prepayments	(Note: 9.1.2)	10,662,702	15,081,289
			12,772,061	**17,483,694**
9.1.1	**Advances**			
	Advance to Dhaka Stock Exchange Limited		850,000	850,000
	Advance for expenses		-	90,000
	Advances for services /to suppliers		949,295	1,233,040
	Advances to Chittagong Stock Exchange Limited		100,000	100,000
	Advance to Bloomberg Finance L.P.		210,065	129,365
			2,109,359	**2,402,405**
9.1.2	**Prepayments**			
	Rent	(Note: 9.1.2.1)	9,950,855	14,436,958
	Insurance premium	(Note: 9.1.2.2)	711,848	644,331
			10,662,702	**15,081,289**
9.1.2.1	**Rent**			
	Head office		5,785,848	8,678,772
	Agrabad branch		2,338,340	3,039,842
	Sylhet branch		266,667	400,000
	Narayanganj branch		-	558,344
	Dhanmondi branch		300,000	500,000
	Gazipur branch		1,260,000	1,260,000
			9,950,855	**14,436,958**
9.1.2.2	**Insurance premium**			
	Group life		456,280	410,720
	Hospitalization		75,498	51,285
	Office insurance		93,409	85,352
	Motor vehicles		86,661	96,974
			711,848	**644,331**
9.2	**Security deposit**			
	Security deposit at CDBL		100,000	100,000
	Security deposit at CSE		25,000	25,000
	Security deposit at Dhaka Telephone Company		5,000	5,000
	Security deposit to Brig. Gen. Gyasuddin A Chowdhury		150,000	150,000
	Security deposit to Nabarun Agencies		8,000	8,000
			288,000	**288,000**

		2018	2017
		BDT	BDT
10. Investment in marketable securities			
Investment in shares available for sale	(Note: 10.1.1)	2,114,888,624	2,355,509,893
Investment in Initial Public Offering (IPO)	(Note: 10.1.2)	808,640	-
Investment in non-tradeable shares	(Note: 10.2)	10,340,000	10,340,000
		2,126,037,264	**2,365,849,893**

10.1.1 Investment in shares available for sale

The investments in shares are categories as financial assets held for trading as per IFRS 9. The details of the investments are as follows:

Business Segments	No. of Shares	Total Cost of Shares as on 31.12.2018 (BDT)	Market price as on 31.12.2018 (BDT)
Bank	10,553,618	575,330,739	496,085,959
Textile	19,521	174,267	649,704
Fuel & Power	5,063,009	320,989,859	294,517,814
Pharmaceuticals & Chemicals	1,686,628	121,773,477	105,193,151
Engineering	3,634,641	392,808,282	371,305,286
Cement	1,802,590	334,618,084	323,384,646
Telecommunication	874,393	369,143,495	321,164,549
Miscellaneous	5,546	50,420	256,780
		2,114,888,624	**1,912,557,887**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the reporting date.

On the reporting date, the aggregate portfolio value at cost price was BDT 2,114,888,624 and at market price was BDT 1,912,557,887, therefore if the reporting entity was recognized the unrealized loss on portfolio then it would recognize BDT 96,196,437 in the statement of profit or loss and other comprehensive income. But as per FID circular no. 08 dated August 3, 2002 of Bangladesh Bank (The Central Bank), IDLC Finance Limited, the Parent Company of reporting entity, recognizes its aggregate portfolio on cost value and no unrealized gain is recognized. So, the reporting entity as a wholly owned subsidiary of the IDLC Finance Limited, follows the similar accounting policy for recognizing the investment in securities listed in both stock exchanges.

10.1.2	**Investment in Initial Public Offering (IPO)**	**808,640**	**-**
10.2	**Investment in non-tradeable shares**		
Energypac Power Generation Limited(235,000 shares @ Taka 44 each)		10,340,000	10,340,000
		10,340,000	**10,340,000**
11. Accounts receivable			
Receivable from DSE	(Note: 11.1)	9,593,777	20,150,960
Receivable from CSE	(Note: 11.2)	511,830	214,546
Receivable from clients (broker)	(Note: 11.3)	192,272,327	9,234,491
Receivable from sale of shares	(Note: 11.4)	26,240	207,564
Interest receivable	(Note: 11.5)	17,750,493	1,255,875
Dividend receivable		15,180,624	-
Other receivable		2,147,640	3,490,790
		237,482,931	**34,554,226**

		2018	2017
		BDT	BDT
11.1	**Receivable from DSE**		
	Sale for broker	9,593,777	20,150,960
	Sale for dealer	-	-
		9,593,777	**20,150,960**

This balance has been resulted from sale of shares through Dhaka Stock Exchange Limited (DSE).

11.2	**Receivable from CSE**		
	Sale for broker	511,830	214,546
	Sale for dealer	-	-
		511,830	**214,546**

This balance has been resulted from sale of shares through Chittagong Stock Exchange Limited (CSE).

11.3	**Receivable from clients (brokers)**	**192,272,327**	**9,234,491**
11.4	**Receivable from sale of shares**	**26,240**	**207,564**

This balance has been resulted from the sale of marketable securities during the year.

11.5	**Interest receivable**	**17,750,493**	**1,255,875**

The interest has been accrued from Fixed Deposit Receipt (FDR).

12.	**Short term loan to IDLC Investments Limited**	**178,400,000**	**200,000,000**

The amount represents due from IDLC Investments Limited as the inter-company lending.

13. Margin loan to clients

Opening balance	85,310,055	41,461,623
Addition during the year	40,739,368	43,848,432
	126,049,423	**85,310,055**

14. Cash and cash equivalents

Cash in hand		100,000	100,000
Cash at bank	(Note: 14.1)	1,001,705,009	735,133,629
Fixed Deposit Receipt (FDR)	(Note: 14.2)	1,034,500,000	626,500,000
		2,036,305,009	**1,361,733,629**

14.1 Cash at bank

Name of the Bank	Branch	Type	A/C No.		
Standard Chartered Bank	Dhaka Main	SND	02-3066347-03	-	480,000
Standard Chartered Bank	Dhaka Main	SND	02-3066347-01	1,000	1,000
Standard Chartered Bank	Dhaka Main	CD	01-3066347-01	6,330,972	(8,281,246)
Standard Chartered Bank	Dhaka Main	CD	01-3066347-02	81,251,963	180,584,132
NCC Bank	NCC Bank Bhaban	SND	0103-0325000302	337,033,725	443,658,854
NCC Bank	NCC Bank Bhaban	SND	0103-0325000311	-	1,750,838
NCC Bank	NCC Bank Bhaban	SND	0103-0325000295	1,174,367	-
Standard Chartered Bank	Dhaka Main	CD	01-3066347-05	147,150,852	1,483,285
One Bank Limited	Principal	SND	001-5025642009	7,366,862	38,955,934
One Bank Limited (IPO)	Principal	SND	001-3000000944	27	3,449,109
Brac Bank Limited	Graphics Building	SND	1513101749870001	18,686,987	38,049,436
Eastern Bank Limited	Motijheel	SND	102.134.49357	-	777,653
Commercial Bank of Ceylon PLC	Dhaka	SND	2802005291	4,275,733	30,752,528
EXIM Bank Limited	Shantinagar	SND	11313100024301	356,223,185	-
NCC Bank	NCC Bank Bhaban	SND	0103-0325000384	36,251,719	-
Dutch Bangla Bank Limited	Sylhet	SND	121-120-2668	5,957,617	3,472,106
				1,001,705,009	**735,133,629**

			2018	2017
			BDT	BDT

14.2 Fixed Deposit Receipt (FDR)

Name of the Bank	Branch	FDR No.		
Trust Bank Limited	Dilkusha	0017-0330029778	2,500,000	2,500,000
Standard Chartered Bank	Gulshan	93066347051*	7,000,000	7,000,000
Standard Chartered Bank	Gulshan	93066347094*	25,000,000	17,000,000
IDLC Finance Limited	Dilkusha	10252206364303	600,000,000	600,000,000
IDLC Finance Limited	Dilkusha	10252206364306	250,000,000	-
IDLC Finance Limited	Dilkusha	10252206364305	150,000,000	-
			1,034,500,000	**626,500,000**

*FDR #93066347051 & 93066347094 kept under lien with Standard Chartered Bank as security for Overdraft and Short term loan respectively.

15. Share capital

Authorised capital 20,000,000 shares of Taka 100 each	**2,000,000,000**	**2,000,000,000**
Issued, subscribed & paid up capital :	**2,000,000,000**	**2,000,000,000**

The issued, subscribed and paid-up capital of Taka 2,000,000,000 is divided into 20,000,000 ordinary shares of Taka 100 each. Details are as follows:

IDLC Finance Limited		
19,999,992 shares of Tk. 100 each fully paid up	1,999,999,200	1,999,999,200
Mr. Asif Saad Bin Shams		
8 shares of Tk. 100 each fully paid up	800	800
	2,000,000,000	**2,000,000,000**

16. Retained earnings

Opening balance	1,108,124,097	728,650,188
Net profit for the year	365,529,301	379,473,908
	1,473,653,398	**1,108,124,097**

17. Accounts payable

Payable to clients	(Note: 17.1)	733,431,316	584,368,788
Public issue application money	(Note: 17.2)	825,000	340,000
Payable to DSE	(Note: 17.3)	242,848,446	40,120,552
Payable to CSE	(Note: 17.4)	199,872	8,669,490
Deferred liability - employees' gratuity	(Note: 17.5)	32,087,130	27,071,908
Other payable	(Note: 17.6)	6,389,487	9,172,772
		1,015,781,251	**669,743,510**

17.1 Payable to clients

Broker	733,405,077	584,161,224
Dealer	26,239	207,564
	733,431,316	**584,368,788**

This balance represents the clients' sale proceeds of shares and deposits against share purchase which is currently lying with the company's bank A/C.

17.2	**Public issue application money**	**825,000**	**340,000**

		2018	2017
		BDT	BDT
17.3	**Payable to DSE**		
	Purchase for broker	112,100,543	40,120,552
	Purchase for dealer	130,747,903	-
		242,848,446	**40,120,552**

This balance has been resulted from purchase of shares through Dhaka Stock Exchange Limited (DSE).

17.4	**Payable to CSE**		
	Purchase for broker	199,872	8,669,490
	Purchase for dealer	-	-
		199,872	**8,669,490**

This balance has been resulted from purchase of shares through Chittagong Stock Exchange Limited (CSE).

17.5	**Deferred liability - employees' gratuity**		
	Opening balance	27,071,908	17,045,744
	Addition during the year	5,015,222	10,026,164
		32,087,130	27,071,908
	Payment during the year	-	-
		32,087,130	**27,071,908**
17.6	**Other payable**		
	Payable to CDBL	769,803	737,953
	Payable to Investec Securities Proprietary Limited	134,062	399,763
	Payable to AT Capital Partners (BD) Limited	-	309,097
	Payable to Decker & Co LLC	62,390	-
	Payable to Exotix Partners LLP	1,600,586	1,345,037
	Payable to welfare fund	511,920	357,617
	Interest payable	665,000	677,014
	Miscellaneous payable	2,645,726	5,346,291
		6,389,487	**9,172,772**

18. Short term loan

Short term loan - Standard Chartered Bank	250,000,000	170,000,000
	250,000,000	**170,000,000**

Standard Chartered Bank approved an overdraft facility and a short term loan facility in favor of IDLC Securities Limited for amount of Taka 70,000,000 at 9.00% per annum interest rate and Taka 250,000,000 at 9.50% per annum interest rate for 30 days tenor respectively vide sanction letter ref# 12H/10600774/BDQW039N dated 28 June 2018. For security purpose, IDLC Securities Limited has to maintain cash security for Taka 7,000,000.00 for overdraft facility and FDR amount of Taka 25,000,000 kept under lien with SCB for the short term loan. Standard Chartered Bank may revises the interest rate time to time at the discretion of the bank as per the clause no. 03 of the sanction letter.

		2018	2017
		BDT	BDT
19. Liabilities for expenses			
Audit fee		115,000	115,000
Legal & professional fee		1,019,513	708,398
Office rent		235,440	1,152,042
Utilities		558,665	283,665
Office maintenance		980,724	554,658
Salaries & allowances		30,000,000	45,000,000
Postage and Courier		-	25,800
Telephone expenses		-	4,000
		32,909,342	**47,843,563**
20. Provision for income tax			
Opening balance		140,263,468	58,888,769
Provision during the year		114,599,583	199,391,506
		254,863,051	**258,280,275**
Paid during the year		44,653,717	17,179,248
Tax deducted at source	(Note: 20.1)	88,350,335	100,837,558
		(133,004,052)	**(118,016,806)**
		121,858,999	**140,263,468**
20.1 Tax deducted at source			
The amount has been deducted by Dhaka Stock Exchange Limited (DSE) & Chittagong Stock exchange Limited (CSE) from the transaction amount as per section 53BBB of the Income Tax Ordinance 1984.			
Dhaka Stock Exchange Limited			
For broker		55,264,687	81,172,883
For dealer		2,200,663	3,511,167
		57,465,350	**84,684,050**
Chittagong Stock exchange Limited			
For broker		3,624,658	2,324,290
For dealer		1,877,028	122,366
		5,501,686	**2,446,656**
Total tax deducted on turnover as per section 53BBB		**62,967,036**	**87,130,706**
Tax deducted at source on bank interest and dividend income		25,383,299	13,706,852
		88,350,335	**100,837,558**
21. Provision for diminution in value of investments			
Opening balance		-	-
Provision for the year		40,466,147	-
		40,466,147	**-**
22. Brokerage commission			
Commission for Dhaka Stock Exchanges (DSE):			
Broker		345,632,180	508,735,225
Dealer		11,003,316	17,555,837
		356,635,496	**526,291,062**

		2018	2017
		BDT	BDT
	Commission for Chittagong Stock Exchanges (CSE):		
	Broker	21,824,813	15,554,373
	Dealer	9,385,138	611,821
		31,209,951	**16,166,193**
		387,845,448	**542,457,255**
23.	**Brokerage commission expense**		
	Howla charges (Note: 23.1)	42,494	203,524
	Laga charges (Note: 23.2)	27,974,158	42,510,913
	Charges on corporate/bank guarantee	2,761,111	2,661,458
	International market development fees	23,698,514	16,599,705
		54,476,277	**61,975,600**
23.1	**Howla charges**		
	CSE for broker	41,576	198,482
	CSE for dealer	918	5,042
		42,494	**203,524**
23.2	**Laga charges**		
	DSE for broker	26,313,782	40,047,479
	DSE for dealer	992,408	1,716,497
		27,306,190	**41,763,976**
	CSE for broker	511,966	704,884
	CSE for dealer	156,002	42,053
		667,968	746,937
		27,974,158	**42,510,913**
24.	**Interest income**		
	Interest on FDR	97,595,299	16,135,452
	Bank interest	45,054,731	42,233,592
	Interest against short-term loan to IDLC Investments Limited	8,213,207	24,065,700
	Interest on margin loan	17,168,358	9,657,878
		168,031,595	**92,092,622**
25.	**Interest expense**		
	Interest on short-term	18,502,806	9,841,422
	Interest on overdraft	267,285	320,985
		18,770,091	**10,162,407**
26.	**Net investment income**		
	Capital gain/(loss) from sale of securities	157,572,703	217,937,412
	Dividend income	70,100,326	37,880,088
	Income from Zero Coupon Bond	6,255,062	-
	Gain/(loss) on sale of DSE Shares	34,073,067	-
		268,001,158	**255,817,500**

	2018	2017
	BDT	BDT
27. Other operating income		
Account opening fee	648,500	1,076,500
BO account maintenance fee	1,558,500	1,686,100
Transmission fee	244,530	566,452
Demate & remate fee	51,100	40,000
Pledge unpledge & others fee	36,675	-
IPO service charge	83,675	45,810
	2,622,980	**3,414,862**
28. Salaries & allowances		
	143,487,798	**151,203,907**

Salaries & allowances includes key management compensation of BDT 31,178,984 (2017: BDT 19,952,902). Key management personnel comprises the Management Committee, including the Managing Director who exercise significant authority and play strategic role in the company.

