exploring new possibilities...

the
common crane

glides at 33,000 ft

cross-continental
flying range

mount
everest

29,035 ft

IDLC
Finance Limited

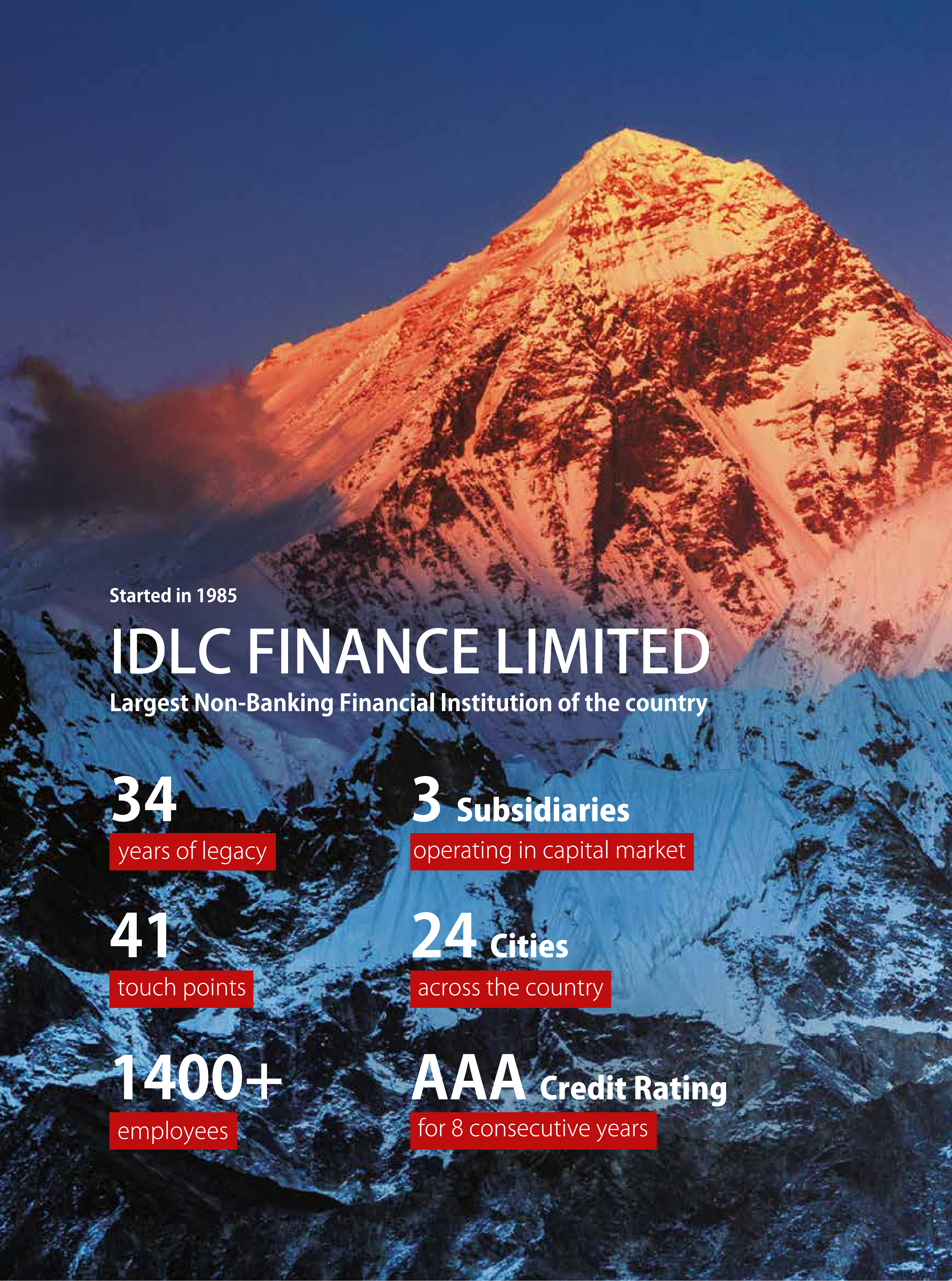
financing happiness

annual report 2019

In 2020, IDLC will celebrate 35 years of its existence in the financing industry of Bangladesh. Having been through this long, industrious and rewarding journey, IDLC is now regarded as one of the most well-governed and profitable companies in the industry. This was accomplished through a culture of integrated thinking and timely maneuvers taken by successive management teams. While our operations today are much diversified and far extended from the products and services we started with, we still hold dear the same entrepreneurial spirit and unwavering commitment, to serve all our stakeholders and the society at large, that defined the founding principles of the organization.

As we review the year gone by and take a closer look at the challenges that we faced and will continue to face in the upcoming year, we should also take a moment to recognize our ability to defy the odds and thrive amidst all the hurdles that have come our way in the last three and a half decades. While spreading our wings to explore beyond thresholds, we have been able to respond to changing market scenarios and navigate with resilience in the face of challenging environments, time and again.

We have made it a part of our organizational ethos to always explore new possibilities, seeking to defy boundaries, like the birds flying beyond the highest peak.


Started in 1985
IDLC FINANCE LIMITED
Largest Non-Banking Financial Institution of the country
34
years of legacy
3 Subsidiaries
operating in capital market
41
touch points
24 Cities
across the country
1400+
employees
AAA Credit Rating
for 8 consecutive years

CONTENT

THE COMPANY

STEWARDSHIP

OPERATING ENVIRONMENT AND RISK MANAGEMENT

MANAGEMENT DISCUSSION & ANALYSIS

GOVERNANCE

HIGHLIGHTS

Customers

Piloted

IDLC Unnati

Affordable Housing Loan

IDLC Shariah Fund

Implemented

Customer Self-Service Facility

Shareholders

1.50%

Return on Asset

35%

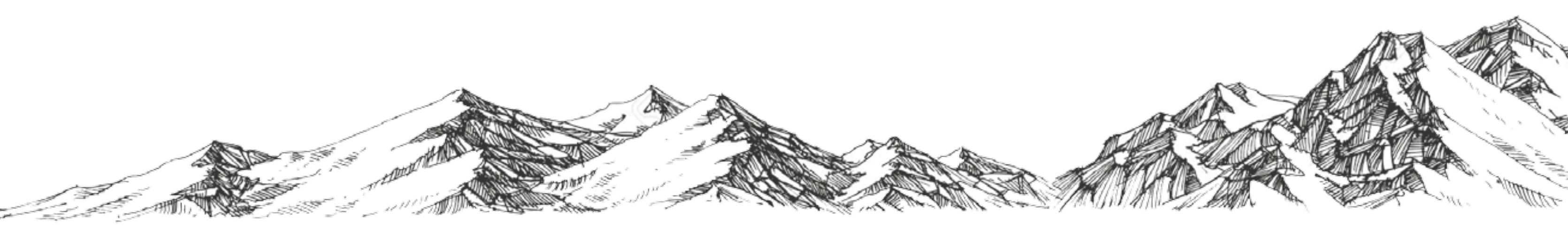
Cash Dividend

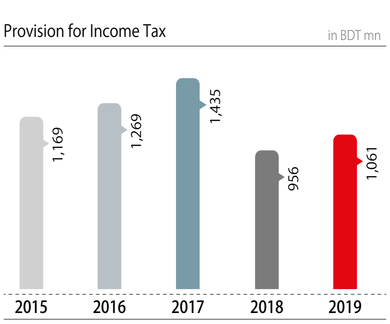
Regulators

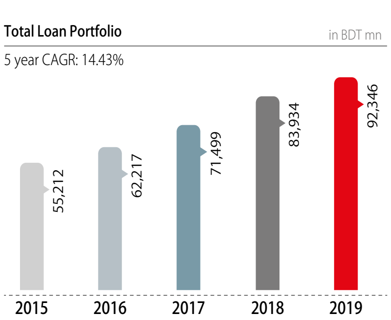
BDT 2,242 million

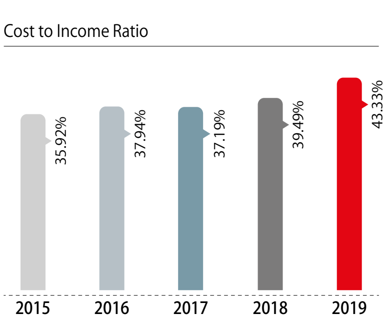
Contribution through payment of Tax, VAT and Excise Duty

- BDT **1,075** million
  Own Contribution of Tax, VAT and Excise Duty
- BDT **1,167** million
  Collection of Tax, VAT and Excise Duty









Employees

146
Number of Training

2,376
Number of Attendees

Community

6 schools renovated/ established

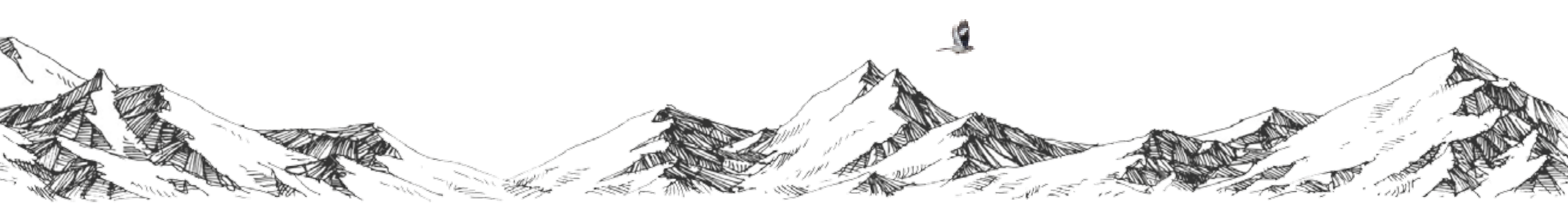
1 Boat ambulance launched in remote Rangabli Upazilla, Patuakhali district directly impacting 150,000+ people

Contributed to increase financial literacy through Finance Olympiad and Orther Ortho program

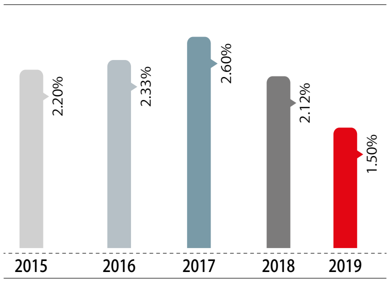
Environment

Installed water treatment plant in coastal area, directly impacting

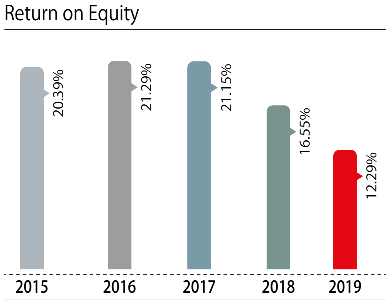
3000
people



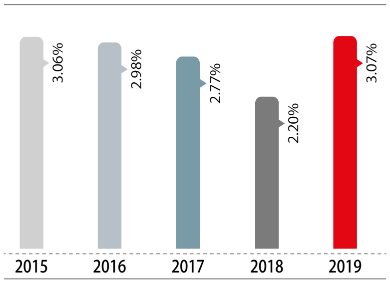
Return on Asset



Return on Equity



Non-Performing Loan



ABOUT OUR INTEGRATED REPORT

We are pleased to present to our stakeholders with the 2019 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 2019 to 31 December 2019, 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). We have also taken into account recommendations and guidance from by IFC Toolkits for Disclosure and Transparency, published by International Finance Corporation to improve coherence, and transparency across the report.

In clarifying the Company's operations and financial performance, we have extracted the financial information from the Audited Financial Statements for the calendar year ended 2019 with relevant comparative information. The financial statements consistently comply with the mandated requirements of the laws of the land and of the industry that includes Companies Act 1994, Financial Institutions Act 1993, Securities and Exchange Rules 1987, relevant rules and regulations of Bangladesh Bank and International Financial Reporting Standards among others.

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

REGULATIONS WE FOLLOW

- Companies Act 1994
- Financial Institutions Act 1993
- Securities and Exchange Rules 1987
- Corporate Governance Code
- Relevant rules and regulations of Bangladesh Bank (The Central Bank)
- And other applicable laws and regulations of the land.

REPORTING FRAMEWORKS AND GUIDELINES WE ADHER TO

- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)
- Global Reporting Initiative (GRI)-GR4 Framework
- International Integrated Reporting Framework by International Reporting Council
- SAFA Integrated Reporting Checklist
- ICAB Corporate Governance Checklist

Key Pillars of Our integrated Report

Structure of Our Value-Created Integrated Report

Materiality Determination
Page Ref: 10

Value Chain & Business Model
Page Ref: 14-17

Operating Context
Page Ref: 43

Risk Management
Page Ref: 51

Strategy
Page Ref: 62

Stakeholder Identification & Engagement
Page Ref: 107

Corporate Governance
Page Ref: 135

Our Mission, Vision & Core Principles

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 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, 2018.

Comparability

All the information presented in this report is on the same basis as the 2018 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. 10.

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 firm 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 and Vulnerability Assessment	KPMG Bangladesh

Responsibility over the Integrity of the Integrated Report

The Board and the management ensures that 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, we 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.

"I, on behalf of the Board, acknowledge our responsibility to ensure the integrity of this Integrated Report, which addresses all material issues and presents fairly the integrated performance of IDLC Group.

Sd/-
Aziz Al Mahmood
Chairman
IDLC Finance Limited

Availability of the Annual Report

The soft copy of the Annual Report is sent to all the shareholders, 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.**

NAVIGATING THROUGH THIS REPORT

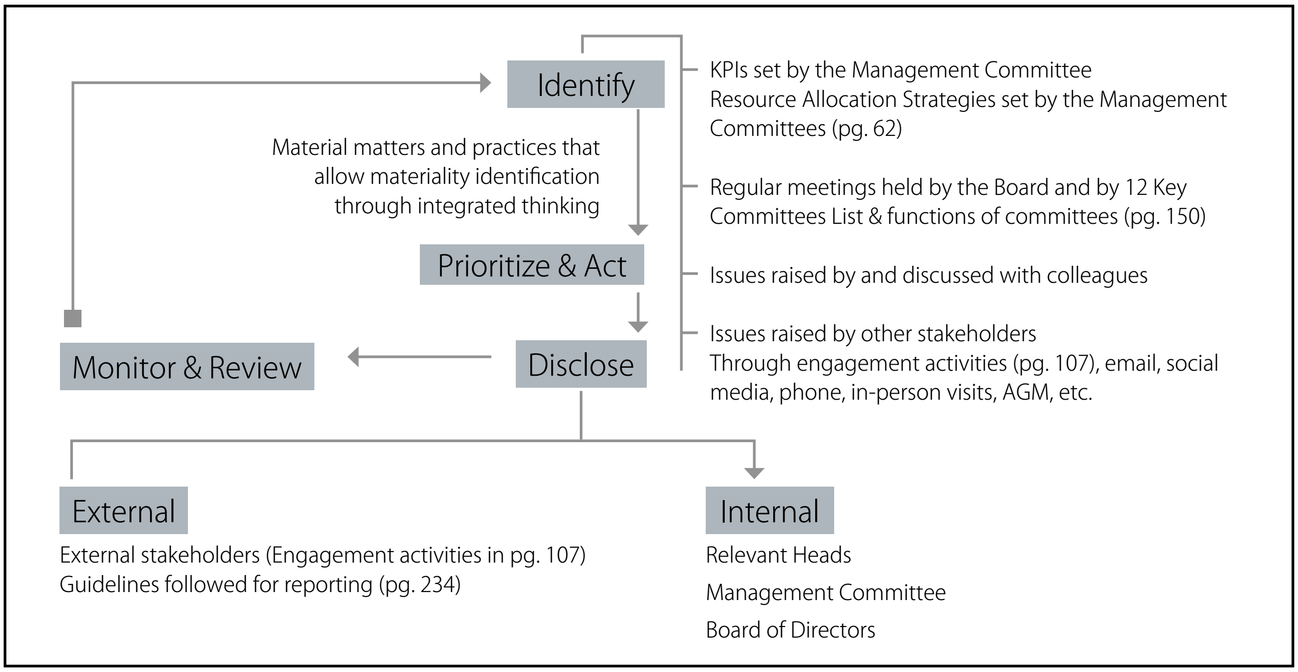
The key objective of this report is to provide a comprehensive picture of our organisation and illustrate our strategies to create value in the long run. It is centered around six capitals and our activities, held in place through the common thread of our focus on engaging with our stakeholders at a 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?	▸ Value Creation Process ▸ Business Model ▸ Corporate Governance Structure ▸ Organisational 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 organisational structure designed to complement our Business Model.	pg. 14 pg. 14,16 pg. 136,138 pg. 95
What are the various challenges within the operating environment and competitive landscape affecting our business?	▸ Operating Environment 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. 44 pg. 47 pg. 49, 50
How do we transform our resources - the various capitals - to create value for our stakeholders?	▸ Financial Capital ▸ Human Capital ▸ Intellectual Capital ▸ Manufactured Capital ▸ Social and Relationship Capital ▸ 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. 72 pg. 93 pg. 99 pg. 102 pg. 105 pg. 115
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. 74 pg. 64 pg. 64 pg. 65 pg. 67 pg. 67 pg. 67 pg. 68 pg. 69 pg. 69 pg. 71
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. 118-132
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. 51-60
Who govern our organization and how do they approach the evolving market dynamics?	▸ Chairman's Statement ▸ Performance Analysis with the Management Committee ▸ 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. 23 pg. 26 pg. 32 & 141 pg. 135

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	Disclosure impacts:
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 the Material Aspects (pg. 9).

OUR PHILOSOPHIES

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

- Achieve sustainable business growth
- Fully leverage the core banking platform
- Maintain strong funding mix
- Attract, retain and develop talented employees
- Continuously improve operational efficiency
- Advance our social causes
- 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 Ethics

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.

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
- IDLC Unnati

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
- Affordable Housing Finance Scheme

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

IDLC Asset Management Limited

Product

- 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

VALUE CHAIN ACTIVITIES & IMPACTS

VISION, MISSION, VALUES (pg-11)

Performance (Page 74)	Risk & Opportunities (Page 51, 64)	Corporate Governance (Page 135)	Strategy & Resource Allocation (Page 62)

OUR BUSINESS MODEL

Our value creation process

INPUTS

FINANCIAL CAPITAL
- Equity capital
- Liability Basket
- Policy Incentives

HUMAN CAPITAL
- Experienced and competent human resources
- Technical and managerial skills

MANUFACTURED CAPITAL
- Branches (pg. 20, 393)
- Physical infrastructure
- Office equipment and supplies

INTELLECTUAL CAPITAL
- Product and service formulations
- Purchased software
- In house software
- Processes
- Knowledge

SOCIAL & RELATIONSHIP CAPITAL
- Product and service formulations
- Purchased software
- In house software
- Processes
- Knowledge

NATURAL CAPITAL
- Utilities
- Policy Incentives and Initiatives

OUR ACTIVITIES

LENDING ACTIVITIES pg. 16,118

BROKERAGE ACTIVITIES pg. 16, 127

INVESTMENT BANKING (IB) ACTIVITIES pg. 16, 129

ASSET MANAGEMENT ACTIVITIES pg. 16, 131

OUTPUTS

- Loan and deposit products
- Brokerage Service
- Corporate Advisory and IB services
- Mutual funds, Alternate Investment and corporate advisory services

External Environment

Outlook
(Page 23, 26, 118-132)

OUTCOMES

FINANCIAL CAPITAL

- 14.43% 5- year portfolio CAGR
- BDT 1,700 mn NPAT
- 12.29% ROE
- 3.07% NPL
- 43.33% 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 99)
- Products and services (Page 12)

SOCIAL & RELATIONSHIP CAPITAL

- Dividends paid
- 172,000+ beneficials reached through CSR (Page 105)
- 45mn+ Interactions through branding campaigns

NATURAL CAPITAL

- Reduction in Carbon Footprint
- Green Banking portfolio stands at BDT 1,408 mn

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. 16) 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. 16).

BUSINESS MODELS

Integrated Business Model for Consolidated Operations

Key Resources

- Funds
- Our human resources
- Our intellectual capital
- Natural and other
- resources
- Relationships with
- stakeholders
- Policy incentives

Key Activities

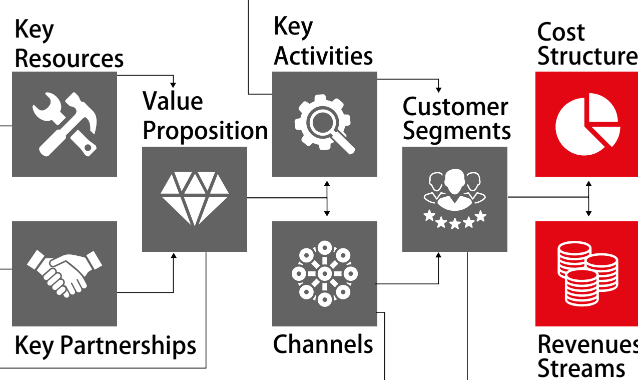
- Innovate and sell financial products
- Grow, develop and maintain client relationships
- Attract and manage investments
- Create brand awareness
- Commit to social and environmental responsibilities

Supporting activities:

- Risk management
- Continuous process
- improvement
- Ensure employees' engagement
- and wellbeing
- Maintaining financials

Cost Structure

- Interest expense
- Infrastructure and technology
- Human resources
- Other administrative expenses



Key Partnerships

IDLC Finance Limited

- Shareholders
- Central Bank
- Other banks and financial
- institutions
- Deposit clients
- Multilateral organisations

Subsidiaries

- Investors
- Regulators

Group

- Vendors
- NGOs

Revenue Streams

- Interest income
- Fee income
- Investment income
- Commission income

Value Propositions

- SME Finance
- Corporate Finance
- Consumer Finance
- Savings Products
- Investment Products & Services
- Alternate Investment Offerings
- Investment Banking Services
- Brokerage Services
- Corporate Advisory Services

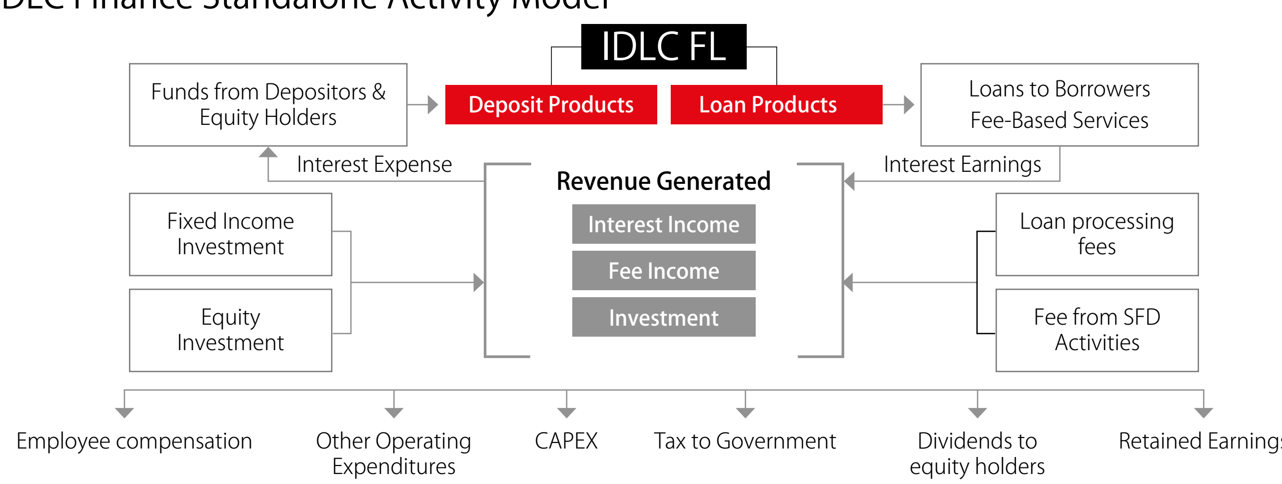
Channels

- Branches
- Direct selling
- Telephone and online channels

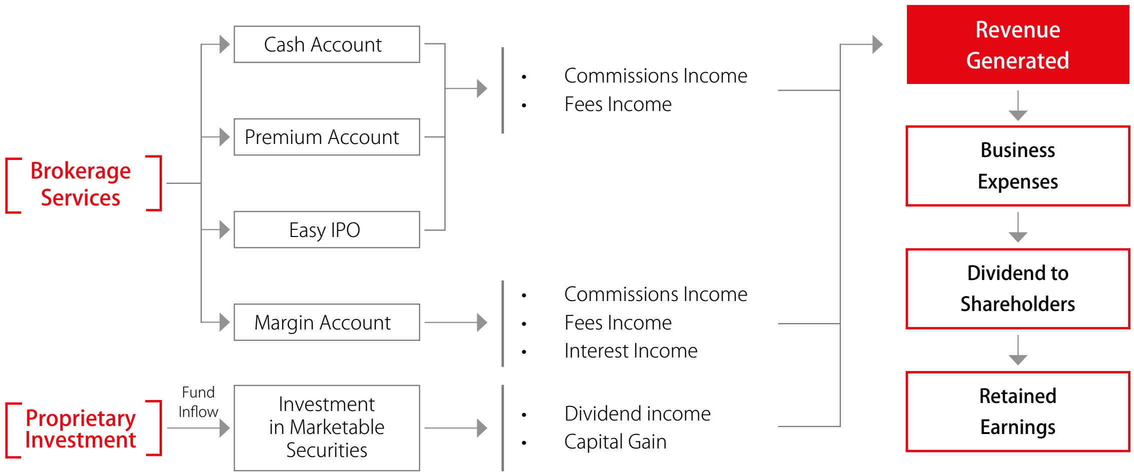
Customer Segments

- Small and Medium Enterprises (SMEs)
- Corporate Houses
- Individuals
- Limited companies
- Institutional investors
- Fund Managers
- Foreign Investors and Brokerage Houses

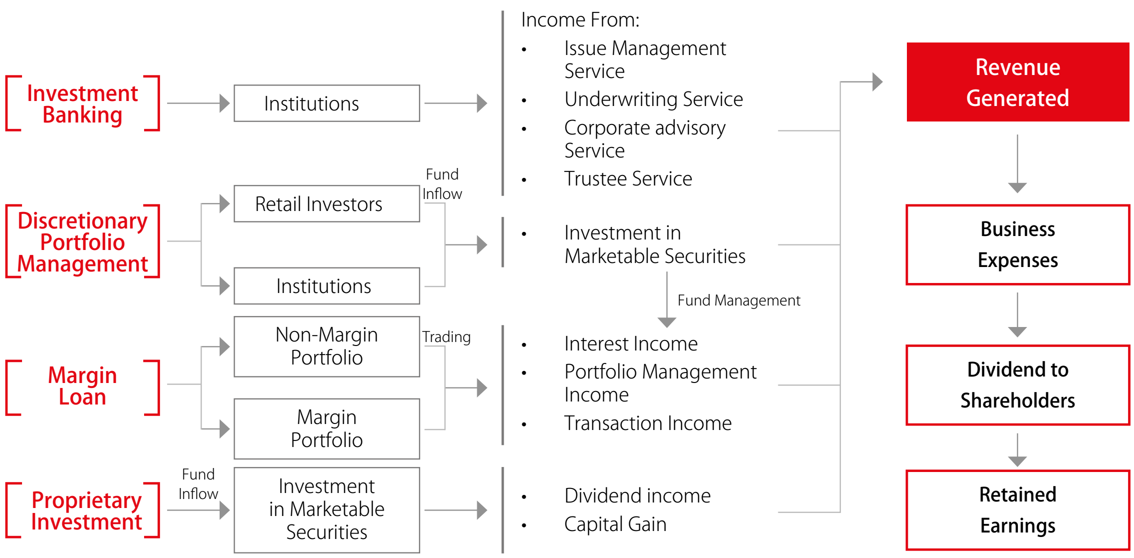
IDLC Finance Standalone Activity Model



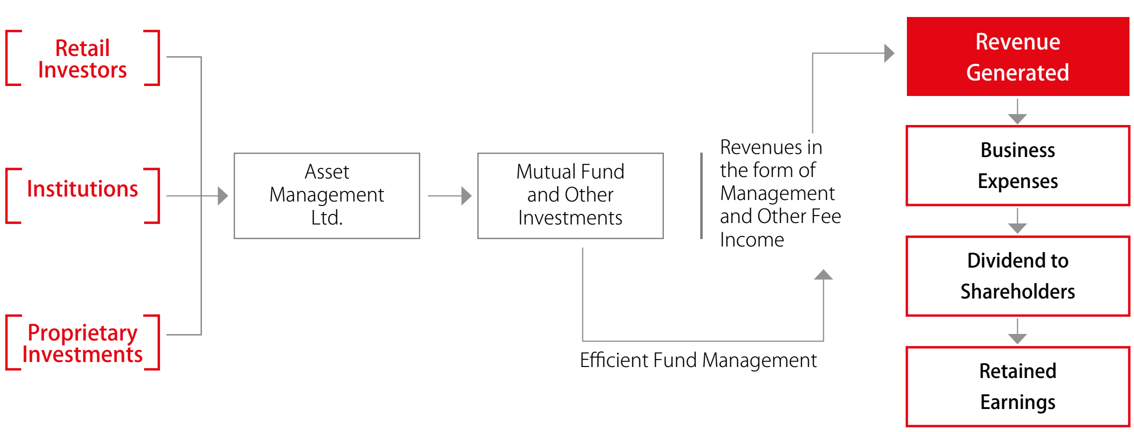
IDLC Securities Activity Model



IDLC Investment Activity Model



IDLC Asset Management Activity Model



KEY MILESTONES

1985-2004

- **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
- **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
- **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'

2006-2010

- **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'
- **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

2011-2016

- **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

- **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

2017-2019

- **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

  01 July 2018
  Launch of IDLC SIP

  16 July 2018
  Obtained Alternative Investments license

  01 November 2018
  Launch of Interest First Deposit

  01 November 2018
  Launch of IDLC Priority Program

- **01 Jan 2019**
  Launch of VSE Financing

  14 Jul 2019
  Launch of Affordable Housing

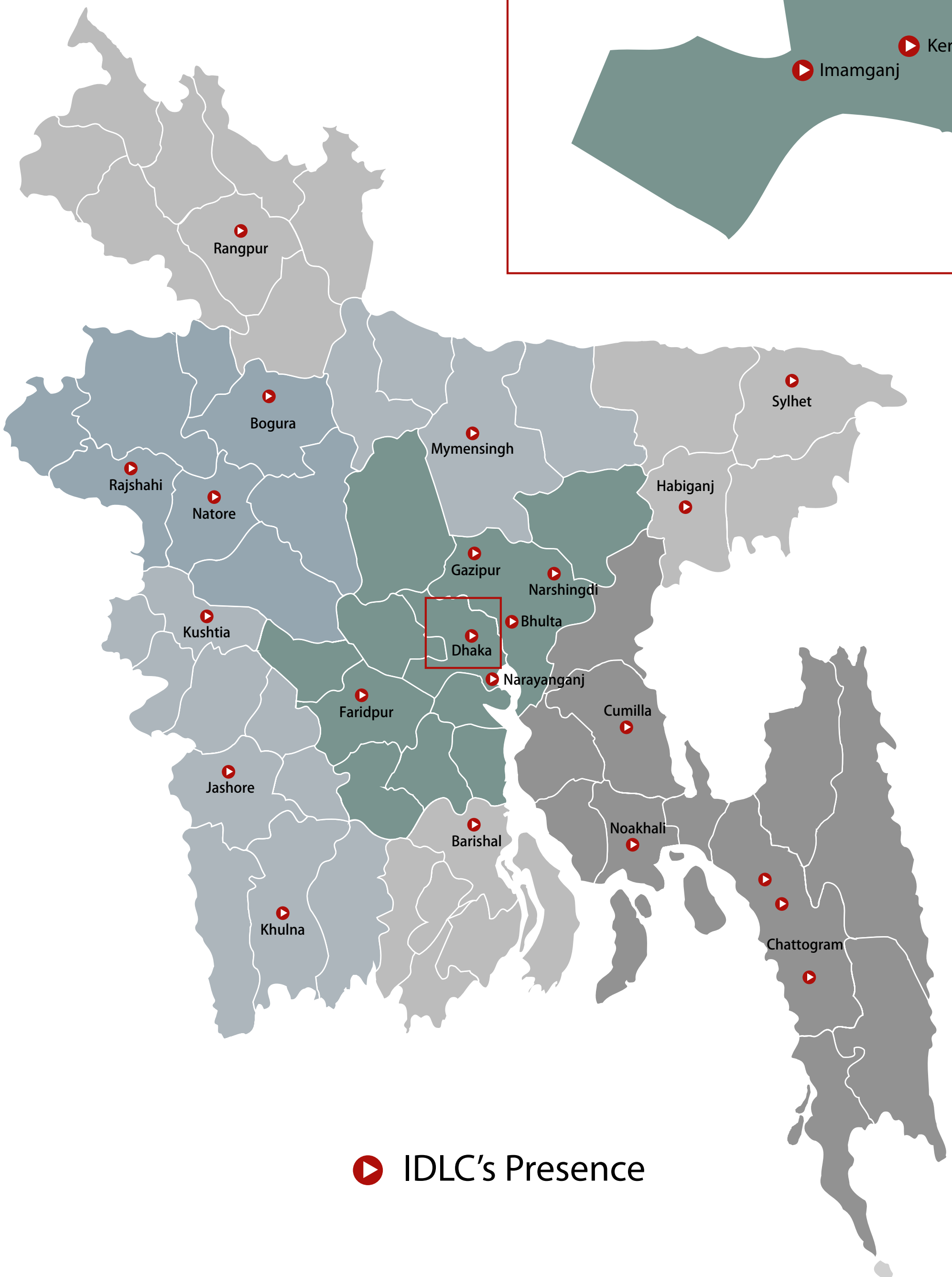
  10 Oct 2019
  Received BSEC approval for Venture Capital Fund

  12 Dec 2019
  Launch of IDLC AML Shariah Fund

NATIONAL FOOTPRINT

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

Dhaka District Map



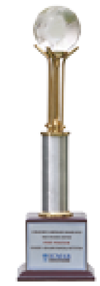
IDLC's Presence

AWARDS & ACCOLADES

19th ICAB National Award for Best Presented Annual Reports 2018- Overall Winner

19th ICAB National Award for Best Presented Annual Reports 2018 – Integrated Reporting- Winner

19th ICAB National Award for Best Presented Annual Reports 2018- Financial Services Sector– First Position



ICMAB Best Corporate Award 2018– Non-Banking Financial Institutions Category – First Position

6th ICSB National Award for Corporate Governance Excellence, 2018– Second Position (NBFI Category)

SAFA Best Presented Annual Report Awards 2018 – Integrated Reporting- Certificate of merit

SAFA Best Presented Annual Report Awards 2018 – Financial Services Sector- Certificate of merit

EUROMONEY Awards- Best Investment Bank in Bangladesh

Asia Money
Best Bank for SME Award

Global SME Finance Forum- Best Women Friendly SME Bank of Bangladesh- Silver

Tax Card 2018-19:
Third Highest tax payer among Non-Banking Financial Institutions in the nation

great white pelican

travels in linear, circular, or V-formation groups and as a synchronized team

highly sociable and often forms large flocks

CHAIRMAN'S STATEMENT

Aziz Al Mahmood

Chairman

2019 was a year where our focus in our ingrained values and unwavering pledge towards long-term sustainability and corporate governance have enabled us to retain our holding in the financial sector.

Dear stakeholders,

Year 2019 marked yet another year where IDLC displayed impressive buoyancy. It was a year where our focus in our ingrained values and unwavering pledge towards long-term sustainability and corporate governance have enabled us to retain our strong foothold in the financial sector. We have upheld our commitment towards broadening our product basket through launching diverse products across our operating segments. Our efficiency drives underpinned by process automation initiatives have started to bear fruit and it is likely to reveal its full potential in the upcoming years. We have not forgotten that our key strength lies in our human capital. Our multi-faceted employee engagement programs and trainings acted as an enabler to deliver numbers despite the strained market conditions.

Overcoming challenges

In divergence to the globally lauded growth attained by our nation, the financial sector experienced significant headwinds owing to spill-over impacts from macroeconomic factors from the year gone by. While liquidity issues eased marginally in the industry, cost of funds continued to rise, to make deposit rates competitive against the high yielding government securities. This was, in part, an effect of funds being required for extensive infrastructural development.

Nevertheless, I am pleased to announce that through skilful stewardship of liquidity, one of our core strengths, we managed to curtail detrimental impact on fund and suitably controlled our cost-to-income ratio. As a result, business income of IDLC Finance Limited strengthened, on a standalone basis, and reported a 9% rise in Net Interest Income. The disparaging media reports of the Non-banking Financial institution (NBFI) sector did not cause damage for IDLC as savers turned to rely on our solid brand image and exceptional track record. However, reduction in loan processing fee experienced by the industry along with losses sustained from our proprietary investments in the capital market, due to the reduced activity in the stock market, led to the dip in our profitability growth. Moreover, owing to the aging of some legacy large clients our provision against loans rose and, resultantly, our profit from financial business took a slight dent. Having said that, despite this dent, our lending business, still remains one of the top performers in the entire industry. Our strict financial discipline allowed for the restrained NPL up-ride (3.07% in 2019), against the several fold higher industry average.

It is primarily on the wake of the poorly performing bourses that our consolidated financials suffered. As the broad Index fell by a sharp 17.3% in 2019 our 3 subsidiaries, operating through the capital market, attained adverse repercussions on its income. Yet, through our proactive management we have curtailed the impact and have managed to retain our brand holding in these operating segments.

Striving for sustainability

Our aim has always been to attain sustainable long-term growth and our strategies are formulated keeping this philosophy in mind. Upholding the goals that we had set for our selves in the year before, we materialized progress through enhancing our product offering and through efficiency drives.

Product diversification

Financing Very Small Enterprises-
BDT 8.59 million loan disbursed

Affordable housing loan disbursement-
BDT 255 million

100 days term deposit-
BDT 734 million funds accessed

IDLC Shariah Fund
BDT 4.68 million management fee earned

Efficiency

Implementation of Self-service facilities for faster customer service

Launching of the Online Service Portal

Credit Risk Grading- Reduced 26% turnaround time for small scale loan sanction

5.23% increased efficiency of disbursement for loan

Re-organizing corporate and SME division based on client segmentation

Our focus on this philosophy has enabled us to push forward despite facing numerous challenges. We believe that our efforts would bring in significant results in the upcoming years where we plan for:

- Increasing our customer reach by deploying resources aimed at increasing retail penetration at a granular level through diversified loan products like: ***VSE*** (Very Small Enterprises) Loan, ***Affordable Housing*** finances and ***IDLC Unnati*** which caters to the needs of kitchen market vendors;
- Rolling out digital deposit products upon introduction of the e-KYC guidelines by the Central Bank; and
- Extensive investments in technology initiatives to improve efficacy at every segment of operation and to serve customers better and faster.

Enhancing brand solidity

Our drives, efforts and our commitment for transparency and governance has been recognized by various national and international awarding bodies. Our transparent annual report and efforts towards corporate governance has been endowed as the top of the country by autonomous bodies including Institute of Chartered Accountants of Bangladesh (ICAB), Institute of Cost Management Accountants of Bangladesh (ICMAB), and Institute of Chartered Secretaries of Bangladesh (ICSB). Our drives for enhancing the SME segment has enabled us to be termed as the **Best Bank for SME** by the esteemed Asia Money awards. In this regard, one of our key drives have been to empower women through our SME women centric product "IDLC Purnota", which is a combination of financial and non-financial services for women entrepreneurs. Last year, our loan disbursements to this segment grew by 17%. This effort has garnered us the prestigious title of being one of the **Best Women Friendly SME Bank of Bangladesh" by Global SME Finance Forum.**

ACCOLADES OF 2019

ICAB National Award Winner

- Financial Services Sector
- Integrated Reporting
- Overall

ICMAB Best Corporate Award Winner

NBFI Category

ICSB Winner for Corporate Governance under NBFI Category

Tax Card One of the Highest Tax Payer award under NBFI category

EUROMONEY Award for Best Investment Bank in Bangladesh

Asia Money Best Bank for SME Award

Best Women Friendly SME Bank of Bangladesh" by Global SME Finance Forum

IDLC's brand is not only focused on financial performance, but is also known as a key contributor to the society. Our prime focus in the year 2019 was to make education and healthcare accessible to the remote and underprivileged regions of our country. Through our *Khushir Kheya* platform we have constructed and renovated schools in Sajek (Rangamati District), Latarchar (Patuakhali District) and Malkhanagar (Munshiganj District) among various others. The initiation of the boat ambulance service in the backwaters of the Rangabli Upazilla in the Patuakhali district was a contribution close to our heart as it would help bring some respite to the people of the region at times of medical emergencies.

In conclusion

While market conditions and regulations will continue to be an important factor in our strategy and performance, we are committed to grow our business at a rate above the growth rate of the industry. We envision our SME and Consumer segments to make major contributions to this growth. We can assure you that our efforts remain in the best interest of our shareholders while being an exemplary practitioner of corporate governance.

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

Wishing you much happiness,

Sd/-

Aziz Al Mahmood

Chairman
IDLC Finance Limited

CEO'S STATEMENT

Arif Khan, CFA, FCMA
CEO & Managing Director

Times of difficulty are only but a test that reflect our commitment to the values we hold as an organisation.

Dear shareholders and fellow stakeholders,

2019 has been a challenging year where volatility in the financial markets, policy uncertainties and an apparent slowdown in the business climate have made IDLC stretch to its limits to deliver a good financial result for its shareholders.

While a 1.50% ROA exemplifies IDLC as one of the most profitable companies in the industry, the fact remains that our group's profit declined by 21.7% (while the profit of our core business, IDLC Finance Standalone, fell by 4.3%). In essence, growth in revenues from our core lending business was not sufficient to counter the fall in capital market returns which resulted from the significant drop in the major index, including scrips in the DS30 index. However, our prudent liquidity management practices and long-standing drives towards process improvements have enabled us to tackle the circumstances with resilience. Having ended the year on a strong foothold as well, we have **declared to pay out a cash dividend of 35% to our shareholders.**

Our Chairman has already given a bird's eye view of the company's performance and its rationale. For the benefit of the readers, I will touch upon the following major areas under the topics discussed in this statement:

1) Our strategy in line with the macro trends, while re-iterating how we performed in context of the macro-economic & regulatory environment
2) What challenges await us in the foreseeable future and how we plan to navigate through them
3) Direction of key business drivers, areas of improvement and what changes to expect in our way of doing business going forward

Looking at our core lending business

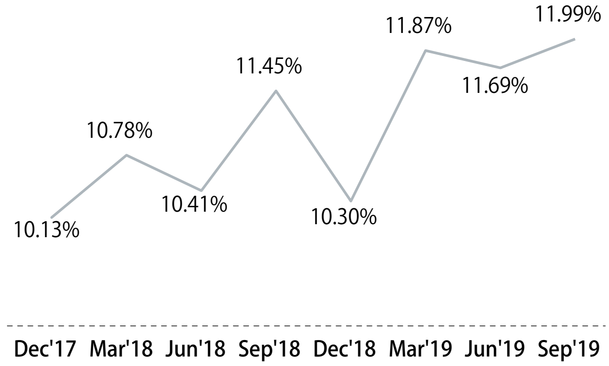
Core lending operations generated 91.70% of the group's profit. Net Interest Income of the group rose by 10.61% (Standalone: 9.44%) against a portfolio growth of 10.02% (Standalone: 10.97%) **amidst a slowing business climate**, with private sector credit growth hitting a decade low of 9.83%[1]. Growth in Net Interest Income was partly restricted due to **spread pressures**, with deposit rates consistently rising till the third quarter of the year. This was **countered with** a larger degree of **Treasury operations in 2019.**

Assessment of the situation shows **liquidity pressures as one of the major contributors** behind the slow business climate. Besides preventing many larger businesses from carrying out the planned roll-overs of their financing facilities, it also affected their vendors, distributors and other partners – many of which are comparatively smaller businesses – in a chain effect. As a result, this impacted non-performing loans (NPLs) of the entire industry. IDLC's NPL ratio suffered too, with exposures in both Corporate and SME businesses, while our mortgage portfolio has comparatively fared better.

We were however, able to restrict this from spiraling, through extensive collection efforts, greater emphasis on analytics for early detection and revising some policies to be on the conservative side going forward. Nonetheless, at the end, our NPL ratio stood at 3.07% at the close of 2019, up from 2.20% a year ago. However, only a few large clients are accountable for this extent of change. In response, we are **focusing on regularizing these larger clients,** and have decided to **be even more conservative** (than our policy) on the matter of single party exposure limits in 2020.

[1, 2, 3] Bangladesh Bank

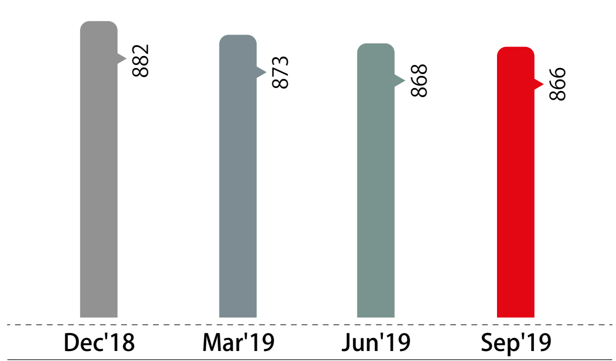
NPL Trend in the Industry[2]



Note: as per new regulatory guidelines, definition of NPL for banks will be pushed back by 6 months, ***which will be reflected in the 2019 financial statements****. Definition of NPL for NBFIs remain unchanged.*

In spite of the liquidity pressures, IDLC's term deposits grew by 7.34% (Stand alone: 7.95%) over the year, with non-bank deposits rising by 17.29%. This took place amidst a de-growth in deposits by the overall NBFI industry following the bankruptcy of one of the NBFIs, which created a negative perception for depositors regarding the sector.

Deposits Trend NBFIs[3] in BDT bn



Taking a closer look at the segments

As mentioned by our Chairman, we have **gone through some re-structuring** by moving the larger SME customers and their relationship managers to the Corporate Division under the name Local Corporate. This is expected to improve our customer segmentation by reducing segment overlap between the business wings while bringing process & reporting standardizations.

The restated loan book is now composed of **34.25% SME, 33.58% Consumer and 32.17% Corporate portfolios.** The SME book comprises of a wide range of entrepreneurs ranging from traders to small manufacturers of various products, while majority of the Corporate loan book is in the manufacturing sector. Meanwhile, the Consumer Division is mostly comprised of home loans, which constitute above 90% of the portfolio. Over the year 2019, the individual portfolios grew by 12.29%, 10.38% and 10.20% for SME, Consumer and Corporate respectively. Considering a 5 year CAGR, they grew by 19.99%, 11.88% and 14.56% respectively.

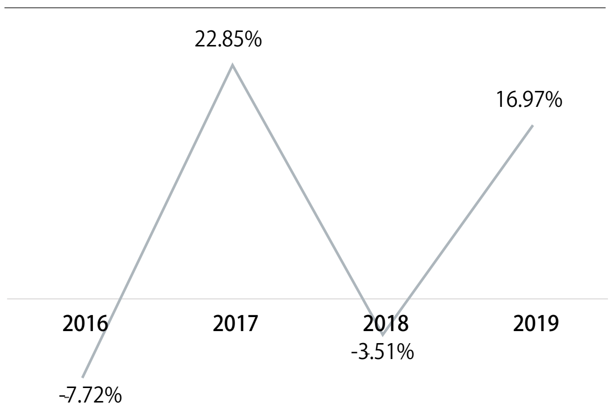
Approach for the Future

Going forward, while the space for medium to large ticket loans get more crowded, we see **major opportunities in the smaller ticket arenas in retail segments.** Guided by an increasing *Middle & Affluent Class* (MAC) population, especially in cities beyond the capital, we intend to seize this opportunity through various financial offerings. On the loans side we have introduced Affordable Housing Loans within BDT 500k to BDT 2.5mn for home buyers and Very Small Enterprise loans ranging from BDT 200k to BDT 1.5mn for SMEs. On the deposit side, we intend to launch lower ticket deposit products with DPS schemes having monthly installments as little as BDT 500.

Automation will be key in gaining the scalability needed to be successful in such endeavours. There are challenges, however. **In Bangladesh, where public databases are yet to be integrated** and client information is difficult to verify, **only relying on credit score based financing might lead to quality deterioration of portfolio.** Hence, while financing lower ticket clients, the human touch is nothing short of a necessity.

Our efforts therefore, have been towards **attaining operational feasibility, especially in these lower ticket segments, in spite of such challenges**. In that regard, we have been standardizing processes and introducing software platforms & training modules that enable leaner and more efficient hierarchical structures in various departments across the company. We have re-engineered traditional loan-origination processes and introduced tab-based financing. We have also begun Credit Risk Grade (CRG) based loan sanctioning, albeit at a limited scale. As a result, productivity has improved quite vividly already.

Productivity Trend
(growth in files per person in retail businesses)



As we move towards penetrating our target markets more profoundly, we have expanded the range of tasks to be automated and are already working towards improving productivity further.

Immediate concerns and responses

Looking at some immediate challenges, however, ongoing matters of concern include **uncertainty over interest rate capping for the banking industry** and its potential impact in the financial markets, **global public health fears** and business impact of the Coronavirus (COVID-19) outbreak and falling current account balance & foreign direct investments (FDI). In response, we may have to revise our growth projections and take some cuts in planned expenditures. However, multilateral organisations such as the World Bank and ADB still forecast Bangladesh GDP to grow in 2020 at 7.2% and 8% respectively.

Addressing the capital market subsidiaries

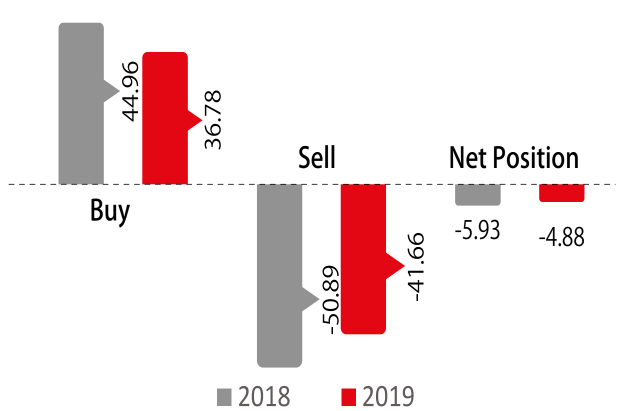
Capital market operations generate **income for our subsidiaries** (IDLC Securities, IDLC Investments and IDLC Asset Management) **and for the parent company's proprietary desk.**

While operating income of IDLC Finance grew by 2.34% over 2019 on a standalone basis despite taking prop desk returns into consideration, **it declined by 3.54% when accounting for the capital market subsidiaries.**

As the nature of capital market goes, cycles are inevitable. However, the extent to which the major indices suffered in 2019 did surpass expectations of most market analysts.

Looking back, although stringent measures by the regulator on investment in National Savings Certificates (NSCs) helped to channel some funds towards the banking sector, especially in the latter half of 2019, **fund flow in the stock market remained limited.** This also makes sense considering the rather high return on fixed income instruments, among other factors. Adding to the pressure, was **foreign sale of shares on the major bourse** throughout the year, mainly on account of anticipations regarding currency depreciation. The net position of foreign investment in shares was BDT 4.88 billion in negative in 2019. This was subsequent to a negative BDT 5.93 billion in 2018.

Foreign Transaction Volume on DSE[4] in BDT bn



Consequent to these, the broad Index fell by a sharp 17.3%, following a 13.8% decline in 2018. The fall was even greater in the Bluechip

[4] *The Financial Express Bangladesh*

Index, DSE 30, which declined by 19.5%; subsequent to a negative return of 17.6% in 2018. Moreover, as mentioned, transaction volume also dried up as stocks fell. Average daily turnover stood at BDT 4,803.4mn, dropping by 12.8% compared to the previous year.[5]

Responding to the ongoing constraints and looking forward

Given the downtrend scenario of the capital market, however, we did **rebalance the asset composition** of our lending business (IDLC Finance standalone) over the year, with investments in marketable shares composing 9.88% of equity at the close of 2019, down from 19.63% at the start of the year.

For our subsidiaries, we intend to **focus more on foreign clients and high net-worth (HNW)** individuals through the research teams in our brokerage and investment banking subsidiaries, while catering to the masses through our Mutual Fund products under IDLC Asset Management.