29. Rent, taxes, insurance, electricity, etc.		
Rent, rates & taxes	22,332,162	24,510,853
Service charge	4,677,440	4,234,244
Office maintenance	10,795,582	12,174,964
Office insurance	552,389	534,104
Repair & maintenance	1,644,611	1,590,002
Utilities	5,010,327	4,868,584
	45,012,512	**47,912,751**
30. Legal expenses		
Renewal & registration	883,644	887,301
Subscription & fees	222,626	1,690,077
Legal & professional fees	504,365	915,225
	1,610,635	**3,492,603**
31. Postage, stamp, telecommunication, etc.		
Postage and courier	41,355	66,202
Telephone expenses	1,861,981	1,951,137
Government fees & stamp duty	37,685	67,055
Internet connectivity charges	5,192,045	4,817,493
	7,133,066	**6,901,887**
32. Stationery, printing, advertisements, etc.		
Printing & stationeries	2,320,220	2,730,716
Advertisement	2,067,566	1,242,202
Selling Expense	1,013,966	1,503,580
Corporate Social Responsibility	975,000	-
Branding & marketing expenses	3,092,645	3,413,328
Business promotional expenses	4,750,424	1,270,035
	14,219,821	**10,159,861**

	2018	2017
	BDT	BDT

33. Directors' Fee & Meeting Expenses

Directors' fees	207,000	213,750
Meeting expenses	84,193	65,068
	291,193	**278,818**

34. Other expenses

Staff training	1,721,084	7,206,981
Medical and welfare expenses	237,601	227,067
Entertainment	1,002,798	780,707
Motor vehicle expenses	2,635,360	2,167,721
Newspapers & periodicals	67,943	68,540
Travelling and conveyance	1,323,660	1,552,001
Employees' group insurance premium	527,387	453,051
Employees' hospitalization insurance premium	823,826	621,553
Software maintenance	2,817,413	2,659,791
CDBL transaction fee	1,075,151	1,200,655
Bank charges	539,371	411,363
Other expenses	1,500,000	-
	14,271,593	**17,349,430**

35. Other non-operating income

Miscellaneous income	1,006,561	743,529
Cheque dishonour charge	256,000	282,500
Gain on disposal of fixed assets	931,360	523,452
Research Service Income	187,059	-
	2,380,980	**1,549,481**

36. Number of employees

The number of employees for the whole year who received a total remuneration of Taka 36,000 or above were 142 which was 151 on 31 December 2017.

37. Related Party Transaction

Parties are considered to be related if one party has the ability to control the other party or excercises significant influence over the other party in making financial and operational decision and include associated companies with and without common Directors and key management positions. The company has entered into transaction with other realated entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24 : "Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Name of the related party	Relationship	Nature of transaction	Transaction during year	Closing balance as on 31.12.2018	Closing balance as on 31.12.2017
IDLC Finance Limited	Parent Company	Short Term Loan	-	-	-
IDLC Investments Limited	Subsidiary of IDLC Finance Limited	Loan	(21,600,000)	178,400,000	200,000,000

38. Date of authorisation

The Board of director has authorised these financial statements for issue on 14 February 2019.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

IDLC Securities Limited

Schedule of Property, plant and equipment

As on 31 December 2018

Annexure-A

(Amount in BDT)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.18
	Balance as on 01.01.2018	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2018		Balance as on 01.01.2018	Charged during the year	Disposal/ adjustment during the year	Balance as on 31.12.2018	
Computer peripherals	21,166,377	911,000	-	22,077,377	20%	16,389,428	1,783,348	-	18,172,776	3,904,601
Office equipment	27,316,316	1,099,546	(31,718)	28,384,144	20%	24,700,003	906,735	(31,708)	25,575,029	2,809,114
Electrical equipment	21,626,087	208,897	(136,223)	21,698,761	20%	19,232,399	649,361	(136,178)	19,745,583	1,953,178
Motor vehicles	22,452,148	-	(2,250,000)	20,202,148	25%	13,549,595	3,164,532	(2,192,693)	14,521,434	5,680,714
Office decoration	25,251,671	253,414	(55)	25,505,030	20%	14,674,857	2,863,163	(11)	17,538,008	7,967,020
Furniture & fixtures	13,702,313	423,479	(340,155)	13,785,637	12.50%	8,086,528	1,133,610	(116,981)	9,103,157	4,682,482
Telephone and telex	2,247,940	307,500	(212,500)	2,342,940	33.33%	1,703,763	327,933	(191,723)	1,839,972	502,968
Curtain & carpet	308,459	80,724	-	389,184	33.33%	199,198	69,282	-	268,480	120,704
Balance as on 31 Janaury 2018	**134,071,311**	**3,284,561**	**(2,970,651)**	**134,385,221**		**98,535,771**	**10,897,963**	**(2,669,294)**	**106,764,440**	**27,620,781**
Balance as on 31 December 2017	**121,869,099**	**16,680,285**	**(4,478,073)**	**134,071,311**		**93,890,434**	**9,035,002**	**(4,389,665)**	**98,535,771**	**35,535,541**

IDLC Investments Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Abul Ahsan Ahmed
Head of Discretionary Portfolio Management

Rubayet-E-Ferdous
Chief Operating Officer

Sakhawat Hossain
Head of Finance

Mohammad Jobair Rahman Khan ACA
Head of Group Corporate Affairs & Taxation and Group Company Secretary

Sitting from left

Shamima Akter Lovely
Head of HR- Capital Market & Head of Organisational Development

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Md. Moniruzzaman CFA
Managing Director

Directors' Report

to the Shareholders of IDLC Investments Limited

MONOWER UDDIN AHMED
Independent Director & Chairman

Dear Shareholders,

The Directors have the pleasure in presenting to the members of IDLC Investments Limited the Directors' Report, the audited financial statements for the year ended December 31, 2018 and auditor's report thereon along with the capital market overview, the Company's performance and other matters in compliance with the Companies Act, 1994, and Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission.

The Company's principal activities encompass investment banking (issue management, underwriting and corporate advisory), discretionary portfolio management and margin lending.

IDLC Investments provides a high standard of professional and personalized services to its local and NRB customers. The Company possesses a proven track record of catering to a diverse set of client needs while concurrently maintaining strict compliance with the country's laws and the highest ethical standards. IDLC Investments is positioned as one of the top-ranking merchant banking enterprises in the country, renowned for its quality investment banking and portfolio management services.

IDLC Investments Limited has received 'Euromoney Awards for Excellence 2018' as the 'Best Investment Bank in Bangladesh' in recognition of outstanding performance in comparison to market peers, profitability and ability to offer and deliver innovative solutions to clients across a range of products and services considering the market trends.

Operational highlights

Investment banking

IDLC Investments Limited (IDLCIL) has a proven track record of providing tailored and innovative solutions for the strategic needs of clients. The company has established itself as a leading investment bank in the market focusing on initial public offerings (IPO), repeat public offerings (RPO), rights issue management, merger & acquisitions, corporate advisory, business restructuring, equity valuations, underwriting and arrangement of pre-IPO placement / capital raising among others.

Our key strength lies in our ability in creating value and appropriately positioning the target companies in the financial markets, devise the best financial structure according to the clients' strategic needs, showcase the enterprise to the right investors, and leverage our strong liaison and co-ordination with regulatory authorities, thereby ensuring growth as well as continuous value-creation for clients.

2018 has been a successful year for Investment Banking. During the year, we have completed the electronic bidding of the IPO of Runner Automobiles Limited, held roadshow and subsequently filed IPO application of Mir Akhter Hossain Limited, the first company engaged in engineering construction business aiming to become listed in the stock exchanges. We have also provided corporate advisory services for business restructuring, capital raising etc. to various clients and booked a number of investment banking deals.

IDLC Investments has successfully floated 11 IPOs, RPO and Rights Issue that have raised BDT 13,256 million as of December 31, 2018. By managing IPOs, RPOs, rights issues, private placements and capital raising activities, IDLCIL helped to raise BDT 34,358 million for its clientele, so far. The Company has also provided underwriting services to 54 issuers till December 2018. Currently, IDLCIL is working as the issue manager for 15 IPO-bound companies, 1 rights issue and a number of corporate advisory deals.

Dynamic changes in business environment commensurate with a growing economy like ours, and the resultant market risks that affect the capital market along with gradual regulatory evolvement continue to be the crucial challenges for investment banking. IDLCIL's focus for overcoming these challenges includes leveraging its strong brand equity and transparent engagement with regulators, investors and other stakeholders.

Apart from working on new issue management deals, IDLCIL will continue to focus on new avenues of investment banking services including corporate advisory, mergers & acquisitions, equity valuation among others.

Discretionary Portfolio Management (DPM)

IDLCIL's discretionary portfolio management (DPM) service was launched in 2007 as "Managed Cap Invest", which was subsequently rebranded as "MAXCAP" in 2010 to reflect its

more accurate identity. We have an experienced team of fund managers who manage funds on behalf of our investors by developing appropriate investment strategies, monitoring market performance regularly, diversifying the portfolio and managing risk actively. According to their desired risk-return profiles, our clients can choose from a wide variety of investment products including "MAXCAP", "Easy Invest", "Profit-Loss Sharing Scheme", "Capital Protected Scheme", and "Portfolio Advisory Services".

We are the largest merchant bank in terms of fund under management of DPM services, having more than 3,600 clients, which is one of the highest in the industry. Our monthly investment product "Easy Invest" for retail investors got overwhelming responses in 2018 and added another 896 new investors.

IDLCIL's DPM team has twelve years' worth of strong track record in generating average annual return of 18.4%. Currently, we have fund under management (FUM) of BDT 2,076 million and target to hit AUM of BDT 3,860 million in 2019.

We will put more focus on generating optimum return, retaining existing client base and ensuring satisfactory client service to accelerate the growth of IDLCIL.

Margin loan product:

In December 2004, IDLC Finance launched a margin lending product, "Cap Invest", and since then, we have been considered as one of the top portfolio managers in the capital markets of Bangladesh. Subsequently, this business was transferred under a fully-owned subsidiary company, under the name of "IDLC Investments Limited". Always a proactive player, IDLC Investments had significantly reduced its margin loans to reduce customer risk profiles in volatile markets before the significant market downturn in 2010. IDLC Investments also align with the regulatory framework of capital adequacy, single obligor limits and other applicable rules and guidelines.

Cap Invest - activities in 2018

In the year 2018, the capital market underwent its natural corrective measures following a boom in 2017, resulting in the Dhaka Stock Exchange Index, the country's premier bourse, to close at 5385 index value, a decline of 14% year on year. As such, we advised our clients to invest cautiously and manage risks appropriately while using leverage. Naturally, appetite of margin loan was lower among clients in 2018.

Risk management

IDLC Investments is always prudent with its risk management tools and is widely considered as an industry trendsetter. We were the pioneer in introducing the concept of Mark-To-Market (MTM) among our peers in the Bangladesh market. Thus, we were largely able to protect our client's equity level through several ups and downs. We are adopting and continuously improving different risk management techniques like different types of netting policies to reduce the loan burden, providing alerts to customers to book unrealized gains and supporting them with research based recommendations. We also provide 'Approved List of Securities (ALOS)' on the basis of the client portfolio status to minimize our risk as well as that of our clients.

Financial highlights

Given the challenging market scenario, the company recorded a net operating income of BDT 162.17 million, which was BDT 450.66 million in 2017. Consequently, the Company registered a profit after tax of BDT 180.04 million, representing an unfavorable growth of 34.89%, year-on-year. The following table demonstrates the breakdown of revenue streams from different products.

A1: Portfolio operations

In BDT Million

Operational income	2014	2015	2016	2017	2018
Net interest income	(46.92)	149.69	140.22	102.60	133.58
Portfolio management services	75.45	67.79	44.56	46.61	45.20
Settlement and transaction fees	26.25	21.66	20.02	58.63	31.13
Documentation fees	0.05	0.07	0.75	0.95	0.55
Total operational revenue	**54.83**	**239.20**	**205.55**	**208.79**	**210.46**

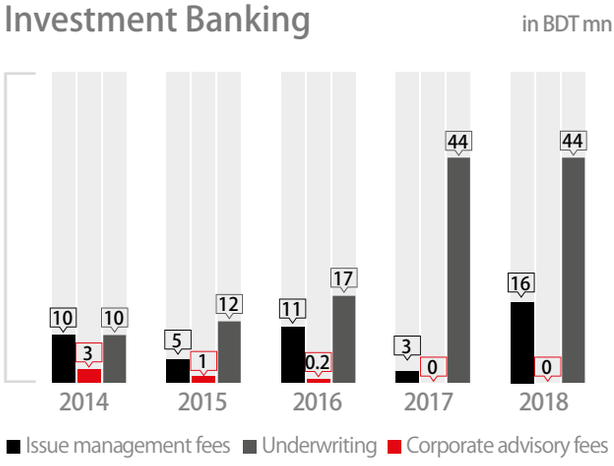
During 2018, interest income was the principal revenue stream for Cap Invest and portfolio management services represented the principal revenue stream for DPM.

In the year 2018, our net interest income grew by 30.20% from BDT 102.60 million in 2017 to BDT 133.58 million, benefitting from increase in interest rates in the money market. As the bourses remained tight throughout the year, transaction volume in our client accounts remained guarded, which resulted in reduced Portfolio management services and Settlement and transaction fees.

A2: Investment banking

In BDT Million

Operational income	2014	2015	2016	2017	2018
Issue management fees	9.50	4.61	11.00	2.50	16.28
Underwriting	2.76	1.28	0.20	-	-
Corporate advisory fees	10.50	12.17	17.21	44.06	43.53
Total revenue from investment banking	**22.76**	**18.06**	**28.42**	**46.56**	**59.81**



Revenue from investment banking stood at BDT 59.81 million in 2018 where 73% contribution came from corporate advisory fees and 27% from Issue management fees.

A3: Investment income

In the midst of a 14% decline in broad market index, we have taken quick strategic decisions that enabled us to control detrimental impact of the market on our investment portfolio. We prudently managed our exposure level. The free cash was used to repay debt and for placement in fixed deposits. Near the end of the year, we again increased our exposure level to some extent as we could take entry into some fundamentally strong stocks at attractive prices.

In BDT Million

Investment income	2014	2015	2016	2017	2018
Capital gain/(loss)	(2.31)	41.75	50.98	209.43	(88.36)
Dividend income	2.57	5.80	17.38	48.42	46.95
Income from Zero Coupon Bond		-	10.80	18.51	16.78
Total Investment income	0.26	47.55	79.16	276.37	(24.63)

B) Operational expenses

We have managed to curtail the growth rate of our operational cost by half to 6% from the previous growth rate of 12% in the year 2017. This has been achieved through our strong drive for efficiency. The slight increase in salaries and allowances are attributable to the increase in number of employees, as is illustrated in the graph in the following sections.