Recently, IDLC Asset Management Limited (AML) was appointed as the new asset manager of two listed funds: *DBH First Mutual Fund* and *Green Delta Mutual Fund*. IDLC AML also launched the *IDLC AML Shariah Fund* to cater to those willing to invest under Islamic guidelines and received permission for ***IDLC Venture Capital Fund 1,* the company's first fund under its Alternate Investment license**.

Mutual Fund penetration as a percentage of GDP is only ~0.48% in Bangladesh in spite of a growing middle class. In comparison, it is ~11% in India and ~31% in Thailand, which is close to the global average of ~32%.[6] Meanwhile, institutional venture capital fund is all-in-all, almost non-existent in the country. Hence, while our initiatives in these regards are not expected to provide significant returns in the short to medium term, we expect to move up the learning curve that is necessary to leverage on the potential these markets have to offer in the long-run.

Gearing all our functional areas for sustainable growth

Apart from our business strategies, we have been paying close attention to our **tech strategy and our HR strategy.**

Tech strategy designed to build on our intellectual capital, improve scalability & drive business in retail segments

Capacity development for automation in internal processes, improved & faster analytics and enhanced customer service will involve implementation of various **tech-based solutions.** Hence, we are either already working on, or plan to pursue projects deeply related to fintech.

- Introduction of tab-based loan origination and deployment of self-service facilities and numerous software implementations have enabled quicker onboarding and customer service for retail clients.
- Existing projects such as customization of our core banking software, implementation of Customer Relationship Management (CRM) software, credit risk grading, bank statement analyser and online memo module are expected to help us unlock the potential of the process change initiatives we have been undertaking.
- Projects such as digital business project, app & web portals for customers, and portals for third party integration are expected to enable us to start our journey with digital wealth management offerings (both fixed income and equity), and eventually, lending products.

HR strategy developed to retain top performers and attract the best talents while increasing employee productivity

Most jobs and skill requirements are bound to evolve as we move towards automation and attaining operational feasibility, especially in the retail business verticals. While market readiness and adapting to trends are matters of immediacy, we prefer any major organisational change – especially change related to job nature – to be a gradual process.

Our approach to improving productivity is through making the lives of our colleagues easier, by automating redundant tasks and improving processes to reduce man-hour requirement. This was true for almost all of our change initiatives, including the full-scale launch of tab-based lending in retail business in 2019. We believe this to be the major reason for our **attrition rates to have come down** over the years - 12.31% in 2019 - **while productivity has gone up.**

Our efforts towards ensuring smooth transitions were crucial in the successful deployment of all our major initiatives, from deployment of the core banking software to our in-house loan origination & appraisal platform.

As I write this, we are still training our colleagues to gradually adapt to the business operational model changes we made in our Consumer Division in 2018, whereby we streamlined the flow of files in the loan cycle, introduced dedicated teams for data entry and disbursement, and restructured reporting lines to align individual and team KPIs with business targets. Many of these changes have since been adopted by our SME Division in 2019 and while we have already seen productivity increases, there is **still room for growth in productivity in both verticals.**

Scope for further improvement

While we are undertaking new initiatives and projects, we do not shy away from scrutinizing ourselves over areas that can use some enhancing. Some of these include brand recognition at the retail level, time to execution of IT projects and speed of adhoc data analytics.

In 2019, we have **launched promotion campaigns that reach out to the masses, reduced dependency on in-house software development through outsourcing and have set up a business analytics team** – becoming one of the first in the industry to have a separate data analytics unit. We have assigned resources to continuously review and work on our marketing and data strategies. We intend to continue on this path to address our current limitations in these areas.

[5] *Dhaka Stock Exchange,* [6] *The Daily Star Bangladesh*

Creating value for all our stakeholders

While we invested towards catering to our shareholders, colleagues and customers, we have maintained significant focus to ensure our community initiatives remained robust despite having a challenging year. Among these, included;

- launching a boat ambulance,
- establishing 2 primary schools in remote areas and contributing towards the extension of 3 others, furthering a scholarship program for underprivileged female university students, and
- numerous other initiatives to stand beside those in need.

Times of difficulty are only but a test that reflect our commitment to the values we hold as an organisation. Going forward, we aim to further **invest towards meeting our community objectives, mainly in health, education and environmental issues.**

Appreciation and moving forward

The plans I have discussed here might seem bold and are not without risks. However, having spent almost 19 years of my career in this company, I have seen this organisation take on such challenges on more than one occasion. Be it during our efforts at the initiation of home loan financing, SME financing or any other business vertical; the culture of this organisation and all the successive teams here, have – through a mix of effort and good fortune – always been remarkably capable of coming out as one of the top players in any given business within a few years of starting out. I am confident our team will continue on the same vein. We intend to carry on serving all our stakeholders, including the society at large, with our everlasting sincerity.

Wishing you much happiness!

Sd/-

Arif Khan, CFA, FCMA
CEO & Managing Director
IDLC Finance Limited

*We have provided an elaborate section under **Management Discussion** for in-depth financial analysis (pg. 74)*

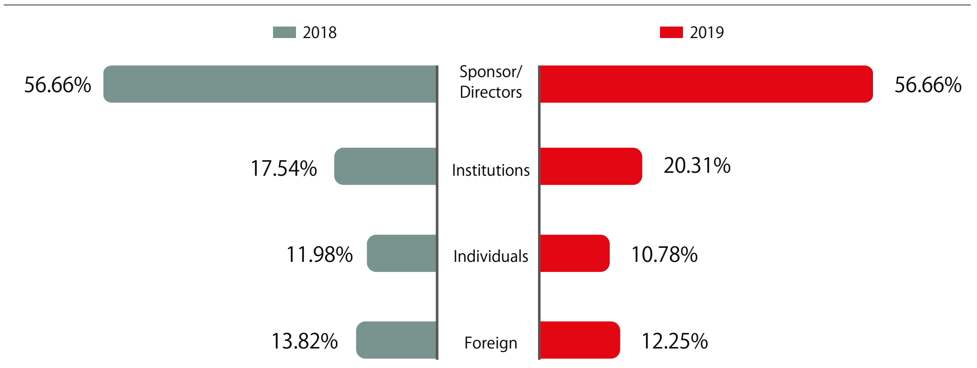
Impact of changes in accounting policies and estimations have been highlighted in pg. 78-79.

SHAREHOLDING COMPOSITION

As on December 31, 2019

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)	22,551,871	5.98
	Bangladesh Fund	5,159,409	1.37
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	45,088,002	11.96
	Sub-Total	**76,569,788**	**20.31**
	Individuals		
	General Public (Individuals)	40,663,518	10.78
	Sub-Total	**40,663,518**	**10.78**
3	**FOREIGN**		
	Institutions & Individuals	46,174,897	12.25
	Sub-Total	**46,174,897**	**12.25**
	Total Holdings	**377,050,780**	**100.00**

Shareholding Composition



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 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. He is actively engaged with a number of social and philanthropic organisations of national stature, without forgetting his root of origin.

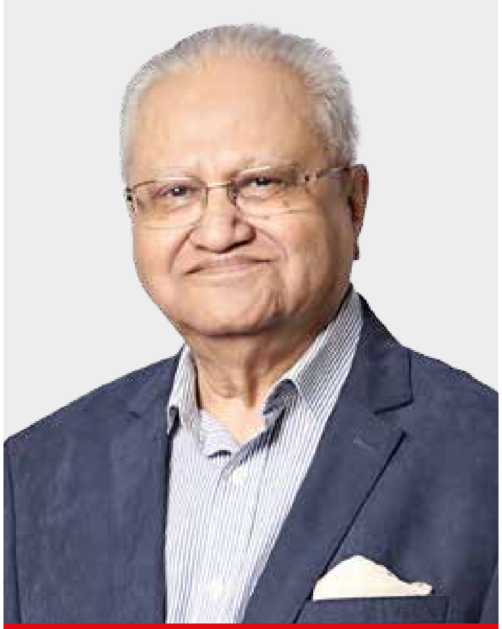
ATIQUR RAHMAN

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 his career in 1996 with Eastern Bank Limited as a Management Trainee. He served the bank in various capacities which included being the In-Charge of Export & General Banking of Branch, Branch Manager and Unit Head of Corporate Banking. The last position he held was the Head of Structured Finance at Eastern Bank Limited before joining The City Bank Limited in 2011 as Head of Credit Risk Management. Mr. Wadud also managed the responsibilities of various other divisions which included, Risk Management Division, Credit Administration, Consumer Credit & Collection, Special Asset Management, Fraud Risk Management, Legal Division taking the responsibility as the Chief Risk Officer (CRO). Prior to moving to his new role in business as Head of Commercial & SME-M Business, he was the Chief Anti-Money Laundering Officer (CAMLCO) of City Bank in addition to his role as the CRO. Currently he is the Deputy Managing Director of the Bank looking after Commercial, SME-M and Supply Chain finance businesses along with other divisions (SAMD & Legal).

Mr. Wadud holds a Master's of Science in Statistics from Jahangirnagar University and a 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. After a break Ms. Juned joined The City Bank in December 2007 as the Head of Project Management. Eventually she was promoted to Head of Operations in 2011 and to Chief Operating Officer in January 2019. She is a BBA from Assumption University, Bangkok, Thailand.

Ms. Juned is also a nominated director in the board of City Hong Kong Ltd., a subsidiary of City Bank Ltd, in Hong Kong.

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 31 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 34 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 five 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 41 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 which are followed by all Banks as a credit operation guidelines. 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 also provided extensive training to the local and foreign farms' employees on the above guidelines.

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. Habib is the former Advisor of 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 executive 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 six times in a row. His personal contribution was duly recognized with a milestone award at Axiata Annual Group Awards Program.

In November 2019 Nowshad moved to consulting career and Co-Founded a Management Consulting firm ZUNOKS Consulting.

Prior to this Nowshad had served in different organisations eg; a short stint with BRAC as Senior Director, Operations and Strategic Initiatives, Axiata Group Berhad, as Special Projects Director, overseeing HR Transformation projects within the group besides supporting few operating companies in South Asia Region and Axiata Digital Business. Prior to moving to Axiata Group on secondment Nowshad was the Chief Corporate and People Officer at Robi Axiata Ltd, from 2010 to 2017. He served Coats Bangladesh Ltd. from December 1992 to February 2010 in different managerial capacities including as Human Resources Director from 1999 to 2010. He was also a Board member of Coats plc subsidiaries; Coats Bangladesh Limited and Coats Crafts Bangladesh Ltd. 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 management 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

Arif Khan brings more than 29 years of management experience to IDLC having served in various prestigious local, multinational and government organisations in the financial services sector.

Mr. Khan most recently 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)

Mir Tariquzzaman
Chief Technology Officer

Asif Saad Bin Shams
Head of Credit & Collection

Arif Khan, CFA, FCMA
CEO & Managing Director

Standing (from left)

Md. Saifuddin
Managing Director
IDLC Securities Ltd.

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

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

Rajib Kumar Dey
Managing Director
IDLC Asset Management Ltd.

Syed Javed Noor
Head of Consumer Division

Ataur Rahman Chowdhury
Head of Operations

M. Jamal Uddin
Deputy Managing Director & Head of Business

Mesbah Uddin Ahmed
Head of Corporate Division

Md. Masud Karim Majumder FCA
Group Chief Financial Officer

Md. Moniruzzaman, CFA
Managing Director
IDLC Investments Ltd.

Jane Alam Romel
Group Chief
Marketing Officer

Mohammad Jobayer Alam, CFA
Head of SME &
Strategic Planning

Akhteruddin Mahmood
Group Head of
Human Resources

SENIOR EXECUTIVES

(In alphabetical order of first name)

01


02


03


04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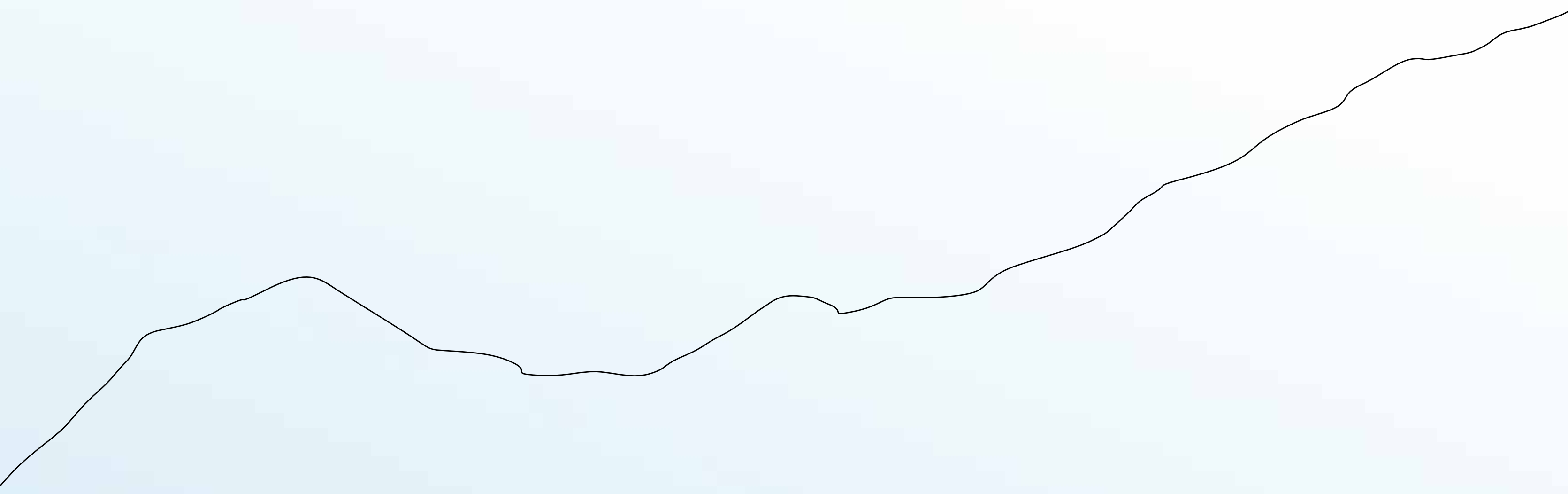
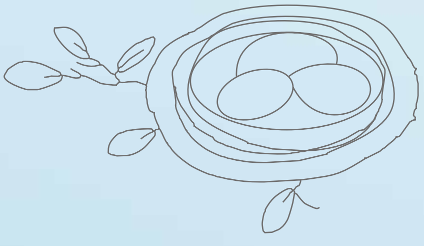
Sl.	Name
1	**Adnan Rashid** Head of Credit - Small and Medium Enterprise
2	**Firuj Hossain** Head of Credit Administration
3	**Indrajit Mallick** Deputy Head of Credit
4	**Isa Mahmud Shovo** Head of Agency and Trustee Business
5	**Kazi Farhan Zahir** Head of Structured Finance
6	**Laila Nasrin** Head of Technology Operations & Projects
7	**M. Maksudul Hoque** Head of Administration
8	**Mahjebeen Binte Rahman** Head of Consumer Asset
9	**Md. Abu Musha** Head of Legal
10	**Md. Ariful Islam** Head of Customer Experience Department (CED)
11	**Md. Ariful Islam** Head of CEO's Transformation Team
12	**Mohammad Abdul Hannan** Head of Local Corporate
13	**Mohammad Arifur Rahman Aksad** Head of Wealth Management
14	**Mohammad Ashiqur Rahman** Head of Credit - Consumer Division
15	**Mohammad Habib Ullah Chowdhury** Head of Consumer SAM
16	**Md. Masud Rana** AGM, CRM Central
17	**Md. Masud Sajjad** Head of Write off Collection
18	**Md. Nurul Alam** Head of Software Solutions
19	**Mohammad Saifuddowla** Deputy Head of SME
20	**Muhammad Sazzad Hossain** Head of Operational Risk Management
21	**Nafius Noor Khan** Head of Outstation - Consumer Asset
22	**Nurul Karim Patwery** Head of Treasury
23	**Shafayet Hossain** Head of Special Asset Management
24	**Shamima Akter Lovely** Head of HR- Capital Market and Head of OD & Talent Management
25	**Tabassum Abedin Shenjuti** AGM, Administration
26	**Ziaul Huq** Head of Credit Administration, Consumer Division



alpine chough

its eggs can tolerate thin atmosphere at high altitudes

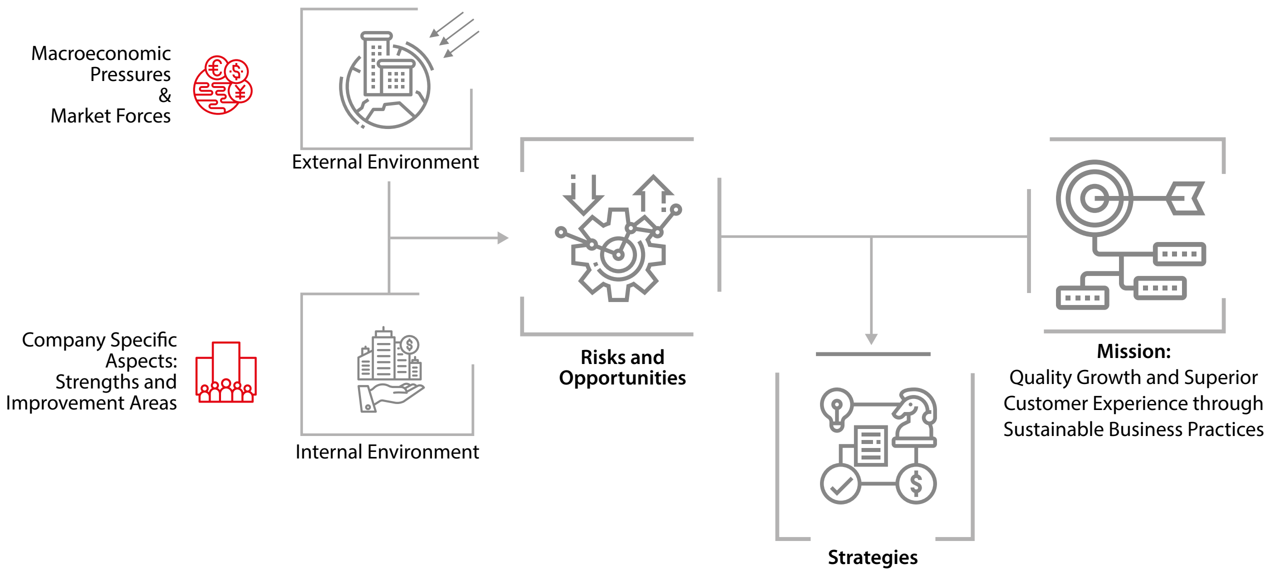
flies at 26,500 ft



OVERVIEW & MACROECONOMIC HIGHLIGHTS

The several pressures and risks arising from various macroeconomic constraints and competitive pressures in the financial sector have had significant impact in 2019. Having witnessed several industry cycles, our various risk mitigation techniques (pg. 54) have allowed us to navigate through these challenges and deliver commendable results among peers within the industry (pg. 27).

In the following pages, we have provided a breakdown of these external pressures. We have also articulated our own strengths as well as areas of improvement, besides the strategies we have in place to manage key risks and effectively tackle these constraints.



Operating Context Highlights in 2019

- **Higher government expenditure amid moderate revenue collection widened the fiscal deficit further**
  - Borrowing mode shifted to bank borrowing from high cost non-bank borrowing through NSCs
  - Slowdown in sale of NSCs contributed towards higher growth in deposits in the banking system
- **Despite a significant growth in deposit base, upsurge in government bank borrowing put some pressure on liquidity throughout the year**
  - Banks' investment in government securities led to a drop in AD ratio but left less room for incremental lending
  - Uncertainty regarding interest rate capping created stiffness in the financial sector
  - Interbank call money and REPO market remained volatile in terms of volume and rate
- **Adoption of cautious stance by banks amid sluggish trend of private investments made credit to private sector fall to its 10 year low**
  - Private sector credit growth came down to single digit at 9.83%[1]
  - The Industry Sector and Trade & Commerce, the two major drivers of economic growth witnessed subdued growth. Import of capital machineries also dropped
- **Capital Market passed another bumpy year**
  - Low turnover and downward movement in price indices limited the opportunities to book fee and investment income
- **Improved external sector performance helped Bangladesh Bank maintain stability in foreign exchange market**
  - Strong growth in remittance inflows compensated for the drop in export earnings; resultantly current account deficit narrowed
  - Less intervention from BB was required to increase USD liquidity in the market. Hence, pressure on BDT liquidity was toned-down as compared to previous two years
- **GDP growth of Bangladesh likely to remain resilient despite some setbacks**
  - World Bank and ADB forecast strong growth at 7.2% and 8.0% respectively
  - Domestic demand expected to be the key growth driver

[1] *Bangladesh Bank*

MACROECONOMIC ASPECTS SHAPING THE INDUSTRY

POLITICAL

IMPACT: HIGH

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RISKS ASSOCIATED

CR	MR	SR

EVIDENT IN:

Performance Analysis with Mgt. Committee Pg: 74

Business Segment Review Pg: 118

Operating Environment

The political condition of the country remained mostly stable in 2019, and is expected to remain so in 2020. The country has successfully maintained a 7%+ growth in GDP in the last 5 years, and reached a record high 8.15% in 2019[1]. Strong political will along with stable business climate has kept the country in track to achieve lower middle income status by 2024, with a continued focus on developing infrastructure and economic zones. Investment to GDP ratio stood at an all-time high of 31.6%, led by the public spending on mega projects[2]. Meanwhile, the pressing issue that remains at the political front, is the repatriation of Rohingya refugees to Myanmar, on which any significant development is yet to happen.

Impact on the Industry

The political environment and business climate remained stable in 2019, which helped Bangladesh rise 8 notches up in the World Bank's Doing Business Index, from 176th in the previous year, to a rank of 168th. Three primary reforms were taken in this regard that relate to lower costs, easier access to credit information and efficiency in obtaining electricity connection. Economic activity was primarily led by increased government investments in the public sector.

IDLC's Perspective

Overall political stability certainly helped in achieving adequate loan growth in 2019 in spite of a decline in aggregate private sector credit growth. Our focus remained on providing quality and efficient services with added emphasis on strengthening the balance sheet.

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.

ECONOMIC

IMPACT: HIGH

● ● ● ● ●

RISKS ASSOCIATED

CR	MR	LQR	TR

EVIDENT IN:

CEO's Statement Pg: 27

Performance Analysis with Mgt. Committee Pg: 74

Business Segment Review Pg: 118

Operating Environment

Bangladesh attained a record high GDP growth rate of 8.15% in FY19[1] and eyes to achieve a growth of 8.2% in FY20. The IMF, however, projects the growth to be 7.4% in 2020, highest among our South Asian peers[3]. On the other hand, while export and import growth exhibited sluggish performance in the first half of FY20, remittance posted notable growth, helping to improve the current account balance[4]. On the fiscal front, budget deficit widened amid revenue collection shortfall and increased expenditure. Government's borrowing through the banking system and National Savings Certificates (NSCs) increased almost 51% at the end of 2019, as compared to that of last year[4].

On the contrary, majority of the large corporates witnessed a decline in profitability during the year4 and private sector credit growth declined to 9.83%[1], lowest in a decade.

Toward the end of 2019, the government pushed for implementation of single digit interest rates for banks, effective from April of 2020, the effect of which is yet to unfold for the financial sector.

Impact on the Industry

The governments push to implement single digit interest rates in the banking sector might bring opportunities as well as challenges for financial institutions. Lower deposit rate is expected to channel more funds to high quality financial institutions. On the other hand, lower lending rate will direct more funds to high quality borrowers.

IDLC's Perspective

With changing economic and business dynamics, IDLC will remain cautious to keep its cost of fund lower, and on the lending side to safeguard a secure and high quality loan book.

Long-Term Strategy

Focus on developing value added products and services that will sustain through business cycle changes.

CR Credit Risk **MR** Market Risk **LQR** Liquidity Risk **SR** Strategic Risk **TR** Technology Risk

[1]Bangladesh Bank, [2]The Daily Star Bangladesh, [3]IMF, [4]Banik Barta

SOCIAL

IMPACT: HIGH

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RISKS ASSOCIATED

SR	RR	ESR

EVIDENT IN:

CEO's Statement Pg: 27

Strategic & Resource Allocation Pg: 62

Performance Analysis with Mgt. Committee Pg: 74

Business Segment Review Pg: 118

Operating Environment

Bangladesh has made commendable progress in various socio-economic variables in 2019. Per capita gross national income (GNI) increased 9.0% to $1,909 in FY 2019 from $1,751 in the previous year[5]. The country has made forward strides in life expectancy, reduction of infant mortality & maternal mortality, and poverty alleviation[6]. Moreover, the rising Middle and Affluent Class (MAC) population, which is expected to reach around 35 million people by 2025[7], according to Boston Consulting Group, is expected to contribute towards the growth in local consumption demand in the next 5 years. Bangladesh's impressive progress has won it the 'Role Model of Development' title on the global stage, asserted by the former UN Secretary General Ban Ki-moon.

Impact on the Industry

With growing MAC population and increasing purchasing power, overall demand for consumption is expected to rise over time. Besides, demand for affordable housing and other consumer durables is also expected to pick up due to rapid population growth; urban migration surges and more nuclear families. Accordingly, consumer needs for financial products is anticipated to increase in the form of requirements for home loans, small business loans and other retail loans.

IDLC's Perspective

The rising social standards are expected to permeate the under developed parts of the country in the following years, especially with growing technological development. To leverage on this, one of the main focus of IDLC will be to increase its presence beyond the major cities. To capitalize on the rising middle income segment, IDLC will focus on lower ticket SME segment and at the same time, affordable housing loan products that will cater to this segment.

Long-Term Strategy

Focus on appropriate customer segmentation, targeting and product innovation to capture growth opportunities provided by the rising MAC population.

TECHNOLOGICAL

IMPACT: HIGH

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RISKS ASSOCIATED

CR	OR	ESR	TR

EVIDENT IN:

CEO's Statement Pg: 27

Statement of Risk Management Pg: 51

Strategy & Resource Allocation Pg: 62

Intellectual Capital Pg: 99

Operating Environment

The ever improving technology globally has opened up scope for more innovation and advancement within Bangladesh. In the last few years we have seen the growth and impact of mobile phone usage, Mobile Financial Services and Agent Banking that played a key role in the development of financial and social inclusion. Such changes have reduced information asymmetry and allowed consumers to make more informed decisions.

Impact on the Industry

The advancements in technology have enabled the financial institutions to upgrade operational efficiency. Moreover, financial institutions are now focusing on building mobile and web platforms to improve customer experience. However, the Fintech revolution that is imminent across the globe is yet to penetrate in Bangladesh.

IDLC's Perspective

IDLC has made great strides in the technological front. We have successfully 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 continue systems up-gradations and to equip our sales force with tools that improve customer experience.

Long-Term Strategy

To become the most trusted and technologically savvy non-banking financial institution, providing easy access to quality products and services. Our priority will be to gain operational efficiency and enrich customer experience through technological advancement.

CR Credit Risk **OR** Operational Risk **SR** Strategic Risk **TR** Technology Risk **ESR** Environment & Social Risk **RR** Reputation Risk

[5]Bangladesh Bureau of Statistics, [6]The Financial Express Bangladesh, [7] Boston Consulting Group (BCG)

ENVIRONMENT

IMPACT: MODERATE

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RISKS ASSOCIATED

SR	ESR

EVIDENT IN:

Strategy & Resource Allocation Pg: 62

Natural Capital Pg: 115

Business Segment Review Pg: 118

Operating Environment

Bangladesh is deeply vulnerable to climate change, with nearly one-third of its population at risk of displacement due to rising sea levels. According to the IMF, the country stood among the top ten countries in the Global Climate Risk Index, that were affected by extreme weather events during the 1998–2017 period[8]. Although Bangladesh is responsible for less than 0.35% of the global green-house gas emissions[9], the country is likely to be highly affected both geographically and economically from the rising sea levels.

Impact on the Industry

Addressing the environmental risks, regulators are taking more stringent measures against industries that are responsible for environmental degradation, and rewarding industries that operate in more environmentally friendly ways. In recent years, regulators have encouraged green financing by extending separate special funds for refinancing schemes.

IDLC's Perspective

IDLC is committed to sustainable development through the creation of long-term value, for all our stakeholders. Environmental sustainability is a priority in that regard. In 2020, IDLC will continually look to utilize sustainable forms of resources and maintain environmentally ethical practices. IDLC is a member of the United Nations Global Compact (UNGC) since 2007, and the United Nations Environment Programme Finance Initiative (UNEP FI) since 2011, in a pledge to maintain environmentally sustainable practices in its operations. Furthermore, IDLC has received recognition from the Global Reporting Initiative (GRI) in 2019 regarding sustainability reporting in Bangladesh that allows its stakeholders to make informed decisions in the social, economic and environmental spheres.

Long-Term Strategy

Sustainable business practices will be a big part of IDLC's growth journey, mainly through green banking initiatives and other sustainable measures.

LEGAL

IMPACT: HIGH

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RISKS ASSOCIATED

MR	LQR	SR	LR

EVIDENT IN:

CEO's Statement Pg: 27

Strategy & Resource Allocation Pg: 62

Performance Analysis with Mgt. Committee Pg: 74

Operating Environment

The year 2019 has witnessed a number of regulatory changes, particularly in the financial sector. Major developments that took place include move to amend the Bankruptcy Act 1997 to address liquidation processes, mergers/acquisitions and other such aspects in the financial sector, changes in loan provision (note: will impact NPL ratio of banks) and rescheduling rules for banks, relaxation of Advance-Deposit Ratio (ADR), and the push for single digit interest rates.

Impact on the Industry

Following the news of liquidation of one NBFI in the year 2019, financial institutions are, understandably, subject to greater scrutiny by the regulators, to ensure safety of the deposits made by the general public. Deposits as a result have flowed to the more secure and trusted institutions. However, while move towards amending the Bankruptcy Act 1997 is expected to improve the non-performing loans situation of the banking sector, impact of changes in loan provision and rescheduling rules for banks has been a matter of debate among analysts. Nonetheless, the Finance Ministry has been taking other initiatives such as drafting the Finance Company Act 2020 that will replace the existing Financial Institutions Act 1993[10], as measures to improve corporate governance in the financial sector.

IDLC's Perspective

IDLC's history of strict legal and regulatory compliance places it in a good position within the financial services industry. Regular correspondences are maintained with regulators, trade bodies and multilateral institutions to carry out a supportive and participatory role in policy discussion. Independent teams ensure compliance across the group through performing regular audits and playing an advisory role in matters of compliance.

Long-Term Strategy

Continue to set the benchmark as a compliant institution through assisting regulators and ensuring the organisation's values, such as integrity, trust and respect toward all stakeholders.

MR Market Risk **LQR** Liquidity Risk **SR** Strategic Risk **LR** Legal Risk **ESR** Environment & Social Risk

[5]Bangladesh Bureau of Statistics, [6]The Financial Express Bangladesh, [7]Boston Consulting Group (BCG), [8]Global Climate Risk Index, [9] International Monetary Fund (IMF), [10]The Daily Star Bangladesh

MARKET FORCES & COMPETITIVE LANDSCAPE

As we envision to gradually expand our operations, it is imperative that we analyse the various market forces which shape 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 in 2019: Moderate

Breakdown of factors affecting buyer power at IDLC

Buyer Power has been increasing on the quality borrowers' side and capital market clients as well.

Despite being faced with liquidity issues, the well-governed corporates and conglomerates exercise a high buyer power through high rate sensitivity. Some SMEs and prospective mortgage clients with strong and regular income streams also exercise moderate to high rate sensitivity.

With the consecutive downtrend of the capital market in 2019 and high interest rates in fixed income instruments till the first half, buyer power of the institutional investors have been moderately high.

Our response & strategy going forward

Although lending and deposit rates, as well as fee rates on capital market offerings are likely to stay competitive, our customer base is strong enough, with an adequate acquisition rate, to prevent any particular client segment from driving prices down. Our business strategies in retail segments involve expanding the customer base and are expected to give us further defense mechanisms to sustain amidst competitive pressures. We are also continuously developing value added product offerings / features that will sustain through business cycle changes and the evolving markets.

Evident in: CEO's Statement (pg. 27) Financial Capital (pg. 72) Business Segment Review (pg. 118)

Supplier Power in 2019: Moderate

Breakdown of factors affecting supplier power at IDLC

As a financial institution, our major suppliers are the providers of funds.

A key factor in the determination of bargaining power is the control over rates; our cost of funds. The party exercising the most significant control over rates is the Central Bank. It also influences cost of funds through its refinancing schemes for various industries / projects (also done by some multilateral organisations).

On the depositors end, we have been experiencing rising deposits amidst both upward and downward rate movements in 2019 as the industry witnessed a flight to safety following the shutdown of an NBFI. Depositors were also quick to book the going rates at the end of the year when talks of rate caps – and therefore, further rate declines – were in the news.

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.

Our response & strategy going forward

Bargaining power varies across fund providers and rate influencer. While the major holder of power is the central bank through its policies, depositors, especially institutional, often exercise high bargaining power during tight liquidity situations. Our focus on a diversified pool of deposit basket and drive towards gradually expanding the retail deposit base is expected to reduce dependency on any specific group of depositors further.

Evident in: CEO's Statement (pg. 27) Financial Capital (pg. 72) Business Segment Review (pg. 118)

Threat of New Entrants: Moderate

Breakdown of factors

Possibility of fresh new entrants entering the market is largely dependent on decisions made by various wings of the government in terms of granting new licenses.

The threat of new entrants also comes from existing institutions shifting / increasing their focus on our target segments such as SME and consumer financing. In fact, the rising middle class population has 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.

Our response & strategy going forward

The demographic dividend expected to be achieved from a growing middle-class continue to make the case for new market entrants in the consumer and SME markets. However, we already have a strong foothold in these arenas and are focused in further strengthening the existing customer base while targeting new customers beyond the capital. Planned automations and process improvements are expected to give us significant edge through enabling us to achieve operational feasibility in these segments.

Evident in: CEO's Statement (pg. 27) Strategy And Resource Allocation (pg. 62) Business Segment Review (pg.118)

Threat of Substitutes: Moderate

Breakdown of factors

While fund raising through loans versus equity may be considered as substitutes to each other, the kind of financing to select is often dictated by circumstances and business context of the client.

On the other side, deposits and equity investment products, at times, do compete with each other. Some analysts argue that clients often put more money in fixed income instruments when rates are higher and vice versa. However, for the most part, the markets are sufficiently segregated, considering our customers.

Additionally, there exists competition from institutions beyond the financial sector for some segments; for instance, in case of commercial vehicle loans, the vehicle supplier may accept payment on an installment basis, removing the need of a financier.

Fintech certainly offers a few opportunities for innovation in products and service delivery but it also poses a material threat in the medium and long run, with the potential for innovating alternative ways of creating value in meeting financing needs of businesses and individuals, or investment options that may channel money away from the traditional banks and NBFIs.

Our response & strategy going forward

Having subsidiaries with capital market operations, we offer a host of wealth management and financing solutions to our clients. In that regard, our risks are somewhat hedged.

Although major threats of substitute products that can damage our revenues and profits do not exist in the short or medium term, we are on constant alert for looming breakthroughs and remain adaptable to changes in the market conditions to be prepared for the future.

Evident in: CEO's Statement (pg. 27) Strategy And Resource Allocation (pg. 62) Business Segment Review (pg.118)

Competitive Rivalry: High

Breakdown of factors

With over 90 banks and NBFIs in the market, competitive rivalry is quite high, while switching cost is usually low due to the high concentration of financial service providers.

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.

Our response & strategy going forward

Our long-standing commitment towards delivering excellent service quality has helped differentiate ourselves so far. We have also been investing in process developments and technology to engineer superior efficiency in the lower ticket retail segments. As such, we also intent to increase our efforts to create more brand awareness among these segments, especially outside the metropolitan cities.

Evident in: CEO's Statement (pg. 27) Strategy And Resource Allocation (pg. 62) Chairman Statement's (pg.24)

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. 14), followed by an in-depth view into our business model (pg. 16).

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. 62).

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. 105)
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 engaging in community services through our volunteer based community service platform Khushir Kheya and other initiatives.	
Customer centricity		
Need based products and superior service standards	Started on the path of serving smaller ticket arenas through offering new loan and deposit products. Focus will be on continued granular penetration through innovation in product and service suits to cater to the evolving needs of the customer segments targeted.	Our Product Offerings (pg. 12) Social & Relationship Capital (pg. 105) CEO's Statement (pg. 27)
Quick decision-making (lowest loan TAT in the industry)	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.	Our Product Offerings (pg. 12) Intellectual Capital (pg. 99) CEO's Statement (pg. 27)
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. 93)
Training, counselling and business facilitation services	Launch new non-financial services and expand the horizon for existing business facilitation services.	
Infrastructure		
World-class core banking software	Complete customization and upgradation of core banking system to further utilize the benefits that it can potentially offer.	Manufactured Capital, Intellectual Capital (pg. 102) & (pg. 99)
Strategically located branches	While most of the target customer segments can potentially be covered by the existing branches that are spread all over the country, further expansion is planned through small sized, low cost, strategically placed "IDLC Business Centers" to further increase proximity to the customers.	Branch Network (pg. 393) CEO's Statement (pg. 27)
Uninterrupted service delivery infrastructure	Service delivery processes have been centralized to increase efficiency and improve accuracy. Further investments in technology is to be made to automate processes in order to increase efficiency further.	Intellectual Capital (pg. 99)
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. 135)
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. 93)
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.	
Rewards and Benefits	Continue to offer competitive packages to retain the talents. At the same time, it is ensured all the performances are rightly rewarded.	
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. 72)
Efficient asset liability management	Continue good fund management practices, utilize bonds to minimize asset liability mismatch.	
Sound and steady ROA and ROE	Continue to log sound financial performance 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	We are addressing this through improved efficiency in the short-run and enhancing product offering in the long-run. Fee based income streams such as the new advisory wing under our Asset Management company is also an initiative towards this aim, in addition to the alternate financing platform.	Financial Capital (pg. 72) CEO's statement (pg. 27)
Impact of Downward trend of the capital market operations- a barrier of being a capital market player	Given capital market dynamics and its inherent impact on our performance, we will continue analysing market pulse and make quick decisions to adopt. Owing to the downward trend of market we rebalanced our investment composition of the parent entity (IDLC Finance standalone). Our strategy for subsidiaries would be to focus more on foreign clients and high net-worth (HNW) individuals to the masses through our Mutual Fund products.	Financial Capital (pg. 72) CEO's statement (pg. 27)
Dependency on term lending in the absence of transactional accounts- a limitation of being an NBFI	The company continues to bring innovation in the product suite and carefully find new niche markets to enter into. As already addressed, we would continue to delve into granular penetration through our retail and SME segment.	Strategy & Resource Allocation (pg. 62)
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. The Affordable Housing Loan has been piloted through primarily aiming for the outskirts of the Dhaka metropolitan. We aim to increase geographic coverage further by introducing IDLC Business Centers, small sized distribution points empowered with technology to cover newer areas every year. These centers will facilitate portfolio growth of SME as well as support the spread of our home loan business to the middle class segment all over the country.	Branch Network (pg. 393) CEO's statement (pg. 27)
Brand awareness among the retail segments result of concentrating on comparatively larger ticket clients until recent years	Aligned with business strategy, efforts are being made to make the targeted retail segments aware of our product propositions. Efforts are dissipated through both online and offline channels.	CEO's statement (pg. 27) Social and relationship Capital (pg. 105)

STATEMENT OF RISK MANAGEMENT

For effective and efficient adaptation of the business climate, IDLC's risk management approach follows strong practices of Corporate Governance in order to strengthen the enterprise risk management framework.

The governance of risk management starts with the board and is interlaced around a strong management structure, information system, risk-rating system and robust policies. Alongside ensuring best industry practices of 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 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, provides benefit to IDLC by augmenting capitalization and optimizing costs to risk and funding.

Risk types

Risks at IDLC are broadly classified into 9 categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Technology Risk
- Legal Risk
- Reputation Risk
- Environmental and Social Risk

Risk Management Framework

Risk Identification ► Risk Assessment ► Risk Treatment ► Risk Monitoring ► Risk Reporting

Integrated Risk Management Approach

Risk Management and Control Principles	
Protecting IDLC's financial strength	By controlling risk exposures and circumventing potential risk concentration
Complete management accountability	Whereby business management, as opposed to risk control, own all risks assumed throughout the firm and are responsible for the continuous and active management
Independent control functions	Monitors the effectiveness of the business's risk management capabilities
Comprehensive and transparent risk disclosure	To senior management, the Board of Directors, shareholders, regulators, rating agencies and other stakeholders.
Protecting our Reputation	Through sound risk culture characterised by a holistic and integrated view of risk and ensuring compliance with our standards and principles

Major Risks Associated with

- Business Units
- Credit Risk Management
- Treasury
- Operations
- ICC
- Corporate Affairs
- Finance
- IT
- Strategic Planning
- Other functional areas

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.

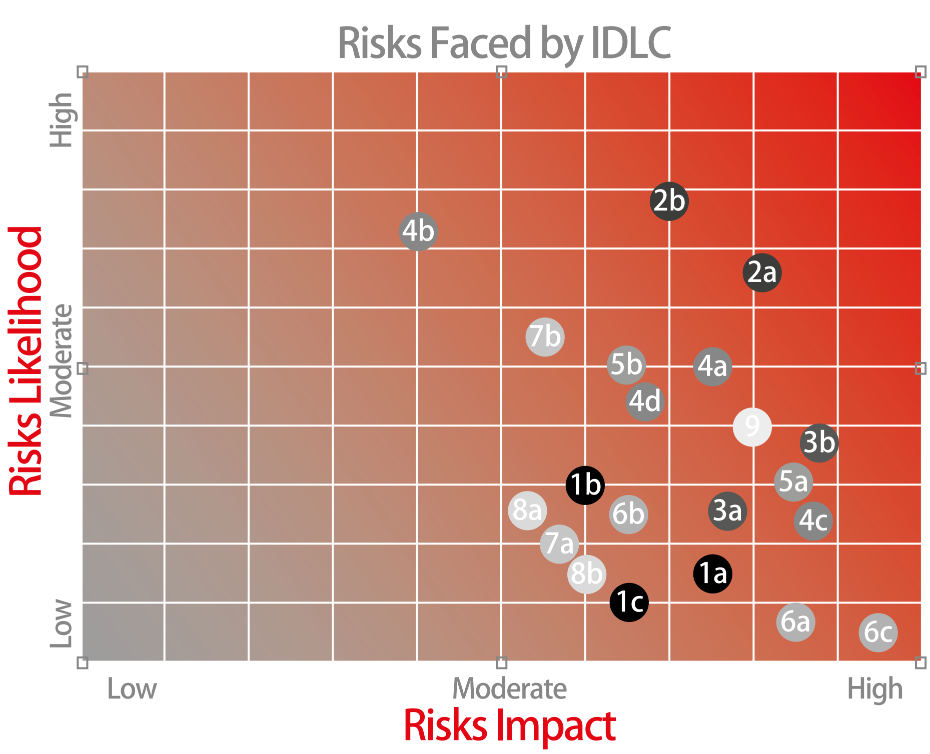
On that note, here, at IDLC, we continuously take and review measures against the risks.

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

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

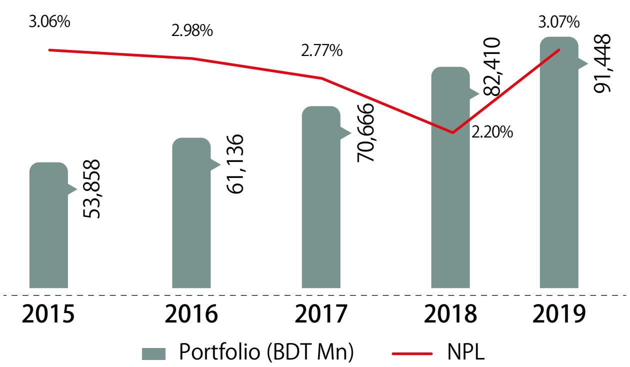
Broad Risk	Specific Risk	Risk #
Strategic	Strategy Positioning Risk	5a
	Implementation Risk	5b
Technology	System Failure Risk	6a
	Information Security Risk	6b
	Business Continuity Risk	6c
Legal	Compliance risk	7a
	AML/CFT risk	7b
Env. & Soc.	Environmental Risk	8a
	Social Risk	8b
Reputation	Reputation Risk	9

Risk Heat Map

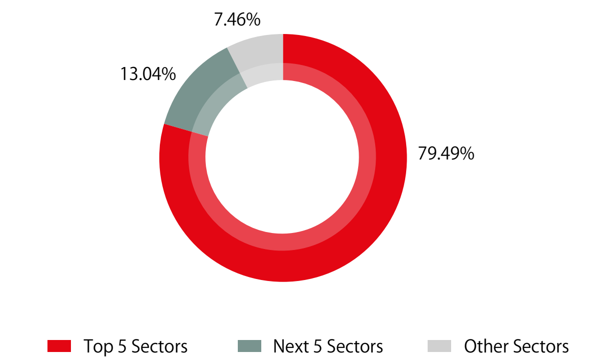


Performance Metrics

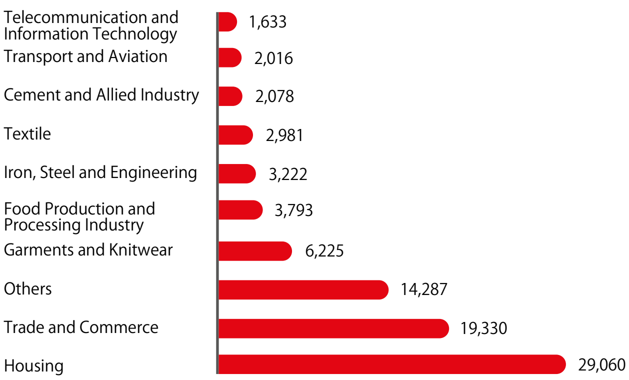
Portfolio & NPL % over last 5 years



Top Sectorial Contribution in Portfolio



Top 10 Sectors (in BDT Mn)



Top 10 Group Exposure		
Group Name	**Outstanding Amount [in BDT]**	**% of total portfolio (IDLCFL)**
Group - 1	1,303,940,951	1.43%
Group - 2	1,091,791,264	1.19%
Group - 3	1,009,916,667	1.10%
Group - 4	891,873,102	0.98%
Group - 5	813,176,090	0.89%
Group - 6	696,382,152	0.76%
Group - 7	689,782,997	0.75%
Group - 8	679,606,668	0.74%
Group - 9	606,493,262	0.66%
Group - 10	589,713,964	0.64%
Total Top 10 Groups	**8,372,677,116**	**9.16%**

Environment

ROA	1.50%
ROE	12.29%

Reputation Risk

Number of negative news in media	0

IT Risk

Service Downtime	0 min
Incident Count of Information Leak	0

Strategic Risk

Number of occurrence in which environmental compliances not maintained	0

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	Max. (15%)	YES

RISK AND OUR RESPONSES

CREDIT RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
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.	**Strategy Link** **1** **Risk Severity**	- 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.
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.	**Strategy Link** **1** **4** **Risk Severity**	- 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.
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	**Strategy Link** **1** **Risk Severity**	- 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
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	Key Activities Customer Segments	Financial Intellectual	Industry NPL trend (pg. 27)

Strategic Intents

1. Achieve sustainable growth
2. Maintain strong funding mix
3. Attract, retain and develop talented employees
4. Continuously improve operational efficiency
5. Advance our social causes

Risk Severity

- Low Risk
- Medium Risk
- High Risk

MARKET RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
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. Key sources are re - pricing risk, yield curve risk, basis risk, option risk	**Strategy Link** 1 2 **Risk Severity** Medium	- 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
Equity Price Risk	Adverse changes in the value of investment due to price volatility. The risk arises from macroeconomic instability, market volatility, political unrest and under performance of investee company, among other factors	**Strategy Link** 1 2 **Risk Severity** High	- 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
Going forward, interest rate risk measurement techniques will be improved further. Additionally, weighted average rate on portfolio in comparison to the market will be followed more rigorously	Key Activities Cost structure	Financial Intellectual	Interest rate movement (pg. 191) Movement of DSE Index (pg. 191) Foreign investment in DSE shares (pg. 28)

LIQUIDITY RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
Funding Liquidity Risk	Inability to carry out necessary funding transactions due to asset liability mismatch. Arises from tenor mismatch of assets and liabilities	**Strategy Link** 1 2 **Risk Severity** High	- 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
Market Liquidity Risk	Limited access to funds due to changes in external factors. The risk can arise from, concentrated funding mix, dependency on wholesale borrowing, investment in highly illiquid assets, etc.	**Strategy Link** 1 2 **Risk Severity** High	- 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
Internal ALM ratios will be expanded upon. Efforts will also be made towards increasing the proportion of long term fund in funding basket.	Key Activities Cost structure	Financial Intellectual	Aggregate deposit trend (pg. 27)

OPERATIONAL RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
People Risk	The risk of loss intentionally or unintentionally caused by employees. The risk arises from employee error, employee defection, internal fraud, etc.	**Strategy Link** 1 3 **Risk Severity**	- 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
Process 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.	**Strategy Link** 1 4 **Risk Severity**	- 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
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	**Strategy Link** 1 4 **Risk Severity**	- 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
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	**Strategy Link** 1 **Risk Severity**	- 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
Operational risks of individual departments and teams will be assessed, quantified and mitigated	Key Activities	Human, Intellectual, Manufactured	No noteworthy/publicly available trend

Strategic Intents

1. Achieve sustainable growth
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4. Continuously improve operational efficiency
5. Advance our social causes

Risk Severity

- Low Risk
- Medium Risk
- High Risk

STRATEGIC RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
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	**Strategy Link** 1 2 3 4 5 **Risk Severity** High Risk	- 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
Strategy Implementation Risk	Risk of losing business volumes and margins due to improper implementation of the strategies considered. The risk can arise from work processes, procedures and lack of proper / adequate human resources and IT infrastructure	**Strategy Link** 1 2 3 4 5 **Risk Severity** High Risk	- 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
Further improve decision accuracy and speed through: 1. Improving research further, adding to the number of reports, with increased automation to enhance coverage of business intricacies, timeliness and early detection of 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.	Key Resources Key Activities Value Proposition Channels Customer Segments	Financial Intellectual	Private sector credit growth (pg. 191)

TECHNOLOGY RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
System Failure Risk	Unavailability of business critical systems. The sources are • Infrastructure • Platform • Software • Malicious Intrusion • Cyber Attack	**Strategy Link** **1** **4** **Risk Severity**	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
Information Security Risk	Leak / disclosure of business critical Information. The sources are • People • Process • Vendor • Malicious Intrusion • Cyber Attack	**Strategy Link** **1** **4** **Risk Severity**	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
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	**Strategy Link** **1** **4** **Risk Severity**	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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
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	Key Activities Cost structure	Financial Intellectual Manufactured	No new significant publicly available trend

Strategic Intents

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4. Continuously improve operational efficiency
5. Advance our social causes

Risk Severity

- ● Low Risk
- ● Medium Risk
- ● High Risk

LEGAL RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
Compliance Risk	Risk of legal sanction and material financial loss suffered as a result of 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 and regulations. The risk arises from violations or non-compliance, lack of or inadequate compliance with contractual obligations and other legal documentation and pending litigations	**Strategy Link** 1 **Risk Severity** ●	- 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 - Legal recovery measures - Remediation activities	- Top level management reviews - Branch and Departmental Control Function Checklists - Litigation register - Internal audits - External audits
ML/FT 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 against terrorism financing	**Strategy Link** 1 5 **Risk Severity** ●	- 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 [illegible] reporting	- Cash transaction review - IT based screening mechanism for UN Sanctions checklist and locally proscribed organisation - Continuous monitoring of media reports

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
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.	Key Activities	Human Intellectual	No noteworthy/publicly available trend

Strategic Intents

1. Achieve sustainable growth
2. Maintain strong funding mix
3. Attract, retain and develop talented employees
4. Continuously improve operational efficiency
5. Advance our social causes

Risk Severity

- Low Risk
- Medium Risk
- High Risk

ENVIRONMENTAL & SOCIAL RISK

Specific Risk	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
Environmental Risk	Financing in businesses with negative impact on environment	**Strategy Link** 1, 5 **Risk Severity** Medium	- 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
Social Risk	Financing in businesses with negative impact on social life of stakeholders	**Strategy Link** 1, 5 **Risk Severity** Medium		

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
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.	Key Activities Value Proposition	Intellectual Natural	Green banking finance trend

REPUTATION RISK

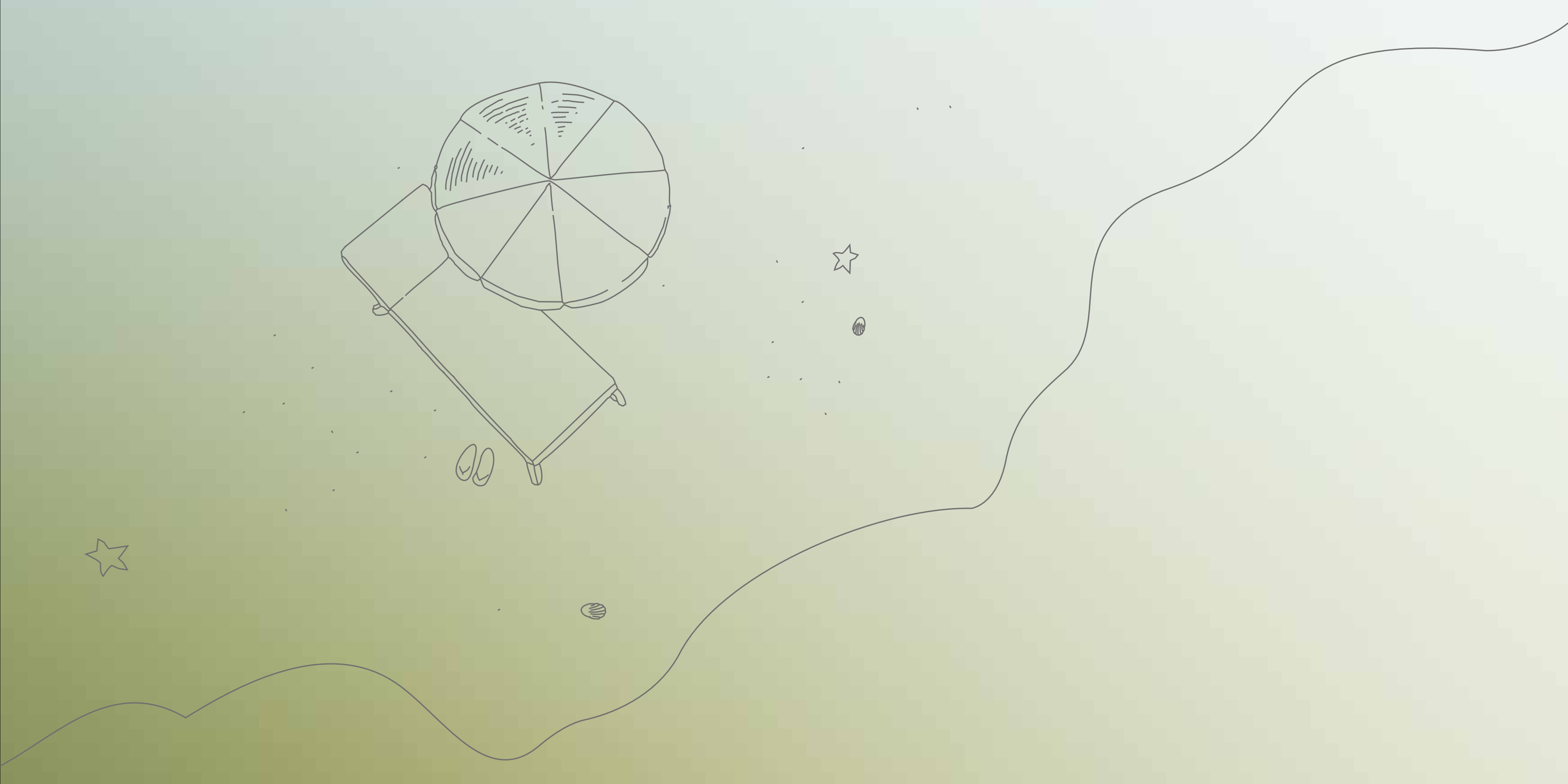
	Short Description and Source	Risk Impacts	Mitigation Techniques	Monitoring Mechanism
	The risk of potential or actual damage to the company's image which may impair profitability and/ or sustainability of its business. Arises from actions and word-of-mouth of internal and external stakeholders, various media platforms operational hindrances and technological disruptions	**Strategy Link** 1, 3, 5 **Risk Severity** Medium		- Regular monitoring of laws and regulations 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

Way Forward	Business Model Relevance	Capital Relevance	Relevant External Trend
We plan to increase efforts towards connecting with our stakeholders, to better manage their queries and complaints, and at a much quicker pace. This would further portray our commitment to better serve all our stakeholders.	Key Activities Customer segments Channels	Social & Relationship	No noteworthy/publicly available trend

loggerhead shrike

smallest long distance migratory
bird in the world

**has the fastest visual processing speed
of any animal tested so far**



STRATEGY & RESOURCE ALLOCATION

Having discussed the numerous pressures from the operating environment (pg. 43), 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 the opportunities arising from changing market dynamics and our strategies thereof.

While this section contains a detailed breakdown of our resource allocation strategies and their impact on the capitals and on our business model, our financial performance analysis is provided under Financial Capital: Analysis with the Management Committee (pg. 74), and summarized in context of the operating environment, and explaining our strategic responses in Message from the CEO (pg. 27). Meanwhile, a more broad level view is provided under Message from Chairman (pg. 23).

Strategic progression of IDLC

At IDLC, the long-standing culture has been for the Board of Directors to provide direction and act as the guardian for ensuring corporate governance, carrying out the role of an enabler to allow the management team drive the company's vision.

In retrospect, charting IDLC's progression under 3 CEOs since 2003 shows how successive management teams took timely maneuvers to drive growth sustainably.

Time Period	2003-09	2010-15	2016-Present
Focus on:	Deposit mobilization, Business Diversification	SME, Mortgage Lending, Investment Banking, Structured Finance, Core Banking System Integration	SME, Mortgage Lending, Capital market and Fee Income, Process Re-engineering & Automation
Preparations for expanding:	SME, Mortgage, Brokerage Services, Investment Banking	Capital Market Operations, Non-Funded Fee Business	Affordable Housing Finance, VSE Finance, Asset Management, Venture Capital

Key takeaways from the above are:

Strategy significance	Outcomes in	Way forward
Deposit mobilization, as opposed to borrowing from banks, paved way for business growth with better control over fund management and planning.	**Financial Capital:** Term deposits (pg. 77) Non-bank deposits (pg. 77) Net deposit in Banks (pg. 77)	• Focus on expanding the retail depositor base • Provide digital deposit products
Consumer and SME financing, as opposed to only catering to Corporates, helped move into less crowded spaces and attain early movers' advantage.	**CEO's Statement:** Segment review (pg. 27) **Strategy & Resource Allocation:** Portfolio composition (pg. 63)	**Move into granular segments:** • Affordable Housing Finance • Very Small Enterprise (VSE) Finance
Capital market operations, enabled business diversification beyond the lending business and allowed significant profit-booking during various market cycles.	**Business Segment Reviews:** SL (pg. 127), IL (pg. 129), AML (pg. 131) **Directors' Reports:** SL (pg. 303), IL (pg. 337), AML (pg. 367)	• Move towards providing differentiated fee-based offerings addressing investment needs of institutional as well as retail investors: • Focus on building upon intellectual capital and provide more advisory services

Current allocation of assets & bottom-line composition

Following is a high-level view of IDLC group, broken down into its parts

Particulars	Total Assets		Profits			
	Composition		Amount (BDT mn)		Composition	
	2018	2019	2018	2019	2018	2019
IDLC Finance (Standalone)	91.44%	92.89%	1,591	1,522	73.27%	89.54%
IDLC Securities (SL)	4.52%	3.90%	366	99	16.84%	5.80%
IDLC Investments (IL)	3.85%	3.00%	180	106	8.29%	6.23%
IDLC Asset Management (AML)	0.19%	0.22%	35	(27)	1.60%	-1.58%
IDLC Group	100%	100%	2,171	1,700	100.0%	100.0%

Further information on portfolio & profit trends:

- Highlights (pg. 4)
- CEO's Statement: Segment review (pg. 27)
- Financial Capital (pg. 77), (pg. 75)
- Business Segment Reviews: IDLC IL (pg. 129), IDLC SL (pg. 127), IDLC AML (pg. 131)

Portfolio composition within IDLC Finance (Standalone)

Particulars	Portfolio Amounts (BDT mn)		Composition	
	2018	2019	2018	2019
SME	27,891	31,318	33.84%	34.25%
Consumer	27,823	30,712	33.76%	33.58%
Corporate	26,696	29,419	32.39%	32.17%
Total Loan Book (Standalone)	82,410	91,448	100%	100%

Note: Portfolios restated with the new segmentation at the end of 2019 (Medium Enterprise Finance now part of Corporate Division)

Further information on portfolio trends:

- Highlights (pg. 4)
- Business Segment Reviews: SME (pg. 118), Consumer (pg. 120), Corporate (pg. 122)

Goals & 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.

Broadly summarizing, our strategic themes are, to:

1. Achieve sustainable business growth
2. Maintain strong funding mix
3. Attract, retain and develop talented employees
4. Continuously improve operational efficiency
5. Advance our social causes

As such, the interests of all our stakeholders are deeply rooted in our long, medium and short term goals.

Long Term Goals	Medium Term Goals	Short Term Goals
• Emerge as the best financial brand in the country • Establish digitally enabled retail business operations • Enhance financial inclusion significantly by introducing products and designing channels for unbanked populations • Become the number no. 1 employer of choice among the local financial institutions • Become/remain one of the top 5 most efficiently-run companies within the financial sector • Continue to be one of the most socially responsible companies in the country	• Continue catering to existing segments while moving towards lower-ticket, high volume businesses • Achieve significant growth in retail base, catering to mass people for lending, deposit and other wealth management products • Implement more elaborate analytics solutions for improved credit appraisal, faster customer acquisition and forecasting needs • Implement tech-based solutions for customer onboarding, client service & internal processes • Optimize client reach through existing distribution channels and while adopting digitized distribution networks • Attain greater brand recognition at the retail level • Introduce enhanced hiring tools to improve person-job fit, reduce recruitment times and lower hiring costs • Formalize detailed career roadmaps and tailored career development plans for key roles & top performers • Implement more sophisticated reporting tools that enable greater monitoring & benchmarking of the various business verticals • Lower carbon footprint further • Further optimize CSR efforts to maximize impact	• Achieve portfolio growth beyond large metros, maintaining loan quality • Improve credit & collection processes to restrict NPLs within desired levels and further review policies and processes to ensure portfolio quality in the backdrop of business growth objectives • Implement Credit Risk Grading (CRG) based financing at a larger scale • Launch digital deposit offering • Set up groundwork for digital lending • Implement web portal for enhanced customer service • Double down on customer segmentation and identifying customer needs, concerns, effective touch points and the like through market research • Review promotional strategy and carry out campaigns to enhance brand recognition across different tiers of potential customers • Continue to invest in talent development • Further improve on our objective based performance management process across the organisation • Review organisational structure, identify all roles, determine banding of roles and align employee rewards & compensations accordingly • Introduce more employee engagement initiatives and surveys • Establish a detailed data strategy and initiate, among other things, a drive towards improved analytics for management reporting • Establish more detailed community welfare roadmaps for our causes • Develop more measures to monitor environmental footprint

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:

CEO's Statement (pg. 28): Immediate risks and planned responses.

Statement of Risk Management (pg. 54): Broad risks and mitigation strategies for the company.

Business Segment Reviews (pg.118-132): Specific risks and mitigation strategies for individual business units and subsidiaries.

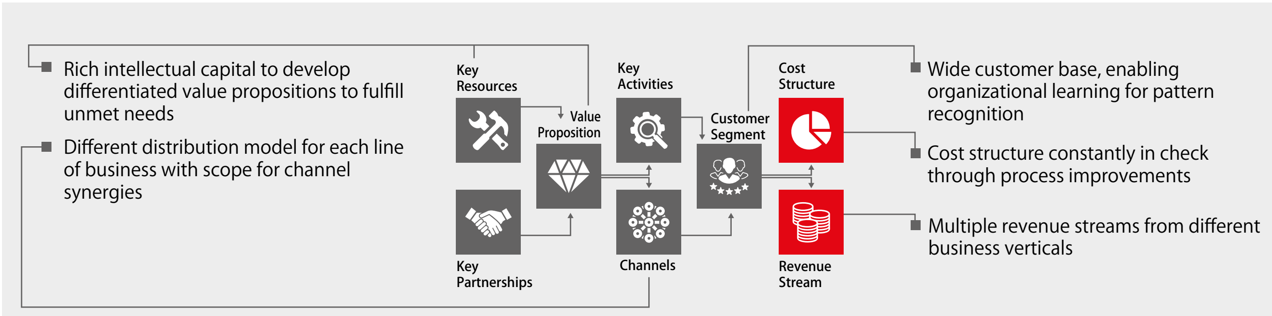
Highlighted challenges facing our company and strategies to counter them, based on key findings from operating environment analysis and stakeholder engagement:

Key challenges	Risk Category	Opportunities and key strategies	Relevant Strategic Theme	Business Model Adaptability
Tightening margins	Interest Rate Risk (pg. 55)	• 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 & cheaper sources of funds and fee-based income sources	• Achieve sustainable growth • Maintain strong funding mix	• Short-term: Moderate • Medium-term: High
Maturity Mismatch	Funding Liquidity Risk (pg. 55)	• Focus on maintaining and improving renewal rates – currently, above 75% of deposits are renewed at maturity	• Maintain robust funding mix	• Short-term: High • Medium-term: High
Ensuring portfolio quality in light of growth targets	Credit Risk (pg. 54)	• Continuously fine tune credit rating and risk grading rules to ensure applicability of existing models in different markets and different macroeconomic situations	• Achieve sustainable growth	• Short-term: High • Medium-term: High
Dependency of capital gains and brokerage incomes on stock market cycles	Equity Price Risk (pg. 55)	• 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	• Achieve sustainable growth • Continuously improve operational efficiency	• Short-term: Moderate • Medium-term: Moderate
Attaining targets with controlled growth in operating expenses	Operational Risk (pg. 56) Technology Risk (pg. 58)	• Follow through on process optimization initiatives • Review and implement improved sizing and HR strategy for optimizing productivity	• Continuously improve operational efficiency	• Short-term: Moderate • Medium-term: High
Improving effectiveness of recruitment and talent management	People Risk (pg. 56)	• Attract the right talent through proper evaluation • Offer competitive packages • Provide career development scopes	• Attract, retain and develop talented employees	• Short-term: Moderate • Medium-term: High
Attaining mass brand recognition at retail level	Reputation Risk (pg. 60)	• Undertake promotional activities with a uniform branding strategy to increase brand awareness	• Achieve sustainable growth	• Short-term: Moderate • Medium-term: High

Business model adaptability and change requirements

What makes our business model highly adaptable

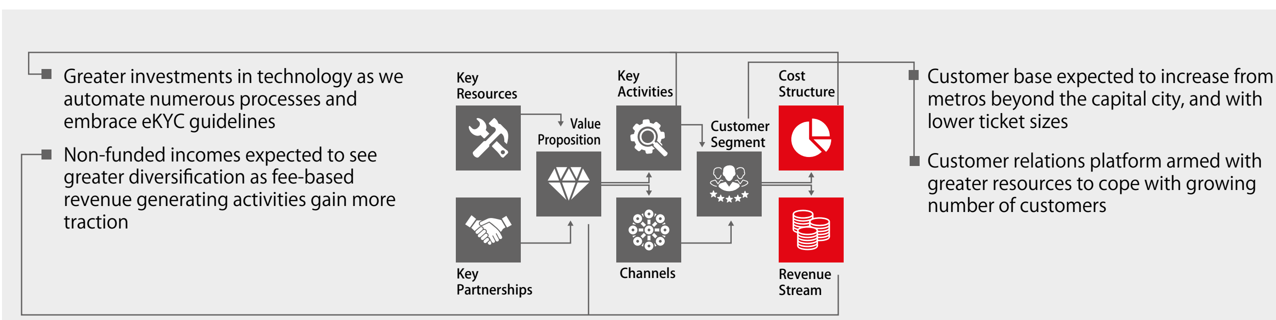
Our business model is highly flexible and hence, adaptable to most of the discussed strategic needs. For instance, our liability team is capable of meeting the lion's share of our fund requirements through deposit acquisition. Our governance makes us strong enough to handle blows such as interest rate 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 allow 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, 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 taking the approach of allowing 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, equipping our sales force with tabs and numerous such initiatives are a few examples. Going forward, besides launching a digital savings offering, we plan to work on further improving operational efficiency, improve our credit risk grading model, 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. In preparation of this, 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 focus on 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 products: Affordable housing financing scheme, IDLC Unnati, Shariah based Mutual fund, Venture Capital Fund	Financial, Intellectual, Social & Relationship	Business segment reviews (pg. 118-132), Intellectual Capital (pg. 99)
Shareholders	• Timely performance review and transparency	Conduct quarterly earnings disclosures every quarter	Human, Intellectual	Social and Relationship Capital (pg. 105)
Regulators	• Anti-money laundering and anti-terrorist financing	Operations Risk Management (ORM) department and Internal Control & Compliance (ICC) departments ensure risk identification & mitigation		Statement of Risk Management: Legal Risk Management (pg. 59)
Colleagues	• Fair incentive structure and performance rewards	• Thorough incentive structure and comprehensive performance appraisal system • Healthy premises, company doctor, regular fire drills, sports activities	Financial, Human	Human Capital (pg. 93)
Community	• Environment protection • Social involvement	• Investment on green premises • Increased focus on Green Financing • Growing CSR activities	Financial, Social & Relationship	Business Segment Review, (pg. 118) Social Relationship Capital (pg. 105) Natural Capital (pg. 115)

Resource allocation approach

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.

Capitals that form our competitive advantage

Emphasis on development of our intellectual and human capitals

Our investments towards developing these capitals are the reason why our SME business has been regarded as having the best-in-class processes by IFC and other business verticals are also able to continue their tireless pursuits of continuous improvement.

Numerous forms of training conducted on technical and leadership skills (pg. 93) stand to prove our commitment towards developing our human and intellectual capitals 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 these capitals which are expanded upon under Intellectual Capital (pg. 99) and Human Capital (pg. 93).

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 further innovation of each of these pillars and the respective teams engaged in that regard:

Area of Innovation	Scope for Innovation	Primary 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, transformation 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	
Process	Improve customer service platforms with greater features and further reduce customer service times	Business solutions team comprising of members from different departments including transformation, business and operations
	Increase efficiency through process improvements	
	Increase process and information security further	Technology Team

Environmental and social considerations in our strategy formulation

Our focus on environmental and social responsibilities is deeply ingrained within our policies, 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. 125).

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. 14). While the relevant tradeoffs for each capital are briefly mentioned in their respective sections, following is an elaboration of some of the key interdependencies and tradeoffs.

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. 72) 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 enabled 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 through the transformation back to financial capital in the form of monetary returns.

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. In addition, plans of mini branches are in place to further improve our physical reach.

Our broad training framework is purposed to provide better service to our clients to improve our social & 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 marketing drives, to our CSR programs that are targeted to impact beyond our clients (pg. 105).

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 towards protecting the environment. (pg. 115).

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 (tradeoff being made with our financial capital). 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	Potential spill-over effects	Our 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-management drives could reduce branding initiatives, customer, employees & community 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 performance indicators are elaborated in the respective capitals sections, business segment reviews, statement of risk management and all relevant topic areas.

Our sustainable resource allocation practices and relevance to SDGs

Our focus remains to manage our resources in a sustainable manner. In addition, our activities are also designed in such a way that they have sustainable impact on the society, as summarized in the following tables:

Initiatives	1	3	4	5	6	8	9	10	11	13
Affordable home loan	✓					✓	✓	✓	✓	
Very Small Enterprise (VSE) Financing	✓					✓	✓	✓		
Capacity development						✓			✓	
Sustainable business growth						✓	✓		✓	
Green financing					✓					✓
Green office practices					✓				✓	✓
Special products for women	✓			✓				✓		
Improving gender parity in workplace	✓			✓				✓		
Community initiatives	✓	✓	✓		✓				✓	✓
Partnering with development agencies	✓					✓			✓	

Relevance to Capitals

	Inputs	Outcomes
Financial	Monetary investment	Monetary gains/savings
Human	Management Hours	Employee benefits & living standards
Manufacturing	Physical infrastructure & materials	Sustainability & longevity of infrastructure
Intellectual	Knowledge investment	Knowledge enhancement
Social & Relationship	Partnerships	Community well-being & connectedness
Natural	Natural resources	Protection / optimization of resources

SL	SDGs	Financial	Human	Manufacturing	Intellectual	Social & Relation.	Natural	Remarks
1	No Poverty	I	O		I	O		CSR activities and compensation policies
3	Good health & well being	I	O		I	O		CSR activities and employee health initiatives
4	Quality education	I			I	O		CSR activities
5	Gender equality		O		I			Gender equality practices at workplace
6	Clean water & sanitation	I			I	O	O	CSR & Green Banking activities
7	Affordable & clean energy	I		I / O	I		O	Green office practices & Green Banking activities
8	Decent work & economic growth	I / O	O		I / O	O		Direct & indirect employment creation, Internal job and role evaluations
9	Industry, innovation & infrastructure	I / O		I / O	I / O	O		Green banking, project financing and product development
10	Reduced inequalities	I / O	O		I	O		Very Small Enterprise (VSE) Financing and Affordable Housing Finance
12	Resposible consumption & production	I / O		I / O	I	O	O	Green office practices and responsible financing practices
13	Climate action	I		I	I		O	Green office practices & Green Banking activities
14	Life below water	I			I		O	Green Banking activities
15	Life on land	I			I		O	Green Banking activities
17	Partnerships for the goals				I / O	I		Partnership with UNEPFI, WB, IFC, Global SME Forum, SME Foundation

Key: Capital Input: 'I', Capital Outcome: 'O'

Our scope of long term value creation

Besides the macro-economic trends being 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 clients, with the appropriate loan structures. 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 affordable home loans 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 of Directors 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.

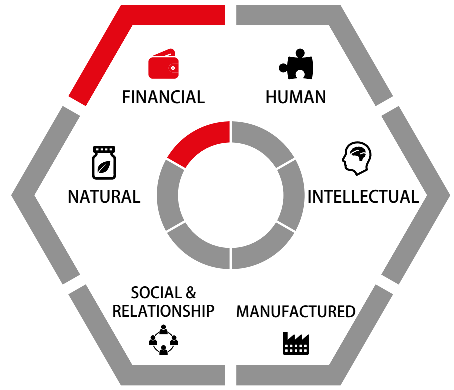
Overall, our efforts at enhancing our capability to anticipate key trends through various stakeholder engagement programs, combined with constant reviewing of our operating environment and the competitive landscape help us utilize and transform our capitals for value creation. Our ability to meet and 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.

Note: A more detailed take on our scope of long-term value creation can be found in CEO's Statement (pg. 27)

FINANCIAL CAPITAL

Monetary resources utilized and value generated

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



OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

- Equity
- Deposits & borrowings
- Refinance schemes by government & multilateral entities

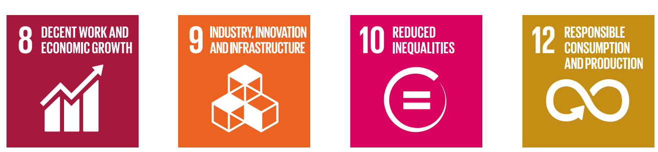
ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- 35% cash dividend for 2019
- 14.43% 5-year portfolio CAGR
- BDT 1,700mn NPAT
- 1.50% ROA
- 12.29% ROE
- 3.07% NPL
- 43.33% Cost to Income ratio

SDG relevance with capital outcomes



MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Resource Optimization	✓	✓	✓	✓	✓	✓	✓
Quality Asset Growth	✓	✓			✓	✓	
Strength of funding strategy	✓	✓			✓		

↑ Increase ↓ Decrease – Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Per head administrative expense reduction drives	↑	↑	↓	↑	↓	↓						
Interest rate adjustments with market trends	↑/↓	↑/↓							↑/↓	↑/↓		

CHALLENGES

- Liquidity pressures in the market (pg. 44)
- Macro challenges affecting loan quality (pg. 43)
- Balancing leverage ratios and portfolio growth
- Managing operating expenses while mitigating operational risks and ensuring sufficient investments in other capitals

RESPONSES

- Proactively managed treasury funds (pg. 77)
- Maintained regular loan monitoring and collection efforts
- Continued prudent lending amidst concerns over extent of quality lending opportunities
- Invested in technology (pg. 101), process improvements (pg. 101) and training (pg. 96) to improve productivity (pg. 29)

OUTLOOK

Process optimizations expected to counter margin pressures through enabling scalability and through allowing operating feasibility in the lower-ticket segments

Collection efforts and credit evaluation policies to be enhanced further to arrest NPLs

Portfolio growth opportunities to fluctuate based on government policies on interest rate cap

Focus on retail deposits and investment in government bonds expected to strengthen balance sheet further

PERFORMANCE ANALYSIS WITH THE MANAGEMENT COMMITTEE

Performance Summary in Light of Operating Context

2019 has been beset with a challenging operating environment, constrained margins, rising expenses and harsh capital market conditions (pg. 43). Yet, IDLC posted a Net Profit of BDT 1,700mn, delivering a Return on Asset of 1.50%. While private sector credit growth came down to a decade low at 9.83% on the backdrop of a tight liquidity situation in the market, IDLC grew its loan book by 10.02% (Standalone growth: 10.97%). While this would be lower than some of the peers in the industry, the emphasis has rather been on maintaining prudent lending. Across banks and NBFIs, companies among the top 5 in terms of ROA (excluding IDLC) averaged 1.33% till the 3rd quarter of 2019. IDLC's ROA over the same period was 1.55%.

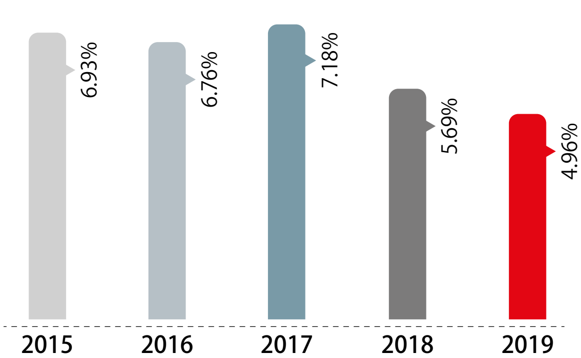
Despite our efforts, as highlighted in our CEO's Statement, the increase in revenues from our lending business were overweighed by the fall in income from the capital market, which affected our subsidiaries and the proprietary investment desk of IDLC Finance (standalone). Nonetheless, the impact was somewhat limited as a result of our efforts towards reducing the prop desk investment exposure of IDLC Finance over the year.

The sections that follow contain in-depth financial analyses dissecting our performance.

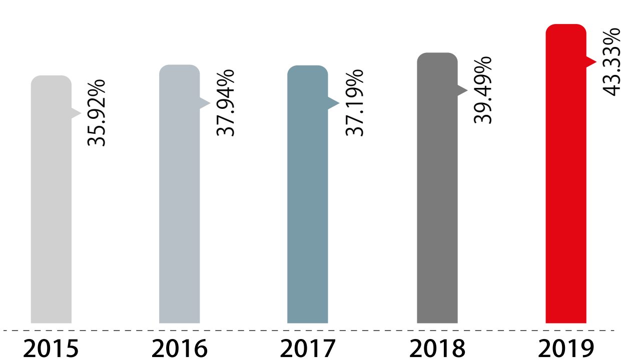
DuPont Analysis

DuPont	Description	2015	2016	2017	2018	2019
Net Interest Income	% of Avg Assets	5.16%	4.89%	4.57%	4.12%	4.12%
Non Interest Income	% of Avg Assets	1.77%	1.87%	2.61%	1.56%	0.84%
Operating Income	**% of Avg Assets**	**6.93%**	**6.76%**	**7.18%**	**5.69%**	**4.96%**
Operating Expenses	% of Avg Assets	-2.49%	-2.57%	-2.67%	-2.25%	-2.15%
Cost	% of Operating Income	35.92%	37.94%	37.19%	39.49%	43.33%
PBT&P	**% of Avg Assets**	**4.44%**	**4.20%**	**4.51%**	**3.44%**	**2.81%**
Provisions	% of Avg Assets	-0.47%	-0.20%	-0.27%	-0.39%	-0.37%
PBT	**% of Avg Assets**	**3.97%**	**3.99%**	**4.24%**	**3.05%**	**2.44%**
Current Tax Provision	% of PBT	-44.48%	-41.61%	-38.65%	-30.58%	-38.43%
Minorities	% of Avg Assets	0.00%	0.00%	0.00%	0.00%	0.00%
RoA	**Return on Avg. Assets**	**2.20%**	**2.33%**	**2.60%**	**2.12%**	**1.50%**
Assets/Equity	Avg. Assets/Avg. Equity	9.25	9.13	8.13	7.81	8.19
RoE	**Return on Avg. Equity**	**20.39%**	**21.29%**	**21.15%**	**16.55%**	**12.29%**

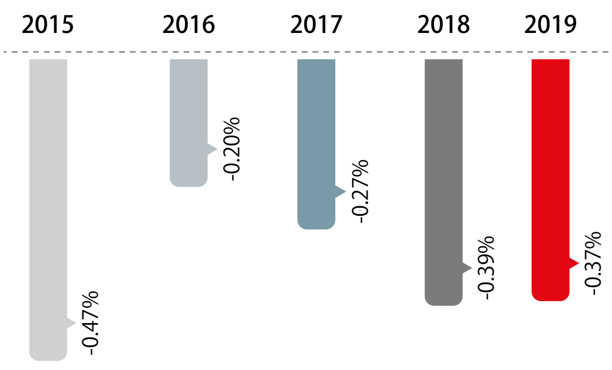
Operating Income as % of Avg. Assets



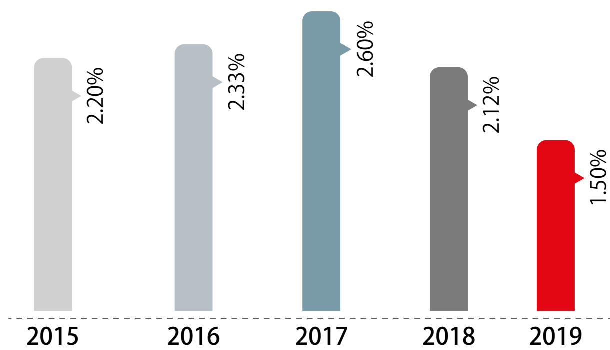
Cost to Income Ratio



Cost of Risk as % of Avg. Assets



Return on Asset



Although Operating Costs as a per cent of assets have been gradually brought down through various efficiency measures, it has proven insufficient in countering the fall in margins and decline in other revenues, especially from capital market operations.

The resultant hit on profitability has brought down ROA at 1.50%. Going forward, we intend to optimize our Capital Adequacy Ratio and leverage ratio for better utilization of our Equity.

Summarized Income Statement

Amounts in BDT mn

	2019	2018	Growth
Net interest income	4,671	4,223	10.61%
Fee Income	787	975	-19.31%
Operating expense	2,434	2,300	5.83%
Provision	423	397	6.52%
Tax	1,061	956	10.97%
Profit after tax	1,700	2,171	-21.70%

Profitability

Our Total Income (Interest Income + Non-Interest Income) rose by 10.70% to reach BDT 14.13 bn at the end of 2019. Conversely, our Operating Income dropped to BDT 5.62bn accounting for a de-growth of 3.54% compared to the previous year, mainly due to lower Brokerage Fee and Investment Income. Subsequently, our Earnings per Share depleted to BDT 4.51 from BDT 5.76 in the preceding year.

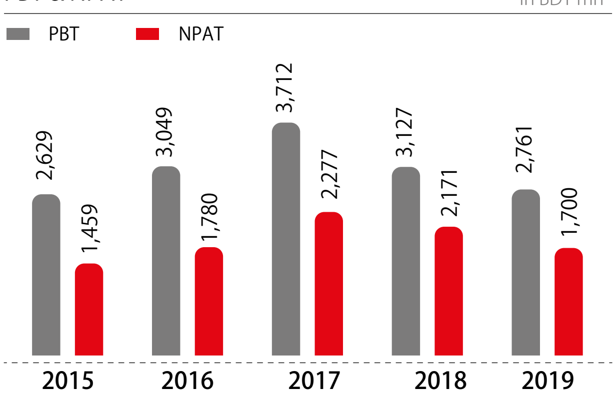
While our Interest Income grew by 18.10% over last year, Net Interest Income grew by 10.61% to BDT 4.67bn, consequent to a 22.65% growth in Interest Expense taking it to BDT 8.51bn.

Moreover, Investment Income fell to BDT 96.16mn, reflecting a de-growth of 82.81% subsequent to the slump in equity market return following a 17% (approx.) decline in DSE Index in 2019.

Fee Income stood at BDT 851mn at the end of the year, registering de-growth of 18.35%. It mainly resulted from declines in Brokerage Fees and Fund Management 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. Going forward, we will be concentrating on Structured Finance, Advisory Services and Investment Banking businesses for a sustainable source of Fee Income. However, these are medium to long-term remedies, meaning fee incomes are likely to remain modest in the short-term future.

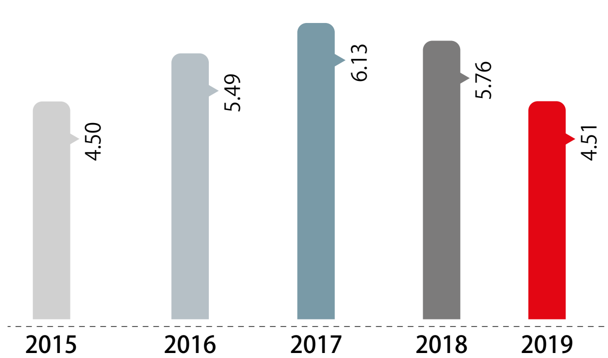
PBT & NPAT

in BDT mn



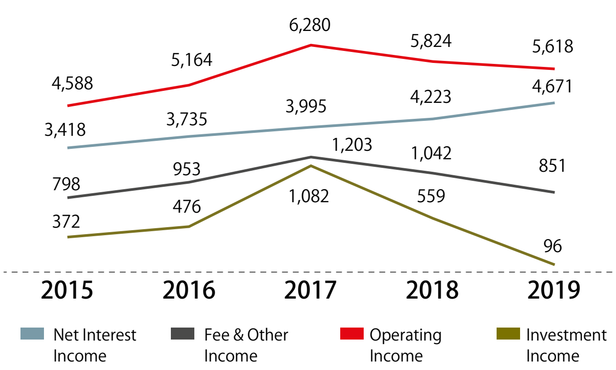
Earnings Per Share

In BDT



Income Breakdown

in BDT mn

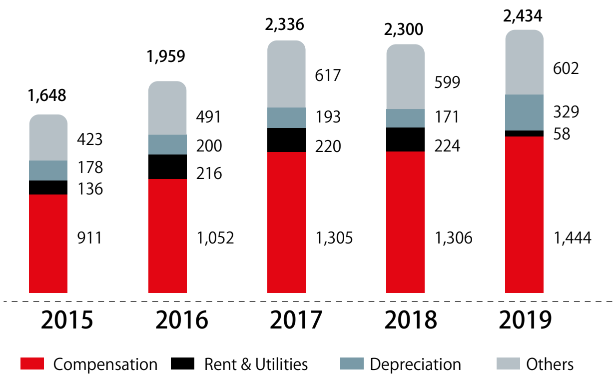


Expenses and Provisions

Our Operating Expense comprises of costs associated with compensation, premises rent & maintenance, technology and other expenses. In 2019, operating expenses were restricted to BDT 2.43bn following a growth of 5.83% from the previous year taking the cost to income ratio to 43.33%.

Opex Breakdown

in BDT mn



Over the years, compensation expenses have taken up a comparatively larger share of our total Opex. In 2014, 46.88% of the total Operating Expenditure was comprised of compensation; while in 2019, it contributed 59.34%. 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. 97. Nevertheless, some of the material changes in Operating Expenditure over the last year are discussed below.

Compensation

While we have been able to restrict growth in our compensation in the past year through major process improvements and automations, salary restructuring to match industry benchmarks and a major recruitment drive in the second half of the year for expansion in the root level led to an increment of 10.56% in compensation.

Depreciations & Other Operating Expense

In 2019, our depreciation has increased by 92.70% owing to re-classification of office rent under IFRS 16: "Leases" (amounted BDT 155m). Apart from this, changes in company-wide expenditures behind entertainment, travel and conveyance have been modest.

Advertisement & Promotions

We recorded an expenditure of BDT 106 mn (growth 6.71%) in promotional activities, in our effort to improve our brand recognition and customer recall.

Office Maintenance

Expenses incurred in office maintenance decreased by 73.92% (BDT 166 mn) and stood at BDT 58.43mn for the year 2019. Due to re-classification of rent expenses as per IFRS 16: Leases, BDT 178 mn has fallen year-on-year.

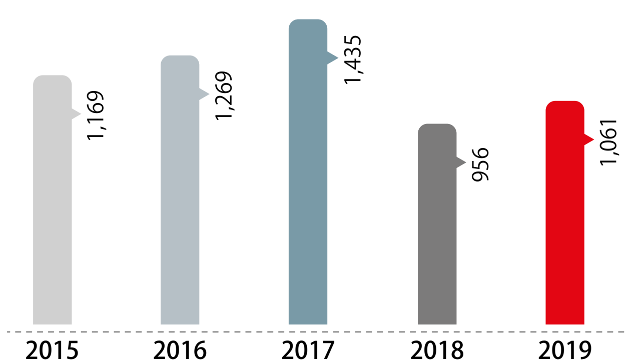
Provisions for Loans/Investments

Details	2019 (BDT mn)	2018 (BDT mn)	Change
Increase in General Provision during the year	70	91	(21)
Increase in Specific Provisions during the year	358	84	274
Increase in Provision for diminution in value of investments	(5)	222	(227)
Total	423	397	26

Provisions have been maintained for classified loans as per the provisioning policy by the Central Bank. Increase in provision in 2019 exceeded that of 2018 by BDT 26mn. The majority of the increase came from increase in specific provisions in the year. This is the consequence of challenges faced in the market during the year. The increase from General Provisioning is reflective of the 10.02 % growth in Loan Portfolio.

Provision for Income Tax

in BDT mn



Our contribution to the government exchequer in the form of income tax increased by 10.97% from 2018, to reach BDT 1,061 million to incorporate regulations of Income Tax Ordinance, 1984.

Summarized Balance Sheet

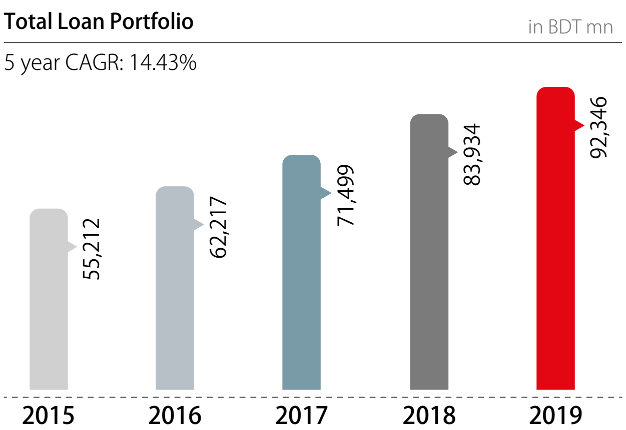
In BDT mn

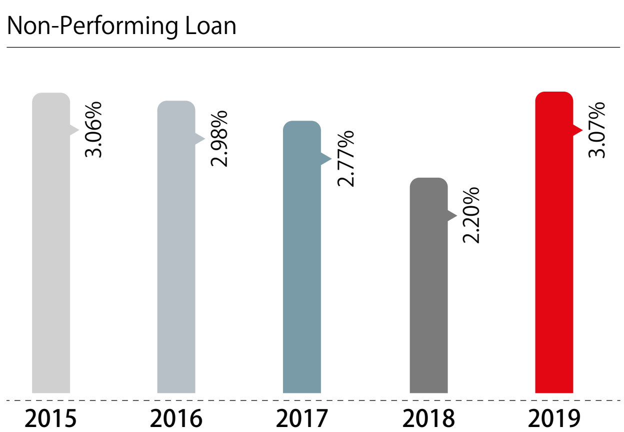
Details	2019	2018
Assets:		
Cash and cash equivalent	15,100	16,236
Investment	6,935	7,300
Lending portfolio	92,346	83,934
Others Assets	3,004	1,695

In BDT mn

Details	2019	2018
Liabilities:		
Deposit	77,906	72,713
Borrowing	14,228	12,496
Other liabilities	11,234	10,319
Equity	14,018	13,637

Lending Portfolio, Quality & Cost of Risk



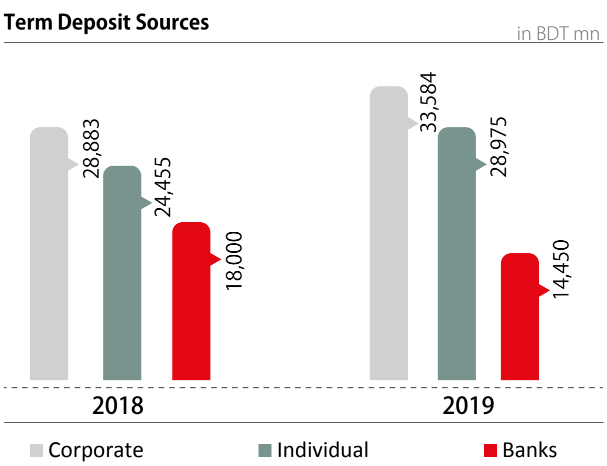


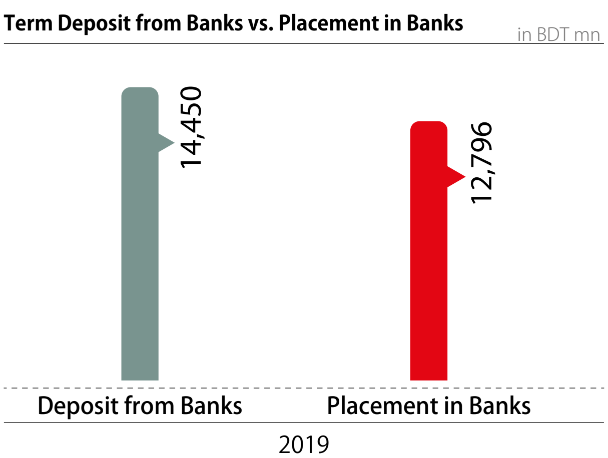
Our lending portfolio grew by 10.02% (Standalone: 10.97%) reaching BDT 92.35bn (Standalone: 91.45bn) in 2019 from BDT 83.93bn (Standalone: 82.41bn) in 2018. Over the years, we have been able to maintain our non-performing loan ratio in spite of numerous shocks to the economy, indicative of the quality of our credit appraisal system and the credit risk management teams.

Our provision coverage ratio (without considering the value of the collaterals held against the loans) moved to 53.76% in 2019 from 59.93% in the previous year and cost of specific risk (incremental specific provision as a % of average portfolio) increased to 0.41% for the year 2019 compared to 0.11% in the preceding year. While some legacy contracts are part of the problem, sluggish business climate and impacts of new regulatory guidelines regarding non-performing loans have been some notable driving factors as well. As an immediate response, we have furthered our collection efforts to limit excessive erosion in portfolio quality. However, we are working on bringing in policy changes and further invest on credit analytics to counter the increased level of credit risk under the current scenario.

Fund Size & Mix

Our funding base increased by 8.13% (Standalone 8.70%) in 2019 and moved to BDT 92.13bn (Standalone 93.53bn) from BDT 85.21bn (Standalone 86.04bn) in the previous year, which is well matched with the 10.97% growth in the company's standalone lending portfolio. The growth was largely driven by Term Deposits – 81.85% of the funding basket - which amounted to BDT 75.42bn (7.34% growth) in 2019, adjusted for intercompany deposits.



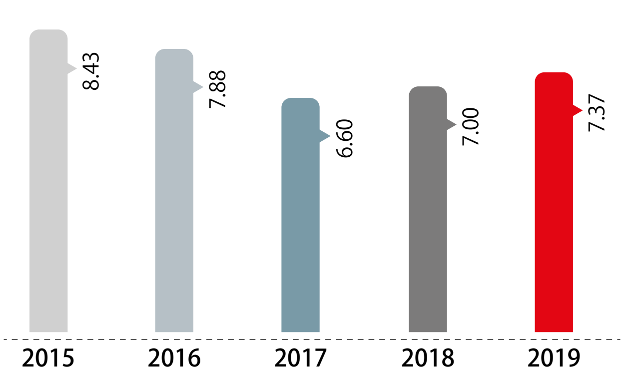


Our long-term strategy involves enhancing our customer deposit portfolio as a sustainable source of funds. There are 3 sources for our Term Deposits: Corporate, Individuals and Banks. In 2019, deposit growth rates from Institutions (excl. Banks) and Individuals have been 16.28% and 18.48% respectively, while our deposits with other Banks fell by 19.72%.

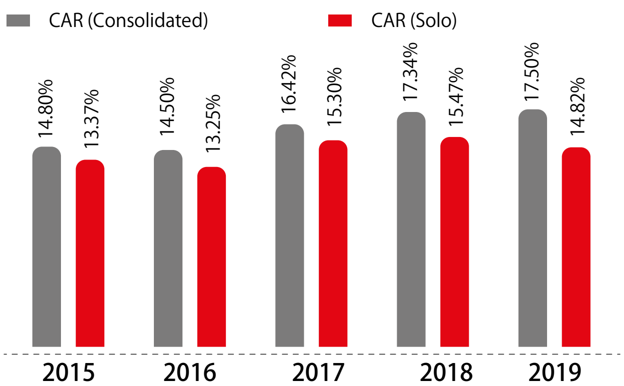
However, comparing the deposits from Banks with our placements in Banks, we had a net deposit from Banks amounting to BDT 1.65bn (standalone) This is only 1.77% of our funding base and 1.44% of our total balance sheet. Having such low level of dependency on bank deposits provides us insulations against 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 15.30% from 13.25% in the previous year. In 2019, our loan book has seen a growth of 10.02%, 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. Our Capital Adequacy Ratio dropped to 14.82%, well over the regulatory limit of 10%.

Cashflow Statement Analysis

In BDT mn

Details	2019	2018
A) Net cash flows from/(used in) operating activities	(3,438)	4,167
B) Net cash flows from/(used in) investing activities	286	583
C) Net cash flows from/(used in) financing activities	2,017	(3,242)
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	(1,136)	1,508
E) Cash and cash equivalents at beginning of the year	16,236	14,728
F) Cash and cash equivalents at end of the year (D+E)	15,100	16,236

Cash Flow from Operating Activities

Cash flow from operating activities before adjusting the changes in operating assets and liabilities stood at BDT 6.15bn, registering a growth of 5.07% during the year. The growth has been primarily driven by increased inflow of receipts from interest, following growth in loan book. Nonetheless, subsequent to a slower growth in term deposits in lieu to lower bank deposits (non-bank deposits grew by 17.29%), coupled with repayments of previously obtained short term loans, net cash inflow from operating activities saw a decline of BDT (7.60bn), reaching BDT (3.44bn) in 2019.

Cash Flow from Investing Activities

The cash flow from investing activities was BDT 0.29bn and BDT 0.58bn in 2019 and 2018 respectively, as a result of continuous decline in investments in marketable securities keeping to tackle market volatility.

Cash Flow from Financing Activities

The group obtained BDT 10.12bn from term loan, while it repaid BDT 6.79bn of its previously obtained loans and also paid a dividend of BDT 1.31bn, which was slightly higher than the amount paid during the previous year.

Overall Scenario

The cash and cash equivalent balance of the group fell to BDT 15.10bn in 2019 compared to BDT 16.24bn in 2018 - the major driver being the net cash flows from operating activities of BDT (3.44bn). However, the cash balance of the group remains robust, at 14.61% of the total liability and 30.99% of current liability, to tackle any unforeseen liquidity scenario with relative comfort.

Accounting For Changes in Reporting Standards

As is applicable, we adhere to the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), for our reporting framework, except for the circumstances where the local regulations differ and supersede the standards. These are listed in details in note 2.3 (pg. 235) of the notes to the consolidated and separate financial statements as presented in page no. 219 of this Annual Report.

One new financial reporting standard, IFRS 16 Leases has come into effect from 01 January, 2019. We have incorporated it where applicable, in conjunction with what is permissible by our prime regulatory authority, Bangladesh Bank. These are listed in note (pg. 234) of the notes to the consolidated and separate financial statements as presented in page no. 219 of this Annual Report.