In BDT Million

Operational expenses	2014	2015	2016	2017	2018
Salary and allowances	45.96	55.09	49.42	58.10	63.08
General and administrative expenses	26.02	25.60	29.76	30.93	31.32
Total operational expenses	71.98	80.69	79.17	89.04	94.40

Human resource development

IDLCIL strongly believes that its human resources are its most precious assets and recognizes them as building blocks for the Company to perform sustainably. IDLCIL continues to develop and implement proper human resource policies to motivate its employees and ensures their optimum contribution towards the achievement of common goals. As our resources represent a significant competitive edge, the Company continues its policy of recruiting the best professionals and implementing diverse training and motivational programs to develop and retain high-quality, performance-oriented personnel.

Number of permanent employees

As part of IDLCIL's human resource development program, a large number of employees underwent training, which included both managerial development and technical modules. During 2018, out of 32 employees, 28 participants were trained in three different local training programs and one participant went abroad for specialized training.

Outlook and strategies

In 2019, the capital market has started in a positive way and provides a very hopeful outlook. With an improving bourse and a fundamentally strong portfolio, we are confident that we would project a stronger performance for 2019.

Our focus will remain to grow our discretionary portfolio management business in 2019 through the growth of our flagship product 'Easy Invest', which is a monthly investment scheme. We will also be prudently managing our exposure level for proprietary investment. We want to reap any potential the market provides, while remaining cautious about downside risks. And last but not the least, our strive to remain as the top investment banking firm will be pursued, with focus in the areas of issue management, mergers and acquisitions and other corporate advisory related services.

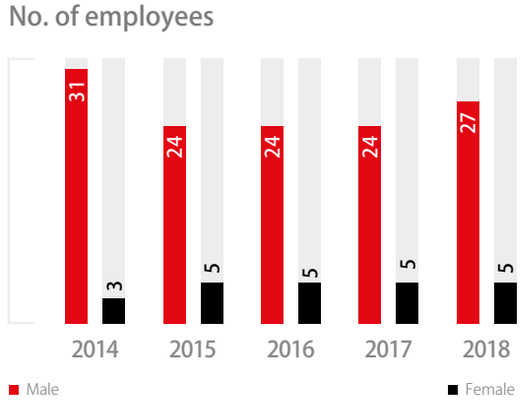
Books of accounts

Proper books of accounts of IDLC Investments Limited have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements. The accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed. The financial statements prepared by the management of IDLC Investments Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

No. of employees	2014	2015	2016	2017	2018
Male	31	24	24	24	27
Female	3	5	5	5	5
Total	34	29	29	29	32



Distribution of profit for 2018

The Company reported a profit of BDT 180,036,792 in the year 2018. Considering continued market volatility and an uncertain

economic environment, the Board has proposed not to distribute dividend to the shareholders for the year 2018.

Appointment of Auditors

In terms of Article 18.2 of the Articles of Association of the Company, the Company shall at each annual general meeting, appoint an auditor or auditors to hold office until the next annual general meeting. The Auditors of the Company, A. QASEM & Co., Chartered Accountants, has completed the second year as Auditor of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2019 and they have also offered themselves for re-appointment.

Going concern

There are no significant doubts upon the IDLC Investments Limited's ability to continue as a going concern.

Appreciation

I would like to thank my Board colleagues for their continued support and on their behalf I would like to express my gratitude to the entire team of IDLC Investments Limited. It would be unfair to not acknowledge the exceptional efforts of our employees who rose to meet the many challenges posed in 2018 amidst very difficult circumstances. .

In conclusion, on behalf of the Board, I would like to thank our loyal clients and honorable shareholders for their continued faith and support. Taking this opportunity, the members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, Dhaka and Chittagong stock exchanges and Central Depository Bangladesh Limited who continued to remain our partners in our journey of growth.

For and on behalf of the Board of Directors,

Sd/-

Monower Uddin Ahmed
Chairman
IDLC Investments Limited

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Independent Auditor's Report To The Shareholders of IDLC Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IDLC Investments Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, 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).

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 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.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report of its parent-IDLC Finance Limited is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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 identified above when it becomes available 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.

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

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.

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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987 and other applicable laws and regulations.

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 those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018 BDT	2017 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	5	12,931,632	17,437,118
Intangible asset	6	165,910	383,258
Investments in bond	7	163,067,717	177,786,322
Deferred tax asset	8	17,965,841	7,321,050
		194,131,100	**202,927,748**
Current Assets			
Investment in securities	9	1,970,182,416	2,069,579,341
Margin loans to portfolio clients	10	1,398,623,120	1,977,953,756
Account receivables	11	375,862,601	358,961,938
Advance, deposits & prepayments		3,546,612	5,108,779
Advance income tax		291,273,909	201,318,934
Cash and cash equivalents	12	263,346,812	223,624,499
		4,302,835,471	**4,836,547,247**
Total Assets		**4,496,966,570**	**5,039,474,995**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2,200,000,000	2,200,000,000
Retained Earnings	14	688,958,809	508,922,017
		2,888,958,809	**2,708,922,017**
Liabilities			
Non-Current Liabilities			
Deferred liabilities - gratuity payable		14,424,395	11,550,569
		14,424,395	**11,550,569**
Current Liabilities			
Short-term loan	15	178,400,000	1,430,349,693
Portfolio investors' fund	16	706,343,810	381,272,608
Account payables	17	257,445,581	52,237,073
Liabilities for expenses	18	22,406,327	18,936,615
Provision for diminution in value of investments	19	22,454,584	-
Provision for margin loan	20	13,986,232	51,744,385
Provision for income tax	21	392,546,831	384,462,034
		1,593,583,366	**2,319,002,409**
Total Equity and Liabilities		**4,496,966,570**	**5,039,474,995**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/- Chairman	Sd/- Director	Sd/- Managing Director	Sd/- Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018	2017
		BDT	BDT
Operating Income			
Interest income	22	133,583,715	102,598,485
Income from portfolio management services	23	45,202,719	46,614,882
Settlement and transaction fees	24	31,130,392	58,629,376
Documentation charges	25	547,000	945,500
Income from investment banking	26	59,812,339	46,559,460
Investment Income	27	(24,626,633)	276,369,399
Other income	28	10,921,964	7,982,047
		256,571,496	**539,699,149**
Operating Expense			
General & administrative expenses	29	(87,978,239)	(82,622,488)
Depreciation on property, plant and equipment		(6,202,680)	(6,146,419)
Amortization on IT software		(217,348)	(267,326)
Profit before provision for diminution in value of investments and margin loan		**162,173,229**	**450,662,917**
Provision for diminution in value of investments		(22,454,584)	-
Provision on margin loan		37,758,154	(4,644,941)
Profit before income tax		**177,476,799**	**446,017,976**
Provision for income tax			
Current tax		(8,084,797)	(171,375,478)
Deferred tax expense	30	10,644,790	1,876,181
Net profit		**180,036,792**	**276,518,680**
Other comprehensive Income		-	-
Total Comprehensive Income		**180,036,792**	**276,518,680**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Statement of Cash Flows

For the year ended 31 December 2018

	2018	2017
	BDT	BDT
A. Cash flow from operating activities		
Net profit during the year	**180,036,792**	**276,518,680**
Item not involving in movement of cash:		
Depreciation on property, plant and equipment	6,420,028	6,413,744
Loss/(Gain) on Disposal of Fixed Asset	(24,995)	(413,730)
Provision for diminution in value of investments	22,454,584	-
Provision (release)/charged for Margin Loan	(37,758,154)	4,644,941
Provision for income tax	8,084,797	171,375,478
Liabilities for expenses	3,469,712	4,125,180
Decrease/(increase) in Deferred tax assets	(10,644,790)	(1,876,181)
Increase in Deferred Liabilities - Gratuity payable	2,873,826	2,576,652
Cash generated from operating activities before changes in working capital:	**(5,124,992)**	**186,846,083**
Changes in working capital:		
Decrease/(increase) in Account receivables	(16,900,663)	(115,163,013)
Decrease/(increase) in Advance, Prepayments & Deposits	1,562,167	1,606,536
Increase in Advance Income Tax (AIT)	(89,954,975)	(94,989,136)
Increase/(Decrease) in account payables	205,208,508	(140,482,063)
	99,915,038	**(349,027,676)**
Net cash flow from operating activities (A)	**274,826,837**	**114,337,087**
B. Cash flows from investing activities		
Purchase of Property, plant and equipment	(1,697,199)	(7,947,477)
Sale proceed of Property, plant and equipment	25,000	497,073
Purchase of Marketable Securities	99,396,925	(1,558,195,193)
Purchase of Zero Coupon Bond	14,718,605	(18,512,146)
Margin loan realized from portfolio clients	579,330,636	(677,444,304)
Net cash (used in)/flow from investing activities (B)	**691,773,967**	**(2,261,602,047)**
C. Cash flows from financing activities		
Receipt/(repayment) of loan	(1,251,949,693)	1,069,549,693
Issuance of stock	-	800,000,000
Receipt/(repayment) of Portfolio investors' fund	325,071,202	145,806,136
Net cash from/(used in) financing activities (C)	**(926,878,491)**	**2,015,355,829**
Net cash surplus for the year (A+B+C)	**39,722,313**	**(131,909,131)**
Cash and Bank Balance at the beginning of the year	223,624,499	355,533,631
Cash and Bank Balance at the end of the year	**263,346,812**	**223,624,499**
***Cash and Bank Balance:**		
Cash at Bank	206,096,812	189,474,499
Fixed Deposits	57,250,000	34,150,000
	263,346,812	**223,624,499**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Statement of Changes in Equity

For the year ended 31 December 2018

(Amount in Taka)

Particulars	Share Capital BDT	Retained Earnings BDT	Total Equity BDT
Balance as on 01 January 2017	1,400,000,000	232,403,337	1,632,403,337
Capital Raising	800,000,000	-	800,000,000
Net profit for the year	-	276,518,680	276,518,680
Balance as on 31 December 2017	**2,200,000,000**	**508,922,017**	**2,708,922,017**
Capital Raising		-	-
Net profit for the year	-	180,036,792	180,036,792
Balance as on 31 December 2018	**2,200,000,000**	**688,958,809**	**2,888,958,809**

'The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2018

1 Company and its activities

1.1 Background and legal status

IDLC Investments Limited (the "Company") is a private limited company incorporated on 19 May 2010 under the Companies Act, 1994 having its registered office at D R Tower (4th floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000, Bangladesh. It is a wholly owned subsidiary of IDLC Finance Limited since inception. The Company received Merchant Banking License (license no. MB-67/2011) from Bangladesh Securities and Exchange Commission (BSEC) on 02 August 2011 and commenced its operation on 16 August 2011.

1.2 Principal activities and nature of operation

IDLC Investments Limited provides high standard of professional and personalized services to its local and NRB clients. The company's principal activity includes the following:

i. Investment banking (issue management, underwriting of shares, and corporate advisory);

ii. Discretionary portfolio management;

iii. Non-discretionary portfolio management;

iv. Own portfolio management, etc.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 1994 and other applicable laws and regulations.

2.2 Other regulatory compliance

As required, IDLC Investments Limited also complies with the applicable provisions of the following major laws/ statutes:
- Income Tax Ordinance, 1984;

- Income Tax Rules, 1984;

- Negotiable Instrument Act, 1881;

- Securities and Exchange Rules, 1987;

- Securities and Exchange Commission Act, 1993;

- Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996; and

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

-Notes to the Financial Statements

2.5 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT) currency, which is the functional currency of the company. All financial information presented in Taka has been rounded off to nearest BDT except as stated otherwise.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed ongoing basis. Revision of accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Note: 5	Depreciation on property, plant and equipment.
Note: 8	Deferred tax Assets
Note: 11	Accounts receivables
Note: 17	Accounts payables
Note: 18	Liabilities for expenses
Note: 21	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.8 Reporting period

The financial period of the Company is similar to calendar years covers one year from 01 January to 31 December and is being followed consistently.

3 Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated deprecation. The cost of the property, plant and equipment includes purchase price/construction cost and other directly attributable costs of bringing the property, plant and equipment to working conditions for their intended use.

3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

3.1.3 Depreciation & Amortization

Depreciation on property, plant and equipment is charged using straight-line method over their estimated useful lives. Depreciation rates are as follows:

Nature of Assets	Rate of Depreciation
Curtain and carpets	33.33%
Electrical equipment	20.00%
IT software and development	33.33%
Furniture and fixture	12.50%
Office decoration	20.00%
Office equipment	20.00%
Telephone and telex	33.33%
Motors vehicles	25.00%

Depreciation on all items of property, plant and equipment is calculated and charged from the date of putting the assets in to use irrespective of the value and purchase/ acquisition date of the property, plant and equipment.

3.2 Intangible assets

3.2.1 Recognition and measurement

Intangible assets viz computer software those are acquired by the Company and which have finite useful lives, are measured at cost less accumulated amortization and impairment loss, if any.

3.2.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates.

3.2.3 Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management's best estimates; i.e., 3 years (33.33%).

3.3 Impairment

The carrying value of the Company's assets other than inventories, are reviewed at closing date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

3.4 Investment in shares

Investments are stated at cost or market value whichever is lower. A security which is not listed at stock exchange as on the reporting date then the price is shown at cost.

3.5 Taxation

3.5.1 Current tax

Provision for income tax is made on the basis of company's computation based on the best estimate of taxable profit in accordance with Income Tax Ordinance, 1984.

3.5.2 Deferred tax

Deferred tax is calculated as per International Accounting Standard (IAS) 12: Income Taxes. Deferred tax is recognised on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences.

3.6 Revenue recognition

3.6.1 Interest income

Interest income is recognized on the loan balance of portfolio clients on monthly accrual basis and charged to clients' balance on quarterly basis.

3.6.2 Portfolio management fees

Portfolio management fees are recognized on the market value of the clients' portfolio on monthly accrual basis and charged to clients' balance on quarterly basis.

3.6.3 Issue Management & Corporate Advisory

Issue management and corporate advisory fees are recognized according to the stages of completion of services as agreed and defined in Issue management and corporate advisory agreement between company and client.

3.6.4 Dividend income and profit or loss on sale of securities

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

3.7 Provision

A provision is recognized in the accounts when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

3.8 Events after the reporting date

Events after the reporting date that provide additional information about the company's position at the reporting date are reflected in the financial statements. Events after the reporting date that are not adjusting event are disclosed in the notes when material.

3.9 Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC Investments Limited applied following IAS and IFRS:

Name of the IASs	No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied

Name of the IFRSs	No.	Status
Revenue from Contracts with Customers	15	Applied
Financial Instruments	9	Applied
Financial Instruments: Disclosures	7	Applied

4 Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

** Credit risk

** Market risk

** Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers and investment securities. These loans and advances are fully backed by the securities held by the customer.

With respect to credit risk arising from the other financial assets of the Company, the maximum exposure is equal to the carrying amounts of the financial assets.

4.2 Market risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Market risk is the risk of losses due to failure of entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For such transactions the Company only allows the purchase of tradable securities if the customer has adequate cash/ purchase power beforehand.

4.3 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they falls due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/ fund to make the expected payment within due date.