A summary of its impacts on this year's financial components and bottomline are provided below:

	BDT mn
Increase in interest on lease rent	(58.27)
Reclassification of rent expenses	178.19
Increase in depreciation on right-of-use assets	(154.95)
Decrease in deferred tax income	(10.44)
Impact on Net Profit After Tax (decrease)	**(45.47)**

Impact on key ratios

Consolidated	With IFRS 16	Without IFRS 16	Impact
EPS (BDT)	4.51	4.63	(0.12)
ROA	1.50%	1.55%	(0.05)%
ROE	12.29%	12.60%	(0.31)%
C:I	43.33%	43.29%	0.04%
NAV (BDT)	37.18	37.30	(0.12)
NPAT growth %	-21.70%	-19.60%	(2.09)%

Standalone	With IFRS 16	Without IFRS 16	Impact
EPS (BDT)	4.04	4.14	(0.10)
ROA	1.38%	1.42%	(0.04)%
ROE	13.68%	13.99%	(0.32)%
C:I	41.78%	41.74%	0.03%
NAV (BDT)	29.79	29.89	(0.10)
NPAT growth %	-4.30%	-1.92%	(2.38)%

KEY OPERATING & FINANCIAL HIGHLIGHTS

IDLC Group

in BDT million

Financial Performance	2015	2016	2017	2018	2019	5 years CAGR (%)
Total assets	73,434	79,311	95,687	109,166	117,385	14.78%
Long term liabilities	64,154	68,931	81,548	93,858	100,883	14.45%
Term deposit balance	46,039	47,475	59,854	70,258	75,415	16.44%
Loans & advances	55,212	62,217	71,499	83,934	92,346	14.43%

Operational Performance	2015	2016	2017	2018	2019	5 years CAGR (%)
Operational income	4,588	5,164	6,280	5,824	5,618	8.96%
Operational expenses	1,648	1,959	2,336	2,300	2,434	10.71%
Financial expenses	4,833	4,625	4,898	6,940	8,512	13.38%
Operating Profit	2,940	3,205	3,945	3,524	3,184	7.73%
Profit before tax	2,629	3,049	3,712	3,127	2,761	4.78%
Net profit after tax	1,459	1,780	2,277	2,171	1,700	6.42%

Financial Ratios	2015	2016	2017	2018	2019	Growth
Debt equity ratio (Times)	8.43	7.88	6.60	7.00	7.37	0.37
Average effective tax rate (%)	44.48	41.61	38.65	30.58	38.43	7.85
Financial expenses coverage ratio (Times)	1.54	1.66	1.76	1.45	1.32	(0.13)
Return on total assets (%)	2.20	2.33	2.60	2.12	1.50	(0.62)
Return on shareholders' equity (%)	20.39	21.29	21.15	16.55	12.29	(4.26)
Earnings per share (BDT)	4.50	5.49	6.13	5.76	4.51	(1.25)
Price earnings ratio (Times)	10.96	8.05	13.91	12.11	10.07	(2.04)
Net interest income as a percentage (%) of working funds	6.68	6.36	5.98	5.43	5.30	(0.13)
Operating Profit as percentage (%) of working fund	5.75	5.46	5.90	4.53	3.61	(0.92)

Equity Statistics	2015	2016	2017	2018	2019	5 years CAGR (%)
Number of shares outstanding (No.)	251,367,187	251,367,187	377,050,780	377,050,780	377,050,780	13.40%
Year end market price per share (BDT)	63.60	57.00	85.30	69.70	45.40	-9.48%
Net asset value per share (BDT)	20.65	23.70	33.41	36.17	37.18	16.51%
Market capitalization (BDT in Million)	15,987	14,328	32,162	26,280	17,118	2.65%
Market value addition (BDT)	32.63	21.44	51.89	33.53	8.22	-27.91%
Shareholders' equity (BDT in Million)	7,786	8,938	12,597	13,637	14,018	16.51%

KEY OPERATING & FINANCIAL HIGHLIGHTS

IDLC Finance Limited

in BDT million

Financial Performance	2015	2016	2017	2018	2019	5 years CAGR (%)
Lease and Term loans disbursed	22,140	29,807	35,511	39,400	41,414	18.84%
Housing finance disbursement	5,954	5,646	7,893	7,649	8,134	6.65%
Short term finance portfolio	1,079	845	778	906	735	-0.02%
Lease Finance	6,016	4,950	4,629	4,277	3,496	-11.06%
Real estate finance assets	17,206	18,108	21,462	25,131	28,163	13.70%
Total assets	71,769	76,505	92,611	105,182	114,655	14.94%
Long term liabilities	63,591	67,446	80,540	92,554	101,069	14.90%
Term deposit balance	46,174	47,564	60,538	71,338	77,008	16.92%
Net current assets	5,924	5,031	6,580	5,111	2,691	-0.63%

Operational Performance	2015	2016	2017	2018	2019	5 years CAGR (%)
Operational income	3,961	4,433	4,801	4,705	4,815	7.68%
Operational expenses	1,394	1,679	1,934	1,913	2,012	10.22%
Financial expenses	4,827	4,625	4,902	7,016	8,640	13.78%
Profit before tax	2,276	2,581	2,639	2,426	2,390	3.33%
Net profit after tax	1,244	1,496	1,582	1,591	1,522	5.70%

Financial Ratios	2015	2016	2017	2018	2019	Growth %
Debt equity ratio (Times)	9.65	9.06	7.76	8.54	9.21	0.67
Average effective tax rate (%)	45.34	42.02	40.05	34.43	36.32	1.89
Financial expenses coverage ratio (Times)	1.47	1.56	1.54	1.35	1.28	(0.07)
Current ratio (Times)	1.22:1	1.17:1	1.18:1	1.12:1	1.06:1	0.06
Return on total assets (%)	1.93	2.02	1.87	1.61	1.38	(0.22)
Non performing loan ratio (%)	3.06	2.98	2.77	2.20	3.07	0.87
Return on shareholders' equity (%)	20.01	20.87	17.41	14.73	13.68	(1.05)
Earnings per share (BDT)	3.84	4.62	4.26	4.22	4.04	(0.18)
Dividend per share	2.50	3.00	3.00	3.50	3.50	-
Dividend yield (%)	3.93	5.26	3.52	5.02	7.71	2.69
Dividend payout ratio (%)	50.52	75.59	71.50	82.96	86.70	3.73
Shareholders' equity (BDT Million)	6,737	7,605	10,569	11,029	11,231	202.52
Net interest income as a percentage (%) of working funds	6.44	6.14	5.77	5.13	4.94	(0.19)
Operating Profit as percentage (%) of working fund	5.18	4.79	4.35	3.65	3.23	(0.42)

HORIZONTAL ANALYSIS

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

	2019	2018	2017	2016	2015
PROPERTY AND ASSETS					
Cash					
In hand (including foreign currencies)	120%	119%	105%	103%	100%
Balance with Bangladesh Bank and its agent (including foreign currencies)	244%	288%	123%	109%	100%
	244%	**288%**	**123%**	**109%**	**100%**
Balance with other banks and financial institutions					
Inside Bangladesh	103%	109%	109%	83%	100%
Outside Bangladesh					
	103%	**109%**	**109%**	**83%**	**100%**
Money at call and short notice					
Investments					
Government	460%	0%	0%	0%	100%
Others	180%	236%	256%	141%	100%
	204%	**215%**	**234%**	**128%**	**100%**
Loans and advances					
Loans, cash credit, overdraft etc.	167%	152%	129%	113%	100%
Bills purchased and discounted					
	167%	**152%**	**129%**	**113%**	**100%**
Fixed assets including land, building, furniture and fixtures	209%	103%	123%	122%	100%
Other assets	220%	133%	102%	86%	100%
Non-banking assets	-	-	-	-	-
Total Assets	**160%**	**149%**	**130%**	**108%**	**100%**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	**134%**	**118%**	**108%**	**119%**	**100%**
Deposits and other accounts					
Current accounts and other accounts etc.	-	-	-	-	-
Bills payable	-	-	-	-	-
Savings bank deposits	-	-	-	-	-
Term deposits	164%	153%	130%	103%	100%
Bearer certificate of deposits	-	-	-	-	-
Other deposits	157%	155%	141%	117%	100%
	164%	**153%**	**130%**	**104%**	**100%**
Other liabilities	**151%**	**139%**	**129%**	**114%**	**100%**
Total Liabilities	**157%**	**146%**	**127%**	**107%**	**100%**
Capital/Shareholders' equity					
Paid-up capital	150%	150%	150%	100%	100%
Share premium	33616%	33616%	33616%	100%	100%
Statutory reserves	169%	163%	142%	120%	100%
General reserves	100%	100%	100%	100%	100%
Dividend equalisation reserves	100%	100%	100%	100%	100%
Retained earnings	198%	188%	161%	131%	100%
Total Equity attributable to equity holders of the company	**180%**	**175%**	**162%**	**115%**	**100%**
Non-controlling interest	**148%**	**146%**	**139%**	**110%**	**100%**
Total Liabilities and Shareholders' equity	**160%**	**149%**	**130%**	**108%**	**100%**

*2015 has been considered to be the base year.

HORIZONTAL ANALYSIS

Consolidated Profit and Loss Account (For last five years)

	2019	2018	2017	2016	2015
Interest income	160%	135%	108%	101%	100%
Interest on deposits and borrowings etc.	176%	144%	101%	96%	100%
Net interest income	**137%**	**124%**	**117%**	**109%**	**100%**
Investment income	26%	150%	291%	128%	100%
Commission, exchange and brokerage	115%	167%	212%	124%	100%
Other operating income	100%	101%	102%	116%	100%
Total operating income	**122%**	**127%**	**137%**	**113%**	**100%**
Salaries and allowances	159%	144%	144%	116%	100%
Rent, taxes, insurance, electricity etc.	43%	165%	162%	159%	100%
Legal expenses	140%	63%	161%	116%	100%
Postage, stamp, telecommunication etc.	124%	111%	108%	97%	100%
Stationery, printing, advertisements etc.	189%	194%	163%	120%	100%
Managing Director's salary and benefits	109%	104%	91%	77%	100%
Directors' fees	141%	152%	162%	133%	100%
Auditors' fees	178%	412%	198%	144%	100%
Charges on loan losses	-	-	-	-	-
Depreciation and repair of Company's assets	184%	96%	108%	112%	100%
Other expenses	131%	133%	144%	117%	100%
Total operating expenses	**148%**	**140%**	**142%**	**119%**	**100%**
Profit before provision	**108%**	**120%**	**134%**	**109%**	**100%**
Provision for loans and investments					
General provision	143%	185%	126%	99%	100%
Specific provision	130%	30%	62%	61%	100%
Provision for diminution in value of investments	39%	-1633%	0%	446%	100%
Other provisions	-	-	-	-	-
Total provision	**136%**	**127%**	**75%**	**50%**	**100%**
Total profit before taxation	**105%**	**119%**	**141%**	**116%**	**100%**
Provision for taxation					
Current tax expense	92%	84%	124%	108%	100%
Deferred tax income	760%	1130%	572%	45%	100%
	91%	82%	123%	109%	100%
Net profit after taxation	**116%**	**149%**	**156%**	**122%**	**100%**
Earnings Per Share (EPS)	**78%**	**99%**	**106%**	**95%**	**100%**

*2015 has been considered to be the base year.

VERTICAL ANALYSIS

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

	2019	2018	2017	2016	2015
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)	1.85%	2.35%	1.15%	1.23%	1.21%
	1.85%	**2.35%**	**1.15%**	**1.23%**	**1.21%**
Balance with other banks and financial institutions					
Inside Bangladesh	11.01%	12.52%	14.25%	13.08%	17.08%
Outside Bangladesh	-	-	-	-	-
	11.01%	**12.52%**	**14.25%**	**13.08%**	**17.08%**
Money at call and short notice					
Investments					
Government	1.18%	0.00%	0.00%	0.00%	0.41%
Others	4.73%	6.69%	8.28%	5.48%	4.21%
	5.91%	**6.69%**	**8.28%**	**5.48%**	**4.62%**
Loans and advances					
Loans, cash credit, overdraft etc.	78.67%	76.89%	74.72%	78.45%	75.19%
Bills purchased and discounted	-	-	-	-	-
	78.67%	**76.89%**	**74.72%**	**78.45%**	**75.19%**
Fixed assets including land, building, furniture and fixtures	0.95%	0.51%	0.69%	0.82%	0.73%
Other assets	1.61%	1.05%	0.91%	0.93%	1.17%
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	**12.12%**	**11.45%**	**11.91%**	**15.84%**	**14.42%**
Deposits and other accounts					
Current accounts and other accounts etc.	-	-	-	-	-
Bills payable	-	-	-	-	-
Savings bank deposits	-	-	-	-	-
Term deposits	64.25%	64.36%	62.55%	59.86%	62.69%
Bearer certificate of deposits	-	-	-	-	-
Other deposits	2.12%	2.25%	2.34%	2.33%	2.16%
	66.37%	**66.61%**	**64.89%**	**62.19%**	**64.85%**
Other liabilities	**9.57%**	**9.45%**	**10.03%**	**10.70%**	**10.13%**
Total Liabilities	**88.06%**	**87.51%**	**86.83%**	**88.73%**	**89.40%**
Capital/Shareholders' equity					
Paid-up capital	3.21%	3.45%	3.94%	3.17%	3.42%
Share premium	1.07%	1.15%	1.32%	0.00%	0.01%
Statutory reserves	2.14%	2.21%	2.19%	2.25%	2.02%
General reserves	0.85%	0.92%	1.05%	1.26%	1.36%
Dividend equalisation reserves	0.04%	0.04%	0.05%	0.06%	0.06%
Retained earnings	4.63%	4.71%	4.62%	4.53%	3.73%
Total Equity attributable to equity holders of the company	**11.94%**	**12.49%**	**13.17%**	**11.27%**	**10.60%**
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)

	2019	2018	2017	2016	2015
Interest income	93.30%	87.45%	79.55%	85.40%	87.58%
Interest on deposits and borrowings etc.	60.24%	54.37%	43.82%	47.25%	51.30%
Net interest income	**33.06%**	**33.08%**	**35.74%**	**38.15%**	**36.28%**
Investment income	0.68%	4.38%	9.68%	4.86%	3.95%
Commission, exchange and brokerage	2.90%	4.68%	6.76%	4.51%	3.79%
Other operating income	3.12%	3.49%	4.01%	5.23%	4.68%
Total operating income	**39.76%**	**45.63%**	**56.18%**	**52.75%**	**48.70%**
Salaries and allowances	10.13%	10.14%	11.59%	10.66%	9.54%
Rent, taxes, insurance, electricity etc.	0.41%	1.76%	1.97%	2.21%	1.44%
Legal expenses	0.16%	0.08%	0.23%	0.19%	0.17%
Postage, stamp, telecommunication etc.	0.31%	0.31%	0.34%	0.35%	0.37%
Stationery, printing, advertisements etc.	1.15%	1.30%	1.25%	1.05%	0.91%
Managing Director's salary and benefits	0.09%	0.09%	0.09%	0.09%	0.12%
Directors' fees	0.01%	0.02%	0.02%	0.02%	0.01%
Auditors' fees	0.01%	0.02%	0.01%	0.01%	0.01%
Charges on loan losses	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation and repair of Company's assets	2.33%	1.34%	1.73%	2.04%	1.89%
Other expenses	2.63%	2.97%	3.67%	3.40%	3.02%
Total operating expenses	**17.23%**	**18.02%**	**20.90%**	**20.01%**	**17.49%**
Profit before provision	**22.53%**	**27.61%**	**35.29%**	**32.74%**	**31.21%**
Provision for loans and investments					
General provision	0.50%	0.71%	0.55%	0.50%	0.52%
Specific provision	2.53%	0.66%	1.53%	1.71%	2.93%
Provision for diminution in value of investments	-0.04%	1.74%	0.00%	-0.62%	-0.14%
Other provisions	0.00%	0.00%	0.00%	0.00%	0.00%
Total provision	**2.99%**	**3.11%**	**2.08%**	**1.59%**	**3.31%**
Total profit before taxation	**19.54%**	**24.50%**	**33.21%**	**31.15%**	**27.90%**
Provision for taxation					
Current tax expense	7.64%	7.70%	12.95%	12.97%	12.44%
Deferred tax income	-0.13%	-0.21%	-0.12%	-0.01%	-0.02%
	7.51%	7.49%	12.83%	12.96%	12.41%
Net profit after taxation	**12.03%**	**17.01%**	**20.37%**	**18.19%**	**15.49%**
Earnings Per Share (EPS)	**0.03%**	**0.05%**	**0.05%**	**0.06%**	**0.06%**

HIGHLIGHTS AS REQUIRED BY BANGLADESH BANK

IDLC Finance Limited as on December 31, 2019

Sl no.	Particulars		2019	2018
1	Paid-up capital	in BDT Million	3,771	3,771
2	Total capital (eligible)	in BDT Million	11,935	11,665
3	Surplus/(shortage) capital	in BDT Million	3,880	4,122
4	Total assets	in BDT Million	114,655	105,182
5	Total deposits	in BDT Million	79,499	73,793
6	Total loans, advances and leases	in BDT Million	91,448	82,410
7	Total contingent liabilities and commitments	in BDT Million	2,039	2,537
8	Loans to deposit ratio (total loans/total deposits)	%	1.15	1.12
9	% of classified loans against total loans	%	3.07	2.20
10	Profit after tax and provision	in BDT Million	1,522	1,591
11	Classified loans, advances and leases during the year	in BDT Million	2,804	1,814
12	Provisions kept against classified loans, advances and leases	in BDT Million	343	119
13	Provision surplus / (deficit) against classified loans, advances and leases	in BDT Million	-	-
14	Cost of fund	%	9.30	8.54
15	Interest earning assets	in BDT Million	108,491	100,265
16	Non-interest earning assets	in BDT Million	6,164	4,917
17	Return on investment (ROI)	%	1.70	2.00
18	Return on assets (ROA)	%	1.38	1.61
19	Income from investment	in BDT Million	33	297
20	Operating profit per share	in BDT	7.44	7.41
21	Earnings per share	in BDT	4.04	4.22
22	Price earnings ratio	Times	11.12	16.52

VALUE ADDED STATEMENT

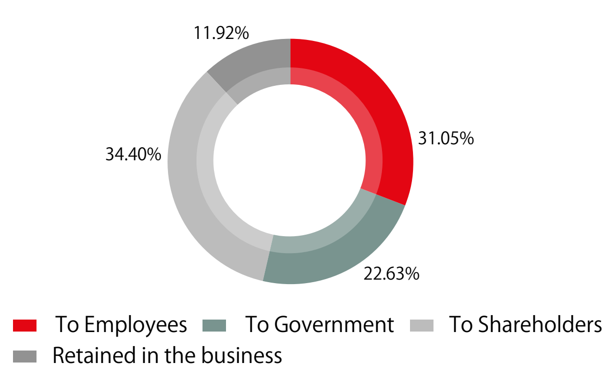
for the year ended December 31, 2019

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.

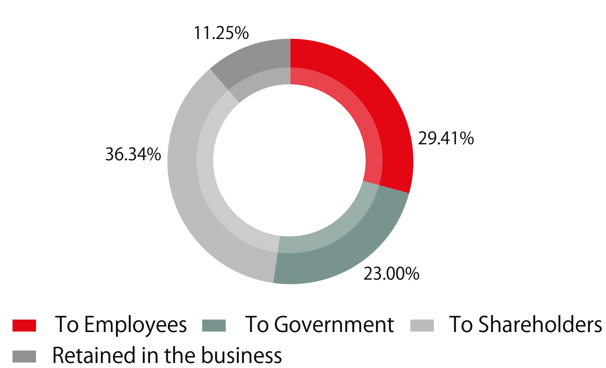
The Value Added Statement shows the total worth created and how it was distributed to meet certain obligation and the portion retained for the continued operation and expansion of the Company.

	2019 in BDT million	%	2018 in BDT million	%
Value added				
Operating revenue	13,022		11,284	
Cost of borrowing	(8,640)		(7,016)	
	4,382		4,268	
Other income	433		437	
	4,815		4,705	
Provisions	(413)		(366)	
Operating expenses excluding staff costs and depreciation.	(566)		(707)	
	3,837	**100%**	**3,632**	**100%**
Distribution of value addition				
To Employees				
as remuneration	1,191	31%	1,068	29%
To Government				
as taxes	868	23%	835	23%
To Shareholders				
as stock dividend (cash and stock)	1,320	34%	1,320	36%
Retained in the business	457	12%	409	11%
as capital and revenue reserve	203	5%	271	7%
as depreciation	255	7%	138	4%
	3,837	100%	3,632	100%
Number of employees	1,304		1,150	
Value added per employee	2.94		3.16	

2019



2018



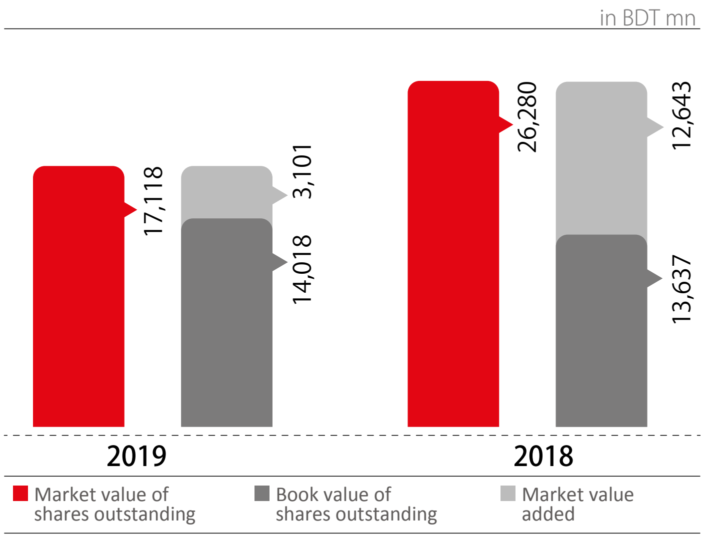
MARKET VALUE ADDED (MVA) STATEMENT

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, 2019 and 2018:

	in BDT Million	
	31.12.2019	**31.12.2018**
Market value of shares outstanding	17,118	26,280
Book value of shares outstanding	14,018	13,637
Market value added	**3,101**	**12,643**



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	
	2019	2018
Net operating profit	2,804	2,792
Provision for taxes	(868)	(835)
Net operating profit after tax (NOPAT)	**1,935**	**1,957**
Charges for capital		
Capital employed	12,585	11,976
Cost of equity (%)*	11.43%	10.44%
Capital charge	1,438	1,250
Economic Value added	**497**	**707**
Capital employed as on December 31		
Shareholders' equity	11,231	11,029
Accumulated provision for doubtful accounts and future losses	1,661	1,248
Average shareholders' equity**	**12,585**	**11,976**

* 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.

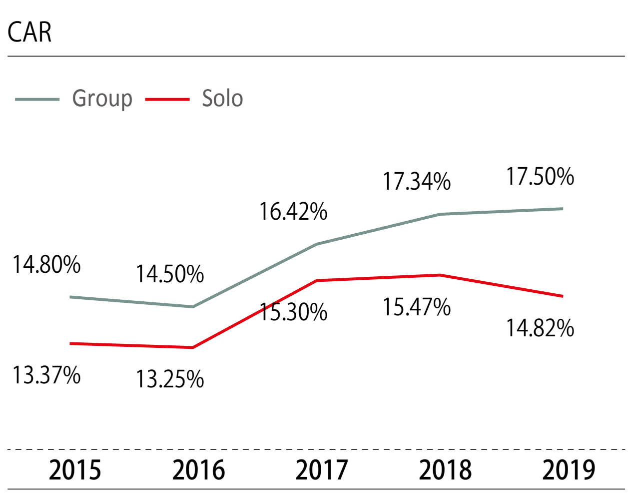
** Average shareholders equity has been derived from average of current year and previous years.

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 2019, capital adequacy ratio of the group stood at 17.50%.

in BDT million

	2019	
	IDLC Group	**IDLC Finance**
Tier I: Core Capital	**14,018**	**11,231**
Paid-up capital	3,771	3,771
Share premium	1,261	1,261
Statutory reserves	2,510	2,510
General reserves	1,000	1,000
Dividend equalization reserves	47	47
Retained earnings	5,430	2,644
Non-controlling interest	0.003	-
Tier II: Supplementary Capital	**700**	**704**
General Provision	700	704
Total eligible capital	**14,717**	**11,935**
Total risk weighted assets	**84,102**	**80,551**
Capital Adequacy Ratio (%)	**17.50**	**14.82**



CONTRIBUTION TO THE NATIONAL ECONOMY

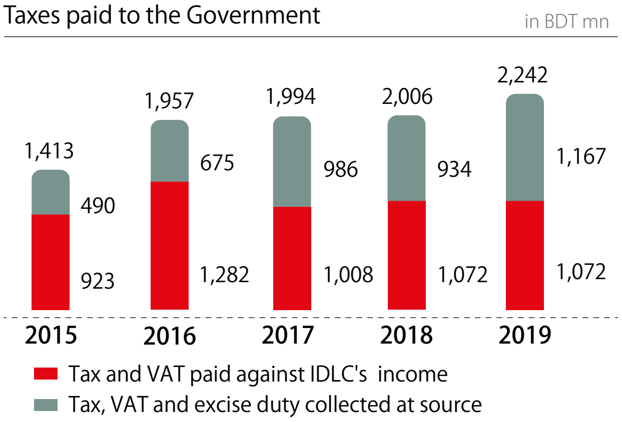
IDLC is considered to be one of the major contributors in the economy of Bangladesh both in monetary and non-monetary terms. IDLC was established in 1985 as the first leasing company in the country and with its pioneering role has established and popularized lease finance as an alternative and secured 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

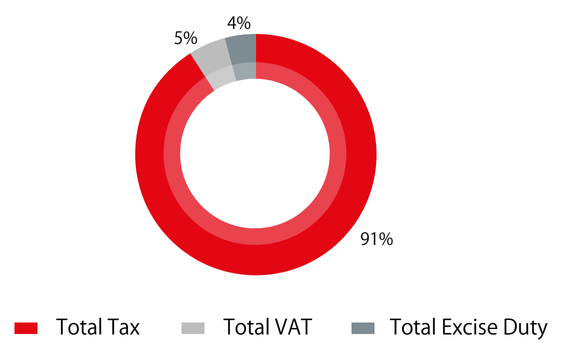
In 2019, IDLC deposited BDT 1,012 million to the Government exchequer as corporate income tax and BDT 61 million as VAT against fee income; totaling to BDT 1,073 million paid as Tax and VAT against the income earned by IDLC. Also, BDT 1,167 million was collected and deposited to the Government exchequer as withholding tax (BDT 1,017 million), withholding VAT (BDT 62 million) and excise duty (BDT 88 million).

Notably, we received the prestigious accolade of being one of the Highest Tax Payer in the Financial Services Sector for the fiscal year 2018-2019, for our contribution to the Government Exchequer, on the back of our profound governance culture.

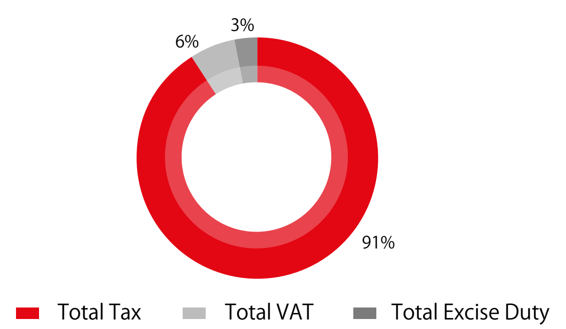
Taxes paid to the Government



Composition of Contribution to National Exchequer in 2019



Composition of Contribution to National Exchequer in 2018



With expansion of the tax and VAT net enabled by the Government through the Finance Act 2020 and increase in our operating expenses, our amount of withholding VAT and Tax has increased. This has primarily resulted in the 11.76% increase in total contribution to the Government Exchequer. However, composition of Contribution has remain fairly consistent. It must be noted that the 1% dip in the contribution of Total VAT was mainly due to Excise duty taking more proportion of the contribution as our deposits and portfolio has risen that resulted in larger increase in Excise Duty withheld in comparison to increase in Withholding VAT.

Employment generation

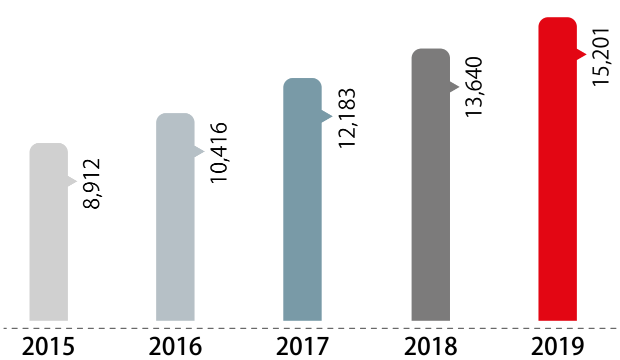
During the year 2019, the Company has recruited 306 new employees, which resulted in a net increase in human resource count to 1,476 at the end of the year 2019, in comparison to 1,336 at the end of the year 2018. During 2019, the group paid BDT 1,444 million as salaries and allowances to its employees and spent BDT 10.66 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we continued to catalyse 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 non-financial 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 an 11.44% rise in number of clients to 15,201 in 2019, which was 13,640 in 2018.

Number of Active Clients (SME)



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 2019, Green Banking portfolio achieved 117% growth from 2018 and stands at BDT 1,408.32mn. Highest disbursement of BDT 973mn is ever made in a year since inception of Green Financing, and cumulative disbursement stands at BDT 2,228mn. This year, IDLC availed the sum of BDT 233mn as refinance from Bangladesh Bank. Credit for such improvement goes to the management of IDLC for their visionary strategy to strengthen its portfolio by adopting the principles of sustainable financing. The increase indicates IDLC's drive towards sustainability.

Details of Green Banking initiative are enunciated in the segment on 'Green banking', in page no. 125.

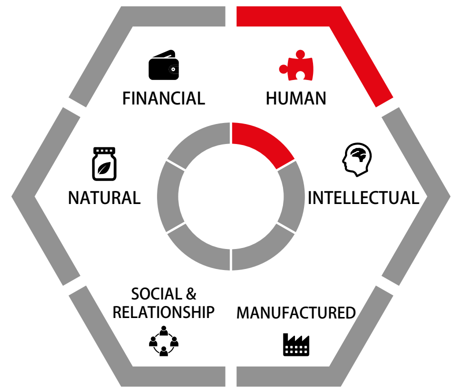
Supporting community through various CSR activities

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. 109 in section, Social & Relationship Capital.

HUMAN CAPITAL

Colleagues, expertise, experience and well-being

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



OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

- 146 trainings
- Introduced IDLC E-Learning APP
- Compensation & benefits (pg. 96, 97)
- Stress management initiatives
- Career advancement efforts

ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- Improved Productivity (pg. 28)
- Attrition rate fell to 12.31%
- Reduced training cost, covering more trainees
- Enhanced employee skillset

SDG relevance with capital outcomes

MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Headcount Allocation & Optimization	✓	✓			✓		
Performance Management	✓				✓		
Culture & Well-Being	✓				✓		

↑ Increase ↓ Decrease – Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
New hires	↓	↑/↓	↑	–					↑	↑		
Increments in compensation & benefits	↓	↑/↓	↑	↑								
Training	↓	↑	↑	↑			↑	↑				

CHALLENGES

- Timely completion of large recruitments
- Reducing attrition rate
- Help employees develop individual career objectives based on individual aspirations and organisational objectives
- Creating a culture where people are driven towards achieving personal as well as business goals and objectives
- Evaluate employee performance through rigorous performance appraisal process
- Enhance our employee talents through need base training, coaching and e-learning
- Ensure Retention of talent through providing competitive reward and benefits

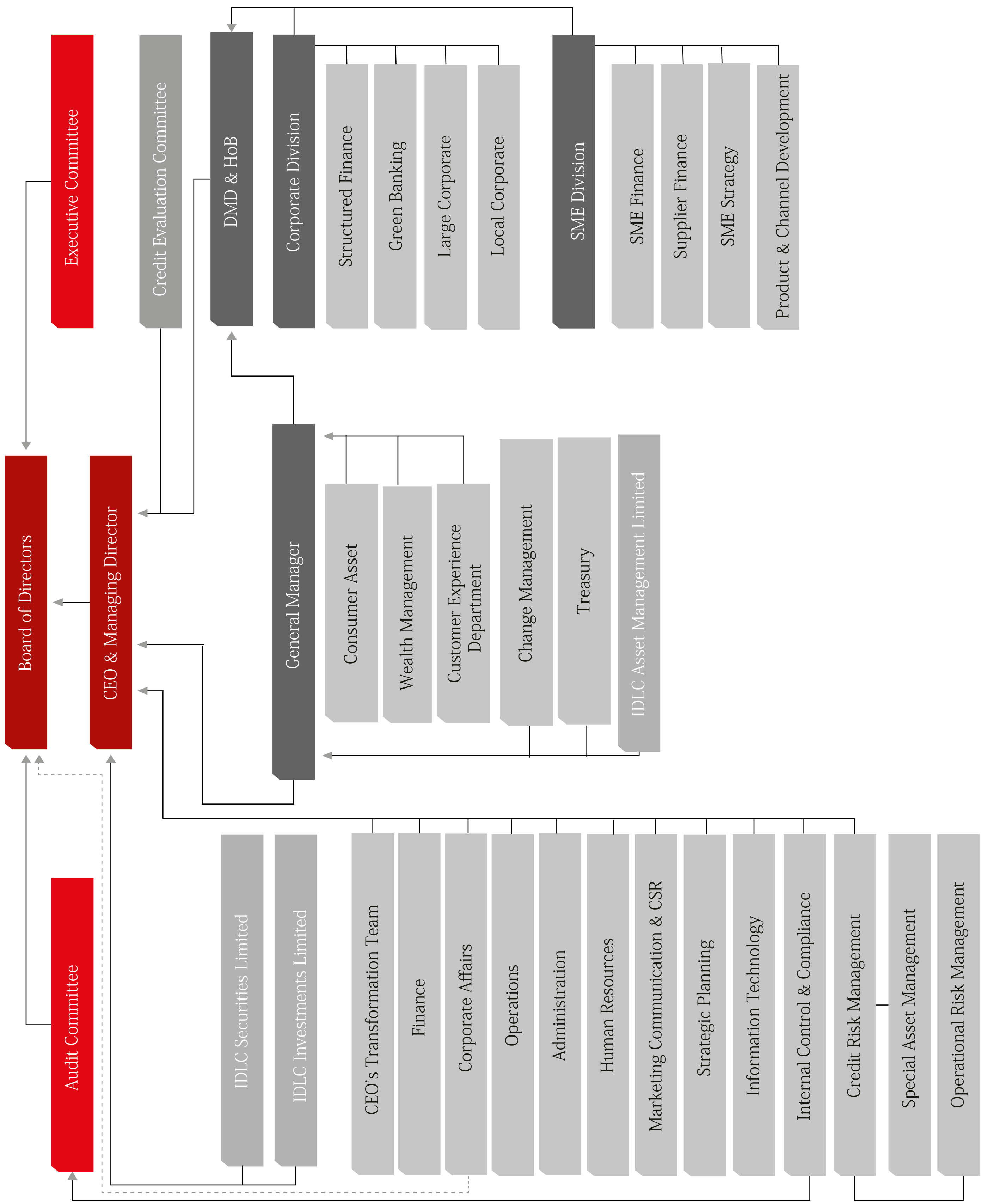
RESPONSES

- Focused on better talent recognition methods in the recruitment process
- Continued work on providing an open environment conducive of building a culture of driven employees
- Structured performance rating process where performance is evaluated more objectively
- Established career development plan for each employee where employees were encouraged to express their desired career plans and the relevant skill development needs

OUTLOOK

- Strengthen the Talent Acquisition process by introducing renewed evaluation process to attract better talents
- Build Line Managers' capabilities to lead more effectively with coaching & feedback tools
- Focus on developing internal talents for leadership roles utilizing the Succession Planning process
- Focus more on individual career plans to develop the right resources for the right roles
- Further strengthen gender diversity

ORGANISATIONAL CHART



Alongside business performance and growth, at IDLC, it is ensured colleagues are looked after. They 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 work environment, opportunity to develop their skills and appropriate compensation and rewards.

Optimizing Headcount Allocation

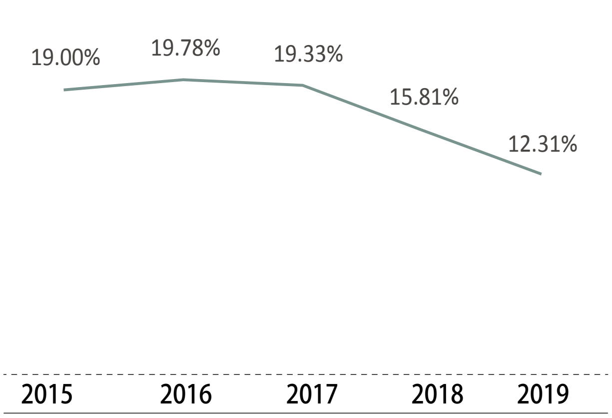
Recruitment

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. We believe that, effective recruitment delivers higher quality human capital that has direct impact on the business performance. Keeping this in mind, our recruitment process is optimized to achieve the best outcome. While recruiting new colleagues, we ensure that equal employment opportunities are presented to everyone those who are interested.

Attrition Management

Attrition is inherent to any organisation or any industry. At IDLC, we try to we try to contain attrition at a manageable level. We believe that, managing attrition not only reduces the cost of hiring but also enables us to maintain a consistent level of service quality. Furthermore, it reduces uncertainty and enhances morale among existing employees. Our attrition rate has been reducing over the years and the figure stood at 12.31% in 2019. To keep the figure in a manageable state, besides providing competitive reward packages, we try to recognize the talents who contribute positively, provide them with safe and supportive environment and ensure work-life balance.

Attrition Rate



Performance Management

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 emphasise 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. This process also helps us to ensure that the contributions of our employees are properly recognized and appropriately rewarded.

Talent Development

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 behaviours within our talents as the strategic partner in building a robust organisation. Our talents are engaged in both- traditional and e-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.

IDLC Group-2019		
Training Types	**No.of Training**	**No.of Participants**
Foreign	13	40
Public/Local	66	178
Customized	25	806
In-house	42	1,352
Total	146	2,376

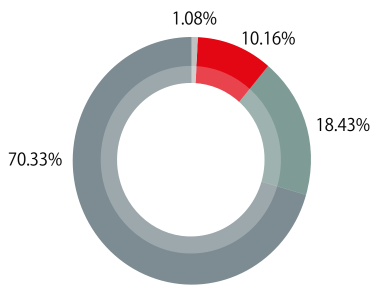
	2019	2018	2017	2016	2015
Number of sales force training hours	7,572	4,600	1,714	1,956	2,557

Our commitment towards providing an engaged, agile talent pool can be seen from the table above as over the years we have invested in increasing training especially for our sales force, through facilitating with customized and rigorous training programs. In 2019, the training hours have increased by 65%; and we believe this would enhance our quality of service to our customers as well help further build the core of our company.

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



Core Management
Senior level Management
Mid- level Management
Junior level Management

Employee Culture & Well-Being

Employee Engagement

To keep our colleagues motivated, they are always engaged in organisational activities in different capacities. Not only are they empowered to go beyond their regular activities, they are also engaged in different team building activities over the year. Furthermore, family days and department day-outs are arranged time to time so that our colleagues are recharged and ready to contribute to the organisation with renewed vigor.

Health & Fringe Benefits

Besides basic monetary packages, our colleagues are entitled to various health and other benefits. We believe that it is our duty to make sure that our colleagues are in right health so that they can contribute properly towards organisation. Keeping that in mind, IDLC tries to contribute to its employee's health through providing a healthy working environment. Furthermore, IDLC arranges yoga classes for its employees to keep their body and mind in good shape. Additionally, hospitalization schemes and other fringe benefits are provided to the employees which ensures better lifestyle for them and their family.

LIST OF FRINGE BENEFITS

- Hospitalization Scheme
- Housing Loan
- Personal Loan
- Motor Cycle Loan
- Company Provided Transport
- Group Life Insurance
- Education Support Scheme
- Welfare Fund
- Spot Award
- Integrity Award
- Outstation Allowance

Ethics & Culture

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. 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. Furthermore, 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. It is only possible because we exercise objective based performance appraisal system that enables employees to maintain standard operating time for different job roles and improve efficiency.

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.

Financial Reporting Standards and Practice at IDLC

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.

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.

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.

Analysis of Key Metrics

The number of colleagues at IDLC has increased from 1,336 in 2018 to 1,476 at the end of 2019. Given that we had a sizable recruitment drive at the year end, the per capita figures are mildly understated. Meanwhile, most of the profitability figures suffered in 2019, particularly owing to lower capital market returns.

Even though Gross Turnover (Interest Income + All Other Incomes) increased by 10.70%, the figure per capita increased by a meagre 0.20% owing to 10.48% increase in headcount. Our per employee Net Profit declined owing to capital market downtrend and subsequent lower brokerage fees, as well as spread pressures and lower fee rate on disbursement, besides the implementation of IFRS 16. However, our efforts in maintaining the strength of our lending business and mobilizing deposits are well reflected in the loan and deposit numbers. Operating Expense per employee could be restricted mainly due to efficiency drives. Training Cost per employee nearly halved, primarily on account of the e-learning platform.

The key metrics of the group in regards to headcount are provided below:

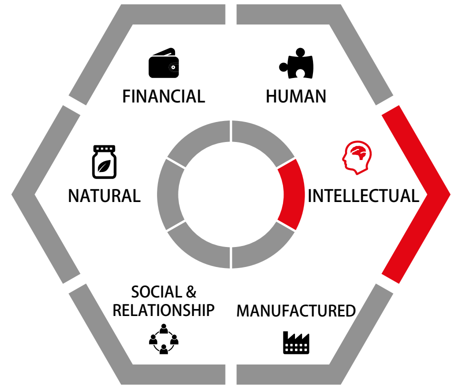
Particulars per person	2018	2019
Number of Colleagues (Consolidated)	1,336	1,476
Number of Colleagues (Standalone)	1,150	1,304
Disbursement (BDT mn)*	42.49	39.70
Loan Portfolio (BDT mn)*	72.99	70.82
Deposit Portfolio (BDT mn)*	61.09	57.83
Gross Turnover (BDT mn)	9.55	9.57
Operating Income (BDT mn)	4.36	3.81
Operating Expense (BDT mn)	1.72	1.65
Training Cost (BDT Thousand)	14.20	7.22
Operating Profit (BDT mn)	2.64	2.16
Profit Before Tax (BDT mn)	2.34	1.87
Profit After Tax (BDT mn)	1.63	1.15

* Based on standalone headcount.

INTELLECTUAL CAPITAL

Knowledge based assets

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



OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

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

ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- 4 new products launched
- Process re-engineering
- Improved efficiency in sales, process and credit analysis
- Prudent use of software solutions

SDG relevance with capital outcomes

MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Software	✓	✓	✓		✓		
Research & Development	✓	✓		✓	✓	✓	
Organisational Know-how	✓	✓			✓		

↑	↓	–
Increase	Decrease	Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
New Product Launch	↓	↑/↓					↑	↑	↑	↑		
Investment towards automation and optimizations	↓	↑	–	↑	↑	↑	↑	↑	↑	↑	↑	↑

CHALLENGES

- Adhering to strict internal control & risk management procedures
- Rapid changes in technology
- Ongoing risks regarding system failure, connectivity failure & data breach
- Attaining process improvements for continuous development of employee productivity & customer service
- Growing and diversified product demands

RESPONSES

- Designed new products and services
- Updated software to increase automation
- Continued process re-engineering drives to improve efficiency
- Enhanced training efficiency through e-learning
- Increased technology and process audits
- Enhanced back-ups maintenance

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
- Focus on digital space

Software

To compliment with the hardware infrastructure that we have, IDLC has always maintained a robust mixture of software to facilitate everyday operations. 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.

List of In house-software:

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

Research and Development

Product Development

IDLC continuously works in innovating new products to cater to the client's needs. While innovating these products IDLC tries to identify the demands through thorough market research. Besides fulfilling the customer demands, the value addition to the shareholders are also considered while designing the products. In line with the strategic decision of moving to less contested segments, we have piloted two new products in 2019:

IDLC Unnati: a VSE (Very Small Enterprise) loan targeted at the very small business clients who normally operate in the wet markets.

Affordable Housing Financing Scheme: a housing loan targeted at the lower/lower middle income who want to build their own.

IDLC Shariah Fund: a mutual fund targeted at the Islamic minded investors.

IDLC Venture Capital Fund I: a VC fund targeted at local and international institutions and high net worth individuals (HNWs)

Process Re-engineering

In our pursuit to increase efficiency and serve our clients better, IDLC has been working relentlessly. Existing process and technology are constantly reviewed to find scopes of improvement. The improvements are then implemented and monitored for the impacts. In 2019, multiple initiatives were taken to further drive our efficiency. These initiatives were taken to improve our productivity on the sales side, increase efficiency in processing and reduce turnaround time in analysis stage.

Metric	Impact on Efficiency
Sales Productivity[1]	+18.39%
Processing[2]	+5.23%
Credit Analysis[3]	+2.73%

[1]No. of files per sales headcount

[2]Time consumption in processing operations

[3]Credit analytics Turnaround Time (TAT)

Knowledge

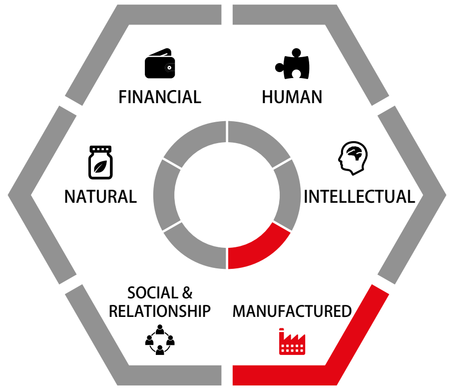
Training

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. 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.

MANUFACTURED CAPITAL

Physical infrastructure

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.



OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

- Physical and other touch points
- Physical infrastructures
- Office equipment and supplies

ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- Increased scalability
- Increased reach through enhanced branch radius
- Smoother operations

SDG relevance with capital outcomes

MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Accessibility	✓	✓			✓	✓	
IT Infrastructure	✓			✓	✓	✓	
Scalability	✓				✓		

↑ Increase ↓ Decrease – Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Investment in servers	↓	↑			↑	↑			↑	↑		
Branch Expansion	↓	↑/↓			↑	↑			↑	↑		
Security measures against possible intellectual property damage	↓	↑			↑	↑	↑	↑				

CHALLENGES

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

RESPONSES

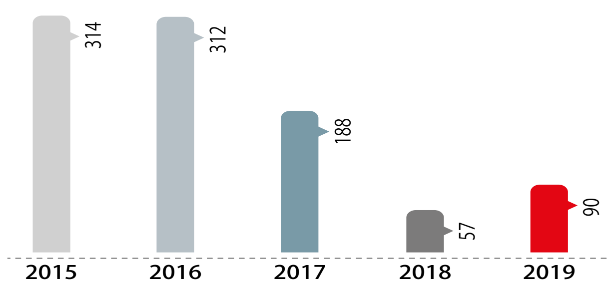
- Made strategic investments in network enhancements
- Conducted regular analysis of the trade-offs by qualified personnel
- Frequently sat with local and international consultants to be updated with best practices and maintained/updated systems accordingly

OUTLOOK

- Enhance our accessibility to the clients through booths
- Extend infrastructural capabilities to meet future business needs
- Improve process efficiencies to enable better utilization of manufactured capital inputs

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 setting and prudent investments in infrastructure, we focus on improving our scalability. 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 and in result, attain scalability.

Capital Expenditure in BDT mn

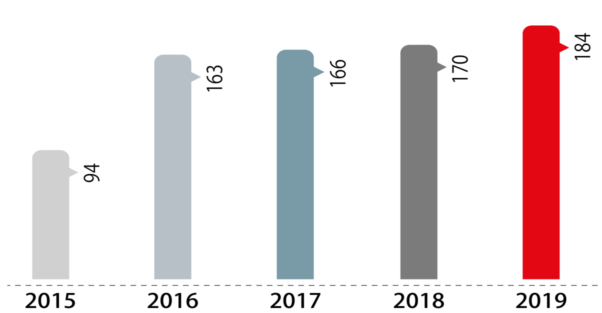


Accessibility

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 and Dhanmondi branches as part of the priority program.

Rental Expense in BDT mn



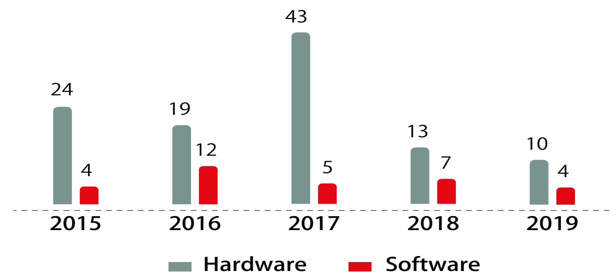
Other Touch points

In addition to physical touch points, IDLC maintains a strong virtual presence through website and social media platforms. Furthermore, we have dedicated hotline to deal with customer complaints round the clock. The intricate ways in which we create value through the virtual world are elaborated within our Social and Relationship Capital.

IT Infrastructure

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 reduces process complexity and deliver technology solutions that are aligned with business objective. IT infrastructure in IDLC is divided into two parts, namely hardware and software solutions. Details about software are covered in intellectual capital (pg. 101).

Expenditure in IT Infrastructure in BDT mn



Hardware & Network

Hardware part of our IT infrastructure consists of all the devices that are used in facilitating the tasks at IDLC. It ranges from network servers to door access control system, computers and etc. 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.

Ensuring 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.

In pursuit of ensuring compliance and to mitigate the inherent 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.

Further elaboration and depiction of IT related risks and mitigation strategies are highlighted in our Statement of Risk Management (pg. 58).

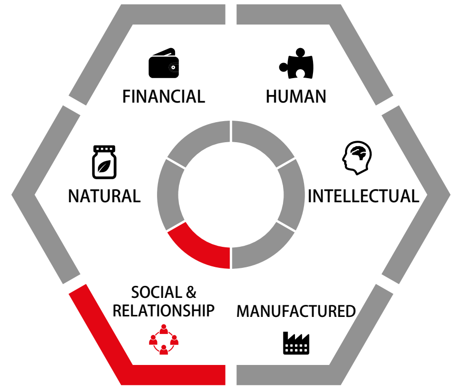
Benefits for Other Capitals

Scalability

By investing in manufactured capital, we are increasing our economies of scale, as the amount incurred is 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 various capitals.

Capital	Achieving Scalability
Intellectual capital	By enabling process innovations and knowledge-sharing through investment in technology and platform. For instance, loan origination process is now significantly smoother since the introduction of tab-based financing.
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. 29)
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.

SOCIAL & RELATIONSHIP CAPITAL



Relationship with our stakeholders

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.

OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

- Partnerships
- Branding drives
- Customer service assurance
- Community service initiatives

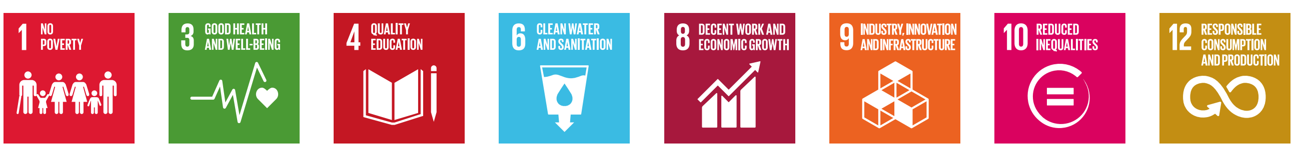
ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- 172,000+ beneficiaries reached through CSR (Page 110)
- Enhanced brand awareness: 45mn+ interactions through branding campaigns

SDG relevance with capital outcomes



MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Stakeholder identification & management	✓	✓	✓	✓	✓	✓	✓
Customer Service Assurance		✓			✓		
Ensuring Branding Excellence		✓				✓	
Corporate Social Responsibility				✓		✓	✓

↑ Increase ↓ Decrease – Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Investment towards customer service & branding	↓	↑			↑	–			↑	↑		
Increasing community service efforts	↓	–							↑	↑	↑	↑

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

- Customer service enhancement initiatives (pg. 109)
- 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

OUTLOOK

Implement Customer Relationship Management (CRM) solution across the company to improve our profiling, analytical and cross-selling capabilities

Further align our business strategies with our branding approach for solidifying our long-term brand equity

Implement long-term community service and engagement initiatives based on our CSR approach (pg. 109)

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:

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

SHAREHOLDERS

Sustainable Business Objects

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. 72)

Outcomes

8,748
Total Number of Shareholders

4.51 Taka
Earnings per Share

3.5 Taka
Cash Dividend per Share

Returns to shareholders

Further information on no. of shareholders has been provided in Statement of Corporate Governance (pg. 170)

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

CUSTOMERS

Sustainable Business Objects

- 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
- Other initiatives

Outcomes

56,913
Number of customers increased to

10.02%(y-o-y)
Loan portfolio increased by

7.14% (y-o-y)
Deposit portfolio increased by

Engagement	Geographical coverage	Product innovation	Faster service	Dedicated RMs	Postal service	Customer relationship teams

EMPLOYEES

Sustainable Business Objects	Addressing Stakeholder Expectation	Creating Value	Outcomes
• Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment • Nurturing human capital to ensure sustained collaboration with the Company	• 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.	• 196 training programs • BDT 20.4 Million investments in training	1,476 Employees 12.31% Decreased attrition to Increased Employee productivity

Engagement	Training programs	Employee days	Sports and recreational activities	Ladies Forum	Celebration nights	Annual General Meeting

SERVICE PROVIDERS & SUPPLIERS

Sustainable Business Objects	Addressing Stakeholder Expectation	Creating Value	Outcomes
Adhere to proper procurement regulations while maintaining a good business relationships with the service providers	Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers. Operational process to meet customer requirements in the most efficient manner.	• Procuring services and goods • Regular payment	Good relationship with the vendors and service providers

Engagement	One-on-one meetings	Email	Verbal communication

REGULATORS

Sustainable Business Objects	Addressing Stakeholder Expectation	Creating Value	Outcomes
Ensure compliance with all regulatory guidelines and directives	• 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	• Maintain compliance with all regulatory guidelines and directives Refer to Statement of Corporate Governance section for more details (pg. 135)	Maintained compliance

Engagement	Statutory Reporting	Meetings as and when required	Letters	Email	Verbal communication	Annual General Meeting

ENVIRONMENT

Sustainable Business Objects	Addressing Stakeholder Expectation	Creating Value	Outcomes
Conducting business without harming the environment	• Implementing Green Banking practices and ensuring compliance through Green Reporting to Bangladesh Bank • Holding a rigid control on energy consumption to reduce wastage.	• Green Banking Initiatives • In-House Environmental Management System Refer to Natural Capital section for more details (pg. 116)	BDT 1,408 Mn Green Banking Portfolio 14.78% & 8.54% Reduction in fuel and electricity consumption per employee, respectively

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

COMMUNITY

Sustainable Business Objects	Addressing Stakeholder Expectation	Creating Value	Outcomes
• Adding value to the society • Conducting business without causing disruptions in the society	• 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.	• CSR initiatives • Educational support • Facilitating curative and preventive healthcare • Disaster aid	172,000 + Beneficiaries 6 Schools renovated/established 1 Boat Ambulance Directly impacting 150,000+ people

Engagement	Social Media Page	CSR Initiatives	Marketing Events	Ladies Forum	Seminars and Workshops

Customer Service Assurance

As an organisation envisioning to be the best financial brand, customer service is at the very core of our unique selling proposition. We continuously work towards providing the best experience possible.

This year, we took several customer service enhancement initiatives:

- Added convenience in our website by enabling self-service facilities for 9 different type services for SME, Consumer and Deposit customers; such as requesting statements and certificates in addition to making other requests without having to visit IDLC premises.
- Deployed Queue Management System (QMS) for major branches to track service quality and average waiting times, in order to gain insights for improving our service further.
- Implemented online platform across the company to track every service for smooth delivery along with TAT (turnaround time) monitoring.

Looking ahead, we are working on implementing Customer Relationship Management (CRM) solution across the company to improve our profiling, analytical and cross-selling capabilities.

Branding

At IDLC, the intention is to drive market insight based campaigns which include consumer insights and industry best practices, both local and abroad. Beyond traditional campaigns, we try to ensure our presence across social media sites relevant to us and our target audience.

Major branding initiatives taken in 2019 include:

- 10 second television commercials for SME, Home Loan and Deposit offerings
- Social media engagements in regards to new products and events
- 2nd installment of IDLC Finance Olympiad and re-launch of Orther Ortho (IDLC's financial literacy platform)
- IDLC Natyautshob 2019

Going forward, we intend to further align our business strategies with our branding approach for solidifying our long-term brand equity.

IDLC's CSR Approach

IDLC is committed to sustainable development by creating long-term value – value for our stakeholders, value for the environment and value for the community. IDLC's CSR is based on its belief in working for the society and environment and achieving better sustainability by all of its stakeholders at large.

We have an open perspective when it comes to community engagement and welfare of the society. IDLC prioritizes on CSR programs that have sustainable and lasting impact on the people and society of the country.

Education: We believe access to education should be equal across the country. In that pursuit, we have extended our investments and involvement to reach the remote areas in which we operate. Our efforts aim to ensure educational, social and economic development.

Healthcare: The healthcare sector also has our undue attention as we are developing partnerships with institutions and non-governmental organisations (at both national and community levels) to ring in the necessary changes to support the underprivileged, especially the women and the children at risk. Our creativity, experience and efficiency allows us to approach the many threats to health with determination and fortitude.

Environment: We are just as determined when it comes to protecting our environment. Hence, our efforts include but are not limited to:

Major CSR Initiatives taken in 2019 include:

- Launched boat ambulance for the water-confined people of Rangabali Upazila
- Established primary schools in Latarchar, Patuakhali & Malkhanagar, Munshiganj
- Contributed to the extension/renovation of 3 other schools in remote areas
- Scholarship program for underprivileged female students at Asian University for Women in Chittagong
- Other initiatives catered towards underprivileged children and the elderly

EVENT HIGHLIGHTS

Shareholders of IDLC Finance Limited approved 35% cash dividend for the year 2018 at the 34th Annual General Meeting (AGM) held at Radisson BLU Water Garden Hotel, Dhaka.

IDLC Lays the Foundation Stone of its Permanent Corporate Office at Tejgaon, Dhaka

IDLC Finance Limited wins 'Best SME Bank, Bangladesh' 2019 award by Asia-Money

IDLC Finance Wins Silver Award as Best Women Friendly SME Bank of Bangladesh by Global SME Finance Forum

IDLC was awarded the 1st position in all categories among all listed companies of Bangladesh including Overall Winner, Integrated Reporting and Financial Service Sectors for Best Presented Annual Report 2018 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-2018" for outstanding performance.

IDLC Finance Limited has won Silver Award in 6th ICSB National Award for Corporate Governance Excellence, 2018 under the Non-Bank Financial Institution category.

IDLC Finance Limited was awarded the "South Asian Federation of Accountants (SAFA) Award 2018" among participants from eight SAARC countries. IDLC won the Certificate of Merit award in Integrated Reporting and Financial Service Sectors.

IDLC Investments wins Best Investment Bank in Bangladesh by Euromoney Awards for Excellence 2019

Launching of IDLC Affordable Housing Finance Solution and first cheque handover ceremony

IDLC launched new product 'Unnati' for very small enterprise and hand-over cheque to the first client.

IDLC Finance Olympiad 2.0 Gala Event Organized at Krishibid Institution Bangladesh (KIB), in partnership with 10 Minute School

IDLC arranged 'IDLC Priority Night 2019' for its priority wealth management customers.

IDLC Finance Limited & Sonali Bank were mandated for raising Coupon bearing bond of BDT 1,000 crore for North West Power, a concern of BPDP

IDLC Announces Partnership with Exotix Capital to Provide Extensive Bangladesh Research to Global Investors

IDLC Participated in REHAB Fair 2019, held at Bangabandhu International Conference Center (BICC) from 6th-10th Feb, 2019

IDLC Natyautshob 2019 arranged – 5 day theater festival, 10 Natok shown at Shilpakala Academy, Dhaka

IDLC & Prothom-Alo Trust Continues Scholarship for 10 More Students of Asian University For Women

Term Sheet Signing Ceremony for Sustainable Financing of 4A Yarn Dyeing Ltd.

Term sheet signing with summit towers limited for arrangement and raising of funds.

IDLC Distributed Warm Clothes to Underprivileged People

IDLC Renovates School for the Children of Sajek in hill district of Bangladesh

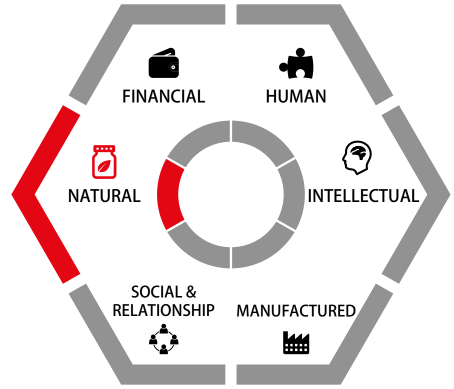
IDLC reaches out to the neglected elderly of apon nibash old home.

IDLC shares happiness of Boishakh festivities with underprivileged children

NATURAL CAPITAL

Ecosystem and natural resources

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



OPERATING CONTEXT & RISKS (PG. 43, 51)

INPUTS

- Utilities
- Policy Incentives from regulator
- Green initiatives

ACTIVITIES (PG. 16)

OUTPUT (PG. 16)

OUTCOMES IN 2019

- Controlled carbon footprint
- CSR Initiatives
- Increased Green Banking Portfolio (pg. 125)

SDG relevance with capital outcomes

MATERIAL MATTERS FOR STAKEHOLDERS

Functional Focus Areas	Shareholders	Customers	Service Providers and Suppliers	Regulators	Colleagues	Local Communities	NGOs and Environmentally interested groups
Sustainable Business Practices	✓	✓					✓
Environmental Friendly Initiatives						✓	✓
Green Banking	✓	✓		✓	✓		✓

↑ Increase ↓ Decrease – Neutral

TOP TRADE-OFFS

	Financial		Human		Manufactured		Intellectual		Social & Rel.		Natural	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Green banking efforts	↓	↑							↑	↑	↑	↑
Green office practices	↑	↑			↑	↑			↑	↑	↑	↑

CHALLENGES

- Establishing a resource optimization system to reduce energy & resource usage during operations
- Improving awareness among clients regarding the benefits of green projects
- Generating internal awareness on ensuring green office practices

RESPONSES

- Installed enhanced printing solution and initiated dual monitor setup to reduce printing
- Implemented an organisation-wide Carbon Management & Resource Optimization Model
- Conducted training and seminars to increase awareness of our colleagues and stakeholders
- Leveraged our relationships with regulators and multilateral organisations to increase green financing

OUTLOOK

Continued focus on organisation-wide resource optimization	Increased focus on organisation-wide carbon management

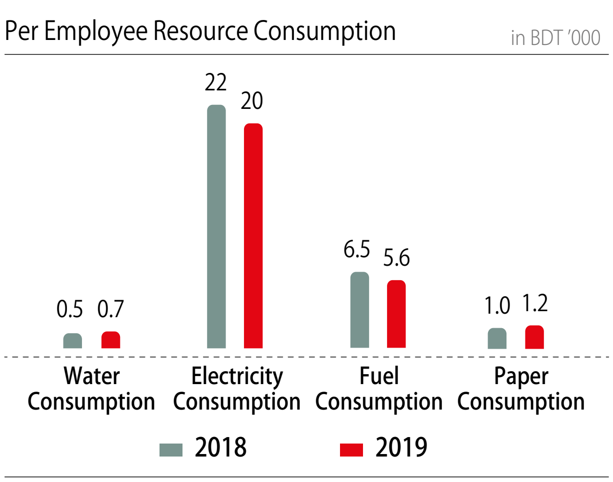
Sustainable Business Practices

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.

Use of Natural Resource

While our business does not require us to use natural resources directly, these resources are used as means of utilities that aids operation. To use natural resources as prudently as possible, 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. However, considering the constant growth of organisation's horizon, these metrics are still upwards.



Environmental Friendly Initiatives

IDLC takes regular initiatives to make positive impacts with regards to environment. These initiatives are taken for both external and internal parties.

External Initiatives

Our external initiatives are mostly undertaken under the banner of CSR. It is more focused on external developmental initiatives such as awareness campaigns, tree plantation, public events etc. In line with this, in 2019, IDLC took an initiative to install a water purification plant with the capacity of 250 LPH in a school premise.

Internal Initiatives

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.

Additionally, in 2019, initiatives were taken to reduce printing. Redundant printing requirements were identified and reduced which also includes redundant document requirements from the clients.

Furthermore, 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
- Signed the following pledges with UNEPFI in 2019:
  - Principles for responsible banking
  - Collective commitment to climate action
  - Pledge of tobacco free portfolios

BUSINESS SEGMENT REVIEW – LENDING BUSINESS OPERATIONS

SME DIVISION

Overview

IDLC's SME Division, the largest segment of the company, provides various financing solutions for the Micro, Small and Medium Enterprises of Bangladesh. In 2019, IFC conducted a diagnostic test on IDLC SME Division and proposed to alleviate customer segment adulteration between Medium Enterprise Finance (MEF) and Small Enterprise Finance (SEF) teams. To maximize client outreach, SME Division was restructured to increase focus on the smaller segments of SMEs. As such, clients with large exposures, along with their respective relationship managers, were shifted to our Corporate Division under the name Local Corporate. This is expected to bring increased synergy in our Corporate vertical while facilitating SME Division's strategic goal of moving towards smaller ticket loans.

Three (3) Key Strengths of IDLC SME

- Strong distribution network
- Best-in-class processes as recognized by IFC
- Experienced Credit team

Core Business Highlights of 2019

- **Revised segmentation strategy** by shifting large ticket clients and their respective relationship managers to Local Corporate and enabling service to SME entrepreneurs through a single channel
- **Piloted *IDLC Unnati*** to finance the kitchen market vendors of the country
- **Simplified processes** further through reducing documentation requirements for loan applications
- **Pursued capacity development** through facilitating 56 training programs
- **Rolled-out scorecard based lending** for smaller ticket sizes between BDT 2 lacs and BDT 15 lacs

HIGHLIGHTS

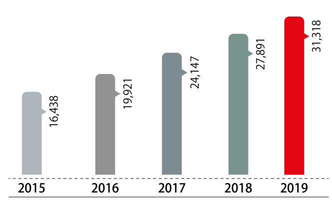
Number of clients
15,091

Average Ticket Size
BDT 2.52 mn

Number of Employees
627

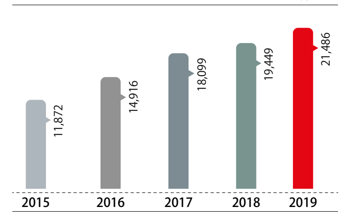
Portfolio Trend

in BDT mn

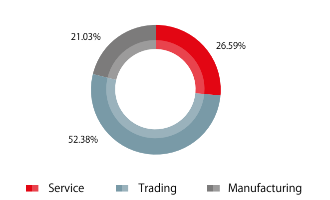


Disbursement Trend

in BDT mn



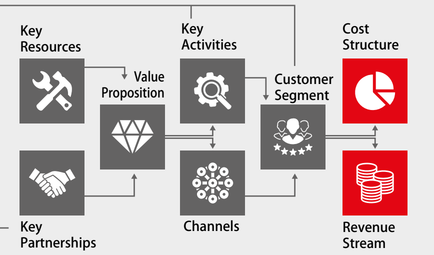
Sector Breakdown



Focus in 2020 and beyond

Prioritising smaller ticket loans through:

- Extension of scorecard based financing to automate manufacturing and service sector appraisals
- Partnerships with major e-commerce players



PERFORMANCE INDICATORS

Indicators	2016	2017	2018	2019
Headcount	↑	↓	↑	↑
Portfolio/business colleague (BDT)	↑	↑	↑	↑
Disbursement/business colleague (BDT)	↑	↑	↑	↑
Files disbursed/business colleague	↓	↑	↑	↑
Average ticket size (BDT)	↑	↓	↑	↓
Lending rate	↓	↓	↑	↓

Performance rationale-Internal factors:

- TAB based operations, scorecard based lending and automation in our processes helped us grow both our portfolio and productivity this year

Performance rationale-External factors:

- The decline in the private sector credit growth and relative slowdown of economic activities posed a challenge for us this year. This also resulted in an increase in NPL

Short-term (<1yr) responses for performance improvements/maintenance:

- Continue pursuing low cost funds from various refinancing schemes to lower cost of fund
- Further invest in early alert systems to maintain and improve portfolio quality
- Partner with leading e-commerce players to implement digital sales record and cash flow based financing
- Numerous projects are ongoing to further automate our processes which will result in faster and more efficient service to our respected clients.

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- Focus on expansion at the granular level through digital financing means
- Expand operations in remote areas to serve very small size businesses
- Reach the lower segment of the pyramid in SME markets through automation
- Emphasis will be given on advanced data analytics to understand the needs of the customer base. In this regard, IDLC will be implementing Customer Relationship Management (CRM) software across the organisation. Harnessing reliable data for decision-making will be the focus area in the medium to long-term.

CONSUMER DIVISION

Overview

With consumer loan services such as home loan, car loan and personal loan, the Consumer Division of IDLC has been engaged in augmenting the growth of the company since 1997. We are continuously working to further enhance efficiency so that we can deliver our services within the fastest possible time. With its core focus on home loans, this division is always working on ways to leverage the positive social economic trends of the country through offering more intricate and customized solutions in the housing finance market.

Three (3) Key Strengths of IDLC Consumer Division

- Fast turn-around time (TAT) for loan processing
- Experienced Sales team
- Customer centric approach

Core Business Highlights of 2019

- **Introduced Affordable Housing Finance Solution** (AHFS) to penetrate into lower ticket segments
- **Managed NPLs** through enhanced focus on regularizing the early stage irregular accounts
- **Increased productivity** through process improvements and through equipping team managers with required tools
- **Brought operational improvements** through better monitoring of pending files and relevant tasks

HIGHLIGHTS

Number of clients:

9,526

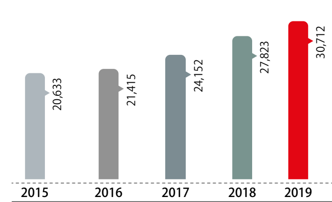
Average Ticket Size:

BDT 2.79 mn

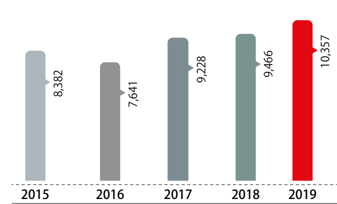
Number of Employees:

295

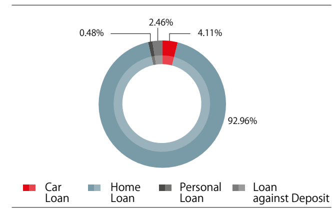
Portfolio Trend



Disbursement Trend

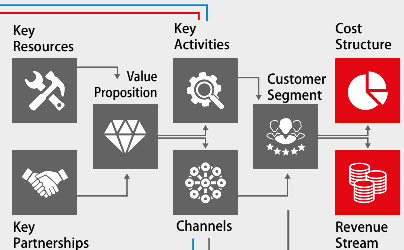


Consumer Portfolio Composition



Focus in 2020 and beyond

- Use of technology to automate processes in order to increase efficiency
- New software launch for better customer acquisition, loan processing and management
- Outspread the Affordable Housing Finance Solution for business growth



PERFORMANCE INDICATORS

Indicators	2016	2017	2018	2019
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Disbursement/business colleague (BDT)	↓	↑	↓	↑
Files disbursed/business colleague	↓	↑	↓	↑
Average ticket size (BDT)	↑	↑	↑	↓
Lending rate %	↓	↓	↑	↓

Performance rationale- Internal factors:

- Use of technology to automate processes was one of the key points that helped us achieve a 52% growth in file productivity in comparison to previous year
- Strategic shift to small ticket loans from larger tickets, especially through introduction of Affordable Housing Finance Solution [AFHS] for low & middle income groups was the prime reason for decrease in average ticket size

Performance rationale- External factors:

- Despite industry-wide rise in non-performing loans, NPL at IDLC Consumer Division is much lower than industry average with small deterioration from 2018. We intend to take measures to further lower our NPL ratio
- Contradictory movement of lending & deposit rates in the market and acute competition contributed to lower margins

Short-term (<1yr) responses for performance improvements/maintenance:

- Channel diversification through onboarding third parties for loan origination
- Introduction of TAT monitoring at departmental level for internal SLAs expected to improve productivity further
- Comprehensive & round the year training to sales force to take full benefit of new business model

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- 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.
- Moving to less crowded spaces, use of technology to achieve scale and implementing new ideas in product & business processes are the only approach to overcome the challenges facing the industry

CORPORATE DIVISION

Overview

Originally the only business vertical of IDLC, the Corporate Division, mostly serves local and foreign companies operating in Bangladesh for their various business needs. Despite the deposit shortage and increase in non-performing loans in the industry, the business parameters of the Corporate Division showed upward trends in 2019, validating the strategies taken during the year. In order to bring further synergy within business processes, Medium Enterprise Finance (MEF) was brought under the Corporate Business wing with effect from October, 2019; under the name Local Corporate.

Three (3) Key Strengths of IDLC Corporate Division

- Wide relationship network spanning across industries
- Unique and customized solutions for clients
- Smooth credit appraisal process

Core Business Highlights of 2019

- Medium Enterprise Finance (MEF) team – previously under SME – **now part of Corporate Division as Local Corporate**
- **Disbursed BDT 19,928 mn**
- **Increased portfolio by 10.20%** to BDT 29,419 mn over the year
- On-boarded **64 new clients**

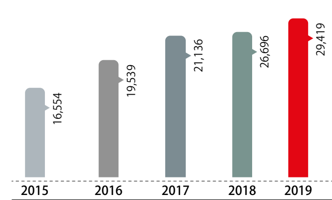
HIGHLIGHTS

Number of clients:
256

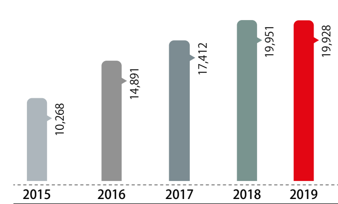
Average Ticket Size:
BDT 41.13mn

Number of Employees:
64

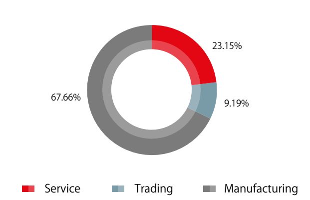
Portfolio Trend



Disbursement Trend

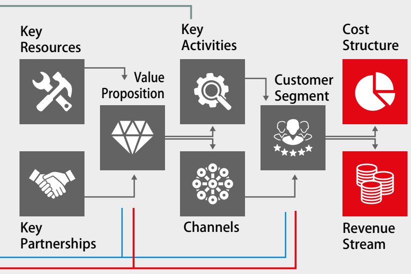


Corporate Portfolio Composition



Focus in 2020 and beyond

- Cautionary opportunistic growth
- Focus more on emerging export oriented industries
- Reiterate emphasis on infrastructure project financing



PERFORMANCE INDICATORS

Indicators	2016	2017	2018	2019
Disbursement (BDT)	↑	↑	↑	↑
Average ticket size (BDT)	↑	↑	↑	↑
Lending rate %	↓	↓	↑	↑
Fee Income	↑	↓	↑	↑
NPL%	↓	↑	↓	↑

Performance rationale- Internal factors:

- An experienced and competent relationship management driven business model accompanied by very adept Treasury management ensured portfolio growth amidst a slow business climate

Performance rationale- External factors:

- IDLC was able to play on its liquidity strength and continue the disbursement course amidst tight money market conditions
- Prudent financing backed by cash flow generation restricted erosion of portfolio quality in spite of challenging liquidity scenario, which had a more pronounced impact on most other industry participants

Short-term (<1yr) responses for performance improvements/maintenance:

- Connect with new corporate clients to diversify and strengthen portfolio
- Collection efforts from classified legacy contracts to be continued
- Strong alliance with financing network including development organisations equipped IDLC to commence work on some innovative and tailored financial solutions
- Already introduced deep dive analysis of existing portfolio for proactive credit assessment of new sanctioning opportunities and better monitoring of live clients. Efforts expected to aid in early detection of delinquent payment behaviour

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- Innovate service offerings through digital services to proactively cater to customer needs
- Continue process automation initiatives to further decrease turnaround times and improve resource optimization

Structured Finance Department

Overview

Bangladesh, as a member of the Next 11 (N11), is anticipated to become one of the strongest economies of the world by the mid-21st century. To catalyse this expected growth; the need of financing mega infrastructure projects in transportation, communication, water & energy, economic zones and the like can only be expected to grow. To bridge the growing appetite for financing large-scale projects with the future macro-economic goals of the nation, IDLC's Structured Finance Department has a dedicated team which comprises of an experienced pool of professionals capable of delivering innovative, comprehensive & cost effective solutions to the company's clients.

Services Provided

The Structured Finance Department (SFD) has evolved as a specialized business unit of IDLC under its Corporate Division. Here, diversified products range from arranging regular Term Loans and Working Capital Facilities to Advisory Services, to arranging Bonds, Foreign Currency Term Loans, Investment Promotion Financing Facility (IPFF) offerings, Tier-II Subordinated Bond for commercial banks , Zero-Coupon Bonds, Commercial Papers, Preference Shares Issuance, Debt Restructuring, different refinancing/pre-financing schemes of Bangladesh Bank, Asian Development Bank (ADB), World Bank and so on.

Challenges

Limited growth of the private sector, uncertainties surrounding interest rate and the single-party exposure of few banks in recent times are the key challenges to structured finance opportunities in the current operating context. However, the expertise and experience of the team has been assisting innovations which mitigate the challenges to a very good extent.

Looking Back at 2019

The department of Structured Finance has successfully sealed 9 deals in 2019. In this process, the department has raised an amount of BDT 10,900mn for its clients, contributing towards the company's Fee Income.

Way Forward

After successful deals with BSRM Steel Mills, ECPV Chittagong Limited, Far East Spinning Industries and more; the department is looking forward to affiliations with Private Economic Zones and PPP advisory deals. Debt restructuring, IPFF fund arrangements, Bond arrangements and Loan syndications comprise of the key future prospects for this department. The department is currently dealing with large projects such as North West Power Generation Company Limited (BDT 3,500mn) and City Economic Zone (IPFF – BDT 1,220mn and Non IPFF – BDT 2,800mn).

Green Banking Unit

Overview of Green Banking Unit

Green Banking refers to financial services integrating environmental, social and governance (ESG) criteria into the business and investment decisions for the sustainable advantage of both clients and society at large. The Green Banking Unit (GBU) of IDLC is committed towards sustainable financing by prioritizing this set of standards to contribute to the country's overall financial growth and towards achieving the Sustainable Development Goals (SDGs) in the process. IDLC is also concerned in reducing carbon footprints from both its financing and in-house operations. IDLC offers 52 green products under 8 categories as defined by Bangladesh Bank to cater the specialized needs of different industries and segments. The categories are renewable energy, energy efficiency, alternative energy, waste management, recycling, environment-friendly brick production, green building/ industry and others.

Highlights of 2019

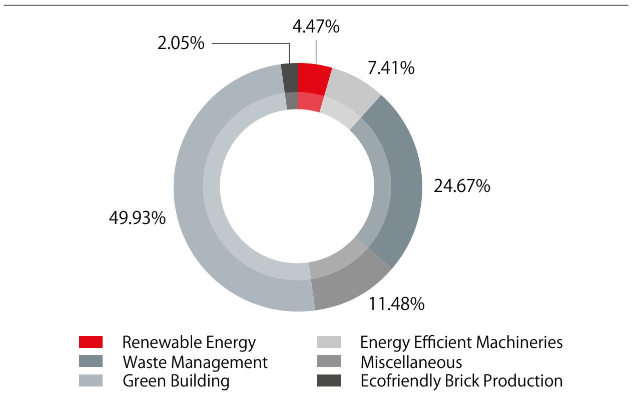
i. Financial highlights:

- In the year 2019, Green Banking portfolio achieved 117% growth from 2018, currently standing at BDT 1,408mn
- Highest disbursement of BDT 973mn made in a year, since inception of the Green Financing Unit
- Successfully availed the sum of BDT 233mn as refinance from Bangladesh Bank.

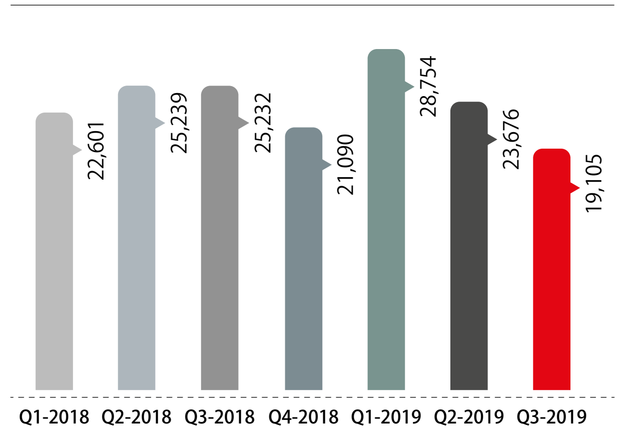
ii. Non-financial highlights:

- In 2019, IDLC endorsed the "Principles for Responsible Banking" of UNEP FI and became one of the 'Founding Signatory Members'. IDLC also endorsed the Collective Commitment to Climate Action (CCCA) of UNEP FI, and signed the pledge of Tobacco Free Portfolios in this year.

Cumulative Disbursment in Different Segments



Green Banking Disbursement by Banks in BDT mn



As per latest published reports, Green Banking disbursements (by Banks) saw a downward trend considering the 9 month YTD numbers. Disbursements were BDT 73,072mn between Jan-Sep'18, while they summed to BDT 71,536mn in the first 9 months of 2019. Though the periods are not comparable, IDLC's green banking portfolio increased by 117% from BDT 649mn in 2018 to BDT 1,408mn in 2019.

Challenges Faced and Mitigations

Lack of awareness about the need of environment-friendly technologies is a major challenge. High cost of compliance, uneven competition, strict terms and conditions of banks & FIs and a semi-developed regulatory environment are other key challenges for green banking.

To mitigate such challenges and integrate sustainability into overall credit management of Banks/FIs, the central bank of Bangladesh (Bangladesh Bank) has issued its green banking policy and Guidelines on Environmental Risk Management (ERM) in February 2011, which was updated in February 2017 as Guidelines on ESRM. Over the years Bangladesh Bank has introduced numerous green products, initiatives and projects for various industries. IDLC has accordingly aligned its Green Banking Policy and Guidelines on ESRM with all the regulatory directives. In addition, IDLC Green Banking Division has been working on raising awareness about the benefits of adopting green facilities.

Environmental & Social Management System (ESMS)

Minimizing Environment and Social Risks of the organisation has been one of the major concerns of IDLC and in dealing with that, IDLC was the first to adopt its Environmental & Social Management System (ESMS), with assistance from FMO (The Netherlands Development Finance Company). While preparing the ESMS, the following guidelines were considered: 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. Also, GBU periodically organizes in-house training & awareness programs for the employees to understand the concepts of green banking and provides necessary technical assistance as well.

Outlook

IDLC aligns its business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Perspective Plan of Bangladesh: 2010-21, National Sustainable Development Strategy 2010-21, Seventh Five Year Plan, SDGs, and Paris Climate Agreement. We focus our efforts where we have the greatest impact. By integrating social and environmental responsibility into core business processes and stakeholder management, we aim to achieve the ultimate goal of creating both social and corporate value for the country.

BUSINESS SEGMENT REVIEW – SUBSIDIARY BUSINESS OPERATIONS

IDLC SECURITIES LIMITED

Overview

IDLC Securities Limited (IDLC SL), one of the top brokerages of Bangladesh, commenced operations in September 2006. The company provides brokerage services to more than 15,834 retail, local & foreign institutional investors through reliable trading platforms on 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 service while maintaining high standard of compliance and corporate ethics. The company also offers premium brokerage services, which is a bundle of research and advisory support in addition to execution brokerage, mostly targeted towards High Net Worth (HNWs) clients, as well as institutional and foreign investors. Moreover, the company has a reliable online trading system under its Order Management Unit, which was developed in-house and launched in 2010.

Three (3) Key Strengths of IDLC SL

- Culture of confidentiality and secured custodianship of clients' assets
- Dedicated relationship managers for all investors
- Competent sell side research team

Core Business Highlights of 2019

- Formed **partnership with Tellimer** (Former Exotix Capital)
- **Net interest income grew by 12.34%** to BDT 168 million
- **Captured 11% of the foreign brokerage** trade volume in the country

HIGHLIGHTS

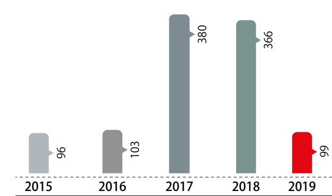
Number of retail clients:

15,834

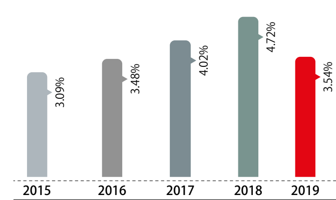
Number of Employees:

121

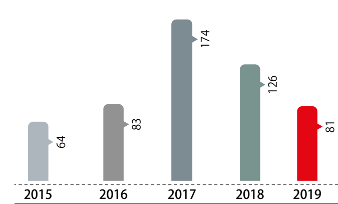
Net Profit After Tax in BDT mn



Market Share

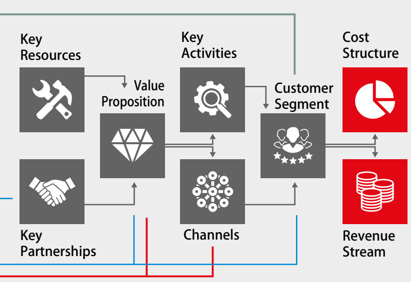


Turnover in BDT bn



Focus in 2020 and beyond

- Continue focus on foreign and premium brokerage segments
- Efforts towards regaining market share
- Enhance sell side research capacity and increase outreach to foreign fund managers



PERFORMANCE INDICATORS

Indicators	2015	2016	2017	2018	2019
Asset Size (BDT mn)	1,558	2,145.1	4,136	4,935	4,541
NPAT (BDT mn)	96	103	379	366	99
Number of Customers	13,960	15,352	17,171	16,510	15,834
Average Daily Turnover (BDT mn)	261	344	703	520	340
Total Turnover (BDT mn)	63,782	82,950	174,274	125,934	80,529
Market Share	3.09%	3.48%	4.02%	4.72%	3.54%
Net Brokerage Fee Income (BDT mn)	203	250	480	333	217
ROA %	6.48%	5.58%	14.79%	8.06%	2.08%
ROE %	9.83%	9.60%	21.44%	11.11%	2.80%

Performance rationale- Internal factors:

- Decrease in market share can be attributed to the conscious strategy to avoid unprofitable trade and protect client's interest.
- Fund allocation to fixed income instruments (Bonds and FDR) contributed to the growth in Net Interest Income.

Performance rationale- External factors:

Poor stock market performance (17.32% drop in DSEX) resulted in decrease in investment income and trade volume. Major factors affecting stock market performance were:

- Challenging environment in the banking industry
- Soft macro numbers i.e. export de-growth, decreasing commercial vehicle sales, lower private sector credit growth, increasing budget deficit from low growth in government revenue collection
- Resumption of interest rate cap discussion in the latter half of 2019
- Companies under severe regulatory scrutiny
- Fear of currency depreciation
- Continuation of frontier market sell-off amid frontier fund redemptions

Short-term (<1yr) responses for performance improvements/maintenance:

- Enhance capacity and productivity of trader's pool through extensive training
- Continue high focus in foreign and institution brokerage service
- Increase allocation towards treasury bonds and corporate bonds

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- Adopt advance technologies in business for growth in client base and smooth operations
- Focus more on knowledge based brokerage service

IDLC INVESTMENTS LIMITED

Overview

IDLC Finance commenced its merchant banking operations in 1999 through participating in underwriting of IPOs. Aligning with regulatory requirements, the merchant banking operation was carved-out and established as IDLC Investments Limited (IDLC IL) in 2011 as a fully-owned subsidiary of IDLC Finance. IDLC Investments provides a high standard of professional and personalized services to its local and international 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 IL is positioned as one of the top-ranking merchant banking enterprises in the country, renowned for its quality in investment banking and portfolio management services. IDLC IL has been the entrusted partner of most of the multinational companies that have been listed in Bangladesh.

Three (3) Key Strengths of IDLC IL

- History of being the entrusted underwriter of most MNCs in the country and other large issues
- Reputation for the highest degree of compliance and integrity
- Diversified product basket suitable for different risk appetites

Core Business Highlights of 2019

- **Conducted merger** of several entities under Telenor, a multinational conglomerate
- **Listed** the pioneering two-wheeler manufacturer of Bangladesh, Runner Automobiles Limited
- Received Euromoney Award for Excellence as the **Best Investment Bank in Bangladesh**

HIGHLIGHTS

Number of clients:

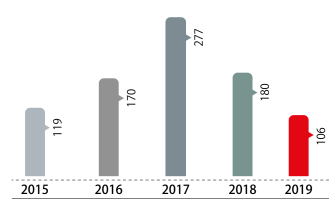
4,718

Number of Employees:

28

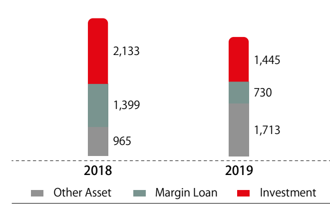
Net Profit After Tax

in BDT mn

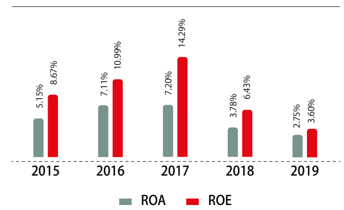


Asset Portfolio

in BDT mn

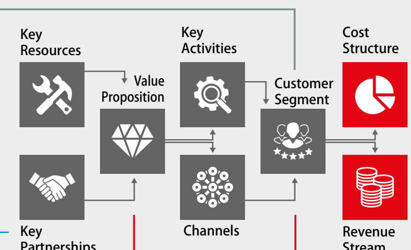


ROA & ROE



Focus in 2020 and beyond

- Focus on Institutional & HNW Segment
- Focus on new avenues of business particularly in corporate advisory service based on client needs and market opportunities
- Leverage brand equity to enhance engagement with regulators, investors and other stakeholders



PERFORMANCE INDICATORS

Indicators	2015	2016	2017	2018	2019
Asset Size (BDT mn)	2,081	2,705	5,039	4,497	3,889
NPAT (BDT mn)	119	170	277	180	106
Number of IPOs, RPOs & Right Issues	1	-	-	-	1
Number of Customers	2,707	4,210	5,621	5,816	4,718
ROA	5.15%	7.11%	7.20%	3.78%	2.75%
ROE	8.51%	10.99%	14.29%	6.43%	3.60%
Margin Loan Portfolio (BDT mn)	1,444	1,301	1,978	1,399	730

Performance rationale- Internal factors:

- Shift of Institutional & HNW clients towards investment in fixed income securities reduced respective product AUMs
- More focus on fixed income securities rather than equity investment increased our interest income

Performance rationale- External factors:

- Prolonged bearish trend in capital market
- Long drawn-out process for changes in capital raising, IPO approval process and IPO regulations to come into effect, given the developing stage of the Bangladesh capital market

Short-term (<1yr) responses for performance improvements/maintenance:

- Continue focus on enlisting companies with good corporate governance
- Continue emphasis on fundamental investment to increase alpha generation likelihood

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- Continue to focus on new avenues of business predominantly in corporate advisory service based on client needs and market opportunities
- Technological development for effective client service and smooth operations

IDLC ASSET MANAGEMENT LIMITED

Overview

IDLC Asset Management Limited (IDLC AML), a fully owned subsidiary of IDLC Finance Limited, was incorporated in November, 2015 and awarded with an asset management license in June 2016 with an initial paid-up capital of BDT 100 mn. 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 towards the diverse needs of investors. Alongside, we also manage a venture capital fund and provide corporate advisory services related to Private Equity and Merger & Acquisitions.

Three (3) Key Strengths of IDLC AML

- Experienced and tested fund management professionals
- Strong brand image of IDLC as a knowledge leader in capital market operations
- Strong distribution channel

Core Business Highlights of 2019

- Launched **"IDLC AML Shariah Fund"** in December 2019
- Received permission for **"IDLC Venture Capital Fund I"** in October 2019
- **Appointed** as the new **asset manager** of two listed funds, following approval from the BSEC on 22nd December 2019:
  - DBH First Mutual Fund
  - Green Delta Mutual Fund

HIGHLIGHTS

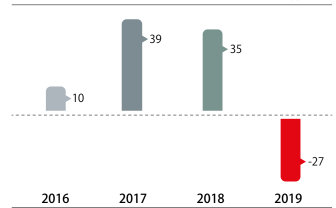
Initiation

November, 2015

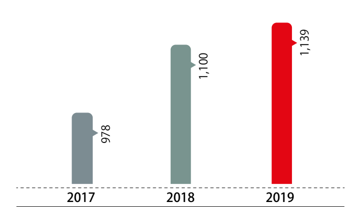
Number of Employees:

21

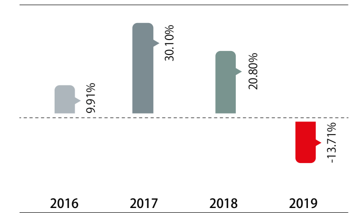
Net Profit After Tax



Asset Under Management

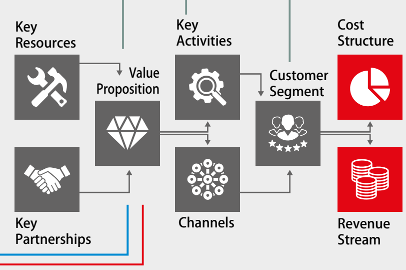


Return on Equity



Focus in 2020 and beyond

- Targeted marketing activities to create awareness and educate mass people
  - Onboarding new customers with suitable IDLC mutual funds and nurture a long term relationship with investors
  - Continued investment in building a scalable operational process
- Building up the company's corporate advisory business related to Private Equity
- Explore opportunities to build up the company's presence in the nascent Private Equity and Venture Capital industry of Bangladesh



PERFORMANCE INDICATORS

Indicators	2016	2017	2018	2019
Asset Size (BDT mn)	119	186	225	272
NPAT (BDT mn)	10	39	35	(27)
Asset Under management – (Mutual Funds) (BDT mn)	-	978	1,100	1,139
Fee Income - Institutional Portfolio Mgt. & Mutual Funds (BDT mn)	17	68	81	37
Advisory Fee (BDT mn)	-	-	-	4.23
ROA	9.50%	25.59%	16.90%	(10.80%)
ROE	9.91%	30.07%	20.84%	(13.70%)

Performance rationale-Internal factors:

- 2019 was a challenging year for the capital market with the Broad Index DSEX losing 17.32%. The distress of the market also affected the business of asset management industry. The Asset under Management (AUM) of IDLC AML declined mainly due to the erosion of the market value of assets. Accordingly, fee income from asset management also declined

Performance rationale-External factors:

- Asset Management business is cyclical in nature, affected by economic and other market related factors. During the challenging year of 2019, the major focus of the company was to protect the value of the fund under management. With the appropriate strategies in place, both the mutual funds of IDLC AML outperformed the market, generating excess returns. During the year, IDLC Balanced Fund and IDLC Growth Fund generated an average excess return of 15.42% and 15.32% respectively
- Among similar styled funds, both IDLC Balanced Fund and IDLC Growth Fund have generated the highest average excess returns per year in its respective tenure (2017-19 for IDLC Balanced Fund, and 2018-2019 for IDLC Growth Fund) in the asset management industry of Bangladesh
- IDLC Growth Fund has also successfully generated the highest average excess return, among similar styled funds in the asset management industry, during the calendar year 2019

Short-term (<1yr) responses for performance improvements/maintenance:

- In the short-term, the company will continue to explore the opportunities of the market. The focus will be to penetrate new markets and enhance the value of the assets as much as possible

Medium to long-term (>1yr) responses for performance improvements/maintenance:

- IDLC AML firmly believes in its vision of being the top asset management company in terms of investors' trust and asset under management
- The company will remain focused on educating mass people about the benefits of long-term investment through effective communication
- Besides, the company will also aim to strengthen its presence in PE-VC industry

whooper swan

Precise coordinated flight

flies at 27,000 ft

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, 2019.

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 further.

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 behaviours 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 by the independent auditors, Itrat Husain & Associates, Chartered Secretaries in Practice. The report along with the compliance status are enclosed with our annual report 2019 on page no. 199.

IDLC has also complied with all the rules and regulations issued by Bangladesh Bank, National Board of Revenue (NBR) and all other regulators.

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

IDLC takes pride in conducting business in an open and transparent manner. Our well established governance framework represents our commitment to integrity while ensuring flexibility that allows fast decision making and effective management.

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 emphasise 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. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, and notification No. BSEC/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.

IDLC believes an effective governance model contains checks and balances to support appropriate consideration of risk management throughout the organisation.

Strategies and policies are executed counterbalancing the organisation's core risks and concerns. The six core areas aligned with its well-articulated vision, mission, goals and objectives. Corporate governance strategy enables the successful execution of those strategies and ultimately achieving value-driven sustainable outcomes.

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. 199 of this Annual Report.

Mandatory Compliance

- Revised Corporate Governance Code by BSEC
- Good Governance Guideline Issued by Bangladesh Bank

Voluntary Compliance

- GRI Standards
- Corporate Governance Checklist of Institute of Chartered Accountants of Bangladesh

VALUE CREATION THROUGH CORPORATE GOVERNANCE FRAMEWORK

Input

- Financial Capital
- Human Capital
- Manufactured Capital
- Intellectual Capital
- Social & Relationship Capital
- Natural Capital

Governance Pillars

Key Risk Mitigators

- Philosophies
- Code of Conduct
- Anti-Money Laundering measure
- Whistleblowing Policy
- Business Continuity Plan
- ICT Management & Security Policy
- Integrity Policy
- All regulations

Technology Risk

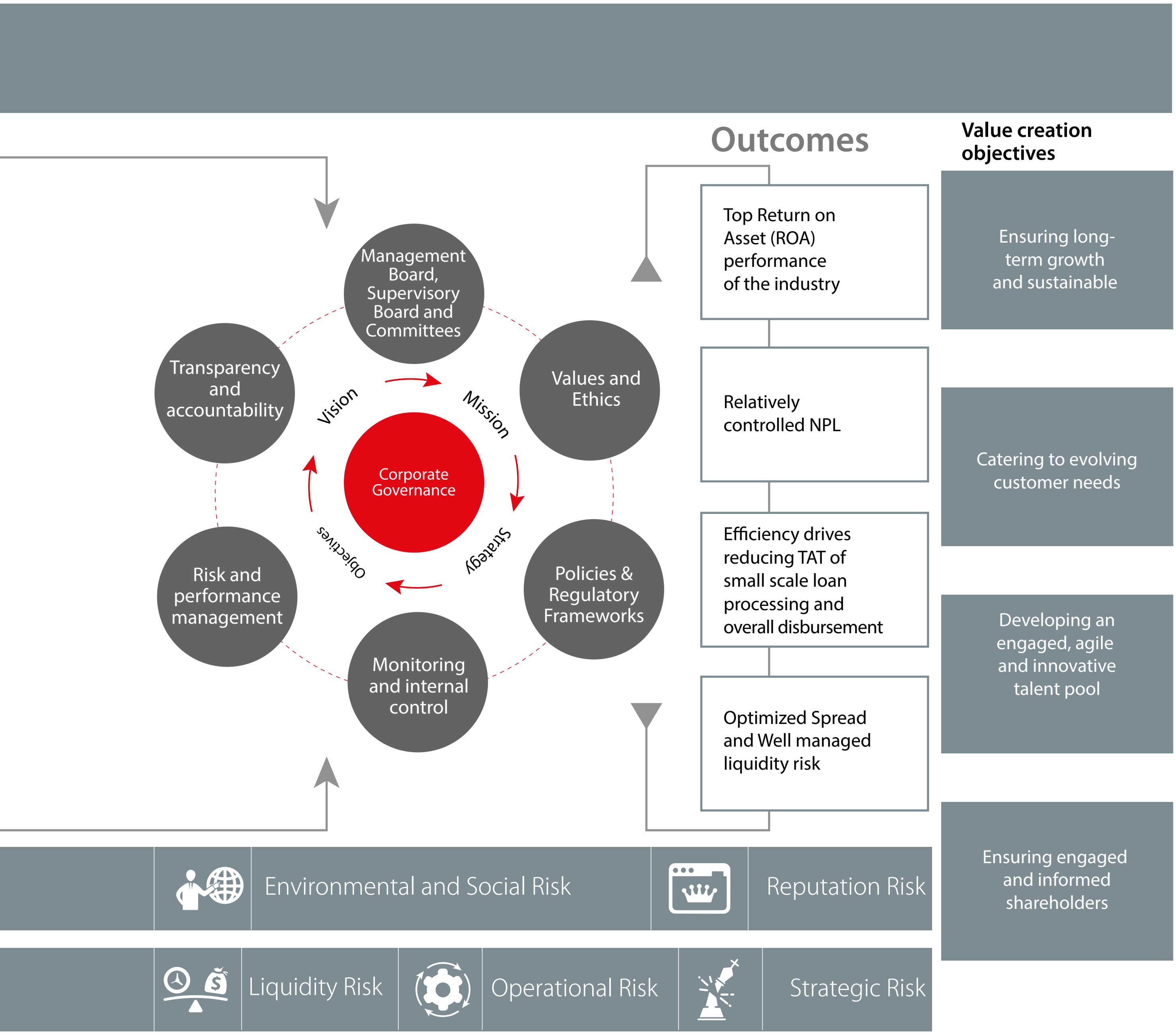
Legal Risk

Credit Risk

Market Risk

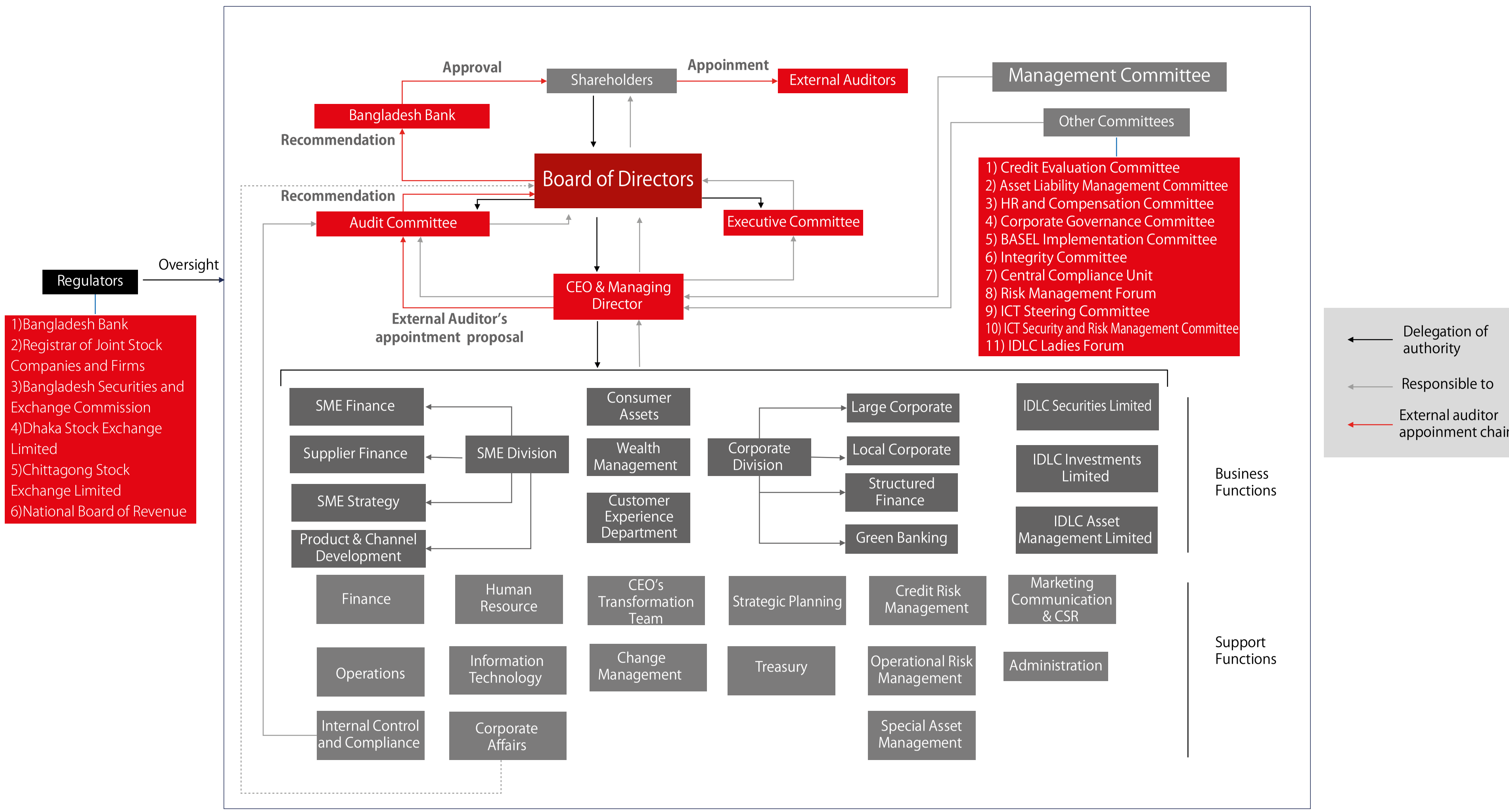
VALUE CREATION THROUGH CORPORATE GOVERNANCE FRAMEWORK COMPONENTS

Value creation objectives upheld	References of Corporate Governance framework	Sections	Initiatives/Responses and Outcomes
Ensuring long-term growth and sustainable standing	IDLC's Vision, Mission and Strategy	2	• ROA-1.5%- One of the highest in the industry • Downtrend of per employee resource consumption (Natural Capital pg. 116) • Controlled NPL (3.07%) in comparison to the industry
	Board of directors	1	
	Audit Committee	3	
	Internal Control and Risk Management	4	
	Environmental and Social Obligation	10	
Ensuring engaged and informed shareholders	Communication and relationship with Shareholders	8	Improved interaction with shareholders and analysts (pg. 170-172)
	Relationship with Investors	9	



Value creation objectives upheld	References of Corporate Governance framework	Sections	Initiatives/Responses and Outcomes
Developing an engaged, agile and innovative pool talent pool	Human Capital	7	Improved learning/training through E-platform
	Remuneration policy of Directors and Executives	6	Reduced attrition rate by 349 basis points in 2019 Increased training hours of sales force by 65% in 2019 See details in Human Capital (pg. 96)
Catering to evolving customer needs	Ethics and Compliance	5	Catered to increased customer segments through new product offering (See Chairman's statement pg. 23)
	Complaint Management Process	10	

CORPORATE GOVERNANCE STRUCTURE



1.0 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	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 agree 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.

The following non-executive directors will retire from the board in the upcoming 35th AGM:

Mr. Aziz Al Mahmood	Director Nominated by The City Bank Limited
Ms. Mahia Juned	Director Nominated by The City Bank Limited
Mr. Md. Kamrul Hassan, FCA	Directors nominated by Eskayef Pharmaceuticals Limited, Transcraft Limited and Bangladesh Lamps Limited

They are also 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.

1.2 Ensuring adequate number of Non-Executive Directors and their independence

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).

IDLC's Board comprises 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.