		2018	2017
		BDT	BDT
5	**Property, plant and equipment**		
	A. Cost		
	Opening balance	44,463,459	40,325,568
	Addition during the year/period	1,697,199	7,687,891
		46,160,658	48,013,459
	Disposal during the year/period	250,000	3,550,000
		45,910,658	**44,463,459**
	B. Accumulated depreciation		
	Opening balance	27,026,341	24,346,579
	Charged during the year/period	6,202,680	6,146,419
		33,229,021	30,492,998
	Disposal during the year/period	249,995	3,466,657
		32,979,026	**27,026,341**
	C. Written down value (A-B)	**12,931,632**	**17,437,118**
	A schedule of property, plant and equipment is given in Annexure-A.		
6	**Intangible asset**		
	A. Cost		
	Opening balance	2,068,954	1,809,369
	Addition during the year/period	-	259,586
		2,068,954	**2,068,954**
	B. Accumulated amortization		
	Opening balance	1,685,697	1,418,371
	Charged during the year/period	217,348	267,326
		1,903,045	**1,685,697**
		165,910	**383,258**
7	**Investments in bond**		
	Investment in commercial bond	177,786,322	159,274,176
	Add: Interest capitalized during the period	16,781,394	18,512,146
		194,567,717	**177,786,322**
	Less: Script Matured	31,500,000	-
		163,067,717	**177,786,322**

IDLC Investments Limited made investment in commercial zero coupon bond issued by Impress-Newtex Composite Textiles Limited vide bond certificate ref # INCTL ZCB: 01-21 in 12 May 2016 for face value of 210,000,000.

8 Deferred tax asset

Deferred tax assets is arrived at as follows:

	Carrying Amount	Tax base	Taxable/(deductible) temporary difference
	BDT	BDT	BDT
As on 31 December 2018			
Property, plant and equipment	13,097,541	22,929,921	(9,832,380)
*Difference for vehicle	(88,958)	-	(88,958)
Gratuity provision (net of payment)	(14,424,395)	-	(14,424,395)
Realised loss on investments	(88,361,906)	-	(88,361,906)
Net taxable temporary difference			(112,707,639)
Applicable tax rate			37.50%
Applicable tax rate for capital Loss from capital market			10.00%
Deferred tax - Assets			**17,965,841**

	Carrying Amount	Tax base	Taxable/(deductible) temporary difference
	BDT	BDT	BDT
As on 31 December 2017			
Property, plant and equipment	17,756,828	25,729,052	(7,972,224)
Gratuity provision (net of payment)	(11,550,577)	-	(11,550,577)
Net taxable temporary difference			(19,522,801)
Applicable tax rate			37.50%
Deferred tax - Assets			**7,321,050**

* This represents the permanent difference related to sedan cars, not playing for hire, owned by IDLCIL. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

			2018	2017
			BDT	BDT
9	**Investment in securities**			
	Investment in available-for-sale securities	(Note: 9.1)	1,869,508,686	2,069,579,341
	Investment in Initial Public Offering	(Note: 9.2)	673,730	-
	Investment in non Marketable securities		100,000,000	-
			1,970,182,416	**2,069,579,341**

9.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position as of 31 December 2018 is given below:

Name of industry	Cost price	Market price as on 31.12.2018
Bank	448,726,948	424,287,778
Cement	338,788,225	331,759,608
Engineering	452,683,671	426,310,985
Food	17,069,331	17,673,083
Fuel & Power	101,263,654	76,701,926
Mutual Funds	46,821,421	33,145,910
Pharmaceuticals & Chemicals	4,662,306	4,821,009
Telecommunication	459,129,063	429,531,602
Textile	224,680	906,516
NBFI	139,386	139,892
	1,869,508,686	**1,745,278,309**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the balance sheet date.

Market price for securities not listed as on reporting date, has been shown at cost for calculation purpose.

9.2	**Investment in Initial Public Offering (IPO)**	**673,730**	**-**

IDLC Investments Limited applied for 10,466 & 18,969 ordinary shares at Taka 10 & 30 each for Genex Infosys Limited & ADN Telecom Limited.

10	**Margin loans to portfolio clients**		
	Opening balance	1,977,953,756	1,300,509,452
	Add: Loan disbursed during the year/period	2,831,434,883	7,221,883,496
		4,809,388,639	8,522,392,947
	Less: Loan reimbursed during the year/period	3,410,765,518	6,544,439,191
		1,398,623,120	**1,977,953,756**

		2018	2017
		BDT	BDT
11	**Account receivables**		
	Receivable from corporate advisory	29,108,751	22,983,750
	Receivable from portfolio advisory services	877,687	800,132
	Receivable from issue management fees	14,582,616	6,500,000
	Receivable from brokers	308,277,740	324,164,117
	Other receivables	23,015,807	4,513,939
		375,862,601	**358,961,938**
12	**Cash and cash equivalents**		
	Cash at Bank (Note: 12.1)	206,096,812	189,474,499
	Fixed Deposit Receipt (Note: 12.2)	57,250,000	34,150,000
		263,346,812	**223,624,499**

12.1 Cash at Bank

Name of the Bank	Branch	A/C No	Type		
Standard Chartered Bank	Gulshan	1110866	CD	200,693,789	177,008,443
Commercial Bank of Ceylon	Sylhet	1807005260	CD	25,000	21,000
Commercial Bank of Ceylon	Sylhet	8807005815	SND	1,088,062	318,025
One Bank Limited	Principal	001300000988	CD	896,398	8,645,318
One Bank Limited	Principal	0013000001906	SND	2,399,368	-
NRB Bank Limited	Dilkusha	1081030007238	SND	115,085	344,147
NRB Bank Limited	Dilkusha	1081030007229	SND	46,497	2,028,859
NRB Bank Limited	Dilkusha	1081030029855	SND	29,319	675,000
BRAC Bank Limited	Motijheel	1505201920062001	CD	803,295	433,707
				206,096,812	**189,474,499**

12.2 Fixed Deposit Receipt

Institution	Branch	Type	A/C No		
IDLC Finance Limited*	Dilkusha	FDR	10253112385009	-	1,400,000
			10253112385006	30,000,000	30,000,000
			10253112385003	-	700,000
			10253112385002	-	700,000
			10253112385004	-	600,000
			10253112385010	750,000	750,000
			10252212385010	8,800,000	-
			10252212385011	8,600,000	-
			10252212385013	4,200,000	-
			10252212385012	4,300,000	-
			10252212385006	600,000	-
				57,250,000	**34,150,000**

*Fixed Deposit Receipts are kept with IDLC Finance Limited represents the Discretionary Portfolio Management Clients fund under Capital Protected Scheme & MAX Cap.

13	**Share capital**		
	Authorized Capital		
	30,000,000 ordinary shares of Tk. 100 each	**3,000,000,000**	**3,000,000,000**

		2018	2017
		BDT	BDT
	Issued, subscribed & paid up capital	**2,200,000,000**	**2,200,000,000**

The issued, subscribed and paid-up capital of Tk. 2,200,000,000 is divided into 22,000,000 ordinary shares of Tk. 100 each. Details are as follows:

IDLC Finance Limited		
21,999,999 shares of Tk. 100 each fully paid up	2,199,999,900	2,199,999,900
Mr. Asif Saad Bin Shams		
1 share of Tk. 100 each fully paid up	100	100
	2,200,000,000	**2,200,000,000**

14 Retained Earnings/(Loss)

Opening balance	508,922,017	232,403,337
Net profit for the year/period	180,036,792	276,518,680
	688,958,809	**508,922,017**

15 Short term loan

Borrowing from IDLC Finance Limited	(Note: 15.1)	-	1,230,349,693
Borrowing from IDLC Securities Limited	(Note: 15.2)	178,400,000	200,000,000
		178,400,000	**1,430,349,693**

15.1 Borrowing from IDLC Finance Limited

Opening balance	1,230,349,693	260,800,001
Add: Loan received during the year/period	5,738,400,000	10,098,399,692
	6,968,749,693	10,359,199,693
Less: Loan paid during the year/period	6,968,749,693	9,128,850,000
	-	**1,230,349,693**

Borrowing from IDLC Finance Limited, parent company, to accommodate the regular financial requirements for margin lending which is effective from 16 August 2011 vide sanction letter reference no. 410.9/4103 for a demand loan having limit of Taka. 6,500 million and renewed for a revolving demand loan having limit of Taka 1,700 million on 27 June 2018 vide sanction letter ref # IDLC/TR/2018/1636.

15.2 Borrowing from IDLC Securities Limited

Opening balance	200,000,000	100,000,000
Add: Loan received during the year/period	4,208,900,000	5,700,000,000
	4,408,900,000	5,800,000,000
Less: Loan paid during the year/period	4,230,500,000	5,600,000,000
	178,400,000	**200,000,000**

Loan from IDLC Securities Limited, wholly owned subsidiary of IDLC Finance Limited, to accommodate the regular financial requirements which was effective from 01 January 2012 vide agreement no IDLCSL/12/01/54 for intercompany lending and borrowing facility.

16 Portfolio investors' fund

Opening balance	381,272,608	235,466,472
Add: Deposit and share sold by clients	8,163,017,818	10,248,966,130
	8,544,290,426	10,484,432,602
Less: Purchase of share and withdraw by clients	7,837,946,616	10,103,159,994
	706,343,810	**381,272,608**

Portfolio investor's fund represents the unutilized balance of the IDLC Investments Limited's clients portfolio.

			2018	2017
			BDT	BDT
17	**Account payables**			
	Payable against clients' withdrawal & others		62,711,359	16,596,183
	Broker payables		193,332,480	34,575,851
	Other payables	(Note 17.1)	1,401,743	1,065,039
			257,445,581	**52,237,073**
17.1	**Other payables**			
	IDLCIL employees' welfare fund		281,430	224,209
	Others		1,120,312	840,829
			1,401,743	**1,065,039**
18	**Liabilities for expenses**			
	Salary and allowance		20,000,114	16,638,075
	CDBL charges		331,224	360,225
	Postage and courier		18,826	36,588
	Office maintenance		830,175	926,783
	Telephone & telex bill		79,810	83,364
	Utilities		282,404	278,336
	Legal & professional fees		642,943	554,146
	Printing & stationery		961	7,185
	Director's Remuneration		47,750	-
	Car maintenance and others		172,121	51,913
			22,406,327	**18,936,615**
19	**Provision for diminution in value of investments**			
	Opening balance		-	-
	Add: Charged during the year/period		22,454,584	-
			22,454,584	-
	Less: Released during the year/period		-	-
			22,454,584	**-**

Provision for unrealized loss in portfolio (Own portfolio) has been made as per BSEC directive no. BSEC/2011/06 dated 02 July 2018.

20	**Provision for margin loan**			
	Provision for margin loan	(Note: 20.1)	13,986,231	16,486,267
	Provision for unrealized loss in portfolio	(Note: 20.2)	-	35,258,118
			13,986,231	51,744,385

Provision for margin loan is being kept at 1% as per Rules 36 of Merchant Banker and Portfolio Manager Rules, 1996 of Bangladesh Securities and Exchange Commission. Moreover, Provision for unrealized loss in portfolio (client portfolio) has been made for shortfall in negative equity existed as on 31 December 2018 as per BSEC directive no. BSEC/2011/06 dated 02 July 2018.

20.1	**Provision for margin loan**		
	Opening balance	16,486,267	11,841,327
	Add: Charged during the year/period	-	4,644,941
		16,486,267	16,486,267
	Less: Released during the year/period	2,500,036	-
		13,986,231	**16,486,267**

General provision is being kept at 1% as per Rules 36 of Merchant Banker and Portfolio Manager Rules, 1996 of Bangladesh Securities and Exchange Commission.

		2018	2017
		BDT	BDT
20.2	**Provision for unrealized loss in portfolio**		
	Opening balance	35,258,118	35,258,118
	Add: Charged during the year/period	-	-
		35,258,118	35,258,118
	Less: Released during the year/period	35,258,118	-
		-	**35,258,118**

Provision for unrealized loss in portfolio (client portfolio) has been made for shortfall in negative equity existed as on 31 December 2018 as per BSEC directive no. BSEC/2011/06 dated 02 July 2018.

21 Provision for income tax

Opening balance	384,462,034	213,086,556
Add: Charged during the year/period	8,084,797	171,375,478
	392,546,831	**384,462,034**

22 Interest income

Income from DPM clients		36,600	47,564
Income from Cap Invest clients		193,491,813	201,018,833
		193,528,413	201,066,397
Less: Interest expenses on borrowing	(Note: 22.1)	59,944,698	98,467,912
		133,583,715	**102,598,485**

22.1 Interest expenses on borrowing

IDLC Finance Limited	51,731,491	74,402,212
IDLC Securities Limited	8,213,207	24,065,700
	59,944,698	**98,467,912**

23 Income from portfolio management services

Income from DPM clients	28,197,861	26,164,995
Portfolio advisory service	775,546	1,796,364
Income from cap invest clients	16,229,312	18,653,523
	45,202,719	**46,614,882**

24 Settlement and transaction fees

Income from DPM clients	5,953,783	7,668,696
Income from capital invest clients	30,621,878	60,547,747
	36,575,661	68,216,443
Less: CDBL expenses	5,445,268	9,587,066
	31,130,392	**58,629,376**

25 Documentation charges

Income from DPM clients	517,500	862,000
Income from cap invest clients	29,500	83,500
	547,000	**945,500**

26 Income from investment banking

Issue management	16,282,616	2,500,000
Corporate advisory	43,529,723	44,059,460
	59,812,339	**46,559,460**

			2018	2017
			BDT	BDT
27	**Investment income**			
	Capital gain/(loss) on investments	(Note: 27.1)	(88,361,906)	209,433,257
	Dividend income from marketable securities		46,953,879	48,423,996
	Income from Zero Coupon Bond		16,781,394	18,512,146
			(24,626,633)	**276,369,399**
27.1	**Capital gain/(loss) on investments**			
	Sale price		5,078,540,957	4,001,214,471
	Less: Cost of investment		5,166,902,863	3,791,781,214
			(88,361,906)	**209,433,257**
28	**Other income**			
	Interest income on SND accounts		2,848,339	2,064,550
	Interest income on fixed deposit receipt		5,280,500	593,301
	Gain on disposal of fixed asset		24,995	413,730
	Income from DPM-PLS Scheme		145,411	2,487,892
	Other charges		2,622,719	2,422,575
			10,921,964	**7,982,047**
29	**General and administrative expenses**			
	Salary and allowances	(Note: 29.1)	63,081,902	58,102,739
	Statutory audit fees		115,000	115,000
	Other professional fees		366,900	1,213,460
	Postage and courier		44,640	61,300
	Renewal and registration		192,009	515,175
	Director's remuneration		222,250	218,750
	Printing & stationery		395,269	679,678
	Promotional expenses		6,506,669	4,136,811
	Motor vehicle expenses		1,319,425	1,154,596
	Insurance		149,978	38,349
	Travel and conveyance		857,184	566,579
	Training and developments		331,092	1,583,652
	Entertainment		833,555	1,858,008
	Other operational expenses		288,980	219,781
	Office rent, maintenance & services	(Note: 29.2)	13,273,388	12,158,611
			87,978,239	**82,622,488**
29.1	**Salary and allowances**			
	Salary and allowances		58,536,898	52,332,271
	Gratuity		2,998,254	4,326,747
	Provident fund (Company's Contribution)		1,546,750	1,443,721
			63,081,902	**58,102,739**

Salaries & allowances includes key management compensation of BDT 20,386,626 (2017: BDT 18,009,782). Key management personnel comprises the Management Committee, including the Managing Director who exercise significant authority and play strategic role in The Company.

		2018	2017
		BDT	BDT
29.2	**Office rent, maintenance & services**		
	Office rent	7,752,627	7,001,479
	Office maintenance	2,730,253	2,875,235
	Office services	411,852	272,263
	Office utilities	1,509,714	1,193,287
	Telephone & telex	571,898	516,783
	IT maintenance	297,044	299,565
		13,273,388	**12,158,611**

30 Deferred tax expense

Closing balance of deferred tax asset	17,965,841	7,321,050
Opening balance of deferred tax asset	7,321,050	5,444,869
	10,644,790	**1,876,181**

31 Related party transaction

Parties are considered to be related if one party has the ability to control the other party or excercises significant influence over the other party in making financial and operational decision and include associated companies with and without common Directors and key management positions. The company has entered into transaction with other realated entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24 : "Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Name of the related party	Relationship	Nature of transaction	Balance as on 01.01.2018	Addition	Adjustment	Balance as on 31.12.2018
IDLC Finance Limited	Parent company	Loan	1,230,349,693	5,738,400,000	(6,968,749,693)	-
		FDR	34,150,000	26,500,000	(3,400,000)	57,250,000
IDLC Securities Limited	Subsidiary to Parent company	Loan	200,000,000	4,208,900,000	(4,230,500,000)	178,400,000

32 Number of employees

The number of employees for the whole year who received a total remuneration of Tk 36,000 or above were 35 which was 31 on 31 December 2017.

33 Date of authorisation

The Board of director has authorised these financial statements for issue on 17 February 2019.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

IDLC Investments Limited

Schedule of property, plant and equipment

As on 31 December 2018

Annexure-A

(Amount in BDT)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.18
	Balance as on 01.01.18	Addition during the year	Disposal/ 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	
Curtain & Carpet	827,533	65,500	-	893,033	33.33%	687,572	95,917	-	783,489	109,544
Electrical Equipment	2,946,440	211,042	-	3,157,482	20%	1,624,206	457,511	-	2,081,718	1,075,764
Furniture & Fixture	3,716,235	284,410	-	4,000,645	12.50%	1,464,021	488,161	-	1,952,181	2,048,463
Office Decoration	3,151,589	-	-	3,151,589	20%	1,211,683	567,776	-	1,779,460	1,372,129
Office Equipment	8,236,672	819,747	-	9,056,419	20%	6,239,636	556,887	-	6,796,523	2,259,896
Motor Vehicles	24,468,473	250,000	250,000	24,468,473	25%	14,788,459	3,947,837	249,995	18,486,301	5,982,172
Telephone & Telex	1,116,517	66,500	-	1,183,017	33.33%	1,010,763	88,590	-	1,099,354	83,663
Balance as on 31 December 2018	**44,463,459**	**1,697,199**	**250,000**	**45,910,658**		**27,026,341**	**6,202,680**	**249,995**	**32,979,026**	**12,931,632**
Balance as on 31 December 2017	**40,325,568**	**7,687,891**	**3,550,000**	**44,463,459**		**24,346,579**	**6,146,419**	**3,466,657**	**27,026,341**	**17,437,118**

Details of disposals / adjustments for - 2018

Asset category	Cost	Accumulated depreciation	Book Value	Sale price/ adjustment	Profit/(loss) on disposal	Mode of disposal	Buyer
	Taka	Taka	Taka	Taka	Taka		
Free hold assets:							
Motor Vehicles	250,000	249,995	5	25,000	24,995	As per policy of the Company	Employees/Outsider
Total 2018	**250,000**	**249,995**	**5**	**25,000**	**24,995**		

IDLC Asset Management Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Mohammad Jobair Rahman Khan ACA
Head of Group Corporate Affairs & Taxation and Group Company Secretary

Kazi Mashook Ul Haq
Chief Operating Officer

Shaikh Malik Al - Razi
Head of Portfolio Management

Ahmed Abdullah Al Tamjeed
Head of Marketing & Sales

Sitting from left

Rajib Kumar Dey
Managing Director

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Shamima Akter Lovely
Head of HR- Capital Market & Head of Organisational Development

Directors' Report

to the Shareholders of IDLC Asset Management Limited

MATIUL ISLAM NOWSHAD CMGR, FCMI
Independent Director & Chairman

Dear Shareholders,

With immense pleasure the Board of IDLC Asset Management Limited (IDLC AML) are presenting the Directors' Report, the audited financial statements of the Company for the year ended December 31, 2018 and the Auditor's Report thereon in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

IDLC Asset Management Limited (IDLC AML) is the latest addition to IDLC's capital market subsidiaries that has just completed three years. To realize the vision of being the best financial brand in the country, the management of IDLC believed it was to be the right time to enter into the asset management industry to serve the need of investors and financial community at large.

Market and Industry Overview

Asset management industry is still at a nascent stage in Bangladesh. The primary business of the industry is to mobilize funds from institutes and individuals and manage the asset to generate superior risk adjusted return. At present, mutual funds and alternative investment options are the main investment vehicles available to the industry. The industry is run mainly in compliance of Bangladesh Securities & Exchange Commission (Mutual Fund) Rules, 2001.

After the market crash in 2010, equity market went through a prolonged downturn and volatility. Institutions with high capital market exposure, but low understanding of risk underwent corrosion in investments in own portfolio. Rising negative equity from margin loan accounts crippled the institutions' capacity to go for fresh investments and recover performance. At the same time, individual investors with poor understanding about the fundamentals of investment watched their investment evaporate in market correction.

However, market stabilized in last couple of years. Notable improvements have been observed, strong regulatory oversight minimized malpractices, and institutions realized the need for professional approach to capital market investment. General investors also came to appreciate the value of fundamentals driven investments. The qualitative change in market environment and participants' mindset enforced stability in the market. At the same time, quantitative improvements energized the market as new quality issues joined the market, expanding market depth and breadth. Additionally, change in global macro environment set foreign portfolio managers on a search for return in emerging and frontier economies. Bangladesh, being one of the fastest growing economy in the world, supported by favorable demographic is at the top of global investors' watch list. This led to huge inflow of foreign investment into the secondary market in recent years.

After passing a long consolidation period, the capital market now appears to have stabilized. The structural improvement in the market and investors' growing awareness of professional approach to investment are promising signs for us as it is expected to increase the demand for professional asset management services. We believe, with IDLC group's brand recognition, technology and process at our disposal, coupled with strong presence of IDLC Investments Limited and IDLC Securities Limited in their respective business line, pivoting towards the asset management industry to meet the rising demand of such services is the natural course for us.

Currently, the industry is dominated by government owned ICB and a handful of private players. There are 46 open end mutual funds and 36 closed end mutual funds currently operating in the market. The size of total Asset Under Management (AUM) was approximately BDT 134.8 billion as of December 2018. The industry is still focused on institutional clients. There has yet not been any significant effort to mobilize the savings of individuals to help them achieve their financial goals. IDLC AML would aim at popularizing mutual fund for retail investors. The company is fully committed to invest in people and process to develop products with game changing features, to deploy sales and marketing network that would define industry standard, and to bring about a complete customer care setup, always ready to go extra miles to serve the customers. We believe IDLC AML would be able to generate superior return on the asset under management by deploying its fundamental analysis driven strategy that has proven to be spectacularly successful in managing IDLC's own capital market investments.

Operational Milestones

We are very pleased to inform you that IDLC AML has continued to thrive in the business with encouraging performance in the year 2018. The company has been progressing according to its

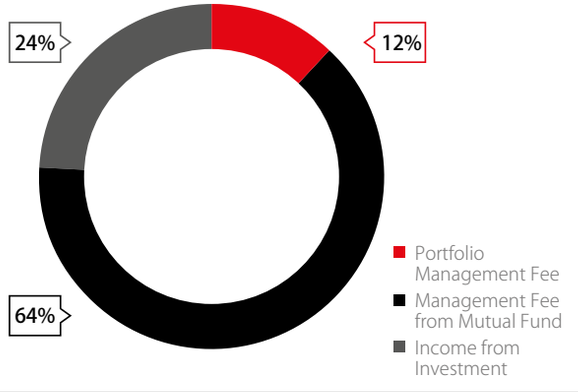
long-term vision of being the country's no. 1 asset management company in terms of investor's trust and asset under management. Major milestones achieved in 2018 are as follows:

- Launch of second open end mutual fund: In February 2018, IDLCAML successfully launched its second open end mutual fund namely 'IDLC Growth Fund' with an initial fund size of BDT 500.0 million. The investment objective of the Fund is to generate long-term capital appreciation from a portfolio of predominantly equity and equity-related instruments.
- Launch of Systematic Investment Plan (SIP): Another milestone that IDLCAML has achieved in 2018 is the launch of SIP for the investors, the first of its kind in the industry. SIP is a simple, convenient and disciplined way to make investment. Investors can open SIP under any of IDLC mutual funds with a particular monthly investment amount for specific time period.
- Receipt of Fund Manager License: One of the milestones for IDLCAML in 2018 was the receipt of the Fund Manager License under Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015. Under this license, IDLCAML act as Fund Manager for different Alternative Investment funds – Private Equity, Venture Capital, and Impact Investment Funds. IDLCAML plans on launching its first Venture Capital Fund "IDLC Venture Capital Fund I" under this license in 2019.

Overview of Financial Performance

2018 was quite a challenging year for the capital market participants with a 13.8% correction in the broad index DSEX. IDLC AML has generated an operational revenue of BDT 92.5 million in 2018. Of the total operational revenue, 63.6% came from portfolio management fee, 24.2% came from Management fee from mutual fund and the rest of 12.3% came from investment income.

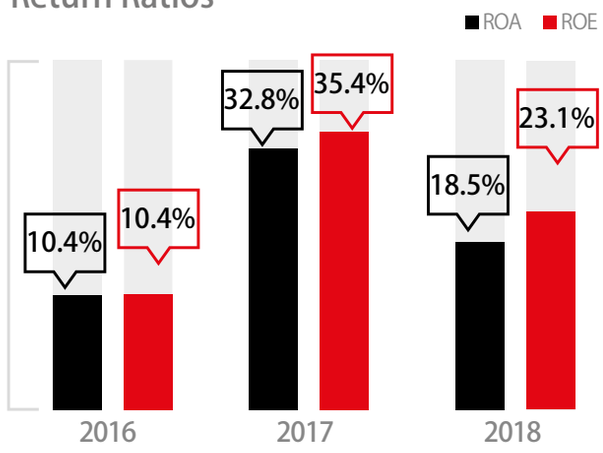
Operational Revenue 2018



In BDT million

Particulars	2016	2017	2018
Operational revenue	19.9	101.9	92.5
Profit before tax	15.3	51.2	46.3
Net profit after tax	10.4	39.1	34.5
Total Assets	119.0	186.5	225.2
Total shareholders' equity	110.4	149.5	184.0

Return Ratios



Paying off for operational expenses, the company managed to book a pretax profit of BDT 46.3 million. After deducting for tax payable to government exchequer, IDLC AML netted an after tax profit of BDT 34.5 million. In 2018, the company's ROE stood at 23.1% and ROA stood at 18.5%.

Roadmap to 2019

2019 will be a year to strengthen our foothold in asset management industry through enhancing our client base with more diverse investment product offering and enriching our customers' experience with more convenient investment solutions. Our focus for this year would be:

- Launching series of open end mutual funds to cater different types of investors' needs, subject to regulatory approval.
- Ensuring strong penetration of Systematic Investment Plan (SIP) among retail investors to make their investment in IDLC mutual funds more simple, convenient and disciplined
- Launching of IDLCAML's first Venture Capital Fund, subject to regulatory approval
- Providing corporate advisory services to our clients related to equity and acquisitions.
- Exploring opportunities to build up the company's presence in the nascent Private Equity and Venture Capital industry of Bangladesh
- To develop and deploy IT and network infrastructure capable of facilitating the realization of the vision of IDLC AML
- Making the customer service unit more equipped so that highest level of service and customer satisfaction can be ensured
- To construct an extensive sales, distribution and marketing channel to broaden the customer base for distributing units of mutual funds

Books of accounts

At IDLC Asset Management Limited, proper books of accounts have been maintained. The appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International

Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure there-from has been adequately disclosed. The financial statements prepared by the management of IDLC Asset Management Limited present fairly its state of affairs, cash flows and changes in the shareholders' equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profit for 2018

The Company reported a profit after tax of BDT 34.5 million in the year 2018. Considering Company's investment opportunities and growth potentials and comparative cost benefit analysis of paying out dividend and overall better tax management, the board of IDLC Asset Management Limited decided not to declare any dividend to the shareholders of the Company for 2018.

Appointment of auditors

In terms of Article 132 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Finance Limited at its 33rd general meeting appointed A. Qasem & Co., Chartered Accountants, as the group auditors for the company and its subsidiaries as well for 2018. Accordingly, the auditors of the Company, A. Qasem & Co., Chartered Accountants, have completed their audit of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2019 and they have also offered themselves for re-appointment. The Board recommends to appoint A. Qasem & Co., Chartered Accountants, to the shareholders at the AGM as the auditors of the Company for the year 2019 at an existing remuneration of BDT 100,000 (Taka one lac only, excluding VAT).

Going concern

There is no significant doubt on IDLC Asset Management Limited's ability to continue as a going concern.

Appreciation

In conclusion, on behalf of the Board, I would like to thank our loyal clients and honorable shareholders for their continued faith and support. Taking this opportunity, the members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges and Central Depository Bangladesh Limited who continued to remain our partners in growth.

For and on behalf of the Board of Directors,

Sd/-

Matiul Islam Nowshad, CMgr, FCMI
Chairman
IDLC Asset Management Limited

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

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Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Independent Auditor's Report
To the Shareholders of IDLC Asset Management Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IDLC Asset Management Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, 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).

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 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.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the annual report other than the financial statements and our auditor's report thereon. The annual report of its parent- IDLC Finance Limited is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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 identified above when it becomes available 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.

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

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.

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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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

A. QASEM & CO.
Chartered Accountants Since 1953

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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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987 and other applicable laws and regulations.

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 those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the company's business.

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018 BDT	2017 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	4	6,808,499	8,052,476
Intangible assets	5	4,540,492	3,644,804
Deferred tax asset	6	-	760,724
		11,348,992	**12,458,004**
Current Assets			
Investments	7	116,072,451	96,320,769
Advance, deposits & prepayments	8	5,276,278	-
Accounts receivables	9	6,045,463	4,767,523
Advance income tax	10	16,376,182	8,159,886
Cash and cash equivalents	11	70,044,775	64,760,070
		213,815,150	**174,008,248**
Total Assets		**225,164,141**	**186,466,252**
EQUITY AND LIABILITIES			
Equity			
Share Capital	12	100,000,000	100,000,000
Retained Earnings		84,301,595	49,514,662
		184,301,595	**149,514,662**
Non Current Liabilities			
Provisions for diminution value in investments		5,715,330	-
Deferred tax liability	6	536,022	-
Payable for gratuity	13	-	3,631,925
		6,251,352	**3,631,925**
Current Liabilities			
Provision for audit fees		115,000	115,000
Provision for expenses	14	6,465,053	15,404,666
Provision for income tax	15	28,031,141	17,800,000
		34,611,194	**33,319,666**
Total Equity and Liabilities		**225,164,141**	**186,466,253**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the Statement of Financial Position referred to in our separate report of even date.