Diversity of the Board

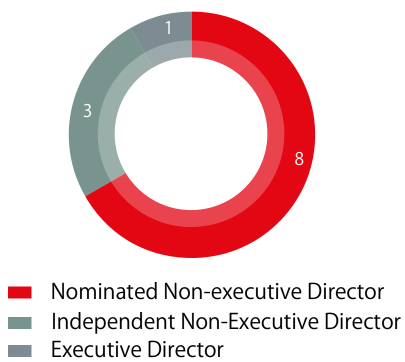
Professional background

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

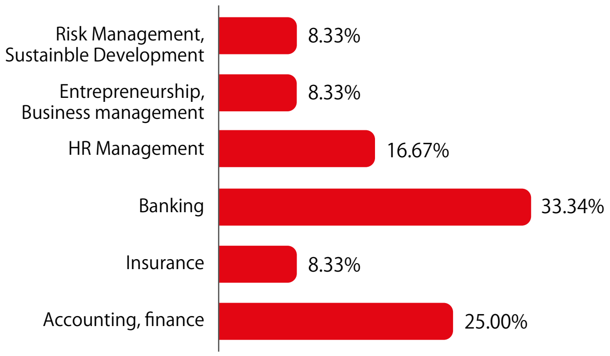
All members of our Board are extensively accomplished in their respective fields, and proffer their adept and seasoned knowledge on the back of over 20 years of experience. Majority of our directors falls within the experience bracket of 31 to 40 years; assuring the stakeholders in their decision-making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

Board Composition

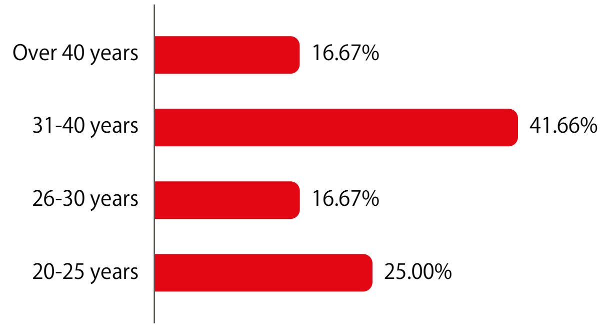


Gender

Professional Background



Length of service



Respective qualifications of the Directors in details are appended in Directors' profile on page no. 32 of this annual report.

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

Structural

- Board composition and diversity
- Board competencies & skills
- Policies and goal setting
- Director recruitment and orientation
- Board evaluation

Strategic

- Formulation & implementation of strategy
- Leadership pool development
- CEO selection & compensation
- Succession planning

Governance

- Company's performance
- Risk and crisis management
- Compliance
- Governance

Process for board functioning

- Board meetings & preparation
- Group dynamics & training
- Managing the quality of conversation
- Interaction with management

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 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 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
	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 and injury-free vision.
	Reinforcement of reputation, brand and community relations.
	Review of the size and composition of the Board.
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.

Roles 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;
- Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision making;
- 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.

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;
- Ensure that all Board Committees are properly structured, 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;
- Encourage active engagement by all members of the Board.

1.5.1 Role of Independent Directors

Independent Directors bring invaluable independent judgment to the Board. In addition performing the roles of Directors, the Independent Directors perform the following roles:

- Oversee issues where there is a potential conflict of interest (financial reporting, controls, nominations, and remuneration)
- Consider, review, evaluate and provide oversight over related-party transactions to ensure transactions are fair and in the best interests of IDLC
- Ensure that the organisation maintains an effective and independent compliance function.

1.5.1.1 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.

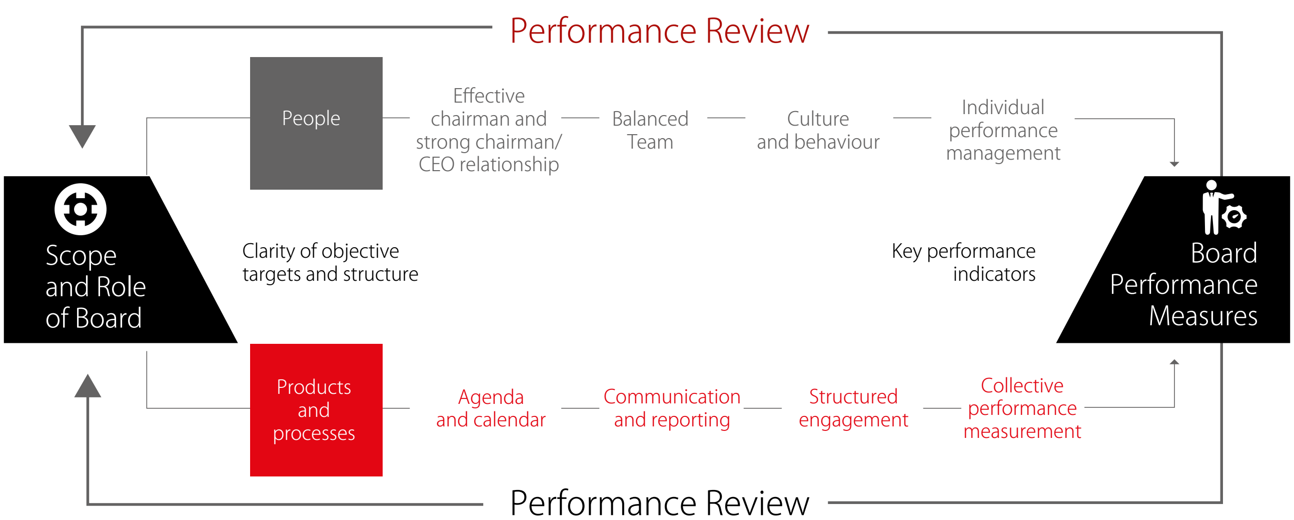
Before a board can even begin to evaluate its performance in these broad areas of responsibility, it must articulate the specific actions that each of them implies. In other words, boards must set objectives for themselves within those broad categories against which they can eventually measure their 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

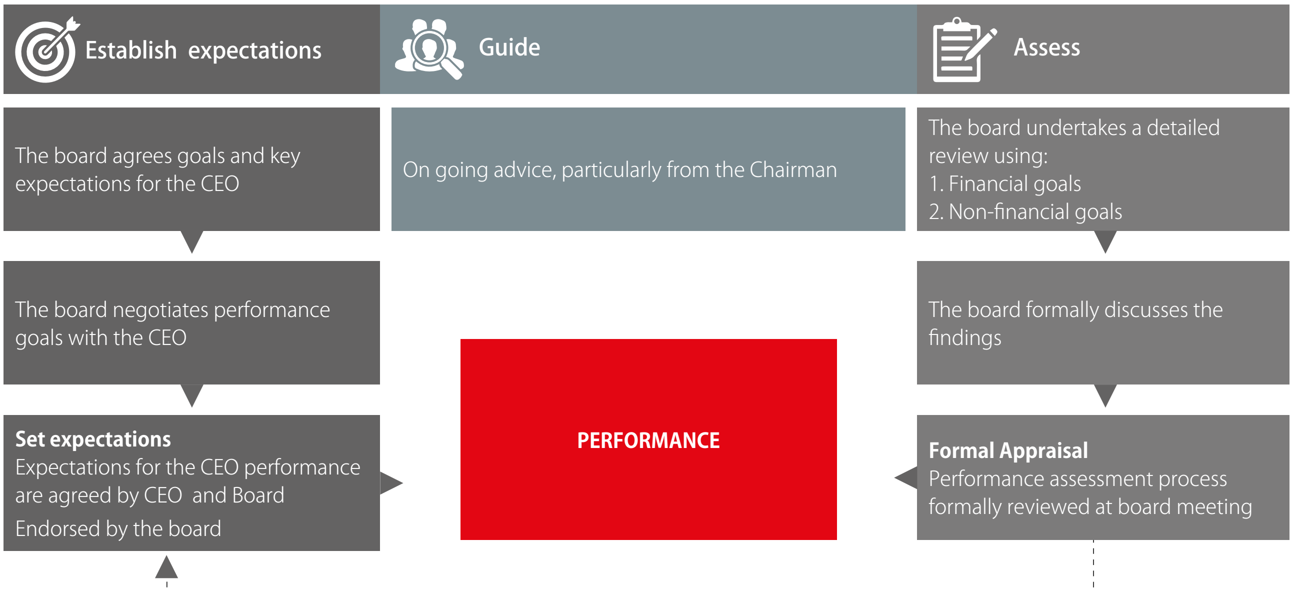
At the end of each quarter, the CEO & Managing Director is evaluated based on the financial targets. The evaluation is done based on both:

- 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.

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. They provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

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.

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 2019

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. 198 of this annual report.

The number of Directors required to constitute a quorum is six (6), out of the eleven Directors. During 2019, a total of eleven (11) Board meetings were held.

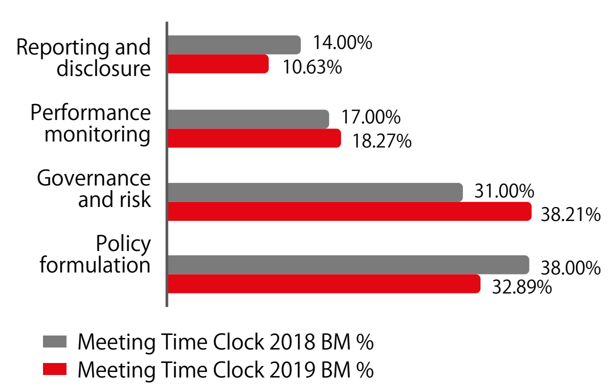
1.10.2.1 Key Activities of the Board in 2019

The following table shows a breakdown of the matters considered by the Board in 2019, in addition to business agenda.

Quarter-wise Overview of Main Recurring Board Activities of 2019	
January – March	• Authorization of Financial Statements and Annual Report 2018 • Adoption of Directors' Report • Dividend declaration • Appointment of Statutory and Corporate Governance Auditors and determination of Audit Fees • Approval of Performance Bonus for 2018 • Holding of Annual General Meeting • Review of Base Rate for the Fourth Quarter 2018
April – June	• Endorsement of First Quarter Financial Statement 2019 (January – March) • Employee Salary revision • Review of Base Rate for the First Quarter 2019
July – September	• Endorsement of Second Quarter Financial Statement 2019 (January – March) • Review of Base Rate for the Second Quarter 2019
October – December	• Endorsement of Third Quarter Financial Statement 2019 (January – March) • Approval of Budget for the year 2020 • Modification of Credit Policy • Review of Base Rate for the Third Quarter 2019

The Board spent it's time for the 2019 in the following manner:

BOARD MEETING TIME CLOCK*



** 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 Distinctive Activities of 2019:

- Service renewal of contract of Mr. Arif Khan as the CEO and Managing Director;
- Declaration of IDLC FL Integrity Award;
- Revised Technology Policy;
- Affirmation of compliance with the code of conduct for the members of the board for 2020;
- Launch of IDLC Affordable Home Loan;
- Approval of participation of IDLC in Investors' Roadshow in USA and UK organized by IDLC Securities Limited.

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. 189, 134 of this Annual Report.

1.12 Roles of Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC)

Roles and Responsibility

Company Secretary (CS)

- To act as a mediator between the Company, Board of Directors, stakeholders, the government and regulatory authorities;
- Reporting in a timely and accurate manner on company procedures, performance and developments.
- To develop and oversee to 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;
- 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, and Central Depository System etc.
- Assist management in corporate tax planning and ensure efficient and effective tax management;
- Statutory reporting to Bangladesh Bank, SEC, NBR and other regulatory bodies under Financial institutions Act, 1993, Companies Act 1994, Securities & Exchange Regulations etc.
- Liaison with the outside parties for company affairs.

Chief Financial Officer (CFO)

- To participate in planning and policy making, and bear responsibility for the overall financial management of the Company;
- To regulate, supervise and implement , accounting and audit requirements, reflecting all its activities with the relevant legislation such as Companies Act, 1994, Securities and Exchange Ordinance 1963, Financial Institutions Act, 1993, International Accounting Standards and Bangladesh Accounting Standards;
- 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;
- To implement and ensure overall accuracy of budgetary and financial control system to monitor the performance of the company, its flow of funds, the adherence to the budget;
- To alert management and Board any irregularity, lack of compliance, actual or potential problems concerning the financial system;
- To ensure proper tax management and compliance system;
- Involve vigorously in business strategies, formulate long term business plans and keep close liaison with the Board of the Company;
- Liaise with the External Auditor and oversee the audit procedure;
- Prepare statutory annual report and circulate to stakeholders within the timeframe.

Head of Internal Audit and Compliance (HIAC)

- Ensure proper internal control system is 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;
- Prepare audit programs and approaches that meet the objectives of audit that complies with internal control design and testing;
- 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 auditor;;
- Conduct special investigation on the allegation of fraud, forgery noticed by the management;
- Perform other duties and special projects as assigned by the CEO or Audit Committee.

1.13 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) and Bangladesh Association of Publicly Listed Companies (BAPLC). Till the date of reporting, we have not received any direction in this regard.

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 as follows:

Board of Directors

Audit Committee

Executive Committee

Section no.	Name of Committee of the Board	Members of the Committee	Core Functions of the Committee	Number of meetings held in 2019
1.13.1	Executive Committee	Atiqur Rahman- Chairman Md. Abdul Wadud- Member Syed Shahriyar Ahsan-Member Mai Ul Hasan- Member Arif Khan CFA FCMA-Member	• Reviewing all the operational functions • Analyzing and reviewing major standard terms and conditions beyond the management authority as per approved Credit Policy • Considering all proposals and increase in their acquisition cost by 10% • Presenting a summary of approved proposals which are within their approval limit • Exercising the delegated authority from time to time • Might delegate its authority to management as it deems fit from time to time • Considering other matters submitted by Managing Director	11
1.13.2	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	• Appraising the audit procedures and reviewing the management letter • Assessing the managements' compliance with the recommendation made by external auditors • Making recommendation about the appointment of external auditors • Reviewing rules and regulations set by different regulatory bodies , internal policies and guidelines • Reviewing and reporting any rectification or irregularities identified by internal and external auditors and Bangladesh Bank inspection team • Carrying out supervisory activities assigned by the board • Evaluating its own efficiency regularly	6

1.14 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.

Management Committee

Meetings Held

Weekly

Risks Managed

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Technology Risk
- Legal Risk
- Environment and Social Risk
- Reputation Risk

Members

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

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Officer (CTO)

Mohammad Jobayer Alam, CFA
Head of SME &Strategic Planning

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

Ataur Rahman Chowdhury
Head of Operations

Md. Saifuddin
Managing Director, IDLC Securities Limited

Md. Moniruzzaman, CFA
Managing Director, IDLC Investments Limited

Rajib Kumar Dey
Managing Director, IDLC Asset Management Limited

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

Jane Alam Romel
Group Chief Marketing Officer

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

Functions

- 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.

Notable activities of 2019

- Re-organizing corporate and SME division based on client size;
- Issuance of new product lines- affordable housing loan, very small enterprise loans, IDLC Shariah Fund;
- Steering drives towards improved efficiency;
- Review of the Business Continuity Plan

Achievement Highlights

- One of the highest Return on Asset (ROA) amongst all banks and financial Institutions- 1.50% (consolidated)
- Improving Turnaround Time –
  - ✔ 26% for small scale loan sanction
  - ✔ 5.23% for loan disbursement

BCP drill implementation across 2 major operational hubs revealed smooth operations

Credit Evaluation Committee

Meetings Held

Twice in a Week

Risks Managed

- Credit Risk
- Liquidity Risk

Functions

- Evaluates all projects/ proposals of the Company from the risk point of view.

Notable activities of 2019

- Approved business proposals having a group exposure limit as given below:
- Corporate & SME segment: Existing client- BDT 50 million (new client- BDT 70 million)
- Residential and Commercial Real Estate Finance: BDT 30 million

Achievement Highlights

- Evaluated number of proposals- over 430
- Containing NPL ratio to 3.07% which is a sound performance in comparison to the double digit industry average.

Members

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

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Mir Tariquzzaman
Chief Technology Officer (CTO)

Mohammad Jobayer Alam, CFA
Head of SME &Strategic Planning

Asset Liability Management Committee

Meetings Held

12

Risks Managed

- Credit Risk
- Liquidity Risk

Functions

- 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.

Notable activities of 2019

- Maintaining adequate liquidity buffer depending on market outlook;
- Keeping liquidity risk and interest rate risk metrics within the regulatory limits;
- Re-pricing asset and liabilities in a timely fashion to maintain targeted spread;
- Reduce reliance on bank deposit;
- Manage interbank placement exposure;
- Ensuring compliance with all regulatory ALM ratios

Achievement Highlights

- Developed internal ratio-short term liquidity coverage ratio to manage liquidity risk
- Maintained sufficient liquidity buffer
  üLoan to fund ratio-Within78.62% to 88.20%
- Maintained loan deposit spread within the targeted range;
- Developed new risk grading model for managing inter-bank placement risk
- Reduced ratio bank deposit to total funding basket to 4%;

Members

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

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Mohammad Jobayer Alam, CFA
Head of SME & Strategic Planning

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

Nurul Karim Patwery (Mamun)
Head of Treasury

Nomination & Remuneration Committee

In the name of

HR & Compensation Committee

Meetings Held

8

Risks Managed

- Operational Risk
- Environment and Social Risk

Functions

- 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

Notable activities of 2019

- Introducing smart performance appraisal form to confirm all employees
- Revising HR Policy Manual
- Amendment of IDLC Home Loan Shield Policy
- Amendment of motorbike policy for employees
- Approving Spot Awards & assistance from Welfare Fund to the employees

Achievement Highlights

- Piloting Employee flexi-hours
- Improved HR self-service module
- Implemented E-learning module for continued HR development

Members

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

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Officer (CTO)

Mohammad Jobayer Alam, CFA
Head of SME &Strategic Planning

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

Corporate Governance Committee

Meetings Held

4

Risks Managed

- Operational Risk
- Liquidity Risk
- Environment and Social Risk
- Reputation Risk

Functions

- 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

Notable activities of 2019

Ensuring compliance Code of Conduct and IDLC's governance framework with the BSEC Corporate Governance Code dated June 3, 2018 and Bangladesh Bank's guidelines

Achievement Highlights

- Achieved "Highly Satisfactory" certification from corporate governance auditor regarding the governance of the company.
- Obtained accolade from ICSB for one of the best governed companies.

Members

Arif Khan CFA FCMA
CEO & Managing Director

Asif Saad Bin Shams
Chief Risk Officer and Head of Credit

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

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

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

BASEL Implementation Committee

Meetings Held

4

Risks Managed

- Credit Risk
- Strategic Risk

Functions

- 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 (TNiA) 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
- Action taken

Notable activities of 2019

- 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.

Achievement Highlights

- Maintaining CAR well above 14%-
- Group- 17.50%
- Solo- 14.82%
- Implemented automated credit rating monitoring platform.

Members

Arif Khan CFA FCMA
CEO & Managing Director

Asif Saad Bin Shams
Chief Risk Officer and Head of Credit

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

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

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

Integrity Committee

Meetings Held

1

Risks Managed

- Credit Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Market Risk
- Environment and Social Risk

Functions

- 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.

Highlights of 2019

- Implementation of the Integrity Award Policy and selecting employees in two category for Integrity Award 2019.
- Approved department-wise best practices list
- Number of Awardees for 2019- 2

Members

M. Jamal Uddin
Deputy Managing Director & Head of Business

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Officer (CTO)

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

Central Compliance Unit (CCU)

Meetings Held

3

Risks Managed

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Technology Risk
- Legal Risk
- Environment and Social Risk
- Reputation Risk

Functions

- 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 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 .

Highlights of 2019

- Ensured continued compliance with national AML/CFT laws and regulations;
- Review of AML/CFT policies and ensuring compliance across the organisation;
- Reviewed and approved suspicious transaction and activity reporting;
- Ensuring every new employee is acclimatized with Code of Conduct and basic risk mitigation factors at a behavioural level.

Number of AML trainings conducted in 2019: 15

Members

M. Jamal Uddin
Deputy Managing Director & Head of Business

Asif Saad Bin Shams
Chief Risk Officer and Head of Credit

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

Risk Management Forum

Meetings Held

12

Risks Managed

- Credit Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Market Risk
- Environment and Social Risk

Functions

- 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 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
- Highlight risks in portfolios and deficiencies of the Company on a timely manner
- 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

Notable activities of 2019

- Reviewed Risk Management Paper
- Recommended measures, as deemed necessary, for management of relevant risks;
- Assessed Top 10 risks of the company and reviewed Plans for future risk managements;
- Undertaking risk studies.

Achievement Highlights

- Establishing Risk reporting across the organisation through implementing;
- Key Control Standard- Yearly
- Key Control Self Assessment- Quarterly
- Key Risk Indicators- Monthly
- Enhancing control through every formalizing internal procedures and services.

Members

Arif Khan CFA FCMA
CEO & Managing Director

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Officer (CTO)

Mohammad Jobayer Alam, CFA
Head of SME &Strategic Planning

Md. Masud K. Majumder, FCA
Group Chief Financial Officer

Ataur Rahman Chowdhury
Head of Operations

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

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

Jane Alam Romel
Group Chief Marketing Officer

Shafayet Hossain
Head of Special Asset Management

ICT Security and Risk Management Committee

Meetings Held

1

Risks Managed

- Technology Risk
- Operational Risk

Functions

- 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

Notable activities of 2019

- Approved IT Risk Management Framework
- Provide necessary guidance to enhance IT security and mitigate technology risks

Achievement Highlights

Ensured compliance of Security Guideline on Technology usage at every user level

Members

Asif Saad Bin Shams
Chief Risk Officer and Head of Credit

Mir Tariquzzaman
Chief Technology Officer (CTO)

Md. Masud K. Majumder, FCA
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

ICT Steering Committee

Meetings Held

4

Functions

- 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

Members

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
Syed Javed Noor
Head of Consumer Division
Mesbah Uddin Ahmed
Head of Corporate Division
Akhteruddin Mahmood
Group Head of Human Resources
Mir Tariquzzaman
Chief Technology Officer (CTO)
Mohammad Jobayer Alam, CFA
Head of SME &Strategic Planning
Md. Masud K. Majumder, FCA
Group Chief Financial Officer
Ataur Rahman Chowdhury
Head of Operations
Mohammad Jobair Rahman Khan, FCA
Group Head Corporate Affairs & Taxation and Group Company Secretary
Mahbub-ul-Kader, CAMS
Group Head of Internal Control and Compliance
Jane Alam Romel
Group Chief Marketing Officer

Notable activities of 2019

- Approved the project for the year
- Prioritize the IT projects and resource assignment for the approved projects
- Take the status update of the ongoing IT projects
- Provide necessary guidance to ensure compliance

Achievement Highlights

Number of projects evaluated by ICT Steering committee in 2019: 36

Number of projects approved for the year: 29

Number of projects implemented in 2019: 24

Number of projects Ongoing from 2019: 5

Risks Managed

- Technology Risk
- Operational Risk

IDLC Ladies Forum

Meetings Held

1

Functions

- 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.

Notable activities of 2019

- Effective hosting of the Annual Ladies Forum meeting;
- Ensuring proper management of issues raised .

Members

Shamima Akter Lovely
Chairperson
Laila Nasrin
Executive Committee Members
Mahjebeen Binte Rahman
Executive Committee Members
Tabassum Abedin Shenjuti
Executive Committee Members
Nilufa Amin
Executive Committee Members
Saima Islam
Executive Committee Members
Nafisa Rezwan
Executive Committee Members
Samia Mohsin
Executive Committee Members
Farzana Ferdausi
Executive Committee Members
Sanjana Ahmed
Secretary
All the women employees of Group IDLC

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. 11 of this annual report.

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. 62.

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. 64 of this annual report.

3. Audit Committee

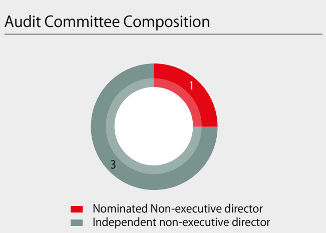
Audit Committee

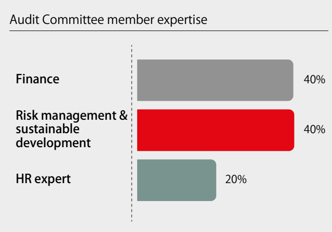
Contribution to Value Creation

Ensuring Long-term growth and sustainable standing

Key functionalities

- Ensuring appropriate Internal Control and Compliance
- Mitigating Risks
- Upholding core values of-
  - Integrity
  - Trust & Respect
- Establish Accountability and Transparency





Risks Managed

CR	LQR	MR
OR	SR	TR
ESR	LR	RR

CR CREDIT RISK **MR** Market Risk **LQR** Liquidity Risk **OR** Operational Risk **SR** Strategic Risk **TR** Technology Risk **LR** Legal Risk **ESR** Environment & Social Risk **RR** Reputation Risk

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 revised Corporate Governance Code (CGC) notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, and international best practices on corporate governance.

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. 33 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

Terms of Reference

- Internal Control
- Financial Statements
- Internal Audit
- External Audit
- Compliance with Existing regulations
- Miscellaneous

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.

According to the revised Terms of Reference (ToR) of the Audit Committee, its principal duties and responsibilities in respect of the following aspects:

Internal Control	Financial Statements	Internal Audit	External Audit	Compliance with existing regulations	Miscellaneous
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 b. Has clearly defined the duties and responsibilities of officials 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.	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	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	1. Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board; 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 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	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.	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

Composition of the Audit Committee

3.1.3 Composition 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.

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. 32 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 2019

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 2019, 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.

3.1.6.1 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. Of them, one shall be an Independent Director. The Company Secretary shall act as the secretary of the Committee.

3.1.7 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.

3.1.8 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 2019.

3.1.9 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 2019.

3.2 Objectives and Activities 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 Internal controls are well conceived, properly administered and satisfactorily monitored

Based on the review of activities of ICC department in 2019, 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. 185 of this annual report.

3.2.2 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.

3.2.3 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 34th AGM to appoint them as statutory external auditors of the company for 2019. 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 72nd meeting held on February 20, 2020 reviewed their activities and hold a discussion with them in this regard. And the committee and the auditors, both have expressed their satisfaction.

Key Functions of Audit Committee

- Ensured effective coordination of external audit function
- Ensured independence of external auditors
- Reviewed external auditors findings to ensure actions being taken
- Reviewed external auditor for appointment/ re-appointment
- No non-audit work was assigned to external auditor

Activities undertaken in 2019

The key activities performed by Audit Committee has been detailed in page no. 185 in the Statement of Audit Committee.

3.2.4 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. 215 of this annual report.

3.2.5 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.

3.2.6 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. 215 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:

1. Control Environment

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.

Activities ensured by IDLC:

- Active participation by those charged with governance through regular meetings
- Regular communication and confirmation of its Code of Conduct.
- Zero tolerance for illegal or unethical behaviour.
- Maintaining a well-defined organisational structure
- Human resource policies that demonstrate the Company's commitment

2. Risk Assessment

Company identifies and assesses risks in the achievement of its objectives

Activities ensured by IDLC:

- Assessment from branch and department level reviews of portfolios, functions and operations to ManCom and ALCO meetings at the very top level of the management

3. Control Activities

The policies and procedures that help ensure that the management directives are carried out.

Activities ensured by IDLC:

- Authorization, reviews, reconciliations and verifications of various objectives that are applied throughout the Company at all levels and in all functions

4. Information & Communication

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

Activities ensured by IDLC:

- Established information systems that deal with internally generated data as well as external events, activities and conditions relevant to business decision-making
- Encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments

5. Monitoring

Ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions

Activities ensured by IDLC:

- 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.

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

The following are our keys risks-

Credit Risk	Market Risk	Liquidity Risk	Operational Risk	Strategic Risk
Technology Risk	Legal Risk	Environmental and Social Risk	Reputation Risk	

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 detailed discussion of risks and the strategies adopted to manage and mitigate these are given in the Statement of Risk Management on page 51 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

- 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.
- Central Compliance Unit (CCU): Responsible for supervising the anti-money laundering (AML) and anti-terrorism activities (ATA) at IDLC.

In order to address and mitigate the risks prudently, at IDLC, the above committees are operational, about which details are given on page no. 150 of this annual report

5 Ethics and Compliance

The Board's commitment to establishing the highest levels of ethics and compliance. Code of Conduct majorly addresses all issues relating to conduct and apart from law and regulation touches on prime issues such as Conflict of Interest , Insider Trading, and Other general obligations

Code of Conduct

Conflict of Interest	Insider Trading	Fraud	General Obligations

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.

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 behaviour:

- Communication of Code of Conduct new joiners and annually to existing employees
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis
- Instilling ethical principles in day-to-day activities and strategies
- Establishing a clearly-defined organizational structure and ensuring individual accountability
- Establishing a variety of monitoring mechanisms internal audit team
- Ensuring instant action with zero tolerance for identified instances of unethical and/or non-compliant behavior

Ensuring High Levels of Ethics and Compliance

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:

Prudent Conduct and Behavior: to use due care in the performance of his/her duties, be loyal to the company, act in good faith which is the best interest of the company

Business opportunities: Avoid appropriating corporate business opportunities; using Company property or information, or their position as Board member or competitng with the company for personal gain

Conflict of interest: Avoid having members' private interests interfere with the interests of the company or the ability to perform his or her duties and responsibilities objectively and effectively

Company property: 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 legitimatebusiness purposes

Confidential information: maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved

Compliance with laws and regulations: Ensure that the management is causing the company to comply with all applicable laws, rules and regulations

Fair Dealing: Board members shall endeavor to deal fairly and should promote fair dealing with customers, suppliers and employees

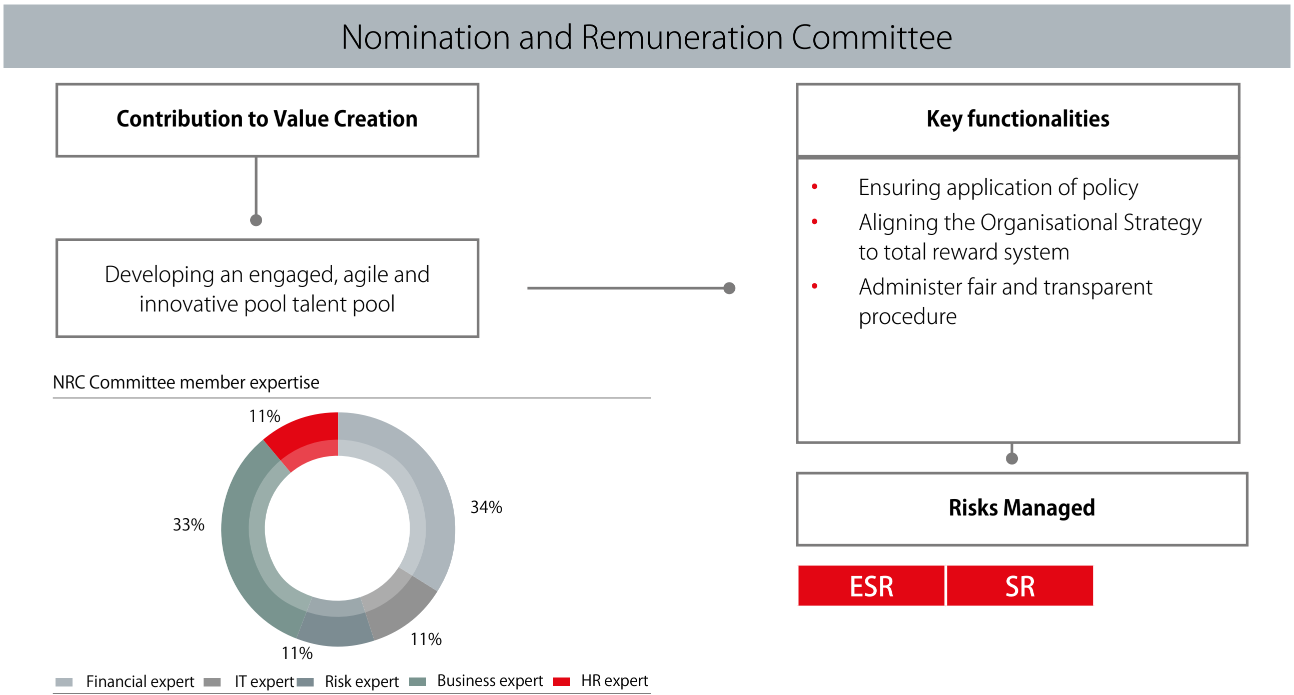
Insider trading: The Board members shall not engage in insider trading with respect to the purchase and sale of the Company's securities

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.

6. Nomination & Remuneration Committee (as part of Management Committee)

Nomination & Remuneration Committee (also identified as HR & Compensation Committee) is a subcommittee of the management which is comprised of Senior Executives Only. The Board is not part of this committee as per Bangladesh Bank directive, and operates independently to ensure rights and value of the company's human resource.



SR Strategic Risk ESR Environment & Social Risk

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. 151 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 1.14 above.

6.3 Key policies with regard to remuneration of directors, senior management and employees

6.3.1 Remuneration of chairman, directors, CEO and senior executives

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
DFIM CircularNo. 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 Remuneration Committee	

6.3.1.1 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 2019 have been disclosed on page no.284 of this annual report.

6.3.1.2 CEO & Managing Director

Remuneration paid to the CEO & MD as approve by Bangladesh Bank has also been disclosed on page no. 283 of this annual report.

6.3.1.3 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.

6.4 Number of Meetings held and work performed

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.

There were four meetings of the HR Compensation Committee in the 2019.

6.4.1 Work Performed in 2019

The eight meetings were held with following agenda:

1st quarter	2nd quarter	3rd quarter	4th quarter
• Employee promotion • Performance bonus	• Salary revision • Implementation of Flexible working hours	• Implementation of E-learning platform	• Evaluation of employee engagement programs

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 characterised 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 "Human Capital" on page 96 of this annual report.

7.2 Organisational chart

IDLC's organisational chart outlines the internal structure of the Company. It emphasises 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. 95 of this annual report.

7.2.1Structure

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.

7.2.2 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.

7.2.3 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.

7.2.4 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.

7.2.5 Grievance management and counselling

At IDLC, we are committed towards ensuring equal opportunity, equal rights. Any grievance are managed by HR department that listens to issues and solves them and where required provides counselling.

In addition to the general grievance management, we also have a specific forum for women, IDLC Ladies Forum (IDLC FL) , which is a 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. 155 of this annual report.

8. Shareholders

8.1 Shareholders Rights

IDLC remains committed to maintaining open channels of communication with the shareholders and make sure all the shareholder rights are carried out. With this aim, IDLC resolves to be informative and accessible to all shareholders. Significant emphasis is given on feeding shareholders views to the Board, both positive and negative. The Chairman encourages all Directors to attend the AGM, providing shareholders in particular with the opportunity to hear directly from the Board and to question the Directors in person.

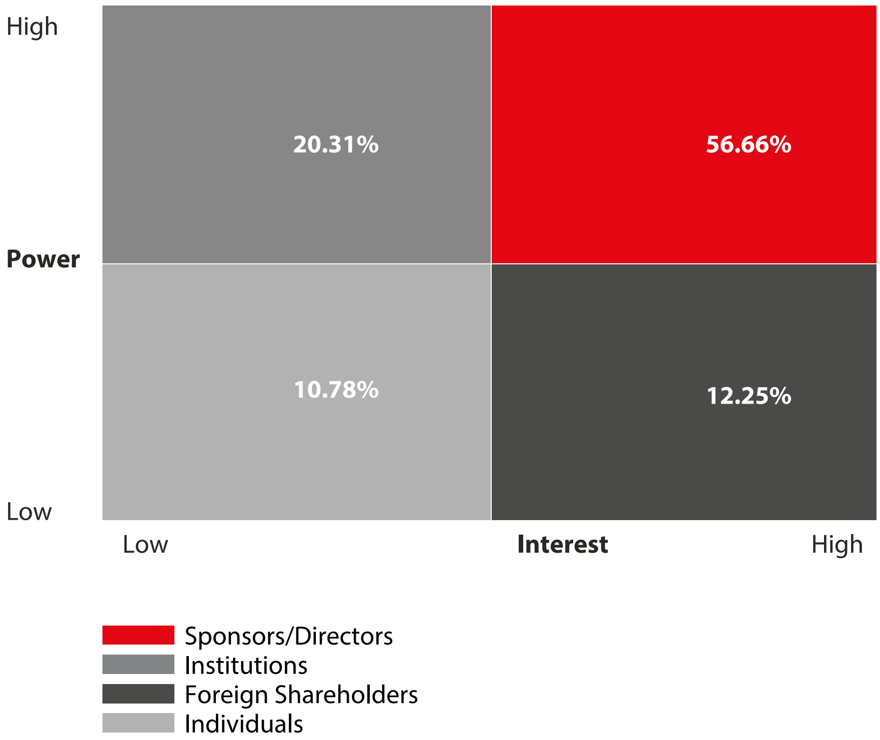
The basic rights that the shareholders enjoy are:

- 'Entitlement of dividend
- Effective participation and voting in shareholder meetings
- Right to elect the board members
- Ability to convey or transfer shares
- Participation and informed on basic decisions including-amendments to governing documents, new share authorization and extraordinary transactions
- Sufficient and timely information on the Board Meetings
- Right to question the board and put input on fundamental issues
- Allowed to consult with each other concerning their interest
- Permission to voting in absentia

8.1.1 Control Structure fulfilling shareholder's needs:

The control structure of IDLC is transparent and is allowed to change based on the need of the shareholders. Control structure is proportional to the share ownership. Rules for change of control exists and is transparent to all shareholders .Share transactions occur at market price.

Shareholders Power/Interest Matrix



* Based on Shareholding of December 31, 2019

8.1.2 Equitable Treatment to all shareholders:

IDLC strives to ensure shareholders are subjected to equitable treatment. Within the same class, all shares carry same rights. Shareholder meetings ensure the shareholders do not face undue difficulty regarding participation and voting.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person, or by proxy, attorney, or representative, shall have one vote in the Annual General Meeting. On a poll every member so present shall have one vote in respect of each share held by him/her. Every holder of one or more ordinary shares shall, on his name being entered in the Register, be entitle to be present and to speak and vote at any General Meeting. Any share holder whose name is entered in the Register shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

8.1.3 Protection of Minority Shareholders:

In compliance with Corporate Governance Code by BSEC, IDLC strives to establish accountability, transparency as well as protect the interest of minority shareholders. The shareholders have voting rights in proportion to the number of shares. The shareholders are entitled to dividend and paid if declared.

IDLC protects the interest of minority shareholders by providing flow of information towards and keep them updated through necessary means. The Code of Compliance followed by the company ensures the affairs of company being conducted or the power of directors are being exercised in a manner that is not prejudicial to any of the shareholders vis-a-vis minority shareholders.

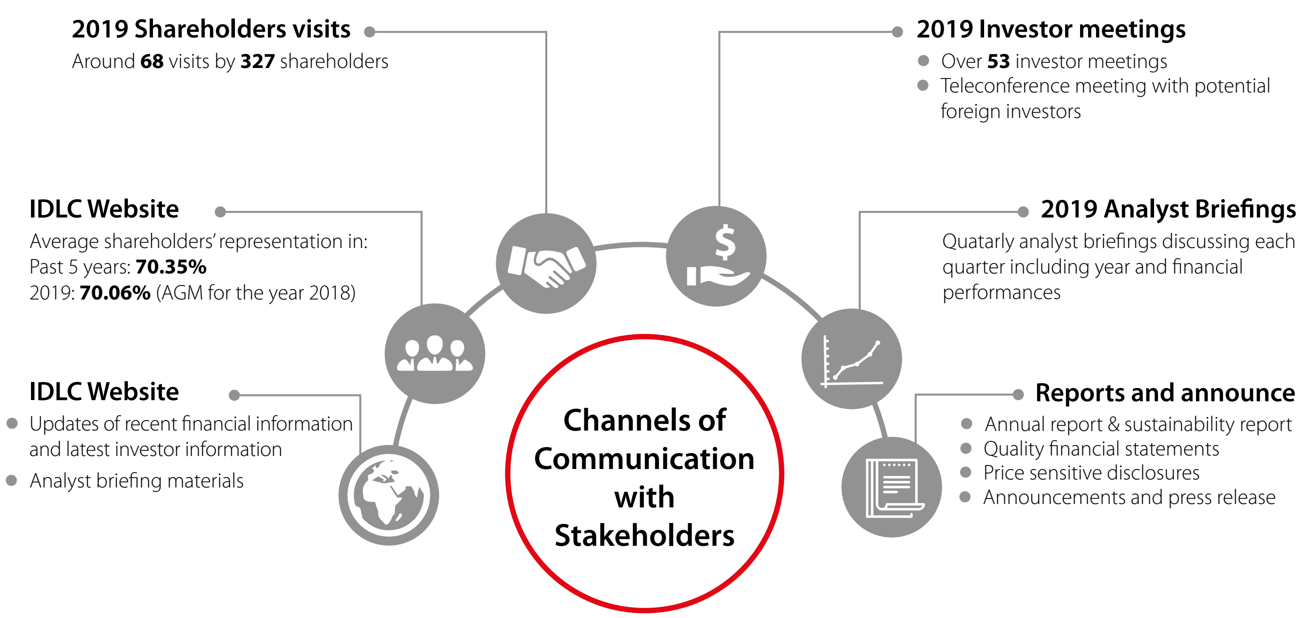
8.2 Strategy to facilitate effective communication with shareholders

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.

8.2.1 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.

8.3 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.

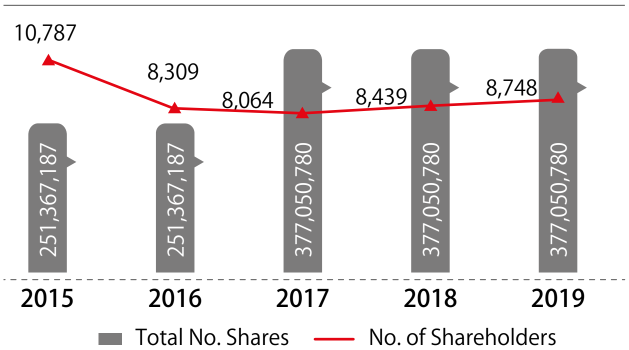
A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting;

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;

Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/Post. 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

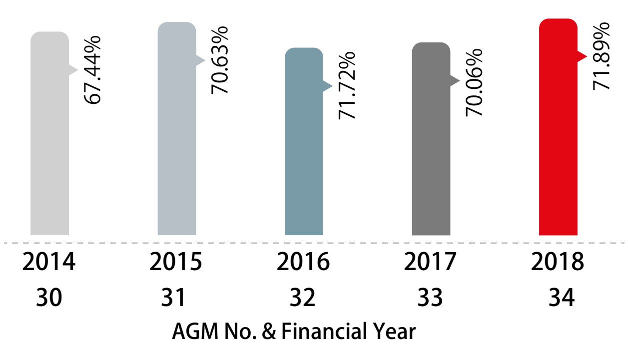


8.3.1 Communication through AGM

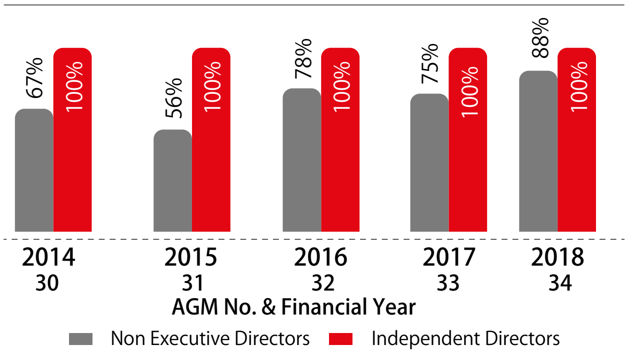
All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if 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.

Shareholding representation at the AGM in the last five years



AGM attendance % of Non Executive Directors, Independent Directors & Statutory Auditors

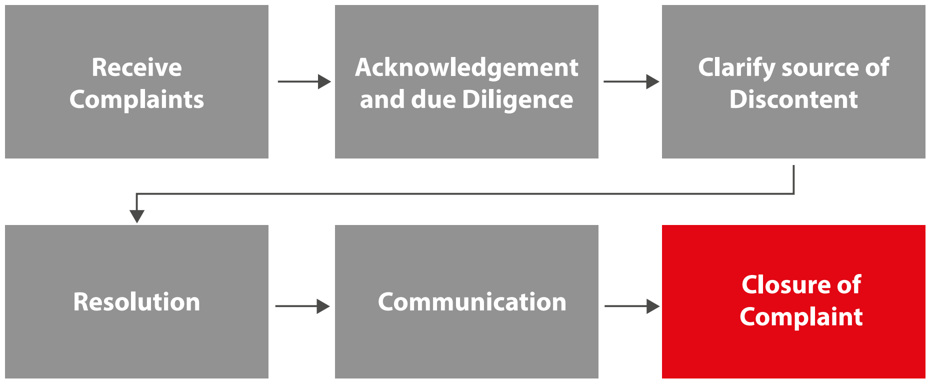


8.3.2 Process of communicating the schedule

At least 14 to 21 days before the AGM, 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) Limited and Chittagong Stock Exchange (CSE) Limited, Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

8.4. Complaint Management Process

To ensure effective stakeholder engagement as well as uphold stakeholder rights and accountability, a Complaint Management Policy is in place. The Directors are responsible for implementing and overseeing the compliance within the policy.



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.

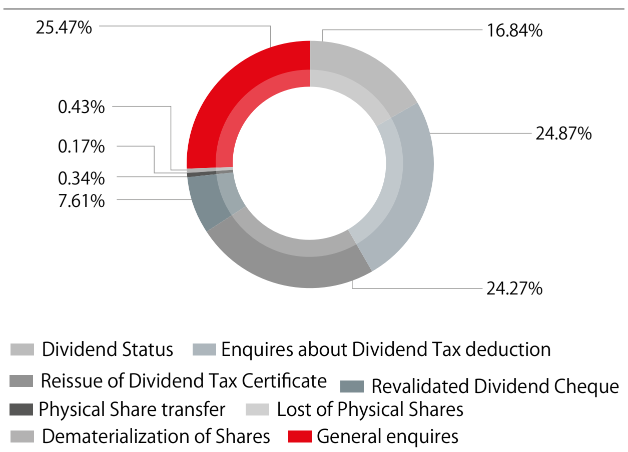
Services provided to shareholders:

Highlighted Support to Stakeholders	Average Time Required		Efficiency Improved in %
	2019	2018	
Dividend Status query	5 Minutes	8 Minutes	60%
Enquires about Dividend Tax deduction	7 Minutes	12 Minutes	71%
Reissue of Dividend Tax Certificate	15 Minutes	25 Minutes	67%
Revalidated Dividend Cheque	15 Minutes	25 Minutes	67%
Physical Share transfer	15 days*	22 days*	47%
Loss of Physical Shares	20 days*	25 days*	25%
Dematerialization of Shares	12 days*	17 days*	42%
General enquires	7 Minutes	10 Minutes	43%

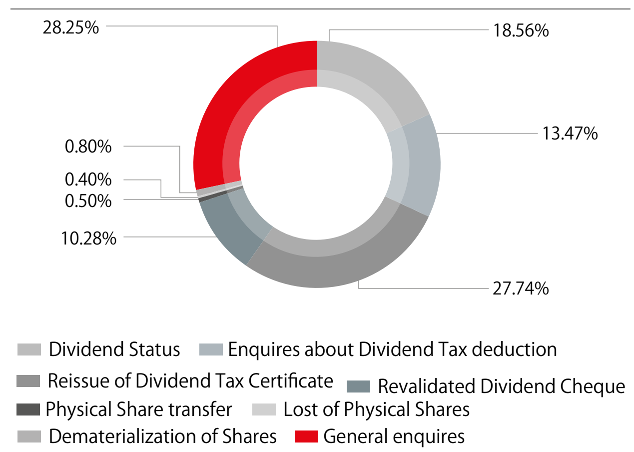
Subject to submission of all required documents

We have bought more efficiency to support our shareholders by re-engineering of way of doing things and use of updated technology.

Service Concentration 2019



Service Concentration 2018



8.5. Relationship with Investors

At IDLC we aim to foster long-term relationship with our investors and attain significant mileage and brand value and funding in the long-run. 2019 was a year where we put a significant emphasis on creating value to our investors-current and potential, through increasing transparency, improving communication and enhancing reach. In addition to our regular quarterly earnings webcasts we have participated in foreign roadshows, namely in the United States of America and in the United Kingdom, that helped us expand our brand reach.

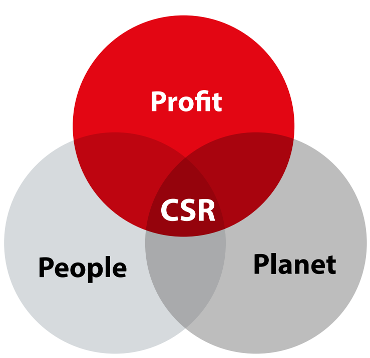
Key activities during the year 2019

4 quarterly earnings webcasts within 8 weeks past each quarter	2 roadshows in UK and USA in September 2019	Year round meetings, calls and email exchanges with analysts and shareholders

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 activities undertaken by IDLC is given on page no. 16 of this annual report.

9.3 Sustainability

One of our core aim is to ensure sustainability in the way we conduct business. We follow GRI standards and guidelines that enable us to be on the pathway of sustainable practices. We cover the details on this topic in our Sustainability 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. 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:

- Organisational leadership structure
- Comprehensive Code of Conduct in alignment with our ethics and philosophies
- Aligning resources with our growth aspirations and forecasting key risks that might impact our business over the long-term and their potential mitigation strategies.
- Investment towards strengthening relationship with our key stakeholders
- Mitigation of key environmental and social risks in the long-term plans and manufacturing facilities;
- Gauging the levels of innovation fostered within the enterprise; and
- Best-in-class remuneration and incentives structures in alignment with the market.