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018	2017
		BDT	BDT
Operating Income (a)			
Portfolio management fee		58,766,551	54,835,969
Management fee from mutual fund	16	22,347,863	13,655,430
Income from investment	17	11,342,030	33,406,504
		92,456,445	**101,897,903**
Operating Expenses (b)			
General & administrative expenses	18	43,492,015	51,843,222
Depreciation on property, plant and equipment		3,215,136	1,853,419
		46,707,151	**53,696,641**
Operating Profit for the year (a - b)		**45,749,294**	**48,201,262**
Interest income		5,972,850	3,003,000
Gain on disposal of fixed asset		-	28,123
Miscellaneous Income		308,007	-
Profit before provisions		**52,030,151**	**51,232,385**
Provisions for diminution value in Investments		(5,715,330)	-
Profit before provision for income tax		**46,314,821**	**51,232,385**
Provision for income tax			
Current tax		(10,231,141)	(12,000,000)
Deferred tax (expense)/income	19	(1,296,747)	(145,287)
		(11,527,888)	**(12,145,287)**
Profit for the year		**34,786,934**	**39,087,099**
Other comprehensive income		-	-
Total Comprehensive Income		**34,786,934**	**39,087,099**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the Statement of Profit or Loss and Other Comprehensive Income referred to in our separate report of even date.

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Statement of Changes in Equity

For the year ended 31 December 2018

Particulars	Share Capital	Retained Earnings	Total Equity
	BDT	BDT	BDT
Balance as at 1 January 2017	100,000,000	10,427,563	110,427,563
Profit for the year	-	39,087,099	39,087,099
Balance as at 31 December 2017	**100,000,000**	**49,514,662**	**149,514,662**
Profit for the year	-	34,786,934	34,786,934
Balance as at 31 December 2018	**100,000,000**	**84,301,595**	**184,301,595**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018	2017
		BDT	BDT
A. Cash flow from operating activities			
Profit during the year		34,786,934	39,087,099
Items not involving in movement of cash:			
Gain on disposal of fixed asset		-	(28,123)
Provisions for diminution value in investments		5,715,330	-
Decrease in deferred tax assets		760,724	145,287
Increase in deferred tax liabilities		536,022	-
Depreciation on property, plant and equipment		3,215,136	1,853,419
		45,014,147	**41,057,682**
Changes in working capital:			
Increase in account receivables		(1,277,940)	(4,015,233)
(Increase)/Decrease in advance, prepayments & deposits		(5,276,278)	1,509,960
Increase in advance income tax		(8,216,296)	(7,690,064)
(Decrease)/Increase in account payables		(8,939,613)	15,454,811
(Decrease)/Increase in gratuity payable		(3,631,925)	933,437
Increase in provision for income tax		10,231,141	12,000,000
		(17,110,911)	18,192,911
Net cash flow from operating activities (A)		**27,903,235**	**59,250,593**
B. Cash flows from investing activities			
Purchase of property, plant and equipment		(2,866,848)	(12,318,375)
Proceeds from sale of property, plant and equipment		-	241,665
Purchase of marketable securities		(19,751,682)	(52,289,813)
Net cash flow/(used in) investing activities (B)		**(22,618,530)**	**(64,366,523)**
C. Cash flows from financing activities			
Proceed from issuance of ordinary shares		-	-
Net cash flow from financing activities (C)		**-**	**-**
D. Net cash surplus/(deficit) for the year (A+B+C)		**5,284,705**	**(5,115,931)**
E. Cash and cash equivalents at the beginning of the year		**64,760,070**	**69,876,001**
F. Cash and Cash Equivalents at the end of the year		**70,044,775**	**64,760,070**

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
17 February 2019

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2018

1 Company and its activities

1.1 Legal status and nature of the company

IDLC Asset Management Limited was incorporated in Bangladesh on 19 November 2015 vide registration # C-127068/2015 as a private company limited by shares, under Companies Act, 1994. The registered office of the Company is situated at South Avenue Tower (5th Floor), Unit # 502, Road # 3, 7 Gulshan Avenue, Gulshan 1, Dhaka. It is a subsidiary Company of IDLC Finance Limited that holds 99.99% ownership of the company.

1.2 Principal activities and nature of operation

IDLC Asset Management Limited provides high standard of professional services to its individual and institutional clients through mutual funds, portfolio management and other services. The company's principal activities include the following:

i. Asset management through mutual funds for retail and institutional clients;

ii. Portfolio management services for institutional clients;

iii. Alternative investment in private equity, venture capital and other related investment opportunities;

iv. Corporate advisory services, etc.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) covering International Accounting Standards (IAS), the Companies Act, 1994 and other applicable laws and regulations of Bangladesh.

2.2 Other regulatory compliance

As required, IDLC Asset Management Limited also complies with the applicable provisions of the following major laws/ statutes:

-Income Tax Ordinance, 1984;

-Income Tax Rules, 1984;

-Negotiable Instruments Act, 1881;

-Securities and Exchange Rules, 1987

-Securities and Exchange Commission Act, 1993

-Securities and Exchange Commission (Mutual Fund) Rules, 2001 (Amended in 2013)

-Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

-Notes to the Financial Statements

2.5 Functional and presentational currency

These financial statements are presented in Bangladeshi Taka (BDT) which is the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest integer.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Note: 4	Depreciation on property, plant and equipment.
Note: 6	Deferred tax Assets
Note: 9	Accounts receivables
Note: 13	Payable for gratuity
Note: 15	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

3 Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and after due compliance with the International Financial Reporting Standards (IFRSs), the Companies Act, 1994 and other applicable laws and regulations.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost, less accumulated depreciation in compliance with IAS-16: Property Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use.

3.2.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss and other comprehensive income account as incurred.

3.2.3 Depreciation

Depreciation on property, plant and equipment is charged using straight-line method over their estimated useful lives. Depreciation rates are as follows:

Nature of Assets	Rate of Depreciation
Curtain and carpets	33.33% p.a.
Electrical equipment	20.00% p.a.
Furniture and fixture	12.50% p.a.
Office decoration	20.00% p.a.
Office equipment	20.00% p.a.
IT equipment	20.00% p.a.
Telephone and telex	33.33% p.a.
Motors vehicles	25.00% p.a.

Depreciation on all items of property, plant and equipment is calculated and charged from the date of putting the assets in to use irrespective of the value and purchase/ acquisition date of the property, plant and equipment.

3.3 Intangible assets

3.3.1 Recognition and measurement

Intangible assets viz computer software those are acquired by the Company and which have finite useful lives, are measured at cost less accumulated amortization and impairment loss, if any.

3.3.2 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

3.3.3 Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management's best estimates.

3.4 Impairment

The carrying value of the Company's assets other than inventories, are reviewed at closing date to determine whether there

is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

3.5 Financial Instruments

3.5.1 Financial Assets

Financial assets of the company include cash and cash equivalents, accounts receivables and other receivables. The company initially recognizes receivable on the date they are originated. All others financial assets are recognized initially on the date at which the company becomes a party to the contractual provisions of the transaction. The company derecognizes a financial asset when, and only when the contractual rights or probabilities of receiving the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred.

3.5.1.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits when it has a short maturity of three months or less from the date of acquisition.

3.5.2 Financial Liabilities

The company initially recognizes financial liabilities on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

These are recognised when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

3.5.2.1 Accounts Payable and Other Payables

Accounts payable and other payables are recognised when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits.

3.6 Investment in shares

Investments are stated at cost or market value whichever is lower. A security which is not listed at stock exchange as on the reporting date then the price is shown at cost.

3.7 Taxation

3.7.1 Current tax

Provision for income tax is made on the basis of company's computation based on the best estimate of taxable profit in accordance with the Income Tax Ordinance, 1984.

3.7.2 Deferred tax

Deferred tax is calculated as per International Accounting Standard (IAS) 12 "Income Taxes". Deferred tax is recognised on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences.

3.8 Revenue recognition

3.8.1 Portfolio management fees

Portfolio management fees are recognized on the market value of the clients' portfolio on daily accrual basis and charged to clients' balance on quarterly basis.

3.8.2 Dividend income and profit or loss on sale of securities

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

3.8.3 Mutual fund management fees

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay a management fee to the Asset Management Company –

a. 2.50 percent per annum of the weekly average NAV up to BDT 5.00 crore (Five crore Taka);

b. 2.00 percent per annum for additional amount of the weekly average NAV up to BDT 25.00 crore (Twenty Five crore Taka) over BDT 5.00 crore (Five crore Taka);

c. 1.50 percent per annum for additional amount of the weekly average NAV up to BDT 50.00 crore (Fifty crore Taka) over BDT 25.00 crore (Twenty Five crore Taka); and

d. 1.00 percent per annum for additional amount of the weekly average NAV over BDT 50.00 crore (Fifty crore Taka), accrued and payable quarterly at the end of the period.

3.8.4 Mutual fund formation fee

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay Mutual Fund Formation fee to the Asset Management Company as mentioned in the Published Prospectus of the Fund approved by Bangladesh Securities and Exchange Commission.

3.8.5 Mutual fund Pre-scheme formation fee

As per BSEC Directive vide ref no.: SEC/CMRRCD/2009 – 193/ 160 dated 28 May 2014, Asset Manager can accrue management fees from scheme of the Mutual Fund for the period starting from the registration date of the scheme to pre-trade period according to the Rule 65(2).

3.9 Provision

A provision is recognized in the accounts when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

3.10 Employee benefits

IDLC Asset Management Limited maintains defined benefit plan for its eligible permanent employees. Employee gratuity plan is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to employees as per condition of the fund. The eligibility is determined according to the terms and conditions set in the service rules of the company.

3.11 Related party disclosure

As per International Accounting Standard (IAS) 24: "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 20.

3.12 Events after the reporting date

Events after the reporting date that provide additional information about the company's position at the reporting date are reflected in the financial statements. Events after the reporting date that are not adjusting event are disclosed in the notes when material.

3.13 Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS and IFRS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC Asset Management Limited applied following IAS and IFRS:

Name of the IASs	No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied

Name of the IFRSs	No.	Status
Revenue from Contracts with Customers	15	Applied
Financial Instruments	9	Applied
Financial Instruments: Disclosures	7	Applied

	2018	2017
	BDT	BDT

4. Property, plant and equipment

Tangible Assets

A. Cost

Opening balance	9,683,701	1,498,148
Add: Addition during the year	870,968	8,435,554
	10,554,669	9,933,701
Less: Disposal/adjustments during the year	-	(250,000)
	10,554,669	**9,683,701**

B. Accumulated depreciation

Opening balance	1,631,225	52,282
Add: Charged during the year	2,114,945	1,615,401
	3,746,170	1,667,683
Less: Disposal/adjustments during the year	-	(36,458)
	3,746,170	1,631,225
C. Written down value (A-B)	**6,808,499**	**8,052,476**

5. Intangible Assets

A. Cost

Opening balance	3,882,822	-
Add: Addition during the year	1,995,880	3,882,822
	5,878,701	3,882,822
Less: Disposal/adjustments during the year	-	-
	5,878,701	3,882,822

B. Accumulated amortization

Opening balance	238,018	-
Add: Charged during the year	1,100,191	238,018
	1,338,209	238,018
Less: Disposal/adjustments during the year	-	-
	1,338,209	238,018
C. Written down value (A-B)	**4,540,492**	**3,644,804**

A schedule of property, plant and equipment and intangible assets is given in Annexure-A.

6. Deferred tax asset/liabilities

Deferred tax asset is arrived at as follows:

	Carrying Amount	Tax base	(Taxable)/deductible temporary difference (BDT)
	BDT	BDT	
As on 31 December 2018			
Property, plant and equipment	11,348,992	9,817,499	(1,531,492)
Gratuity provision (net of payment)	-	-	-
Net deductible temporary difference			(1,531,492)
Applicable tax rate			35.00%
Deferred tax - liabilities			**(536,022)**

	Carrying Amount	Tax base	(Taxable)/deductible temporary difference (BDT)
	BDT	BDT	
As on 31 December 2017			
Property, plant and equipment	11697280	10,238,854	(1,458,426)
Gratuity provision (net of payment)	(3,631,925)	-	3,631,925
Net deductible temporary difference			2,173,498
Applicable tax rate			35.00%
Deferred tax - Assets			**760,725**

7. Investment in marketable securities

Investment in available-for-sale securities	(Note: 7.1)	92,143,333	96,080,769
Investment in right share subscription	(Note: 7.2)	-	240,000
Investment in initial public offering (IPO)	(Note: 7.3)	808,660	-
Short term deposit in fixed deposits	(Note: 7.4)	23,120,458	-
		116,072,451	**96,320,769**

7.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position is given below:

Name of industry	Cost price as on 31.12.2018	Market price as on 31.12.2018	Cost price as on 31.12.2017	Market price as on 31.12.2017
Bank	23,466,002	23,118,600	39,918,404	46,074,400
Telecommunication	28,080,040	23,690,850	20,082,526	21,186,000
Pharmaceuticals & Chemicals	94,613	285,883	26,894,538	29,003,685
Fuel & Power	12,321,445	10,842,129	-	-
Textile	224,697	906,542	4,378,178	4,390,000
Information Technology	-	-	979,680	2,454,224
Tannery	-	-	-	-
Engineering	27,956,537	27,584,000	3,827,443	4,495,315
	92,143,333	**86,428,003**	**96,080,769**	**107,603,624**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the reporting date.

	2018	2017
	BDT	BDT
7.2 Investment in right share subscription	**-**	**240,000**

IDLC Asset Management Limited subscribed for 12,000 right shares at Taka 20 (Taka 10 premium) IFAD AUTOS Limited as of 31 December 2017.

7.3 Investment in initial public offering (IPO)

ADN Telecom Limited	569,070	-
S.S. Steel Limited	134,920	-
Genex Infosys Limited	104,670	-
	808,660	-

		2018	2017
		BDT	BDT

7.4 Short term deposit in fixed deposits

Institution	Branch	A/C No	Term Months		
IDLC Finance Limited	Gulshan	10552230472920	4	7,867,854	-
		10552230472921	4	5,000,000	-
		10552230472922	4	5,000,000	-
		10552230472919	4	5,252,604	-
				23,120,458	-

8. Advance, deposits & prepayments

PricewaterhouseCoopers Bangladesh Private Limited		5,276,278	-

9. Accounts receivables

Interest receivable (FDR)		631,633	617,261
Mutual fund management fees receivable		4,450,985	3,234,343
Receivable from IDLC Balanced Fund		41,036	598,683
Receivable from IDLC Growth Fund		88,264	133,410
Cash Dividend Receivable		833,519	183,826
Other receivables		27	-
		6,045,463	**4,767,523**

10. Advance income tax

Advance corporate income tax		14,057,942	7,027,771
Tax deducted at source		2,318,240	1,132,115
		16,376,182	**8,159,886**

11. Cash and cash equivalents

Cash at Bank	(Note: 11.1)	19,872,238	14,196,784
Cash at Hand		4,090	-
Cash at portfolio with IDLC Securities Limited		32,507,072	-
Fixed deposit receipt	(Note: 11.2)	17,661,375	50,563,286
		70,044,775	**64,760,070**

11.1 Cash at Bank

Name of the Bank	Branch	A/C No	Type		
BRAC Bank Limited	Bijoy Nagar	1532203891815001	CA	19,871,330	13,373,505
Standard Chartered Bank	Gulshan	02-1307951-01	STD	907	52,049
NRB Bank Limited	Principal	1011030069892	SND	1	771,229
NRB Bank Limited	Banani	1022010036414	CD	-	-
				19,872,238	**14,196,784**

				2018	2017
				BDT	BDT

11.2 Fixed Deposit Receipt

Institution	Branch	A/C No	Term Months		
IDLC Finance Limited	Gulshan	10552230472901	3	-	20,000,000
		10552230472902	3	-	10,000,000
	Dilkusha	10252230472905	3	-	20,563,286
		10252230472903	3	-	-
IPDC Finance Limited	Gulshan	03969	3	5,000,000	-
		03970	3	5,000,000	-
		03980	3	7,661,375	-
				17,661,375	**50,563,286**