IDLC's philosophies are based on our collective passion to ensure good governance across every aspect of the organisation. Our aim is to be an exemplary example in the standard of corporate governance practices

STATUTORY REPORTING

KEY POINTERS FOR THE SHAREHOLDERS

IDLC is very much concern of the stakeholders' interest on the company including the potential investors. IDLC with 34 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 shareholders

Events for the year	2019	2018
Publication of Financial Statements for the 1st Quarter	May 14, 2019	April 26, 2018
Publication of Financial Statements for the Half-year	July 26, 2019	July 30, 2018
Publication of Financial Statements for the 3rd Quarter	October 31, 2019	October 15, 2018
Annual Financial statements approved by the Board	February 20, 2020	February 17, 2019
Date of Record	March 12, 2020	March 12, 2019
Dispatching notice for the Annual General meeting	March 13, 2020	March 13, 2019
Dispatching of Annual Report	March 15, 2020	March 13, 2019
Holding of Annual General Meeting	March 30, 2020	March 28, 2019
Transfer/ payment of Dividend	Expected within April 26, 2020	April 24, 2019

Comparative Shareholding Structure of IDLC as on December 31

Types of Share Holders	2019		2018	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Sponsor/Director	213,642,577	56.66	213,642,577	56.66
Institutions	76,569,788	20.31	66,134,139	17.54
Individuals	40,663,518	10.78	45,171,377	11.98
Foreign	46,174,897	12.25	52,102,687	13.82
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	2019		2018	
		No. of shares held	% of Issued shares	No. 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%

Sl. No.	Name of the shareholders	2019		2018	
		No. of shares held	% of Issued shares	No. of shares held	% of Issued shares
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)	22,551,871	5.98%	17,785,020	4.72%

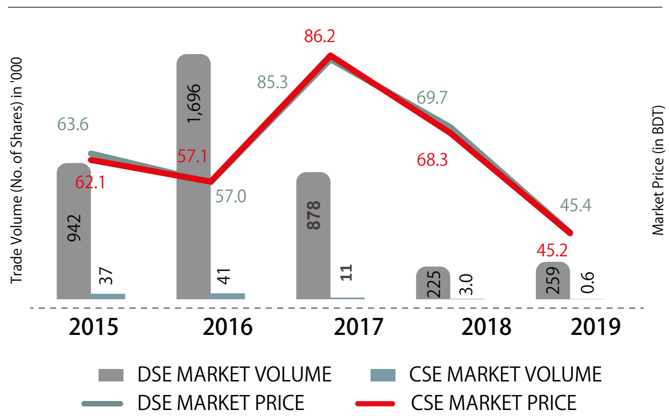
Equity statistics of IDLC important to the stakeholders

Particulars	2019	2018	2017	2016	2015
Number of shares in issue (No.)	377,050,780	377,050,780	377,050,780	251,367,187	251,367,187
Net asset value per share (BDT)	37.18	36.17	33.41	23.70	20.65
Market Capitalization (BDT in million)	17,118.11	26,280.44	32,162.43	14,327.93	15,986.95
Market value addition per share (BDT)	8.22	33.53	51.89	21.44	32.63
Shareholders' equity (BDT in million)	14,017.57	13,637.32	12,597.48	8,937.84	7,785.96

IDLC'S share price as on December 31

Particulars	2019	2018	2017	2016	2015
Highest (BDT)	45.60	70.00	85.90	57.80	64.00
Lowest (BDT)	44.90	68.90	84.90	55.60	61.60
Closing (BDT)	45.40	69.70	85.30	57.00	63.60
Shares traded (No.)	258,509	225,194	878,209	1,695,625	942,103
Market Turnover (BDT in million)	11.72	15.67	74.97	96.50	59.55

IDLC's Trade Movement Against Price



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, specially 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	250.99
General reserve	100.00
Retained earnings	543.01
Minority interest in subsidiaries	0.00
Non-cumulative irredeemable preference shares	-
Dividend equalization account	4.65

(a)	**Total Tier 1 capital**	**1,401.76**
(b)	**The total amount of Tier 2 capital**	**69.97**
(c)	Other deductions from capital	-
(d)	**(d= a+b+c) Total eligible capital**	**1,471.73**

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:

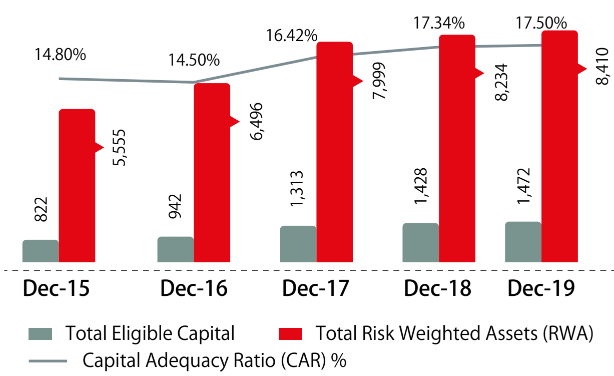
- Injecting fresh capital by issuing right shares, if required

	Quantitative Disclosures	Amount in BDT crore
(b)	Capital requirement for Credit Risk	6,886.57
(c)	Capital requirement for Market Risk	637.52
(d)	Capital requirement for Operational Risk	886.14

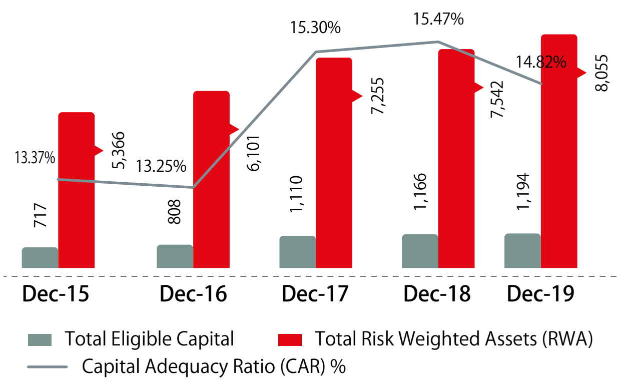
(e) Total and Tier 1 capital ratio:

- For the consolidated group; and
- For stand alone

IDLC Group in BDT crore



IDLC Finance Limited in BDT crore



Particular	Consolidated	Stand Alone
CAR on Total capital basis (%)	17.50	14.82
CAR on Tier 1 capital basis (%)	16.67	13.94

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 behaviour 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, 2019, 1,555 clients with total net exposure of BDT 3,598.48 crore were eligible for credit rating. Among these 1,555 clients, 326 clients having net exposure of BDT 2,540.92 crore had valid credit ratings. That is, about 72% of ratable exposure was rated. A major chunk of unrated clients are of SME type, informal and unstructured to some extent, who have become eligible due to exposure slightly beyond the maximum allowable exposure like 1.5 crore, 1.25 crore etc. In 2020, we are aiming to encourage such clients to have their concern rated. On another note, another good portion of unrated clients are those who are defaulter with some contracts already classified.

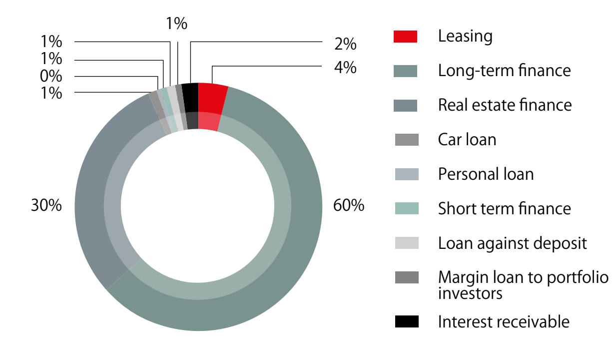
Methods used to measure Credit Risk

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.

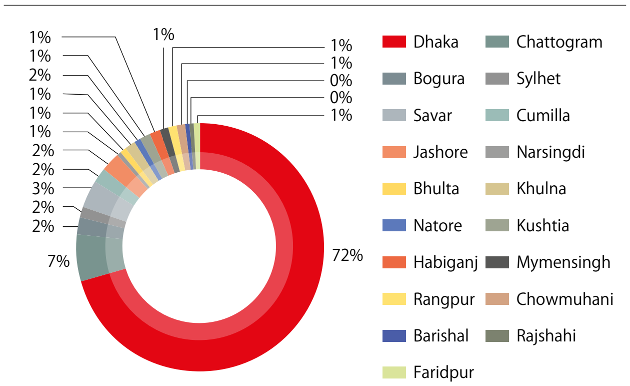
Portfolio exposure by major type



Particular	Amount in BDT crore
Leasing	349.64
Long-term finance	5,555.28
Real estate finance	2,816.26
Car loan	125.07
Personal loan	14.50
Short term finance	73.47
Loan against deposit	71.04
Margin loan to portfolio investors	89.75
Interest receivable	139.59
Total	**9,234.60**

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

Geographical distribution of Exposure



Area	Amount in BDT crore
Dhaka	6,537.02
Chattogram	565.74
Bogura	188.36
Sylhet	144.27
Savar	330.99
Cumilla	172.67
Jashore	224.99
Narsingdi	67.53
Bhulta	74.11
Khulna	125.72
Natore	66.70
Kushtia	145.70
Habiganj	114.18
Mymensingh	94.83
Rangpur	114.56
Chowmuhani	97.10
Barishal	51.13
Rajshahi	52.80
Faridpur	66.21
Total	**9,234.60**

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

Sector	Amount in BDT crore
Agriculture	72.75
Brokerage & Securities	0.00
Cement and Allied Industry	207.75
Electronics and Electrical Products	48.79
Food Production and Processing Industry	379.25
Garments and Knitwear	622.48
Glass, Glassware and Ceramic Industry	82.76
Housing	2,906.00
Iron, Steel and Engineering	322.22
Jute and Jute products	19.39
Leather and Leather Goods	10.92
Others	1,428.66
Paper, Printing and Packaging	79.16
Pharmaceuticals and Chemicals	133.83
Plastic Industry	151.90
Power, gas water and sanitary services	69.18
Ship Manufacturing Industry	13.82
Telecommunication and Information Technology	163.30
Textile	298.06
Trade and Commerce	1,933.04
Transport and Aviation	201.59
Grand Total	**9,144.84**

Beside these, IDLC group portfolio includes total margin loan to clients by our capital market subsidiaries (IDLC SL and IDLC IL) of amount BDT 89.75 crore. Therefore, the total industry exposure amounts to **BDT 9,234.60 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	741.43
Over 1 month but not more than 3 months	653.11
Over 3 months but not more than 1 year	2,181.12
Over 1 year but not more than 5 years	3,766.44
Over 5 years	1,892.50
Total	**9,234.60**

(f) Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & advances

Movement of Non Performing Assets (NPAs)

Particulars	Amount in BDT crore
Opening balance	181.39
Additions	131.71
Reductions	32.74
Closing balance	280.37

Movement of specific provisions for NPAs

Particulars	Amount in BDT crore
Opening balance	61.22
Provisions made during the period	40.85
Write-off	-
Write-back of excess provisions	(6.34)
Closing balance	95.72

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	416.60	322.59
Unquoted shares	52.22	-

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

- Nil

Particulars	Amount in BDT crore
Total unrealized gains (losses)	(15.43)
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 322.59 crore. Capital Requirement is 10% of the said value which stand to **BDT 32.26 crore.**
- **General Risk-** Market value of investment in equities is BDT 322.59 crore. Capital Requirement is 10% of the said value which stand to **BDT 32.26 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 behaviour 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)	645.62	679.97	642.27	959.54	816.09
B. Total Rate Sensitive Assets (B)	601.64	574.26	617.67	938.22	1323.28
C. Mismatch	-43.99	-105.71	-24.61	-21.32	507.19
D. Cumulative Mismatch	-43.99	-149.70	-174.30	-195.63	311.57
E. Mismatch (%)	-6.81%	-15.55%	-3.83%	-2.22%	62.15

Interest Rate Risk - Increase in Interest Rate

Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	-33.26	-66.53	-99.79
Net Interest Income	6.23	12.46	18.69
Revised Regulatory Capital	1444.69	1417.66	1390.63
Risk Weighted Assets	8410.61	8410.61	8410.61
Revised CAR (%)	17.18%	16.86%	16.53%

G) Market risk

Qualitative Disclosures

a) 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.

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	63.75
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:	88.61

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, 2019, IDLC Finance Limited is the custodian of 291,586,597 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 35TH ANNUAL GENERAL MEETING

Notice is hereby given to all the Members of IDLC Finance Limited (IDLC) that the 35th Annual General Meeting (AGM) of the company will be held on **March 30, 2020 (Monday) 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:

FLG200330-0035-01	Adoption of Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2019;
FLG200330-0035-02	Declaration of dividend for the year 2019 as recommended by the Board;
FLG200330-0035-03	Election of Directors;
FLG200330-0035-04	Appointment of Auditors of the Company until the conclusion of the next Annual General Meeting (AGM) and fixation of their remuneration; and
FLG200330-0035-05	Appointment of auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) for 2020 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, 2020

Notes:

- As notified earlier the **"Record Date"** was **Thursday, March 12, 2020**. 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 35th AGM and entitled to the Dividend as approved;
- Members were 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 @15% (instead of 10%) will be made from the eligible cash dividend amount, if any individual 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 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 30, 2020.**

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 2019 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 2019
- Conduct investigation as and when required
- 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 (AML) and combating to the financing of terrorism (CFT) compliance activities
- Coordination with Risk Analysis Unit & Risk Management Forum activities in line regulatory directive
- Facilitation of Audit Committee meetings.

In addition to the above regular activities, the department also carried out following development functions during the year:

- Transformed internal audit process in line with process re-engineering of retail business and centralized operational process;
- Conducted special audit on documentation status of secured overdue accounts, so that, management can undertake required measures to protect the company's interest adequately;
- Introduced periodic compliance report on stock trading activities of IDLC Securities Limited;
- Introduced monthly reporting on fraud cases happened in capital market intermediaries of the Country and reviewed IDLC Securities Limited's own control mechanism to prevent such fraud risk;
- Coordinated a special project for upgradation of KYC status of legacy Beneficial Owner (BO) Accounts of IDLC Securities Limited;
- Conducted of in-house fresher and refreshers training program on AML/CFT regulations and its compliance procedure as part of overall awareness building efforts.

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 2019. Prior to finalization of the consolidated financial statements of the company for the year ended 31 December 2019, 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 as auditors for the year ended 31 December 2019 should be proposed to shareholders.

Resolutions of the Audit Committee meeting

The Committee met six (6) times during the year 2019 and carried out the following tasks:

- Conducted discussions with the statutory auditors and with management, on the financial statements of the company for the year ended December 31, 2018 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, 2018 as per clause no. 5.5 (f) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC), dated 03 June 2018;
- Recommended for appointment of statutory external auditors for the year 2019;
- Reviewed report of the audit committee for 2018 prior to its publication in the annual report 2018.
- Reviewed management discussion and analysis 2018 prior to its publication in the Annual Report 2018 as per clause no. 5.5 (i) of CGG issued by BSEC, dated 03 June 2018;
- Reviewed Internal Control & Compliance report of 2018;
- Reviewed and approved annual audit plan for the year 2019;
- Reviewed audit report issued by Rahman Rahman Huq, Chartered Accountants (Member firm of KPMG international in Bangladesh), on Information System Audit and Vulnerability Assessment of IDLC Finance Limited;
- Reviewed the quarterly un-audited financial statements (for 1st, 2nd and 3rd quarters ended 31st March, 30th June and 30th September of 2019 respectively) of IDLC Finance Limited and its subsidiaries as per clause no. 5.5 (g) of CGG issued by BSEC, dated 03 June 2018;
- Reviewed summaries of internal audit and investigation reports circulated during 2019;
- 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, 2018;
- 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, 2018.

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/-

Mr. 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, 2019. 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 2019 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment.

At the close of financial year 2019, total borrowing from other banks and financial institutions was BDT 14,228 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 7.14% in total deposits in 2019.

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. 80 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. 80 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 2019, which reflects the Company's long-term operational viability.

Years	2019	2018	2017	2016	2015
Cash Dividend%	35%	35%	30%	30%	25%

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 14.21% and 12.06%, respectively, in 2019 as compared with year 2018.

Operating indications

Strengthening of Human Capital

During the year 2019, the Company has recruited 306 new employees, which resulted in a net increase in human resource count to 1,475 at the end of the year 2019, in comparison to 1,335 at the end of the year 2018.

Average length of service of an employee at IDLC was 4.55 years in 2019 (4.37 years in 2018). A report on human resource has been given on page no. 93 of this Annual Report.

Years	2019	2018	2017	2016	2015
Average length of service (in years)	4.55	4.37	3.53	3.53	3.01

Business expansion

IDLC, in 2019, has been vested in growth through expanding our product offering 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 financing very small entrepreneurs. The Company has piloted "IDLC Shariah Fund" and have included "100 days term deposit" in our wealth management product basket.

Corporate environment and employee satisfaction

There exists a healthy corporate environment in the Company. This is reflected in our Statement of Corporate Governance (pg. 135) and Report on our Human Capital (pg. 93).

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 2019, 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. 276 and at "Disclosure under Pillar III-Market Discipline" on page no. 176.

Strong equity base

As on 31 December 2019, total equity of IDLC stands at BDT 14,018 million (BDT 13,637 million in December 31, 2018), representing an increase of 2.79% 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.

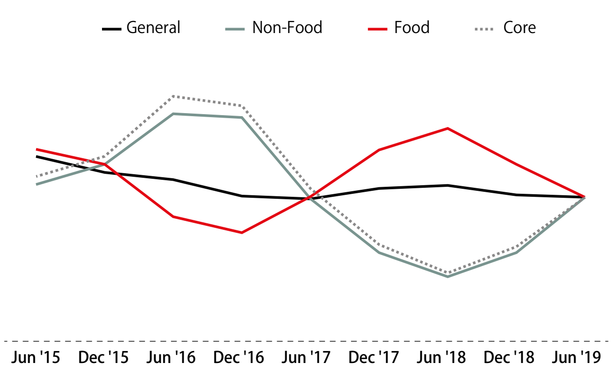
DIRECTORS' REPORT TO THE SHAREHOLDERS OF IDLC FINANCE LIMITED

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, 2019; 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.

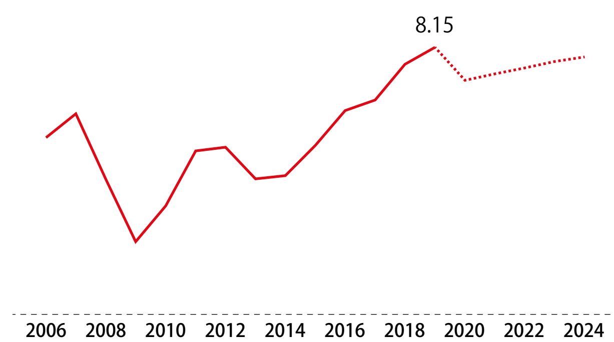
Macro-economic Review

Twelve Month Average Inflation



(Source: Bangladesh Bureau of Statistics))

Actual GDP Growth



(GDP BB Staff Projection: Source: BB Monetary Policy) FY 2019-2020)

Our country has been on the global watch-list in the recent years with its exemplary growth rate. Where advanced economies experienced growth rates below 2%, emerging markets, including Bangladesh, registered average growth rate significantly over 4%; resulting in a tepid global growth rate of around 3.2%. Although the rising geopolitical tension and trade disputes remain uncertain areas of concern, and have had some impact on exports of our nation, it is expected not to significantly bring adverse impacts to the economy. As the energy prices reveal declining trend as of late, it so far is anticipated not to hamper the inflation target of Bangladesh, which as of 2019, is contained at 5.47%.

While the inflation remained in check, the GDP growth rate of Bangladesh has hurtled over the 8% target and registered a massive 8.15%; primarily on the back of consumption demanded against the massive infrastructural development underway. In addition, remittance inflows have displayed positive trend, and various monetary measures taken to confine the Balance of Payment deficits have resulted in desired outcome.

The first two months of fiscal year 2019-2020 (Jul'19-Aug'19) recorded positive balance of approximately USD 313 million in the current account. As such, open market operations in the currency market has purportedly reduced significantly, freeing up past pressures on the BDT liquidity. This stability in liquidity has reflected on the volatility on weighted overnight interest rate, which seldom went passed Bangladesh Bank's Repo Policy interest rate.

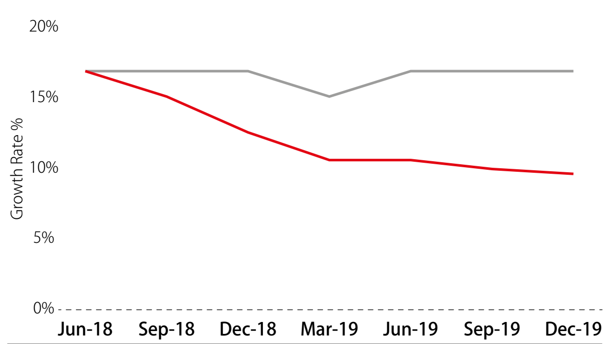
Industry Challenges

- Tight liquidity scenario
- Rising funding cost lowering margin
- Lowest private sector credit growth in the decade
- Substantially low trading volume of capital market
- Increased Government borrowing from private sector
- Continued inclination towards saving in high yielding government securities
- Image crisis of the NBFI sector
- Reduction in loan processing fees
- Regulatory directive to support rescheduling of loans adversely impacting collection
- Uncertainty regarding interest rates in the wake of efforts to reduce lending rate for all loans to single digit

Financial Industry Overview

This progression was, however, not witnessed in the private sector. The private sector growth rate declined to below 10% in stark counter to that of the year 2018. This was the after effect of the tight liquidity scenario experienced by the financial sector in the prior year. Again, with the steep rise in expenditure by the Government, funds have been siphoned towards these development in the form of Government borrowings from private sector banks and financial institutions and through National Savings Certificates (NSCs). Coupled with the financial sector being more cautionary towards lending in order to curtail Non-Performing Loans (NPLs), the private sector growth rate tapered.

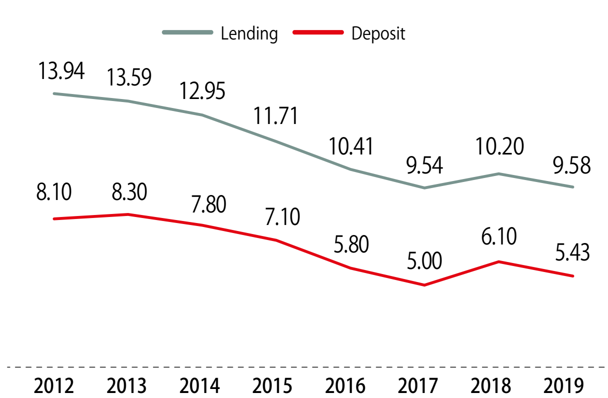
Private sector credit growth



(Source: BB Monetary Policy FY 2019-2020)

This slow growth has naturally led to adverse strain on the non-banking financial sector. Moreover, the cost of fund of the overall industry has not reduced to the desired effect as prime source of fund continues to rely on inter-banks rates as savers tend to invest in high yielding NSCs. Media reports have not been favorable either with the onslaught of liquidation reports of a market player. As such intermediary measures to reduce interest rate spread has only resulted in impacting overall profitability of the sector.

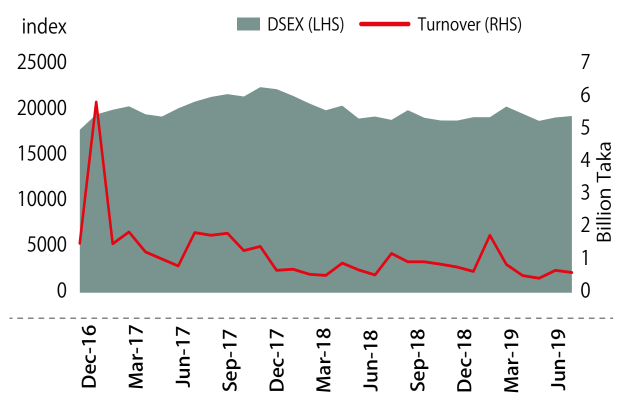
Interest Spread



(Source: BB Monetary Policy FY 2019-2020)

Capital market overview

DSEX and Turnover



(Source: BB Monetary Policy FY 2019-2020)

In coagulation to rise in demand of NSCs, waning private sector growth and aftermath of liquidity crisis, fund flow in stock market was highly subdued. Trade volume plummeted as stocks fell and average daily turnover stood at BDT 4,803.4 million at the end of 2019; dropping by 12.8% compared to the previous year. This was in continuation to the downward cycle of stock market that attained its peak in the year 2017. Corrective measures introduced by the policy makers and regulators in the latter half of the year 2019 to encourage fund flow in the stock market did not have notable impact on the bourse as of yet. However, it is expected that the emphasis on nurturing the bond market for raising funds, and strict implementation of the policy measures is likely to bear fruit.

Our performance

Operating environment and our performance

Year 2019 proved to be a year of inhibited business environment for the financial sector. We have vigilantly battled against the multifold industry challenges, which we have detailed in the subsequent chapters, and have successfully been able to contain the environmental impact and reported one of the highest Return on Asset (ROA) in the industry and a commendable Return on Equity (ROE) in the year 2019.

Business analysis

Our efforts in 2019 were channeled towards expanding our product basket and increasing efficiency, considering the industry outlook. Working towards these strategies we have restructured divisions, launched unique products, and focused on efficiency drives through innovation, which has helped us attain our cautious growth aim in our loan portfolio of 10.97%, with total loans outstanding amounting to BDT 91,448 million for IDLC Finance Limited alone, against private sector credit growth of 9.83% in the corresponding period.

A major contributor to our loan book size is the loan portfolio of the SME division which now contributes 34.25% of our loan basket, after growing by 12.29% in 2019. SME loan portfolio now stands at BDT 31,318 million. We restructured the composition of the SME Division in the last quarter of 2019 to improve customer segmentation, to create better synergy into the organisation and to better cater to small ticket clients. A step towards the last goal is the launch of "IDLC Unnati", an unexampled product, to finance the kitchen market vendors in the country. As of December 31, 2019, we have disbursed BDT 8.59 million worth of loans under this proposition with ticket sizes ranging from BDT 50,000 to BDT 200,000.

NEW

New Product

- IDLC Unnati
- Affordable Housing
- IDLC Shariah Fund
- 100 days term deposit

Efficiency

Credit Risk Grading

Core Banking Software customization

The cohesive target of extending customer reach at a granular level can also be witnessed in Consumer financing division, which inaugurated "Affordable Housing Loan" with a ticket size ranging from BDT 0.8 million to 2.5 million, targeted primarily towards the outskirts of Dhaka Division and North Bengal Regions; which has translated to financing disbursement of BDT 255 million as of 31 December 2019. This added a new dimension to our Consumer division loan portfolio of BDT 30,712 million, which experienced a 10.38% rise over prior year.

Our Wealth Management division continued to demonstrate respectable performance as was witnessed in the preceding years, despite immense competition. The term deposit balance reached BDT 77,008 million in 2019, which is a 7.95% rise from the balance of 71,338 million in 2018. It is our long-term and insightful relationships with clients and our unwavering commitment towards governance that further strengthened our foothold in the industry in the midst of widespread concerns regarding some of the players in the industry; and helped us draw in funds. Our newly minted "100 days term deposit" product has helped mobilize BDT 734 million fresh funds. It is expected that through the launch of our Monthly Deposit Pension Scheme (DPS) we would attain higher deposit growth rate, and mobilize retail funds on a sustainable basis.

With the synergistic restructuring of the SME division, large ticket local entrepreneurs were shifted under the Corporate division, and it levelled up its contribution to portfolio to 32.17%, thus mitigating possible skewed earnings distribution from any division. It is not the restructuring but the rigorous strive for progress, albeit cautiously, that is reflected in the loan book growth rate of 10.20% of the Corporate Division. 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 line with our strategic theme of the year, one of our capital market players, our asset management company IDLC Asset Management Limited (AML), introduced the novel "IDLC Shariah Fund" to tap this unexplored arena of the mutual fund market. The fund managed to generate income of BDT 4.68 million in the form of management fee. In addition, IDLC AML has stepped up the efforts and received permission to launch its first venture capital fund named IDLC Venture Capital Fund I.

Our other two subsidiaries, IDLC Securities Limited (IDLCSL) and IDLC Investments Limited (IDLCIL) remained vigilant in driving efficiency optimization targets in order to curtail impacts of the operative industry.

In conclusion, we draw your attention to the fact that despite grave market challenges, our prudent and timely steps of managing interest rates, fees and the fluctuating capital market, led to proficient liquidity management and contained our cost of fund to a minimum that enabled us to curb the impact of the externalities. However, our prime goal is long-term sustainable growth that are reflected in the strategies discussed above.

Financial Performance Analysis

IDLC Group financial performance analysis

With focus on quality growth and drive for efficiency, we have managed to attain 10.02% growth in loan portfolio of the Group having a Non-Performing Loans (NPL) proportion of 3.07% in 2019, which is a slight wear from the prior year, but is a significantly restrained ratio in comparison to the industry scenario average. This has translated to an 10.61% growth in the Net Interest Income for IDLC Group, reporting BDT 4,671 million in the year 2019; and has contributed to the 16 basis points rise in Capital Adequacy Ratio of IDLC Group, from 17.34% in 2018 to 17.50% in 2019. Our Total Asset size thus strengthened by 7.53% to BDT 117,385 million in 2019, and continues to be the largest balance sheet size in the industry.

Despite the growth in our financing segment, the subsidiaries took a dent in their performance owing to the waning stock market performance, especially our brokerage and asset management segments. The broad Index fell by a sharp 17.3%, in addition to the marked 19.5% drop in the Bluechip Index, DSE 30, which led to decline in Net Profits of all three of our subsidiaries as well as the investment income of the parent; as reflected by the 40.86% decline in our Other Operating Income. However, given the market conditions, profits could have been hit much harder had we not taken measures to rebalance the investment portfolio between fixed income securities and equities. Our brokerage business and our merchant bank has managed to remain one of the top performers amongst its peers in terms of profitability on the back of maintaining one of the lowest cost-to-income ratio. On a similar front, returns from asset under management (AUM) of our asset management business segment was one of the highest amongst our peers, and it clocked only a marginal hit on its performance in comparison to the fall registered by the broad market index.

Consequently, our total operating income of the group fell by 3.54%. With the organic growth of operating expenses by 5.83%, owing to cost of living adjustment to salary and other pre-planned promotional expenses, our profit before provision amounted to BDT 3,184 million. The provision for loans/investment has increased in line with portfolio and NPL that has led to the 10.97% increase in tax provision, in spite of subsidiaries reporting dwindling performances. The 21.70% de-growth in Net Profit after Taxation is therefore a natural resultant.

Amount in BDT million

Particulars	Quarterly and Annual Performance- IDLC GROUP						
	Q1	Q2	Q3	Q4	Year 2019	Year 2018	Y-o-Y Growth (%)
Net interest income	1,082	1,273	1,119	1,197	**4,671**	4,223	10.61%
Other operating income	308	191	122	326	**947**	1,602	-40.86%
Total operating income	1,389	1,464	1,242	1,523	**5,618**	5,824	-3.54%
Total operating expense	582	595	638	619	**2,434**	2,300	5.83%
Profit before provisions	807	869	604	904	**3,184**	3,524	-9.66%
Provision for loans/investments	4	74	151	194	**423**	397	6.52%
Profit before taxes	803	795	453	710	**2,761**	3,127	-11.71%
Provision for taxes	244	302	197	318	**1,061**	956	10.97%
Net profit after taxation	558	493	256	392	**1,700**	2,171	-21.70%

IDLC Group quarterly performance analysis

As stipulated by law, the Company is required to publish the financial performance of its 1st, 2nd and 3rd quarters. The quarterly performance of the group was fairly consistent, as is depicted in the table above, with a relative dip in the third quarter. This is a result of lower stock market trade volume during the time frame and persistent decline in the major indexes that caused brokerage income to fall by 30.92% and investment income by 95.51% as of September 30, 2019.

IDLC Finance Limited performance analysis

Amount in BDT million

Particulars	Quarterly and Annual Performance- IDLC Finance Limited						
	Q1	Q2	Q3	Q4	Year 2019	Year 2018	Y-o-Y Growth (%)
Net interest income	990	1,160	1,022	1,125	**4,297**	3,926	9.44%
Other operating income	127	107	43	242	**519**	779	-33.43%
Total operating income	1,117	1,267	1,065	1,367	**4,815**	4,705	2.34%
Total operating expense	475	488	526	523	**2,012**	1,913	5.15%
Profit before provisions	642	779	539	844	**2,804**	2,792	0.42%
Provision for loans/investments	11	49	83	271	**413**	366	12.87%
Profit before taxes	631	730	456	574	**2,390**	2,426	-1.46%
Provision for taxes	184	257	152	275	**868**	835	3.94%
Net profit after taxation	447	472	304	299	**1,522**	1,591	-4.30%

On the back of the business drives taken during the year and the controlled cost of fund, the core business income grew and resulted in the 9.44% rise in Net Interest Income. However, this growth was offset by the 33.43% drop in Other Operating Income caused mainly by the decrease in Income from Investment as IDLCFL suffered loss on sale of marketable securities on account of reduced activity in the stock market coupled. This was in line with the overall industry scenario as the Blue chip index took a sharp downturn of 19.5%. Having said that, the impact was comparatively controlled and allowed for a fractional improvement of 0.42% in Profit before Provisions. However, with the Specific Provision rising by 188% to BDT 343 million from BDT 119 million, that also contributed to rise in Provision for Taxes, has led to a marginal decline in Net Profit after Taxation by 4.30% to BDT 1,522 million.

IDLC Finance Limited quarterly performance analysis:

As per regulations we have published quarterly financials of IDLC Finance Limited (solo) along with the consolidated. The table above reveals that although Net Interest Income remained fairly similar in all four quarters, it is the loan recoverability and the movement of the unrealized gains/losses from the proprietary stock investments that have varied over the quarters. The last quarter exhibited sharp spike in provision for loans and investments, due to aging of a few large ticket corporate clients, deterioration of some SME client as well as providing for the full amount of unrealized losses in the investment portfolio. However, we are hopeful that the adverse impact of the financial results would be minimized going forward through our prudent approach in loan underwriting and collection efforts coupled with effective investment portfolio re-balancing and some improvement in the performance of the stock market. However, it must be noted that overall, the growth in provision is a comparatively controlled 13% from the year 2018, in comparison to industry scenario.

Way Forward

In spite of the industry and capital market phenomena of 2019, our close monitoring of the market dynamics, optimized liquidity management, quick adaptations to externalities and strive for efficiency has indeed allowed to reduce adverse impacts. Efficiency Drives which we initiated in anticipation of external adversities in the year before took fruition in the year 2019; which materialized as:

1. Reduced Turnaround Time (TAT) for small scale loan sanction by 26% using the newly implemented Credit Risk Grading model
2. Improved efficiency of disbursement by 5.23% through customization of the core banking software; a project against which much larger improvement would be observed upon complete implementation in the year 2020.

We are hopeful that with the stabilised economic and political scenario the financial sector would pick-up momentum and based on our strategic drives we would be able to reap discernible benefits. The following are planned for:

- Strengthen our distribution network and deepen market penetration;
- Expand the newly introduced scorecard based financing model across the business segments we are involved in;
- Enhanced process automation;
- Forming partnership with major e-commerce players in the industry;
- Emphasis on emerging export-oriented industries; and
- Continued efforts towards fortifying fee-based income generation capacity.

Further analysis on future planning is discussed in the Management Discussion on page no. 26, 74.

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 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 2019, IDLC deposited BDT 1,072 million to the Government exchequer against own income, which included BDT 1,012 million as corporate income tax and BDT 60 million as value added tax. In addition, BDT 1,167 million was collected and deposited to the Government exchequer in the form of withholding tax, VAT and excise duty. In total IDLC contributed BDT 2,242 million to the government exchequer.

As a quality employment generator, our business provided direct employment to 1,476 members with a recruitment of 306 new employees during the course of 2019. New recruitment and salary revision to adjust for cost of living adjustment has amplified Salary and allowances by 11.62% to BDT 1,179 million. Detail in this regard is on page no. 91 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. 26.

Key Operational and Financial Information

Key operational and financial information over the last five years, as per the requirements of No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, has been presented on page no. 80.

Highlights of the Company's operations as per the DFIM Circular No. 11 dated December 23, 2009, have also been presented on page no.86.

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 management system and dedicated ALM desk to generate necessary information 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 department is dedicated 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 analyzing 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. 51.

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)/International Financial Reporting Standards (IFRS)/ as applicable/adopted 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 214

Senior management

Disclosure of all senior management personnel have been accounted for in page no. 38 & 40

Related Party Transactions

Disclosure of all related party transactions, including basis for such transactions, has been provided in Note 40 on page no. 289

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, 2019, is disclosed as per the new CGC of BSEC in Annexure-I of this annual report on page no. 197.

Board Meetings and Attendance by the Directors

During the year 2019, a total of eleven 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. 198.

Dividend

Proposed Annual Dividend-The Board has proposed Cash Dividend: 35% (@ BDT 3.50 per share) for the year for the year 2019.

Interim Dividend- No cash or bonus share dividend was declared as interim dividend during 2019. No Bonus Share shall be declared as interim dividend, as prohibited by BSEC.

Directors

Resume and line of expertise

A brief resume of the directors are appended in page no. 32, 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. 141.

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. 289.

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 35th Annual General Meeting:

Mr. Aziz Al Mahmood	Director Nominated by The City Bank Limited
Ms. Mahia Juned	Director Nominated by The City Bank Limited
Mr. Md. Kamrul Hassan, FCA	Directors nominated by Es-kayef Pharmaceuticals Limited, Transcraft Limited and Bangla-desh Lamps Limited

However, they are also eligible for re-election.

Auditors

The statutory auditors of the Company, A Qasem & Co. Chartered Accountants have successfully completed three consecutive years of appointment, as appointed at the 32nd Annual General Meeting. As per the stipulation of DFIM Circular No. 04, dated April 30, 2015, they are not eligible for re-appointment. Accordingly, new auditors have to be appointed for the year 2020, subject to the approval of Bangladesh Bank and shareholders at the Annual General Meeting.

On the basis of the proposal of the Audit Committee, the Board recommends the appointment of Hoda Vasi Chowdhury & Co., Chartered Accountants, as the auditors of the company for the year 2020, 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. BSEC/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. 199 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. 211 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, 2019 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	2000	0.00053%	
3. Mir Tariquzzaman, Chief Technology Officer (CTO)	NIL		
4. Mohammad Jobayer Alam, Head of SME & Strategic Planning	NIL		
5. Syed Javed Noor, Head of Consumer Division	NIL		
Sub-Total	**9,500**	**0.00252%**	
(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	**137,796,065**	**36.54576%**	

ANNEXURE-II

Meeting attended by the Directors of IDLC Finance Limited during 2019

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid for the year 2019
	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	11	11	100	88,000	-	-	-	-	-	-	-	-	88,000
Mr. Atiqur Rahman	11	9	82	72,000	10	9	90	72,000	-	-	-	-	144,000
Mr. Monower Uddin Ahmed	11	10	91	80,000	-	-	-	-	6	6	100	48,000	128,000
Mr. S.M. Mashrur Arefin*	1	0	0	-	1	1	100	8,000	-	-	-	-	8,000
Mr. Md. Abdul Wadud**	9	7	78	56,000	10	8	80	64,000	-	-	-	-	120,000
Ms. Mahia Juned	11	10	91	80,000	-	-	-	-	-	-	-	-	80,000
Mr. Mohammad Mahbubur Rahman,FCA	11	8	73	64,000	-	-	-	-	6	3	50	24,000	88,000
Mr. Md. Kamrul Hassan, FCA	11	10	91	80,000	-	-	-	-	6	5	83	40,000	120,000
Mr. Syed Shahriyar Ahsan	11	10	91	80,000	11	8	73	64,000	6	5	83	40,000	184,000
Mr. Mati Ul Hasan	11	7	63.64	56,000	11	10	91	80,000	-	-	-	-	136,000
Mr. Niaz Habib	11	11	100	88,000	1	1	100	8,000	-	-	-	-	96,000
Mr. Matiul Islam Nowshad	11	8	73	64,000	-	-	-	-	-	-	-	-	64,000
Total Remueration paid				**808,000**				**296,000**				**152,000**	**1,256,000**

Noted: 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. S.M. Mashrur Arefin was withdrawn from the Board of IDLC by The City Bank Limited on February 17, 2019.

**Mr. Md. Abdul Wadud nominated by The City Bank Limited was appointed as a Director in the Board of IDLC to replace Mr. S.M. Mashrur Arefin on February 17, 2019.

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 2019. 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, 3 March 2020

For: Itrat Husain & Associates

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, 2019

[As per condition No. 1(5) (xxvii)]

Status of compliance with the conditions imposed by the Commission's Notification No. BSEC/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. 139 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. 139 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;	√		
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;	√		Such declaration was given during appointment
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);	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		No such vacancy created

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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. 140 of this Annual Report. & at www.idlc.com/management-team.php
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. 33, 36, 37 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);	√		Reference to the directors profile in pg. 33, 36, 37
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. 144 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;			Reference to the Corporate Governance Report on page no. 139 of this Annual Report.
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. 191 of this Annual Report
1(5)(ii)	Segment-wise or product-wise performance;	√		Refer to the 'Directors' Report' on page no. 191 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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. 194 of this Annual Report
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. 195 and subsequently elaborated in the note No. 40 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;			No such event occurred
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
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. 193 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. 198 as well as note no. 30 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. 195 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. 195 as well as the auditors; report on page no. 215 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. 195 as well as the auditors; report on page no. 215 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. 195 as well as the auditors; report on page no. 215 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. 195 as well as the auditors; report on page no. 215 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. 195 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. 195 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. 195 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 'Key Operating Highlights' on page no. 80 and on page no. 194 of "Directors' Report" of this Annual Report
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 288th meeting of the Board, held on February 20, 2020 declared cash dividend @35% for 2019.
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. 196 of this Annual Report

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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. 195 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. 196 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. 32-37 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. 72-79 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**			
	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. 146 of this Annual Report .

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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. 144 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 behaviour; 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. 164 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. 139 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. 144 & 148 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. 147 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. 214 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. 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) and Bangladesh Association of Publicly Listed Companies (BAPLC). 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. 157 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. 157 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. 157 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. 159 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. 159 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. 159 of this Annual Report
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 2019

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
5(2)(e)	The company secretary shall act as the secretary of the Committee	√		Refer to the Corporate Governance Report on page no. 159 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. 159 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. 159 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. 159 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. 159 of this Annual Report
5(5)	**Role of Audit Committee:**			
5(5)(a)	Oversee the financial reporting process	√		Refer to the Corporate Governance Report on page no. 158 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 72nd meeting held on February 20, 2020 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. 160 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	√		

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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 2019
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. 159 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
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. 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) and Bangladesh Association of Publicly Listed Companies (BAPLC). 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);			

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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			
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;			

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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			
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

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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. 199 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 35th Annual General Meeting. Refer to the notice of the AGM, on page no. 184 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. 196 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:

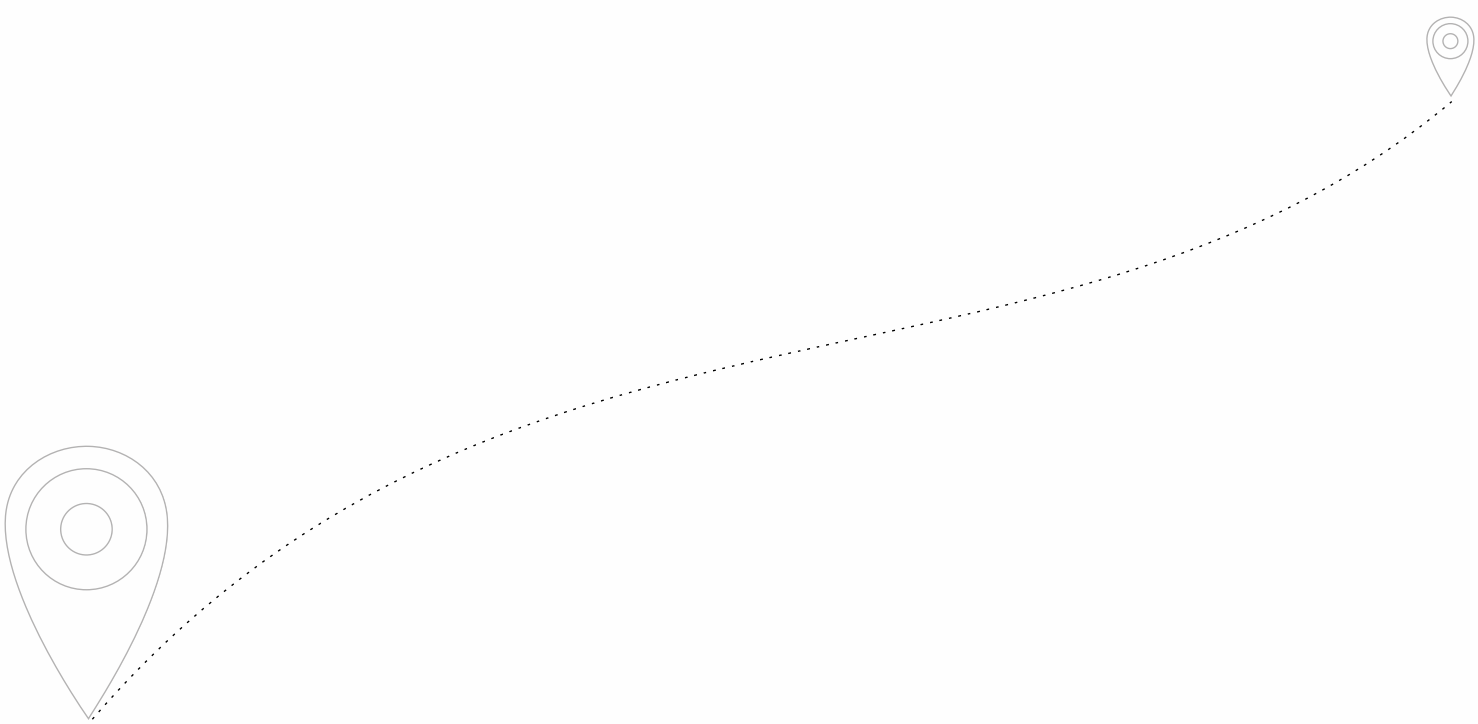
Sl. No.	Particulars		Status of Compliance
1.	**Responsibilities and authorities of the Board of Directors:**		
	The Board of Directors should focus mainly on the policy matters and evaluation of the performance of the institution, such as:		
	(a) Work-planning and strategic management:		
	(I)	The Board 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

Sl. No.	Particulars	Status of Compliance
	(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:	
	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

bar tailed godwit

covers longest
uninterrupted distances

hovers at 20,000 ft



REPORT OF THE CEO & MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

Date: February 20, 2020

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, 2019

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, 2019 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, 2019 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, FCA
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 2019, 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 2019, 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 2019. 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.

Key Audit Matter	How the matters were addressed in our audit
01 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 2019 the Group reported total gross loans and advances of BDT 92,345,977,331 (2018: BDT 83,934,280,017) and provision for loans and advances of BDT 1,741,869,167 (2018: BDT 1,318,975,417). 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.	**Our procedures, in relation to the key audit matter described, included, among others:** • 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); • 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.
02 Implementation of IFRS 16 Leases	

With reference to Note 2.4.1 to the financial statements, IFRS 16 Leases becomes effective for annual reporting beginning on or after 01 January 2019 which replaces the existing standard IAS 17 Leases. IDLC Finance Limited and its subsidiaries decided to adopt the modified retrospective approach for the transition accounting. The application of the new lease standard resulted in the recognition, for the 01 January 2019 opening balance sheet, of right of use of asset at group level BDT 785,735,245 and separate level 619,327,760 (net value) and lease liabilities at group level BDT 669,703,031 and separate level BDT 518,106,501, the impact of the adaptation of the new standard is disclosed in Note 2.4.1.1 of the notes to the financial statements.
 	
We considered the implementation of IFRS 16 Leases as a key audit matter, since the balances recorded are material, management had to apply several judgements and estimates such as lease term, discount rates, measurement basis among others and undertake a significant data extraction exercise to summarize the lease data for input into their lease calculation model.
	We obtained an understanding of the management's process for implementing IFRS 16 including financial controls designed by the management to mitigate the risks assessed by us independently. We tested those relevant controls and adopted a control rely strategy. Furthermore, to mitigate the inherent risk in this audit area, our audit approach included testing of the controls and substantive audit procedures, including:
	• Obtained and read the accounting policy for compliance with IFRS 16;
	• Obtained listing of all contracts from the management and tested the contracts on a sample basis for impact under IFRS 16. In respect of the contracts selected for testing;
	  ◦ Obtained and assess the borrowing rates;
	  ◦ Tested the assumptions used in the calculation model for the sample contracts selected for testing;
	  ◦ Performed test of details on a sample basis on different categories of lease for valuation of the right of use of asset and lease liability;
	  ◦ Assessed the disclosures within the financial statements.