12. Share capital

Authorized Capital		
25,000,000 ordinary shares of Taka 10 each	**250,000,000**	**250,000,000**
Issued, subscribed & paid up capital	**100,000,000**	**100,000,000**

The issued, subscribed and paid-up capital of Taka 100,000,000 is divided into 10,000,000 ordinary shares of Taka 10 each. Details are as follows:

IDLC Finance Limited		
9,999,999 shares of Taka 10 each fully paid up	99,999,990	99,999,990
Mr. Akhteruddin Mahmood		
1 share of Taka 10 fully paid up	10	-
Mr. Syed Javed Noor		
1 share of Taka 10 fully paid up	-	10
	100,000,000	**100,000,000**

13. Payable for gratuity

Opening Balance	3,631,925	2,698,488
Add: Charge during the period	1,738,823	933,437
	5,370,748	3,631,925
Less: Paid during the period	(5,370,748)	-
	-	**3,631,925**

14. Provision for Expenses

Salary and allowance	4,588,116	12,689,950
Professional fees	465,000	285,000
Recall (BD) Ltd.	278,942	-
Training	725,735	1,500,000
Promotional expenses	260,616	
Office maintenance	24,534	68,035
Utilities	57,721	40,965
CS Infotech Limited	33,962	790,716
Car maintenance and others	30,000	30,000
Other payables	427	-
	6,465,053	**15,404,666**

			2018	2017
			BDT	BDT
15.	**Provision for income tax**			
	Opening balance		17,800,000	5,800,000
	Add: Charged during the year		10,231,141	12,000,000
			28,031,141	**17,800,000**
16.	**Management Fee from Mutual Fund**			
	Mutual fund formation fees		2,809,350	5,000,000
	Mutual fund management fees		16,633,884	5,455,430
	Mutual fund pre scheme formation fees		2,904,629	3,200,000
			22,347,863	**13,655,430**
17.	**Income from Investment**			
	Capital gain on investments		8,567,879	31,480,227
	Dividend income from marketable securities		2,774,151	1,926,277
			11,342,030	**33,406,504**
18.	**General and administrative expenses**			
	Salary and allowances	(Note: 18.1)	31,802,486	33,356,121
	Statutory audit fees		115,000	115,000
	Renewal and registration		360,282	185,645
	Motor vehicle expenses		674,743	605,471
	Entertainment		154,814	216,262
	Postage, stamp & telecommunication etc.		173,516	81,204
	Printing & stationery		741,966	933,295
	Advertisement and promotional expenses		2,789,160	8,759,213
	Selling and distribution expenses		1,002,581	397,208
	Director's remuneration		166,750	166,750
	Books and periodicals		26,885	23,120
	Donations and subscriptions		26,561	50,000
	Consultancy fees		341,262	576,799
	Training expenses		711,778	1,917,762
	Bank charges		146,361	83,027
	CDBL charges		228,181	197,174
	Repair and maintenance		197,239	151,975
	Office rent, maintenance & service, etc.	(Note:18.2)	3,832,449	4,027,196
			43,492,015	**51,843,222**
18.1	**Salary and allowances**			
	Salary and allowances		28,978,524	31,588,928
	Provident fund (Company's contribution)		1,085,139	833,756
	Gratuity		1,738,823	933,437
			31,802,486	**33,356,121**

Salaries and allowances include the compensation of the key management committee, including the managing director who exercise significant authority and play strategic role in the company. During 2018 key management compensation was BDT. 15,229,835 (2017: BDT. 10,648,073).

		2018	2017
		BDT	BDT
18.2	**Office rent, maintenance & service, etc.**		
	Office rent	2,387,874	2,586,800
	Office maintenance	899,843	1,087,309
	Office utility	543,570	352,245
	Telephone & telex	1,162	841
		3,832,449	**4,027,196**

19. Deferred tax (expense)/income

Closing balance of deferred tax asset	(536,022)	760,724
Opening balance of deferred tax asset	760,724	906,011
	(1,296,747)	**(145,287)**

20. Related party transaction

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with and without common directors and key management positions. The company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24: " Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Name of the related party	Relationship	Nature of transaction	Closing balance as on 31.12.2018	Closing balance as on 31.12.2017
IDLC Finance Limited	Parent company	FDR	23,120,458	50,563,286

21. Number of employees

The number of employees for the whole year who received a total remuneration of Taka 36,000 or above were 20 which was 16 on 31 December 2017.

22. Date of authorization

The Board of director has authorized these financial statements for issue on 17 February 2019.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

IDLC Asset Management Limited

Schedule of property, plant and equipment

As of 31 December 2018

Annexure-A

A. Tangible Assets

(Amount in BDT)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.2018
	Balance as on 01.01.2018	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2018		Balance as on 01.01.2018	Charged during the year	Adjustment during the year	Balance as on 31.12.2018	
Curtain & carpet	105,617			105,617	33.33%	26,277	35,202		61,479	44,138
Electrical equipment	346,275	100,000		446,275	20%	64,495	80,922		145,417	300,858
Furniture & fixture	839,613	24,345		863,958	12.50%	113,907	106,191		220,098	643,860
Office decoration	3,062,602	-		3,062,602	20%	633,650	612,520		1,246,171	1,816,431
Office equipment	556,285	166,128		722,413	20%	106,622	133,764		240,386	482,027
IT equipment	2,550,410	485,005		3,035,415	20%	310,701	559,108		869,809	2,165,606
Motor vehicle	2,200,000			2,200,000	25%	366,667	550,000		916,667	1,283,333
Telephone & telex	22,900	95,490		118,390	33.33%	8,906	37,237		46,143	72,247
Total as on 31 December 2018	**9,683,701**	**870,968**	**-**	**10,554,669**		**1,631,225**	**2,114,945**	**-**	**3,746,170**	**6,808,499**
Total as on 31 December 2017	**1,498,148**	**8,435,554**	**250,000**	**9,683,701**		**52,282**	**1,615,401**	**36,458**	**1,631,225**	**8,052,476**

B. Intangible Assets

(Amount in BDT)

Particulars	Cost				Rate %	Amortization				Written Down Value as on 31.12.2018
	Balance as on 01.01.2018	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2018		Balance as on 01.01.2018	Charged during the year	Adjustment during the year	Balance as on 31.12.2018	
Business software	1,705,103	1,995,880		3,700,983	20%	177,526	374,285		551,811	3,149,172
Office operation software	2,177,718	-		2,177,718	33.33%	60,492	725,906		786,398	1,391,320
Total as on 31 December 2018	**3,882,822**	**1,995,880**	**-**	**5,878,701**		**238,018**	**1,100,191**	**-**	**1,338,209**	**4,540,492**
Total as on 31 December 2017	**-**	**3,882,822**	**-**	**3,882,822**		**-**	**238,018**	**-**	**238,018**	**3,644,804**

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Presentation of Financial Statements	
Quality of the Report/ Layout of Contents	Qualitative
Cover and printing including the theme on the cover page	Qualitative
Appropriateness and effectiveness of photographs and their relevance	Qualitative
Effectiveness of Charts and Graphs	Qualitative
Clarity, simplicity and lucidity in presentation of Financial Statements	Qualitative
Timeliness in issuing Financial Statements and holding AGMs	
3 months time to produce the Annual Report and hold AGM are considered reasonable for full marks	March 28, 2019
Delay after the initial period of 3 months -deduction of 2 marks is to be made for each month	
If the period is over 6 months – no marks shall be awarded	
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LEED Certification Gold under Commercial Interior	110, 118
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Corporate Governance Disclosure Checklist

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I.	**BOARD OF DIRECTORS, CHAIRMAN AND CEO**	
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1.2	Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	137
1.3	At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	137
1.4	Chairman to be independent of CEO	139
1.5	Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	140
1.6	Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	140
1.7	Disclosure of policy on annual evaluation of the CEO by the Board.	141
1.8	Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	142
1.9	At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	142
1.10	Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	143, 189
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2	**VISION / MISSION AND STRATEGY**	
2.1	Company's vision / mission statements are approved by the board and disclosed in the annual report.	148
2.2	Identification of business objectives and areas of business focus disclosed	125
2.3	General description of strategies to achieve the company's business objectives	125
3	**AUDIT COMMITTEES**	
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*	Review and approve any non-audit work assigned to the external auditor and ensure that such work does not compromise the independence of the external auditors.	155
*	Recommend external auditor for appointment/ reappointment	155
3.2.5	Statement on Audit committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	156
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5.2	Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	158
5.3	Board's statement on its commitment to establishing high level of ethics and compliance within the organisation	158
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6	**Remuneration Committee**	
6.1	Disclosure of the charter (role and responsibilities) of the committee	160
6.2	Disclosure of the composition of the committee (majority of the committee should be non-executive directors, but should also include some executive directors)	149, 160
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8.2	Disclosure of company's policy on ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	163
9	**Environmental and Social Obligations**	
9.1	Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	164
9.2	Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	164

Integrated Reporting Checklist

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
1	Elements of an Integrated Report		
1.1	Organisational overview and external environment		
	An integrated report should disclose the main activities of the organisation and the environment of which it operates.	3, 44, 48, 226	IDLC at a Glance, Our Business Model, Operating Context & Risk Management, Note 1: Company and its activities
	An integrated report should identify the organisation's mission and vision, and provides essential context by identifying matters such as:		
	• The organisation's:		
	• culture, ethics and values	14	Our Philosophies
	• ownership and operating structure including size of the organisation, location of its operations)	24, 372	Our Shareholding Composition, IDLC's Presence
	• principal activities and markets	44, 111-124, 226	Our Business Model, Business Segment Reviews, Note 1: Company and its Activities
	• competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	51	Market Forces and Competitive Landscape
	• position within the value chain	42	Our Our Value Chain Activities & Impacts
	• Key quantitative information		
	e.g. The number of employees, revenue and number of countries in which the organisation operates highlighting, in particular, significant changes from prior periods	4, 25, 67-129	Core Highlights, Our National Footprint, Management Discussion and Performance Analysis
	• Significant factors affecting the external environment and the organisation's response (include aspects of the legal, commercial, social, environmental and political context that affect the organisation's ability to create value in the short, medium or long term)	48	Macroeconomic Aspects Shaping the Industry
	Eg:		
	• The legitimate needs and interests of key stakeholders	100	Social and Relationship Capital
	• Macro and micro economic conditions, such as economic stability, globalization, and industry trends	16, 20, 48-50, 112, 114, 116, 120, 122, 124, 181	Message from the Chairman - Bangladesh Economic review, CEO's Statement, Macroeconomic Aspects Shaping the Industry - Economic, Supplementary Details, Director's Report, Business Segment Review - Influential trends shaping the industry, Key business trends and our responses
	• Market forces, such as the relative strengths and weaknesses of competitors and customer demand	48, 51	Macroeconomic Aspects Shaping the Industry, Market Forces and Competitive Landscape
	• The speed and effect of technological change	49, 125	Macroeconomic Aspects Shaping the Industry - Technological, Strategy & Resource Allocation - Risks and Opportunities
	• Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	49	Macroeconomic Aspects Shaping the Industry - Social
	• Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	50	Macroeconomic Aspects Shaping the Industry - Environmental
	• The legislative and regulatory environment in which the organisation operates	50	Macroeconomic Aspects Shaping the Industry - Legal
	• The political environment in countries where the organisation operates and other countries that may affect the ability of the organisation to implement its strategy	48	Macroeconomic Aspects Shaping the Industry - Political
1.2	Governance		
	An integrated report should show how does the organisation's governance structure support its ability to create value in the short, medium and long term.	125, 133	Strategy and Resource Allocation, Statement of Corporate Governance
	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• The organisation's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	30, 133	Profile of the Board of Directors, Statement of Corporate Governance
	•Mandatory and voluntary code of corporate governance adopted by the Company.		
	•Code of ethical conduct adopted by the Company in relation to ethical business.	158	Statement of Corporate Governance - Ethics and Compliance
	• Specific processes used to make strategic decisions and to establish and monitor the culture of the organisation, including its attitude to risk and mechanisms for addressing integrity and ethical issues		
	• Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organisation and its approach to risk management	55, 133	Statement of Risk Management, Statement of Corporate Governance
	• How the organisation's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	68-110, 125, 158	Capitals, Strategy and Resource Allocation, Statement of Corporate Governance- Ethics and Compliance
	• Whether the organisation is implementing governance practices that exceed legal requirements/ Key Policies	158	Statement of Corporate Governance- Ethics and Compliance
	• The responsibility those charged with governance take for promoting and enabling innovation	164	Statement of Corporate Governance - IDLC's Overall Governance
	• How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organisation's use of and effects on the capitals.	90, 164	Human Capital, Statement of Corporate Governance - IDLC's Overall Governance
1.3	Stakeholder Identification/ relationships		
	An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interest. Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value.	100	Social and Relationship Capital
	An entity may disclose the following in their integrated reports in respect of stakeholder relationships:		
	• How the company has identified its stakeholders.	100	Social and Relationship Capital - Stakeholder Identification & Engagement
	• Stakeholder engagement methodology.	100	Social and Relationship Capital - Stakeholder Identification & Engagement
	• Identification of material matters of stateholders.	9, 100	Materiality Determination & Reporting at IDLC, Social & Relationship Capital - Stakeholder Identification & Engagement
	• How the Company has applied such matters.	100	Social and Relationship Capital - Stakeholder Identification & Engagement
	• How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model.	100, 125	Social & Relationship Capital and Strategy & Resource Allocation
	Capitals		
	An integrated report needs to provide insight about the resources and the relationships used and affected by the organisation, which are referred to collectively as the capitals and how the organisation interacts with the capitals to create value over the short, medium and long term	42, 44, 68-110, 125	Our Value Chain Activities & Impacts, Business Model, Capitals, Strategy and Resource Allocation
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.	42, 44	Our Our Value Chain Activities & Impacts, Our Business Model
	Eg:		
	Financial Capital -The pool of funds that is available to the organisation for use in the production of goods or provsion of services.	68	Financial Capital
	Manufacturing Capital -Manufactured physical objects that are available to the organisation for use in the production of goods and provision of services.	98	Manufactured Capital
	Intellectual Capital -Organisational Knowledge based intangibles.	95	Intellectual Capital
	Human Capital -People's competencises, capabilities and experience, and their motovations to innovate.	90	Human Capital

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	Social and Relationship Capital -The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing.	100	Social and Relationship Capital
	Natural Capital -All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organisation.	109	Natural Capital
	Note: However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects		
1.4	Business model		
	An integrated report should describe the organisation's business model		
	An integrated report need to describe the business model, including key:		Our Our Value Chain Activities & Impacts, Our Business Model, Macroeconomic Aspects Shaping the Industry
	• Inputs	42	
	• Business activities	43	
	• Outputs	43	
	• Outcomes	43	
	Features that can enhance the effectiveness and readability of the description of the business model include:		
	• Explicit identification of the key elements of the business model	42, 44	
	• A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organisation	42	
	• Narrative flow that is logical given the particular circumstances of the organisation	42	
	• Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	42, 44, 48	
	•Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	42, 44, 68-110, 125, 129	Our Value Chain Activities & Impacts, Our Business Model, Capitals, Strategy and Resource Allocation
	Inputs		
	An integrated report shows how key inputs relate to the capitals on which the organisation depends, or that provide a source of differentiation for the organisation, to the extent they are material to understanding the robustness and resilience of the business model.	42, 44, 126	Our Value Chain Activities & Impacts, Business Model, Strategy and Resource Allocation - What makes our business model highly adaptable to change
	Business activities		
	An integrated report describes key business activities. This can include:		
	• How the organisation differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)	44, 126	Our Business Model - Value Proposition, Strategy and Resource Allocation - What makes our business model highly adaptable to change, Strategy formulation and our sources of competitive advantage
	• How the organisation approaches the need to innovate	125	Strategy and Resource Allocation - How we develop and utilize our intellectual and human capitals,The role of innovation···capitals
	• How the business model has been designed to adapt to change.	126	Strategy and Resource Allocation - What makes our business model highly adaptable to change
	When material, an integrated report discusses the contribution made to the organisation's long term success by initiatives such as process improvement, employee training and relationships management	69, 128, 129	Performance analysis with the Management Committee, Strategy & Resource Allocation - Strategy formulation & our sources of competitive advantage, Our scope of long-term value creation
	Outputs		
	An integrated report identifies an organisation's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.	40, 44, 128	Our Range of Products and Services, Business Model - Value Proposition (Our offerings), Strategy & Resource Allocation - Trade-offs we seek to avoid
	Outcomes		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	An integrated report describes key outcomes, including:		
	• Both internal outcomes (e.g., employee morale, organisational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)	43, 68-110, 111-124	Our Value Chain Activities & Impacts - Outcomes, Capitals, Business Segment Review
	• Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).	125	Strategy and Resource Allocation
1.5	Performance		
	An integrated report needs to explain the extent to which the organisation has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	20, 68-110	CEO's Statement, Capitals, Performance Analysis with Management Committee
	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:		
	• Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	68, 126, 128	Financial Capital, Strategy and Resource Allocation - Risks and Opportunities, Strategy formulation and our sources of competitive advantage
	• The organisation's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	42, 68-110	Our Value Chain Activities & Impacts, Capitals
	• The state of key stakeholder relationships and how the organisation has responded to key stakeholders' legitimate needs and interests	100, 128	Social & Relationship Capital, Strategy and Resource Allocation - Responses to issues raised through stakeholder engagement
	• The linkages between past and current performance, and between current performance and the organisation's outlook.	17,19, 20, 68, 112, 114, 116, 120, 122, 124	Message from the Chairman, CEO's Statement, Financial Capital, Business Segment Reviews - Outlook
	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	42, 128, 129	Our Value Chain Activities & Impacts, Strategy and Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals, Tradeoffs we seek to avoid
	Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organisation's non-compliance with laws or regulations may significantly affect its operations.	50, 55, 182	Macroeconomic Aspects Shaping the Industry - Environmental, Legal, Supplementary Details, Directors' Report - Capital Markets Review, IDLC's Performance, Statement of Risk Management - Credit Risk Exposure Limit, Operational Risk Management
1.6	Risks, opportunities and internal controls		
	An integrated report should explain what are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them? and effectiveness of the system of internal controls.	55, 112, 114, 116, 120, 122, 124, 126	Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks and Opportunities, Statement of Risk Management
	This can include identifying:		
	• The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	55, 112, 114, 116, 120, 122, 124, 126	Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks and Opportunities, Statement of Risk Management
	• The organisation's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	56	Statement of Risk Management - Risk Heat Maps
	• The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	55	Statement of Risk Management - Integrated Risk Management Approach, Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks and Opportunities
	• Risk Management Report (Which includes details about risk, root course, potential impact, repsponse to risk, risk rating)	55	Statement of Risk Management

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.	156, 177	Statement of corporate governance - Acknowledgment of Directors' responsibility in respect of internal control of IDLC, Report of the Audit Committee - Review of the activities of the Internal Control and Compliance Department (ICC)
1.7	Strategy and resource allocation		
	An integrated report should describe its strategic direction (Where does the organisation want to go and how does it intend to get there)	69, 125	Performance Analysis with the Management Committee, Strategy and Resource Allocation
	An integrated report needs to identify:		
	• The organisation's short, medium and long term strategic objectives	125	Strategy & Resource Allocation - Goals
	• The strategies it has in place, or intends to implement, to achieve those strategic objectives	69, 127	Performance Analysis with the Management Committee - The Fundamentals of our Business Strategy, Strategy & Resource Allocation - Resource allocation strategies to meet our objectives
	• How the entity has positioned in the wider market.	126	Strategy & Resource Allocation - Business Model adaptability and change requirements, Strategy formulation and our sources of competitive advantage
	• How the long term strategies relate to current business model.	69, 126,127	Performance Analysis with the Management Committee - The fundamentals of our business strategy, Strategy & Resource Allocation - Business Model adaptability and change requirements, Responses to issues raised through stakeholder engagement
	• The resource allocation plans it has to implement its strategy	127	Strategy & Resource Allocation - Resource allocation strategies to meet our objectives
	• How it will measure achievements and target outcomes for the short, medium and long term.	125	Strategy & Resource Allocation
	This can include describing:		
	• The linkage between the organisation's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:	125	Strategy & Resource Allocation
	• relate to the organisation's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organisation's ability to adapt to change	126	- Business model adaptability and change requirements
	• are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals	126	- Highlighted challenges facing our company and strategies to counter them
	• What differentiates the organisation to give it competitive advantage and enable it to create value, such as:	128	- Strategy formulation and our sources of competitive advantage
	• the role of innovation		
	• how the organisation develops and exploits intellectual capital		
	• the extent to which environmental and social considerations have been embedded into the organisation's strategy to give it a competitive advantage		
	• Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.	126	- Highlighted challenges facing our company and strategies to counter them
1.8	Outlook		
	An integrated report should explain what challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	16, 20, 48, 68-110, 112, 114, 116, 120, 122, 124,125	Message from the Chairman, CEO's Statement, Operating Context and Risk Management, Capitals, Business Segment Reviews - Outlook, Strategy & Resource Allocation
	An integrated report should highlight anticipated changes over time and provides information on:		
	• The organisation's expectations about the external environment the organisation is likely to face in the short, medium and long term	48, 112, 114, 116, 120, 122, 124	Operating Context & Risk Management, Business Segment Reviews - Outlook
	• How that will affect the organisation		
	• How the organisation is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	126	Strategy and Resource Allocation - Business model adaptability and change requirements
	The discussion of the potential implications, including implications for future financial performance may include:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives	48, 125	Macroeconomic Aspects Shaping the Industry, Strategy & Resource Allocation - Risk and opportunities
	• The availability, quality and affordability of capitals the organisation uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organisation's ability to create value over time.	42, 128	Our Value Chain Activities & Impacts - narrative, Strategy and Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals
	An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organisation's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.	185	Directors' Report to the Shareholders of IDLC Finance Limited - Way Forward
	Disclosures about an organisation's outlook in an integrated report should consider the legal or regulatory requirements to which the organisation is subject.	10	Integrated Report - Its Scope and Boundaries
1.9	Basis of preparation and presentation		
	An integrated report should answer the question: How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?	8-11	Materiality Determination & Reporting at IDLC, Navigating Through This Report, Integrated Report - Its Scope and Boundaries
	An integrated report describes its basis of preparation and presentation, including:		
	• A summary of the organisation's materiality determination process	8-9	Navigating Through This Report, Materiality Determination & Reporting at IDLC
	• Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters	8-9	Navigating Through This Report, Materiality Determination & Reporting at IDLC
	• Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.	11	Integrated Report - Its Scope and Boundaries - Responsibility over the Integrity of the Integrated Report
	• A description of the reporting boundary and how it has been determined	10	Integrated Report - Its Scope and Boundaries
	Eg:Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity		
	• A summary of the significant frameworks and methods used to quantify or evaluate material matters	8, 10, 186	Navigating Through This Report, Integrated Report - Its Scope and Boundaries, Directors' Report to the shareholders of IDLC Finance Limited- Corporate and financial reporting framework
	(e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).		
2	Responsibility for an integrated report		
	An integrated report should include a statement from those charged with governance that includes:	10, 145	Integrated Report - Its Scope and Boundaries, Statement of Corporate Governance - Directors' Report on Preparation of Financial Statements and Corporate Governance
	• An acknowledgement of their responsibility to ensure the integrity of the integrated report	11	
	• An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report	11	
	• Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	11	
3	Other Qualitative Characteristics of an Integrated Report		
3.1	Conciseness		
	An integrated report should be concise.		
	An integrated report need to include sufficient context to understand the organisation's strategy, governance, performance and prospects without being burdened with less relevant information	8, 125	Navigating Through This Report, Strategy and Resource Allocation
	Eg:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	Follows logical structure and includes internal cross-reference as appropriate to limit repetition.	8	Navigating Through This Report
	Express concepts clearly and in as few words.	8	Navigating Through This Report
	Favours plain language over the use of jargon or highly technical terminology.		
	Avoids highly generic disclosures.		
3.2	Reliability and completeness		
	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error	125, 156	Strategy and Resource Allocation, Statement of corporate governance- Acknowledgment of Directors' responsibility in respect of internal control of IDLC
	The organisation achieves the reliability and completeness through,		
	Eg:		
	• Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of intergrated report.	8	Navigating Through This Report
	• Giving equal conseration to both increases and decreases in the capitals, both strengths and weaknesses of the organisation, both positive and negative performance etc.	67	Management Discussion and Performance Analysis
	When information includes extimates, this is clearly communicated and the nature limitations of the estimation process are explained.	48	Macroeconomic Aspects Shaping the Industry
3.3	Consistency and comparability		
	The information in an integrated report should be presented:		
	• On a basis that is consistent over time	78-79, 84, 145	Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank, Statement of Corporate Governance - Directors' report on preparation and presentation of financial satements and corporate governance
	• In a way that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time	8, 10, 78-79, 84	Navigating Through This Report, Integrated report - Its Scope and Boundaries, Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank
	•Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output)	4, 72-84	Core Highlights, 2018; Financial Capital - Discussion of Key Financial Matters, Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank
	• Reporting quantitative indicators commonly used by other organisations with similar activities, particularly when standardized definitions are stipulated by an independent organisation (e.g., an industry body).		
	• Reporting policies are followed consistently from one period to other unless a change is needed to improve the quality of information reported.	78-79, 84, 145	Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank, Statement of corporate governance - Directors' report on preparation and presentation of financial statements and corporate governance
	• Reporting the same KPIs if they continue to be material across reporting period.		
3.4	Connectivity of information		
	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time.	42	Our Value Chain Activities & Impacts
	Eg: Connectivity between		
	• Capitals	42, 128	Our Value Chain Activities & Impacts - narrative, Strategy and Resource Allocation - Key interdependancies, complexities and tradeoffs between capitals

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• Content elements	8	Navigating Through This Report
	• Past, Present & Future	16, 20, 68-84, 181	Message from the Chairman, CEO's Statement, Financial Capital, Directors' Report to the Shareholders of IDLC Finance Limited
	• Finance and other information	129	Strategy and Resource Allocation - Tradeoffs we seek to avoid
3.5	Materiality		
	An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	9, 42	Materiality Determination & Reporting at IDLC, Our Value Chain Activities & Impacts - narrative
3.6	Assurance on the Report		
	• The policy and practice relating to seeking assurance on the report	11, 180	External Assurances, Statement of Directors' Responsibility for Internal Control, Financial Reporting and Corporate Governance
	• the nature and scope of assurance provided for this particular report	11, 207, 289, 316, 339	External Assurances, Independent Auditor's Report To the Shareholders of IDLC Finance Limited, IDLC Securities Limited, IDLC Investments Limited, IDLC Asset Management Limited
	• any qualifications arising from the assurance, and the nature of the relationship between the organisation and the assurance providers		None

Glossary

Terms

Terms	Meaning
Accrual Basis	Recognizing the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.
Amortization	Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Cash Basis	Recognizing the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.
Cash Equivalents	Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.
Consolidated Financial Statements	Financial Statements of a Group presented as those of a single Company.
Depreciation	Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to net profit or loss for the period either directly or indirectly.
Executions	Advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Fair Value	Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease that transfers substantially all the risk and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.
Gross Dividend	The proportion of profit distributed to shareholders inclusive of tax withheld.
Gross Portfolio	Total rental receivable of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Intangible Asset	An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
Interest Cost	The sum of monies accrued and payable to the sources of borrowed working capital.
Interest in Suspense	Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.
Investment Property	Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.
Lease	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Non-controlling interest (Minority Interest)	Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the parent.
Net Portfolio	Total rental receivable excluding interest of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Non-Performing Portfolio	Facilities granted to clients which are in default for more than the period recommended by Bangladesh Bank.
Paid up Capital	All amounts received by the Company or due and payable to the Company (a) in respect of the issue of shares (b) in respect of calls on shares.
Provision	Amounts set aside against possible losses on net receivable of facilities granted to clients, as a result of them becoming partly or wholly uncollectible.
Related Parties	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.
Related Party Transactions	A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Terms	Meaning
Segmental Analysis	Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.
Shareholders' Funds (Equity)	Total of issued and fully paid ordinary share capital and reserves.
Subsidiary Company	Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another Company known as the parent.
Value Addition	Value of wealth created by providing leasing and other related services considering the cost of providing such services.

Ratios

Ratio	Method of computation	Indication
Cost to Income Ratio	Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost.	Efficiency of cost management in generating income.
Debt to Equity (Gearing) Ratio	Total debts divided by equity.	The extent to which debt contributes to fund total assets, compared to the contribution from equity.
Dividend Cover	Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares.	Number of times dividend is covered by current year's distributable profits.
Dividend Per Share (DPS)	Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue.	Share of current year's dividend distributable to an ordinary share in issue.
Earnings Per Share (EPS)	Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.	Share of current year's earnings attributable to an ordinary share in issue.
Interest Cover	Earnings before interest and tax divided by interest charges.	Ability to cover or service interest charges of the debt holders.
Market Capitalization	No. of ordinary shares in issue multiplied by market value of a share.	Total market value of all ordinary shares in issue.
Net Asset Value per Ordinary Share	Ordinary shareholders' funds divided by the number of ordinary shares in issue.	Book value of ordinary shares.
Non-Performing Facilities Ratio	Total gross non-performing portfolio divided by total gross portfolio.	Percentage of total gross non-performing portfolio against the total gross portfolio.
Price Earning Ratio (PER Ratio)	Market price of a share divided by Earnings Per Share (EPS).	Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.
Return on Assets (ROA)	Net profits expressed as a percentage of average total assets.	Overall effectiveness in generating profits with available assets; earning power of invested total capital.
Return on Equity (ROE)	Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds.	Earning power on shareholders' book value of investment (equity).

IDLC's Branch Network

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IDLC Finance Limited
financing happiness

34th Annual General Meeting

PROXY FORM

I/We .....of.....

..... being a member of IDLC Finance Limited and a holder of .....

..... shares hereby appoint Mr./ Ms. .....

of..... as my/ our proxy to vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held on March 28, 2019 (Thursday) and at any adjournment thereof.

Signed this	day of March 2019	
Signature	Revenue Stamp of BDT 20	Signature
Name :		Name :
(Proxy)		(Member)
		Folio/BO ID No

NOTE :

a) This form of proxy, duly completed, must be deposited at least 72 hours before the meeting at the Company's registered office. Proxy is invalid if not signed and stamped as explained above.

b) Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

IDLC FINANCE LIMITED
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IDLC Finance Limited
financing happiness

34th Annual General Meeting

ATTENDANCE SLIP

I hereby record my attendance at the **34th Annual General Meeting of IDLC Finance Limited** as a holder of.....

..... shares of the Company.

Signature
Name :
(Member/ Proxy)
Folio/BO ID No.

NOTE :

Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

IDLC FINANCE LIMITED

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nymphea | www.nymphea-bd.com