Other information

Management is responsible for the other information. The other information comprises the director's reports, management discussion and analysis, statement of corporate governance, financial highlights, economic value-added statement (EVA), value added statement and certification on corporate governance but doesn't include the financial statements and our auditor's report. The director's reports, management discussion and analysis, statement of corporate governance, financial highlights, economic value added (EVA) statement, value added statement and certification on corporate governance are 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 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/-

Dated, Dhaka
20 February, 2020

A. Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Particulars	Note	31.12.2019 BDT	31.12.2018 BDT
PROPERTY AND ASSETS			
Cash	3		
In hand (including foreign currencies)	3.1	440,000	434,090
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	2,176,870,971	2,564,995,968
		2,177,310,971	**2,565,430,058**
Balance with other banks and financial institutions	4		
Inside Bangladesh	4(a)	12,922,670,075	13,670,184,483
Outside Bangladesh	4(b)	-	-
		12,922,670,075	**13,670,184,483**
Money at call and short notice	5	-	-
Investments	6		
Government		1,380,723,983	-
Others		5,554,544,240	7,300,477,507
		6,935,268,223	**7,300,477,507**
Loans and advances	7		
Loans, cash credit, overdraft etc.		92,345,977,331	83,934,280,017
Bills purchased and discounted		-	-
		92,345,977,331	**83,934,280,017**
Fixed assets including land, building, furniture and fixtures	8(c)	**1,119,976,393**	**552,025,946**
Other assets	9	**1,884,075,443**	**1,143,290,024**
Non-banking assets		-	-
Total Assets		**117,385,278,436**	**109,165,688,035**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	**14,227,773,689**	**12,496,240,919**
Deposits and other accounts	11		
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		75,415,433,310	70,257,701,507
Bearer certificate of deposits		-	-
Other deposits		2,490,149,327	2,455,047,719
		77,905,582,637	**72,712,749,226**
Other liabilities	12	**11,234,350,677**	**10,319,370,941**
Total Liabilities		**103,367,707,003**	**95,528,361,086**

Particulars	Note	31.12.2019 BDT	31.12.2018 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	2,509,921,870	2,416,541,850
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		5,430,052,634	5,143,188,211
Total Equity attributable to equity holders of the company		**14,017,568,234**	**13,637,323,791**
Non-controlling interest		**3,199**	**3,158**
Total Liabilities and Shareholders' equity		**117,385,278,436**	**109,165,688,035**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsements		-	-
Letters of guarantee		50,000,000	11,853,790
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
		800,000,000	**761,853,790**
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		1,238,722,240	1,774,929,398
		1,238,722,240	**1,774,929,398**
Total Off-Balance Sheet items including contingent liabilities		**2,038,722,240**	**2,536,783,188**
Net Assets Value (NAV) per share	37	**37.18**	**36.17**

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.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

Particulars	Note	2019 BDT	2018 BDT
Interest income	19	13,183,089,035	11,162,932,726
Interest on deposits and borrowings etc.	20	(8,512,176,946)	(6,940,206,955)
Net interest income		**4,670,912,089**	**4,222,725,771**
Investment income	21	96,164,996	559,293,311
Commission, exchange and brokerage	22	410,459,017	597,129,398
Other operating income	23	440,562,062	445,097,147
Total operating income		**5,618,098,164**	**5,824,245,627**
Salaries and allowances	24	1,431,940,133	1,294,517,509
Rent, taxes, insurance, electricity etc.	25	58,428,798	224,066,909
Legal expenses	26	22,539,605	10,102,999
Postage, stamp, telecommunication etc.	27	43,491,044	38,997,409
Stationery, printing, advertisements etc.	28	161,843,179	165,973,660
Managing Director's salary and benefits	29	12,490,004	11,940,004
Directors' fees	30	1,990,581	2,144,666
Auditors' fees	31	1,228,928	2,841,940
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	328,860,566	170,661,980
Other expenses	33	371,286,980	378,707,446
Total operating expenses		**2,434,099,818**	**2,299,954,521**
Profit before provision		**3,183,998,346**	**3,524,291,106**
Provision for loans and investments	12.6(ii)		
General provision		70,258,720	91,218,921
Specific provision		357,945,424	83,980,521
Provision for diminution in value of investments		(5,310,393)	221,812,982
Other provisions		-	-
Total provision		**422,893,751**	**397,012,424**
Total profit before taxation		**2,761,104,595**	**3,127,278,682**

Particulars	Note	2019 BDT	2018 BDT
Provision for taxation			
Current tax expense	12.2	1,079,041,944	982,835,113
Deferred tax income	9.4	(17,859,563)	(26,556,853)
		1,061,182,381	**956,278,260**
Net profit after taxation		**1,699,922,214**	**2,171,000,422**
Attributable to:			
Shareholders of the Company		1,699,922,173	2,171,000,265
Non-controlling interest		41	157
		1,699,922,214	**2,171,000,422**
Appropriations to:			
Statutory reserves		93,380,020	318,129,479
General reserves		-	-
Dividend etc.		-	-
		93,380,020	318,129,479
Retained surplus		**1,606,542,153**	**1,852,870,786**
Earnings Per Share (EPS)	36	**4.51**	**5.76**

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 profit & loss account referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

Particulars	2019 BDT	2018 BDT
A) Cash flows from operating activities		
Interest received	12,938,761,799	10,949,131,152
Interest paid	(4,557,675,271)	(3,540,435,841)
Dividend received	123,091,573	151,755,893
Fees and commission received	410,459,017	597,129,398
Paid to employees and suppliers	(2,131,115,918)	(2,141,228,690)
Payment of income tax	(1,041,679,057)	(1,007,233,668)
Received from other operating activities	407,785,167	843,946,298
Cash generated from operating activities before changes in operating assets and liabilities	**6,149,627,310**	**5,853,064,541**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	780,482,277	351,952,217
Long-term finance	(6,912,577,883)	(9,397,377,217)
Real estate finance	(3,031,251,200)	(3,669,874,683)
Car loan	159,088,073	448,720,278
Personal loan	2,984,657	(55,079,042)
Loan against deposit	47,396,901	(342,592,008)
Margin loan to portfolio investors	627,143,115	538,591,267
Short term finance	170,832,848	(127,829,509)
Other assets	(752,254,284)	(236,768,481)
Term and other deposits	5,192,833,411	10,620,315,314
Net drawdown of short term loan	(1,600,000,000)	3,210,000,000
Payable and accrued expenses	(4,310,491,404)	(3,214,951,788)
Deferred liability-employee gratuity	15,233,359	4,257,123
Portfolio investors' fund	(368,455,004)	228,997,522
Deferred tax liability	233,693,284	25,573
Interest suspense account	157,605,188	(44,779,963)
	(9,587,736,663)	(1,686,393,395)
Net cash flows from/(used in) operating activities	**(3,438,109,353)**	**4,166,671,146**
B) Cash flows from investing activities		
Purchase of fixed assets	(90,204,071)	(56,508,623)
Disposal of fixed assets	10,855,287	17,237,038
Net proceeds of investment in securities	365,209,284	622,271,685
Net cash flows from/(used in) investing activities	**285,860,500**	**583,000,100**

Particulars	2019 BDT	2018 BDT
C) Cash flows from financing activities		
Drawdown of term loans	10,117,227,869	1,659,707,940
Repayment of term loans	(6,785,695,099)	(3,773,826,356)
Dividend paid	(1,314,917,412)	(1,127,828,973)
Net cash flows from/(used in) financing activities	**2,016,615,358**	**(3,241,947,389)**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**(1,135,633,495)**	**1,507,723,857**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**16,235,614,541**	**14,727,890,684**
G) Cash and cash equivalents at end of the year (D+E+F)	**15,099,981,046**	**16,235,614,541**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	440,000	434,090
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	2,176,870,971	2,564,995,968
Balance with other banks and financial institutions (Note-4)	12,922,670,075	13,670,184,483
Money at call and short notice (Note-5)	-	-
	15,099,981,046	**16,235,614,541**
Net operating cash flow per share (Note-38)	**(9.12)**	**11.05**

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 cash flow statement referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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 January 1, 2019	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
Dividend for 2018:									
35% cash dividend	-	-	-	-	-	(1,319,677,730)	(1,319,677,730)	-	(1,319,677,730)
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**2,416,541,850**	**1,000,000,000**	**46,500,000**	**3,823,510,481**	**12,317,646,061**	**3,158**	**12,317,649,219**
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 2019	-	-	-	-	-	1,699,922,173	1,699,922,173	41	1,699,922,214
Appropriation to reserves	-	-	93,380,020	-	-	(93,380,020)	-	-	-
Balance at December 31, 2019	**3,770,507,800**	**1,260,585,930**	**2,509,921,870**	**1,000,000,000**	**46,500,000**	**5,430,052,634**	**14,017,568,234**	**3,199**	**14,017,571,433**

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 January 1, 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 December 31, 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**

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 statement of changes in equity referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

BALANCE SHEET

As at 31 December 2019

Particulars	Note	31.12.2019 BDT		31.12.2018 BDT	
PROPERTY AND ASSETS					
Cash	3				
In hand (including foreign currencies)	3.1	340,000		330,000	
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	2,176,870,971		2,564,995,968	
			2,177,210,971		**2,565,325,968**
Balance with other banks and financial institutions	4				
Inside Bangladesh	4(a)	12,143,631,740		12,496,696,308	
Outside Bangladesh	4(b)	-		-	
			12,143,631,740		**12,496,696,308**
Money at call and short notice	5		-		-
Investments	6				
Government		956,582,294		-	
Others		1,764,634,918		2,792,871,764	
			2,721,217,212		**2,792,871,764**
Loans and advances	7				
Loans, cash credit, overdraft etc.		91,448,447,902		82,409,607,473	
Bills purchased and discounted		-		-	
			91,448,447,902		**82,409,607,473**
Fixed assets including land, building, furniture and fixtures	8(c)		**926,283,039**		**499,135,123**
Other assets	9		**5,238,018,539**		**4,418,113,871**
Non-banking assets			-		-
Total Assets			**114,654,809,403**		**105,181,750,507**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	10		**14,027,773,689**		**12,246,240,919**
Deposits and other accounts	11				
Current accounts and other accounts etc.		-		-	
Bills payable		-		-	
Savings bank deposits		-		-	
Term deposits		77,008,419,045		71,338,071,965	
Bearer certificate of deposits		-		-	
Other deposits		2,490,149,327		2,455,047,719	
			79,498,568,372		**73,793,119,684**
Other liabilities	12		**9,897,359,976**		**8,113,798,073**
Total Liabilities			**103,423,702,037**		**94,153,158,676**

Particulars	Note	31.12.2019 BDT	31.12.2018 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	2,509,921,870	2,416,541,850
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		2,643,591,766	2,534,456,251
Total Equity		**11,231,107,366**	**11,028,591,831**
Total Liabilities and Shareholders' equity		**114,654,809,403**	**105,181,750,507**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsements		-	-
Letters of guarantee		50,000,000	11,853,790
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
		800,000,000	**761,853,790**
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		1,238,722,240	1,774,929,398
		1,238,722,240	**1,774,929,398**
Total Off-Balance Sheet items including contingent liabilities		**2,038,722,240**	**2,536,783,188**
Net Assets Value (NAV) per share	37	**29.79**	**29.25**

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 balance sheet referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

Particulars	Note	2019 BDT	2018 BDT
Interest income	19	12,936,084,679	10,941,528,941
Interest on deposits and borrowings etc.	20	(8,639,581,266)	(7,015,750,078)
Net interest income		**4,296,503,413**	**3,925,778,863**
Investment income	21	32,604,778	297,145,292
Commission, exchange and brokerage	22	53,374,175	45,343,775
Other operating income	23	432,922,088	436,992,055
Total operating income		**4,815,404,454**	**4,705,259,985**
Salaries and allowances	24	1,178,919,053	1,056,145,323
Rent, taxes, insurance, electricity etc.	25	45,233,286	183,828,267
Legal expenses	26	17,984,805	7,454,537
Postage, stamp, telecommunication etc.	27	35,866,522	31,073,127
Stationery, printing, advertisements etc.	28	142,334,199	141,320,774
Managing Director's salary and benefits	29	12,490,004	11,940,004
Directors' fees	30	1,409,523	1,464,473
Auditors' fees	31	883,928	2,496,940
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	274,570,314	144,578,253
Other expenses	33	302,027,160	332,872,479
Total operating expenses		**2,011,718,794**	**1,913,174,177**
Profit before provisions		**2,803,685,660**	**2,792,085,808**
Provision for loans and investments	12.6(ii)		
General provision		76,942,529	93,718,957
Specific provision		343,065,883	119,238,640
Provision for diminution in value of investments		(6,739,194)	153,176,921
Other provision		-	-
Total provision		**413,269,218**	**366,134,518**
Total profit before taxation		**2,390,416,442**	**2,425,951,290**
Provision for taxation			
Current tax expense	12.2	877,173,990	849,919,592
Deferred tax income	9.4	(8,950,813)	(14,615,697)
		868,223,177	835,303,895
Net profit after taxation		**1,522,193,265**	**1,590,647,395**
Appropriations to:			
Statutory reserves		93,380,020	318,129,479
General reserves		-	-
Dividend etc.		-	-
		93,380,020	318,129,479
Retained surplus		**1,428,813,245**	**1,272,517,916**
Earnings Per Share (EPS)	36	**4.04**	**4.22**

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.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

CASH FLOW STATEMENT

For the year ended 31 December 2019

Particulars	2019 BDT	2018 BDT
A) Cash flows from operating activities		
Interest received	12,683,478,230	10,731,926,558
Interest paid	(4,685,079,591)	(3,615,978,964)
Dividend received	54,478,019	31,927,537
Fees and commission received	53,374,175	45,343,775
Paid to employees and suppliers	(1,756,942,241)	(1,775,575,765)
Payment of income tax	(822,882,600)	(776,058,345)
Received from other operating activities	417,465,999	690,850,641
Cash generated from operating activities before changes in operating assets and liabilities	**5,943,891,991**	**5,332,435,437**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	780,482,277	351,952,217
Long-term finance	(6,912,577,883)	(9,397,377,217)
Real estate finance	(3,031,251,200)	(3,669,874,683)
Car loan	159,088,073	448,720,278
Personal loan	2,984,657	(55,079,042)
Loan against deposit	47,396,901	(342,592,008)
Loan to subsidiaries	-	1,230,349,692
Short term finance	170,832,848	(127,829,509)
Other assets	(833,969,071)	(25,007,203)
Term and other deposits	5,705,448,688	11,015,972,486
Net drawdown of short term loan	(1,550,000,000)	3,130,000,000
Payable and accrued expenses	(3,595,494,739)	(3,704,275,721)
Interest suspense account	157,605,188	(44,779,963)
	(8,715,202,355)	(1,189,820,671)
Net cash flows from/(used in) operating activities	**(2,771,310,364)**	**4,142,614,766**
B) Cash flows from investing activities		
Purchase of fixed assets	(64,068,377)	(47,724,871)
Disposal of fixed assets	5,929,266	15,979,319
Net proceeds of investment in securities	71,654,552	420,341,100
Net cash flows from/(used in) investing activities	**13,515,441**	**388,595,548**
C) Cash flows from financing activities		
Drawdown of term loans	10,117,227,869	1,659,707,940
Repayment of term loans	(6,785,695,099)	(3,773,826,356)
Dividend paid	(1,314,917,412)	(1,127,828,973)
Net cash flows from/(used in) financing activities	**2,016,615,358**	**(3,241,947,389)**
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(741,179,565)**	**1,289,262,924**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**15,062,022,276**	**13,772,759,352**
G) Cash and cash equivalents at end of the year (D+E+F)	**14,320,842,711**	**15,062,022,276**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	340,000	330,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	2,176,870,971	2,564,995,968
Balance with other banks and financial institutions (Note-4)	12,143,631,740	12,496,696,308
Money at call and short notice (Note-5)	-	-
	14,320,842,711	**15,062,022,276**
Net operating cash flow per share (Note-38)	**(7.35)**	**10.99**

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.
Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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 January 1, 2019	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
Dividend for 2018:							
35% cash dividend	-	-	-	-	-	(1,319,677,730)	(1,319,677,730)
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**2,416,541,850**	**1,000,000,000**	**46,500,000**	**1,214,778,521**	**9,708,914,101**
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 2019	-	-	-	-	-	1,522,193,265	1,522,193,265
Appropriation to reserve	-	-	93,380,020	-	-	(93,380,020)	-
Balance at December 31, 2019	**3,770,507,800**	**1,260,585,930**	**2,509,921,870**	**1,000,000,000**	**46,500,000**	**2,643,591,766**	**11,231,107,366**

IDLC Finance Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31December 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 January 1, 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 reserves	-	-	318,129,479	-	-	(318,129,479)	-
Balance at December 31, 2018	**3,770,507,800**	**1,260,585,930**	**2,416,541,850**	**1,000,000,000**	**46,500,000**	**2,534,456,251**	**1,028,591,831**

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 statement of changes in equity referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited

LIQUIDITY STATEMENT

As at 31 December 2019

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)	2,177,210,971	-	-	-	-	2,177,210,971
Balance with other banks and financial institutions	7,443,631,740	4,400,000,000	300,000,000	-	-	12,143,631,740
Money at call and short notice	-	-	-	-	-	-
Investments	110,944,829	998,503,457	120,000,000	180,000,000	1,311,768,926	2,721,217,212
Loans & advances	7,414,265,919	6,531,086,051	20,913,705,598	37,664,426,484	18,924,963,850	91,448,447,902
Fixed assets including land, building, furniture and fixtures	9,971,935	19,616,785	116,403,586	205,582,215	574,708,518	926,283,039
Other assets	-	1,014,091,081	-	-	4,223,927,458	5,238,018,539
Non-banking assets	-	-	-	-	-	-
Total assets	**17,156,025,394**	**12,963,297,374**	**21,450,109,184**	**38,050,008,699**	**25,035,368,753**	**114,654,809,403**
Liabilities						
Borrowing from Bangladesh Bank, other banks and financial institutions & its agents	2,858,174,654	2,582,477,968	2,641,745,583	5,537,738,832	407,636,652	14,027,773,689
Deposits	6,157,129,804	11,486,291,543	17,031,583,680	44,221,909,830	601,653,515	79,498,568,372
Other accounts	-	-	-	-	-	-
Provision and other liabilities	453,431,661	906,863,321	4,614,646,384	2,260,975,163	1,661,443,447	9,897,359,976
Total liabilities	**9,468,736,119**	**14,975,632,832**	**24,287,975,647**	**52,020,623,825**	**2,670,733,614**	**103,423,702,037**
Net Liquidity Gap	**7,687,289,275**	**(2,012,335,458)**	**(2,837,866,463)**	**(13,970,615,126)**	**22,364,635,138**	**11,231,107,366**

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 2019

1. Company and its activities

1.1 Legal status and nature of the Company

IDLC Finance Limited ('the Company' or 'IDLC') was incorporated in Bangladesh as a public limited company on May 23, 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 April 19, 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 May 19, 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 August 02, 2011 and commenced its business on August 16, 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 November 19, 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 Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, except the circumstances where local regulations differ, 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 December 23, 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 IAS/IFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in note-2.3 and Annexure-B
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 and Annexure-B 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 (except IFRS 16: Leases, see note-2.4).

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 Institution in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS and IFRS. As such the company has departed from those contradictory requirements of IAS/IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in **Annexure-B** along with financial impact where applicable.

2.4 Significant accounting policies

Same disclosed accounting policies and methods of computation have been followed in these Financial Statements as were applied in the preparation of the financial statements of IDLC Finance Limited & Group as at and for the year ended 31 December 2018, except for those related to IFRS 16: "Leases", which is effective from 1 January 2019.

2.4.1 Changes in significant accounting policies - IFRS 16 Leases

2.4.1.1 Nature and impact of changes

(a) Definition of a lease

Previously, IDLC determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 (if any). Under IFRS 16, IDLC assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.4.1.2. On transition to IFRS 16, IDLC evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

As a Lessee

As a lessee, IDLC previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to IDLC. Under IFRS 16, IDLC recognises right-of-use assets and lease liabilities for all leases.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at IDLC's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (if any).

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17 (if any), the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17.

As a lessor

IDLC is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

Impacts on financial statements

IDLC has lease contracts related to the rental agreement of various branches. The table below show the impacts arising from IFRS 16 in the beginning of 2019:

Amount in BDT

IDLC Group	A	B	C=(A+B)
Leases	Liabilities	Advance for rent	Right-of-use Asset
Office Rent	669,703,031	116,032,214	785,735,245

IDLC Finance	A	B	C=(A+B)
Leases	Liabilities	Advance for rent	Right-of-use Asset
Office Rent	518,106,501	101,221,259	619,327,760

As at 1 January 2019:

Right-of-use assets:

Right-of-use assets of BDT 785,735,245 and BDT 619,327,760 were recognised and presented separately in Annexure A and also included in fixed assets in consolidated and IDLC Finance Limited's balance sheet respectively. This includes the lease liabilities & prepayments for office rent.

Leases Liabilities:

Lease liabilities derived from present value of all rental payments for various branches amounted to BDT 669,703,031 and BDT 518,106,501 has been incorporated in consolidated and IDLC Finance Limited's balance sheet respectively (under other liabilities head).

Advance for rent:

As at January 01, 2019 advance for rent was BDT 116,032,214 and BDT 101,221,259 and it has been incorporated in consolidated and IDLC Finance Limited's balance sheet respectively (under other assets head).

When measuring lease liabilities, IDLC discounted lease payments using its incremental borrowing rate (9.25%) at 1 January 2019.

(b) The following summarises the impacts of adopting IFRS 16 on the IDLC's consolidated & solo balance sheet, profit & loss account and statement of cash flows for the period then ended 31 December 2019, for each of the line items affected. Derivation of amounts without adoption of IFRS 16 = As reported + Adjustments.

Impact on the Consolidated Balance Sheet
As at 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	440,000	-	440,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	2,176,870,971	-	2,176,870,971
	2,177,310,971	-	**2,177,310,971**
Balance with other banks and financial institutions			
Inside Bangladesh	12,922,670,075	-	12,922,670,075
Outside Bangladesh	-	-	-
	12,922,670,075	-	**12,922,670,075**
Money at call and short notice	-	-	-
Investments			
Government	1,380,723,983	-	1,380,723,983
Others	5,554,544,240	-	5,554,544,240
	6,935,268,223	-	**6,935,268,223**
Loans and advances			
Loans, cash credit, overdraft etc.	92,345,977,331	-	92,345,977,331
Bills purchased and discounted	-	-	-
	92,345,977,331	-	**92,345,977,331**
Fixed assets including land, building, furniture and fixtures	**1,119,976,393**	**(630,781,678)**	**489,194,715**
Other assets	**1,884,075,443**	**(160,452,611)**	**1,723,622,832**
Non-banking assets	-	-	-
Total Assets	**117,385,278,436**	**(791,234,289)**	**116,594,044,147**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	**14,227,773,689**	-	**14,227,773,689**
Deposits and other accounts			
Current accounts and other accounts etc.	-	-	-
Bills payable	-	-	-
Savings bank deposits	-	-	-
Term deposits	75,415,433,310	-	75,415,433,310
Bearer certificate of deposits	-	-	-
Other deposits	2,490,149,327	-	2,490,149,327
	77,905,582,637	-	**77,905,582,637**
Other liabilities	**11,234,350,677**	**(836,706,968)**	**10,397,643,708**
Total Liabilities	**103,367,707,003**	**(836,706,968)**	**102,531,000,034**

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Capital/Shareholders' equity			
Paid-up capital	3,770,507,800	-	3,770,507,800
Share premium	1,260,585,930	-	1,260,585,930
Statutory reserves	2,509,921,870	-	2,509,921,870
General reserves	1,000,000,000	-	1,000,000,000
Dividend equalisation reserves	46,500,000	-	46,500,000
Retained earnings	5,430,052,634	45,472,677	5,475,525,311
Total Equity attributable to equity holders of the company	**14,017,568,234**	**45,472,677**	**14,063,040,911**
Non-controlling interest	**3,199**	**3**	**3,202**
Total Liabilities and Shareholders' equity	**117,385,278,436**	**(791,234,289)**	**116,594,044,147**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements	-	-	-
Letters of guarantee	50,000,000	-	50,000,000
Irrevocable letters of credit	-	-	-
Bills for collection	-	-	-
Indemnity bond	-	-	-
Corporate guarantee	750,000,000	-	750,000,000
	800,000,000	**-**	**800,000,000**
Other commitments			
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	1,238,722,240	-	1,238,722,240
	1,238,722,240	**-**	**1,238,722,240**
Total Off-Balance Sheet items including contingent liabilities	**2,038,722,240**	**-**	**2,038,722,240**
Net Assets Value (NAV) per share	**37.18**	**0.12**	**37.30**

Impact on the Consolidated Profit and Loss Account
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Interest income	13,183,089,035	-	13,183,089,035
Interest on deposits and borrowings etc.	(8,512,176,946)	58,265,678	(8,453,911,268)
Net interest income	**4,670,912,089**	**58,265,678**	**4,729,177,767**
Investment income	96,164,996	-	96,164,996
Commission, exchange and brokerage	410,459,017	-	410,459,017
Other operating income	440,562,062	-	440,562,062
Total operating income	**5,618,098,164**	**58,265,678**	**5,676,363,842**
Salaries and allowances	1,431,940,133	-	1,431,940,133
Rent, taxes, insurance, electricity etc.	58,428,798	178,190,278	236,619,076
Legal expenses	22,539,605	-	22,539,605
Postage, stamp, telecommunication etc.	43,491,044	-	43,491,044
Stationery, printing, advertisements etc.	161,843,179	-	161,843,179
Managing Director's salary and benefits	12,490,004	-	12,490,004
Directors' fees	1,990,581	-	1,990,581
Auditors' fees	1,228,928	-	1,228,928
Charges on loan losses	-	-	-
Depreciation and repair of Company's assets	328,860,566	(154,953,567)	173,906,999
Other expenses	371,286,980	-	371,286,980
Total operating expenses	**2,434,099,818**	**23,236,711**	**2,457,336,529**
Profit before provision	**3,183,998,346**	**35,028,967**	**3,219,027,313**
Provision for loans and investments			
General provision	70,258,720	-	70,258,720
Specific provision	357,945,424	-	357,945,424
Provision for diminution in value of investments	(5,310,393)	-	(5,310,393)
Other provisions	-	-	-
Total provision	**422,893,751**	**-**	**422,893,751**
Total profit before taxation	**2,761,104,595**	**35,028,967**	**2,796,133,562**
Provision for taxation			
Current tax expense	1,079,041,944	-	1,079,041,944
Deferred tax income	(17,859,563)	(10,443,713)	(28,303,276)
	1,061,182,381	(10,443,713)	1,050,738,668
Net profit after taxation	**1,699,922,214**	**45,472,680**	**1,745,394,894**
Attributable to:			
Shareholders of the Company	1,699,922,173	45,472,677	1,745,394,850
Non-controlling interest	41	3	44
	1,699,922,214	45,472,680	1,745,394,894
Appropriations to:			
Statutory reserves	93,380,020	-	93,380,020
General reserves	-	-	-
Dividend etc.	-	-	-
	93,380,020	-	93,380,020
Retained surplus	**1,606,542,153**	**45,472,680**	**1,652,014,830**
Earnings Per Share (EPS)	**4.51**	**0.12**	**4.63**

Impact on the Consolidated Cash Flows Statement
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
A) Cash flows from operating activities			
Interest received	12,938,761,799	-	12,938,761,799
Interest paid	(4,557,675,271)	58,265,678	(4,499,409,593)
Dividend received	123,091,573	-	123,091,573
Fees and commission received	410,459,017	-	410,459,017
Paid to employees and suppliers	(2,131,115,918)	(178,190,278)	(2,309,306,196)
Payment of income tax	(1,041,679,057)	-	(1,041,679,057)
Received from other operating activities	407,785,167	-	407,785,167
Cash generated from operating activities before changes in operating assets and liabilities	**6,149,627,310**	**(119,924,600)**	**6,029,702,710**
Increase/(decrease) in operating assets and liabilities			
Lease receivable	780,482,277	-	780,482,277
Long-term finance	(6,912,577,883)	-	(6,912,577,883)
Real estate finance	(3,031,251,200)	-	(3,031,251,200)
Car loan	159,088,073	-	159,088,073
Personal loan	2,984,657	-	2,984,657
Loan against deposit	47,396,901	-	47,396,901
Margin loan to portfolio investors	627,143,115	-	627,143,115
Short term finance	170,832,848	-	170,832,848
Other assets	(752,254,284)	160,452,610	(591,801,674)
Term and other deposits	5,192,833,411	-	5,192,833,411
Net drawdown of short term loan	(1,600,000,000)	-	(1,600,000,000)
Payable and accrued expenses	(4,310,491,404)	193,346,610	(4,117,144,794)
Deferred liability-employee gratuity	15,233,359	-	15,233,359
Portfolio investors' fund	(368,455,004)	-	(368,455,004)
Deferred tax liability	233,693,284	(233,874,620)	(181,336)
Interest suspense account	157,605,188	-	157,605,188
	(9,587,736,663)	119,924,600	(9,467,812,063)
Net cash flows from/(used in) operating activities	**(3,438,109,353)**	**-**	**(3,438,109,353)**
B) Cash flows from investing activities			
Purchase of fixed assets	(90,204,071)	-	(90,204,071)
Disposal of fixed assets	10,855,287	-	10,855,287
Net proceeds of investment in securities	365,209,284	-	365,209,284
Net cash flows from/(used in) investing activities	**285,860,500**	**-**	**285,860,500**
C) Cash flows from financing activities			
Drawdown of term loans	10,117,227,869	-	10,117,227,869
Repayment of term loans	(6,785,695,099)	-	(6,785,695,099)
Proceeds from right issue	-	-	-
Share money in arrear	-	-	-
Dividend paid	(1,314,917,412)	-	(1,314,917,412)
Net cash flows from/(used in) financing activities	**2,016,615,358**	**-**	**2,016,615,358**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**(1,135,633,495)**	**-**	**(1,135,633,495)**
E) Effects of exchange rate changes on cash and cash equivalents	**-**	**-**	**-**
F) Cash and cash equivalents at beginning of the year	**16,235,614,541**	**-**	**16,235,614,541**
G) Cash and cash equivalents at end of the year (D+E+F)	**15,099,981,046**	**-**	**15,099,981,046**
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)	440,000	-	440,000
Balance with Bangladesh Bank and its agent bank(s)	2,176,870,971	-	2,176,870,971
Balance with other banks and financial institutions	12,922,670,075	-	12,922,670,075
Money at call and short notice	-	-	-
	15,099,981,046	**-**	**15,099,981,046**
Net operating cash flow per share	**(9.12)**	**-**	**(9.12)**

Impact on the Balance Sheet
As at 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	340,000	-	340,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	2,176,870,971	-	2,176,870,971
	2,177,210,971	-	**2,177,210,971**
Balance with other banks and financial institutions			
Inside Bangladesh	12,143,631,740	-	12,143,631,740
Outside Bangladesh	-	-	-
	12,143,631,740	-	**12,143,631,740**
Money at call and short notice	-	-	-
Investments			
Government	956,582,294	-	956,582,294
Others	1,764,634,918	-	1,764,634,918
	2,721,217,212	-	**2,721,217,212**
Loans and advances			
Loans, cash credit, overdraft etc.	91,448,447,902	-	91,448,447,902
Bills purchased and discounted	-	-	-
	91,448,447,902	-	**91,448,447,902**
Fixed assets including land, building, furniture and fixtures	**926,283,039**	**(491,338,416)**	**434,944,623**
Other assets	**5,238,018,539**	**(119,671,448)**	**5,118,347,091**
Non-banking assets	-	-	-
Total Assets	**114,654,809,403**	**(611,009,864)**	**114,043,799,540**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	**14,027,773,689**	-	**14,027,773,689**
Deposits and other accounts			
Current accounts and other accounts etc.	-	-	-
Bills payable	-	-	-
Savings bank deposits	-	-	-
Term deposits	77,008,419,045	-	77,008,419,045
Bearer certificate of deposits	-	-	-
Other deposits	2,490,149,327	-	2,490,149,327
	79,498,568,372	-	**79,498,568,372**
Other liabilities	**9,897,359,976**	**(648,936,473)**	**9,248,423,503**
Total Liabilities	**103,423,702,037**	**(648,936,473)**	**102,774,765,564**

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Capital/Shareholders' equity			
Paid-up capital	3,770,507,800	-	3,770,507,800
Share premium	1,260,585,930	-	1,260,585,930
Statutory reserves	2,509,921,870	-	2,509,921,870
General reserves	1,000,000,000	-	1,000,000,000
Dividend equalisation reserves	46,500,000	-	46,500,000
Retained earnings	2,643,591,766	37,926,609	2,681,518,375
Total Equity	**11,231,107,366**	**37,926,609**	**11,269,033,975**
Total Liabilities and Shareholders' equity	**114,654,809,403**	**(611,009,864)**	**114,043,799,540**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements	-	-	-
Letters of guarantee	50,000,000	-	50,000,000
Irrevocable letters of credit	-	-	-
Bills for collection	-	-	-
Indemnity bond	-	-	-
Corporate guarantee	750,000,000	-	750,000,000
	800,000,000	**-**	**800,000,000**
Other commitments			-
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	1,238,722,240	-	1,238,722,240
	1,238,722,240	**-**	**1,238,722,240**
Total Off-Balance Sheet items including contingent liabilities	**2,038,722,240**	**-**	**2,038,722,240**
Net Assets Value (NAV) per share	**29.79**	**0.10**	**29.89**

Impact on the Profit and Loss Account
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Interest income	12,936,084,679	-	12,936,084,679
Interest on deposits and borrowings etc.	(8,639,581,266)	45,265,476	(8,594,315,790)
Net interest income	**4,296,503,413**	**45,265,476**	**4,341,768,889**
Investment income	32,604,778	-	32,604,778
Commission, exchange and brokerage	53,374,175	-	53,374,175
Other operating income	432,922,088	-	432,922,088
Total operating income	**4,815,404,454**	**45,265,476**	**4,860,669,930**
Salaries and allowances	1,178,919,053	-	1,178,919,053
Rent, taxes, insurance, electricity etc.	45,233,286	145,323,405	190,556,691
Legal expenses	17,984,805	-	17,984,805
Postage, stamp, telecommunication etc.	35,866,522	-	35,866,522
Stationery, printing, advertisements etc.	142,334,199	-	142,334,199
Managing Director's salary and benefits	12,490,004	-	12,490,004
Directors' fees	1,409,523	-	1,409,523
Auditors' fees	883,928	-	883,928
Charges on loan losses	-	-	-
Depreciation and repair of Company's assets	274,570,314	(127,989,344)	146,580,970
Other expenses	302,027,160	-	302,027,160
Total operating expenses	**2,011,718,794**	**17,334,061**	**2,029,052,855**
Profit before provisions	**2,803,685,660**	**27,931,415**	**2,831,617,075**
Provision for loans and investments			
General provision	76,942,529	-	76,942,529
Specific provision	343,065,883	-	343,065,883
Provision for diminution in value of investments	(6,739,194)	-	(6,739,194)
Other provision	-	-	-
Total provision	**413,269,218**	**-**	**413,269,218**
Total profit before taxation	**2,390,416,442**	**27,931,415**	**2,418,347,857**
Provision for taxation			
Current tax expense	877,173,990	-	877,173,990
Deferred tax income	(8,950,813)	(9,995,194)	(18,946,007)
	868,223,177	(9,995,194)	858,227,983
Net profit after taxation	**1,522,193,265**	**37,926,609**	**1,560,119,874**
Appropriations to:			
Statutory reserves	93,380,020	-	93,380,020
General reserves	-	-	-
Dividend etc.	-	-	-
	93,380,020	-	93,380,020
Retained surplus	**1,428,813,245**	**37,926,609**	**1,466,739,854**
Earnings Per Share (EPS)	**4.04**	**0.10**	**4.14**

Impact on the Cash Flows Statement

For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
A) Cash flows from operating activities			
Interest received	12,683,478,230	-	12,683,478,230
Interest paid	(4,685,079,591)	45,265,476	(4,639,814,115)
Dividend received	54,478,019	-	54,478,019
Fees and commission received	53,374,175	-	53,374,175
Paid to employees and suppliers	(1,756,942,241)	(145,323,405)	(1,902,265,646)
Payment of income tax	(822,882,600)	-	(822,882,600)
Received from other operating activities	417,465,999	-	417,465,999
Cash generated from operating activities before changes in operating assets and liabilities	**5,943,891,991**	**(100,057,929)**	**5,843,834,062**
Increase/(decrease) in operating assets and liabilities			
Lease receivable	780,482,277	-	780,482,277
Long-term finance	(6,912,577,883)	-	(6,912,577,883)
Real estate finance	(3,031,251,200)	-	(3,031,251,200)
Car loan	159,088,073	-	159,088,073
Personal loan	2,984,657	-	2,984,657
Loan against deposit	47,396,901	-	47,396,901
Short term finance	170,832,848	-	170,832,848
Other assets	(833,969,071)	119,671,448	(714,297,623)
Term and other deposits	5,705,448,688	-	5,705,448,688
Net drawdown of short term loan	(1,550,000,000)	-	(1,550,000,000)
Payable and accrued expenses	(3,595,494,739)	164,638,387	(3,430,856,352)
Deferred tax liability	184,251,906	(184,251,906)	-
Interest suspense account	157,605,188	-	157,605,188
	(8,715,202,355)	100,057,929	(8,615,144,426)
Net cash flows from/(used in) operating activities	**(2,771,310,364)**	**-**	**(2,771,310,364)**
B) Cash flows from investing activities			
Purchase of fixed assets	(64,068,377)	-	(64,068,377)
Disposal of fixed assets	5,929,266	-	5,929,266
Net proceeds of investment in securities	71,654,552	-	71,654,552
Net cash flows from/(used in) investing activities	**13,515,441**	**-**	**13,515,441**
C) Cash flows from financing activities			
Drawdown of term loans	10,117,227,869	-	10,117,227,869
Repayment of term loans	(6,785,695,099)	-	(6,785,695,099)
Proceeds from right issue	-	-	-
Dividend paid	(1,314,917,412)	-	(1,314,917,412)
Net cash flows from/(used in) financing activities	**2,016,615,358**	**-**	**2,016,615,358**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**(741,179,565)**	**-**	**(741,179,565)**
E) Effects of exchange rate changes on cash and cash equivalents	**-**	**-**	**-**
F) Cash and cash equivalents at beginning of the year	**15,062,022,276**	**-**	**15,062,022,276**
G) Cash and cash equivalents at end of the year (D+E+F)	**14,320,842,711**	**-**	**14,320,842,711**
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)	340,000	-	340,000
Balance with Bangladesh Bank and its agent bank(s)	2,176,870,971	-	2,176,870,971
Balance with other banks and financial institutions	12,143,631,740	-	12,143,631,740
Money at call and short notice	-	-	-
	14,320,842,711	**-**	**14,320,842,711**
Net operating cash flow per share	**(7.35)**	**-**	**(7.35)**

2.4.1.2 Accounting policy for IFRS 16: Leases

IDLC has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 as Operating Lease. The details impact of changes in the financial statements has been disclosed in Note 2.4.1.1 (b).

Policy applicable from 1 January 2019

At inception of a contract, IDLC assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, IDLC assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- IDLC has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- IDLC has the right to direct the use of the asset. IDLC has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, IDLC has the right to direct the use of the asset if either:

(i) IDLC has the right to operate the asset; or

(ii) IDLC designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

IDLC as a lessee

IDLC recognises a right of use asset and a lease liability from the beginning of 2019. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line methods from the commencement date (from the beginning of 2019) to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date (from the beginning of 2019), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, IDLC 's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in IDLC 's estimate of the amount expected to be payable under a residual value guarantee, or if IDLC changes its assessment of whether it will exercise purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use asset, or is recorded in profit or loss if the carrying amount of the right to use asset has been reduced to zero.

IDLC presents right of use assets in **Annexure-A** and lease liabilities in **note-12.1** separately.

IDLC as a lessor

When IDLC acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, IDLC makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, IDLC considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, IDLC applies IFRS 15 to allocate the consideration in the contract. IDLC recognises lease payments received under operating leases as income over the lease term.

2.5 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 December 31, 2019;

b) Consolidated and Separate Profit and Loss Account for the year ended December 31, 2019;

c) Consolidated and Separate Statement of Cash Flows for the year ended December 31, 2019;

d) Consolidated and Separate Statement of Changes in Equity for the year ended December 31, 2019;

e) Liquidity Statement as at December 31, 2019;

f) Notes to the Consolidated and Separate Financial Statements for the year ended December 31, 2019.

2.6 Directors' responsibility statement

The Board of Directors' takes the responsibility for the preparation and presentation of these financial statements.

2.7 Date of authorisation

The Board of directors has authorised this financial statements for public issue on 20 February 2020.

2.8 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.

2.9 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.

2.10 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'.

2.11 Branch accounting

The Company has forty branches, with no overseas branch as on December 31, 2019. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

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 changes 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 January 31, 2012.

As per IFRS 9: "Financial Instruments", Financial Assets are classified as either: (i) Amortised cost, (ii) Fair value through profit or loss or (iii) Fair Value through other comprehensive income. In case of valuation of investment in government bonds (Note-6), we have followed amortised cost method, as it meets both of the following assessment criteria:

i) Business model assessment: The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and

ii) Contractual cash flow assessment: The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date.

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''.

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 IAS-16: "Property, Plant and Equipment". Full depreciation is charged on additions irrespective of date in the month in which 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%
Right-of-use Asset	Lease term

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 as per IFRS 15: "Revenue from Contracts with Customers"

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 of 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the date of reporting of the financial statements.

The Company provides disclosures based on the classes of assets and liabilities related to the temporary differences. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognized for all taxable temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Both the Deferred tax assets and liabilities are reviewed at each reporting date considering the probability of benefit or detriment realizable. Deferred tax assets and liabilities are not offset and are presented separately as per Bangladesh Bank directive.

2.27.2 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, in accordance with provisions of Income Tax Ordinance, 1984. It is measured using tax rates enacted or substantively enacted at the reporting date. Applicable tax rate for the Company for the year 2019 will be declared by Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing tax rates will be applicable for Income year 2019 as well, which are mentioned below:

Regular business tax rate	Rates
IDLC FL- Publicly traded Financial institution	37.50%
IDLC SL- Private Limited company	35.00%
IDLC IL- Merchant Bank	37.50%
IDLC AML- Private Limited company	35.00%

Other business tax rate	Rates
Dividend income	20.00%
Asset Management fee of Mutual funds	15.00%
Capital gain on sale of fixed assets	15.00%
Capital gain on sale of marketable securities	10.00%

The Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019. We already accounted for uncertainty of taxes and further disclosure is not required.

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 Standard (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 January 01, 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 45.

2.37 Minority interest in subsidiaries

A minority interest, which is also referred to as noncontrolling 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 behavioural past trends.

h) Other long term liabilities are on the basis of their maturity terms.

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 IAS and IFRS:

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
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

Name of the IAS	IAS No.	Status
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
Leases	16	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 & Annexure B).

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 January 01, 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 January 01, 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 September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated January 24, 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 Management 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, good governance 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 and available sources of funds. An optimal match of risk and return is maintained while fulfilling liquidity requirements.

Operational Risk

IDLC has established an Operational Risk Management (ORM) department to address operational risk and to frame and implement policies to encounter such risks. Appropriate Operational Risk Management Framework (ORMF) are in place, at IDLC, to address operational risks. The ORM department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess, report and manage operational risk. The function of the ORM department is to exercise constant vigilance against erosion of shareholders' value by identifying, assessing, reporting 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 AML/CFT efforts throughout the company;

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 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 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 damage 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 the 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 member of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh. IDLC is also one of the founding signatories to the Principles for Responsible Banking (6 principles) introduced by UNEP FI, and signed the pledge of Tobacco Free Portfolios as well. A dedicated E&S team is working collaboratively to practice ESRM effectively across IDLC, and capacity building of business units as well as credit risk management officials to seize the opportunities of changing economy and society. IDLC envisions in 21st century to create value for both society and stakeholders, and remain trustworthy amongst investors, customers, employees and society.

2.42 Custodial Service

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. To facilitate this 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. 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 December 31, 2019, IDLC Finance Limited is the custodian of 291,586,597 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.

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT

3. Cash

3.1 Cash in hand (including foreign currencies)				
In local currency	340,000	330,000	440,000	434,090
In foreign currency	-	-	-	-
	340,000	**330,000**	**440,000**	**434,090**
3.2 Balance with Bangladesh Bank and its agent (including foreign currencies)				
In local currency	2,176,870,971	2,564,995,968	2,176,870,971	2,564,995,968
In foreign currency	-	-	-	-
	2,176,870,971	2,564,995,968	2,176,870,971	2,564,995,968
	2,177,210,971	**2,565,325,968**	**2,177,310,971**	**2,565,430,058**

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 November 06, 2003, FID Circular No. 02 dated November 10, 2004 and DFIM Circular Letter No. 01, dated January 12, 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 BDT), 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	1,612,759,969	1,385,890,719	1,612,759,969	1,385,890,719
Actual reserve maintained	1,632,844,673	1,393,211,299	1,632,844,673	1,393,211,299
Surplus/ (deficit)	**20,084,704**	**7,320,580**	**20,084,704**	**7,320,580**
b) Statutory Liquidity Reserves				
Required reserve (including CRR)	4,631,075,947	3,957,672,444	4,631,075,947	3,957,672,444
Actual reserve maintained (including CRR) (note 3.3.1)	4,670,957,960	4,011,076,275	4,670,957,960	4,011,076,275
Surplus/ (deficit)	**39,882,013**	**53,403,831**	**39,882,013**	**53,403,831**

3.3.1 Actual reserve maintained (including CRR)

Standard Chartered Bank	166,726,092	153,267,412	166,726,092	153,267,412
Citibank N.A.	34,591,834	32,313,731	34,591,834	32,313,731
Dhaka Bank Limited	1,000,000,000	-	1,000,000,000	-
Investment in Government Securities	956,445,050	-	956,445,050	-
Bangladesh Bank	1,613,194,984	1,325,495,132	1,613,194,984	1,325,495,132
One Bank Limited	900,000,000	1,800,000,000	900,000,000	1,800,000,000
Standard Bank Limited	-	400,000,000	-	400,000,000
Al-Arafah Islami Bank Limited	-	300,000,000	-	300,000,000
	4,670,957,960	**4,011,076,275**	**4,670,957,960**	**4,011,076,275**

4. Balance with other banks and financial institutions in Bangladesh

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
4(a) Inside Bangladesh				
Current deposits in local currency				
Woori Bank limited	137,629	5,832	137,629	5,832
Bank Al- Falah Limited	9,070	1,460	9,070	1,460
One Bank Limited	-	-	66,239,237	3,295,766
Jamuna Bank Limited	6,320	7,240	6,320	7,240
The City Bank Limited	32,181,853	19,100,962	32,181,853	19,100,962
National Bank Limited	527,247	12,048,186	527,247	12,048,186
Bank Asia Limited	29,044,981	12,609,106	29,044,981	12,609,106
State Bank of India	44,584	13,345,504	44,584	13,345,504
Commercial Bank of Ceylon PLC	3,924,804	507,076	4,587,046	1,620,138
NCC Bank Limited	5,069,668	-	66,785,929	-
Citibank N.A	14,047,630	162,608,798	14,047,630	162,608,798
Standard Chartered Bank	(1,087,934,127)	(936,536,798)	(1,039,898,129)	(501,109,222)
Mutual Trust Bank Limited	2,742,716	(1,719,021)	2,742,716	(1,719,021)
Exim Bank Limited	2,710,698	3,655,870	2,710,698	3,655,870
Dutch Bangla Bank Limited	47,108,789	30,182,492	47,108,789	30,182,492
BRAC Bank Limited	627,069	23,901,508	1,295,529	44,576,133
Dhaka Bank Limited	4,794,329	5,062,481	4,794,329	5,062,481
United Commercial Bank Limited	8,557,226	-	8,557,226	-
NRB Bank Limited	-	-	193,477	190,901
Mercantile Bank Limited	1,938,830	1,157,719	1,938,830	1,157,719
bKash Limited	150	-	150	-
IDLC Investments Limited	2,484,482	106,347,259	-	-
	(931,976,052)	(547,714,326)	(756,944,859)	(193,359,655)
Short-term deposit accounts				
Prime Bank Limited	1,312,285	1,078,215	1,312,285	1,078,215
Dutch Bangla Bank Limited	-	-	3,847,669	5,957,617
The City Bank Limited	1,039,083,037	58,991,780	1,039,083,037	58,991,780
BRAC Bank Limited	-	-	3,481,117	18,686,987
Southeast Bank Limited	9,841,683	9,891,608	9,841,683	9,891,608
Citibank N.A.	62,333,109	321,351	62,333,109	321,351
Standard Chartered Bank	203,412,145	(20,606)	203,673,837	(18,699)
Commercial Bank of Ceylon PLC	3,080,428	6,154,568	5,682,661	10,430,301
One Bank Limited	2,661,302,587	1,446,866,126	2,756,585,977	1,454,233,015
NCC Bank Limited	-	-	32,417,464	374,459,810
Exim Bank Limited	2,045,242,496	1,281,127,581	2,316,336,877	1,637,350,766
NRB Bank Limited	22	11	23	12
	6,025,607,792	2,804,410,634	6,434,595,739	3,571,382,763

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
	Fixed Deposits				
	Al-Arafah Islami Bank Limited	-	900,000,000	-	900,000,000
	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	70,000,000	90,000,000	70,000,000	90,000,000
	ONE Bank Limited	900,000,000	2,200,000,000	900,000,000	2,200,000,000
	Southeast Bank Limited	250,000,000	500,000,000	250,000,000	500,000,000
	Jamuna Bank Limited	1,000,000,000	1,550,000,000	1,000,000,000	1,550,000,000
	Dhaka Bank Limited	2,500,000,000	3,000,000,000	2,500,000,000	3,000,000,000
	Standard Bank Limited	780,000,000	750,000,000	780,000,000	750,000,000
	Export Import Bank of Bangladesh Limited	500,000,000	-	650,000,000	-
	IPDC Finance Limited	-	300,000,000	10,519,195	317,661,375
	Trust Bank Limited	-	-	2,500,000	2,500,000
	Standard Chartered Bank	-	-	32,000,000	32,000,000
	Modhumoti Bank Limited	300,000,000	-	300,000,000	-
		7,050,000,000	10,240,000,000	7,245,019,195	10,292,161,375
		12,143,631,740	**12,496,696,308**	**12,922,670,075**	**13,670,184,483**
4(b)	**Outside Bangladesh**	-	-	-	-
	Total balance	**12,143,631,740**	**12,496,696,308**	**12,922,670,075**	**13,670,184,483**
4.1	**Maturity grouping of balance with other banks and financial institutions:**				
	Payable on demand	(931,976,052)	(547,714,326)	(347,956,912)	573,612,474
	Up to 1 month	8,375,607,792	4,894,410,634	8,536,126,987	4,906,819,405
	Over 1 month but not more than 3 months	4,400,000,000	6,400,000,000	4,407,000,000	6,407,000,000
	Over 3 months but not more than 6 months	300,000,000	1,750,000,000	300,000,000	1,755,252,604
	Over 6 months but not more than 1 year	-	-	27,500,000	27,500,000
	Over 1 year but not more than 5 years	-	-	-	-
	Over 5 years	-	-	-	-
		12,143,631,740	**12,496,696,308**	**12,922,670,075**	**13,670,184,483**
5	**Money at call and short notice**	**-**	-	**-**	-
		-	-	**-**	-

6 Investments

Government securities				
Treasury bill	-	-	-	-
National Investment bonds	-	-	-	-
Bangladesh Bank bill	-	-	-	-
Government notes/bonds	956,582,294	-	1,380,723,983	-
Prize bonds	-	-	-	-
Others	-	-	-	-
	956,582,294	-	1,380,723,983	-

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Other investments					
Investment in non marketable ordinary shares (Note 6.1)		7,864,000	7,864,000	167,863,952	107,864,000
Investment in preference shares (Note 6.2)		83,992,500	-	83,992,500	-
Investment in debenture and bonds (Note 6.3)		300,000,000	420,000,000	603,001,618	738,434,071
Investment in venture capital (Note 6.4)		50,000,000	-	59,000,000	-
Investment in marketable securities (Note 6.5)		1,109,448,286	2,165,007,764	4,377,356,038	6,254,179,436
Investment in open end mutual fund (Note 6.6)		213,330,132	200,000,000	263,330,132	200,000,000
Other investments		-	-	-	-
Gold etc.		-	-	-	-
		1,764,634,918	2,792,871,764	5,554,544,240	7,300,477,507
		2,721,217,212	**2,792,871,764**	**6,935,268,223**	**7,300,477,507**
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	-	-	-	159,999,952	100,000,000
		7,864,000	**7,864,000**	**167,863,952**	**107,864,000**

* Previously the name was Dan & Bradstreet Rating Agency Bangladesh Limited

6.2 Investment in preference shares				
Chaldal Limited	83,992,500	-	83,992,500	-
	83,992,500	**-**	**83,992,500**	**-**
6.3 Investment in bonds				
Mercantile Bank Limited	120,000,000	180,000,000	120,000,000	180,000,000
United Commercial Bank Limited	180,000,000	240,000,000	180,000,000	240,000,000
Paramount Textile Limited	-	-	119,647,504	155,366,353
Tarasima Apparels Limited	-	-	82,085,418	-
Impress-Newtex Composite Textile Limited	-	-	101,268,696	163,067,718
Total	**300,000,000**	**420,000,000**	**603,001,618**	**738,434,071**
6.4 Investment in venture capital				
IDLC Venture Capital Fund I	50,000,000	-	59,000,000	-
Total	**50,000,000**	**-**	**59,000,000**	**-**

IDLC Finance Limited (IDLC FL) invested BDT 50.00 million in IDLC Venture Capital Fund I, an alternative investment fund. The objective of the fund is to provide superior risk adjusted returns over a medium to long term by investing in high growth companies, with good management and corporate governance through Equity and Equity Linked Instruments. IDLC Asset Management Limited (IDLC AML) also invested BDT 9.00 million in this fund.

6.5 Investment in marketable securities				
Investment in marketable securities (Note 6.5.1)	1,109,448,286	2,164,334,034	4,344,053,358	6,206,064,879
Investment in Initial Public Offering (Note 6.5.2)	-	673,730	-	2,964,760
Investment in DPM PLS Scheme	-	-	33,302,680	45,149,797
	1,109,448,286	**2,165,007,764**	**4,377,356,038**	**6,254,179,436**

6.5.1 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 2019	Cost price	Market price at the end of the year 2019
	BDT	BDT	BDT	BDT
Mutual Funds	195,847,280	181,053,011	289,234,532	274,514,713
Banks	-	-	819,895,755	638,630,908
Textiles	40,027	63,387	160,100	253,521
Pharmaceuticals & Chemicals	193,956,867	160,640,153	822,312,352	672,531,993
Fuel & Power	16,869,600	16,869,600	278,113,200	205,904,930
Financial Institutions	9,999,990	9,999,990	19,726,863	18,897,654
Telecom	264,362,236	181,293,843	725,478,415	517,810,810
Food & Allied	-	-	44,619,826	38,796,000
Cement	-	-	512,656,913	346,315,588
Engineering & Others	428,372,286	405,100,322	831,855,402	689,781,740
	1,109,448,286	955,020,306	4,344,053,358	3,403,437,857

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 December 31, 2019, there was BDT 940.62 million gross loss on consolidated investment in marketable securities and BDT 154.43 million gross loss on investment by IDLC Finance Limited in marketable securities.

		IDLC Finance Limited		IDLC Group	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		BDT	BDT	BDT	BDT
6.5.2	**Investment in Initial Public Offering**	-	673,730	-	2,964,760
6.6	**Investment in open end mutual fund**				
	IDLC Balanced Fund	107,725,140	100,000,000	107,725,140	100,000,000
	IDLC Growth Fund	105,604,992	100,000,000	105,604,992	100,000,000
	IDLC Asset Management Shariah Fund	-	-	50,000,000	-
		213,330,132	200,000,000	263,330,132	200,000,000

IDLC Finance Limited (IDLC FL) invested BDT 213.33 million as the sponsor in open-ended mutual fund (IDLC Balanced Fund & IDLC Growth Fund). IDLC Asset Management Limited (IDLC AML) is the fund manager 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. IDLC Asset Management Limited (IDLC AML) invested BDT 50.00 million as the sponsor in IDLC Asset Management Shariah Fund, an open-ended mutual fund. The objective of the fund is to generate profit by investing in a portfolio of Shariah compliant securities, vetted by the Shariah Advisory Board. The fund intends to deliver the profit among the investors in the form of dividend as well as capital appreciation.

6.7	**Maturity grouping of investments**				
	On demand	-	-	-	-
	Up to 1 month	110,944,829	216,500,776	2,185,171,088	2,425,150,033
	Over 1 month but not more than 3 months	998,503,457	1,948,506,988	2,206,467,867	3,831,029,537
	Over 3 months but not more than 6 months	60,000,000	60,000,000	173,293,187	145,524,491
	Over 6 months but not more than 1 year	60,000,000	60,000,000	155,116,564	82,056,922
	Over 1 year but not more than 5 years	180,000,000	500,000,000	369,308,928	808,852,524
	Over 5 years	1,311,768,926	7,864,000	1,845,910,589	7,864,000
		2,721,217,212	2,792,871,764	6,935,268,223	7,300,477,507

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
7	**Loans and advances**				
	Inside Bangladesh:				
	Lease receivable (Note 7.1)	3,496,386,070	4,276,868,347	3,496,386,070	4,276,868,347
	Long-term finance (Note 7.2)	55,552,794,111	48,640,216,228	55,552,794,111	48,640,216,228
	Real estate finance (Note 7.3)	28,162,643,069	25,131,391,869	28,162,643,069	25,131,391,869
	Car loans (Note 7.4)	1,250,714,504	1,409,802,577	1,250,714,504	1,409,802,577
	Personal loan (Note 7.5)	144,951,757	147,936,414	144,951,757	147,936,414
	Short term finance (Note 7.6)	734,718,349	905,551,197	734,718,349	905,551,197
	Loan to subsidiaries (Note 7.7)	-	-	-	-
	Loan against deposit (LAD)	710,359,870	757,756,771	710,359,870	757,756,771
	Margin loan to portfolio investors (Note 7.8)	-	-	897,529,429	1,524,672,544
	Interest receivable (Note-7.9)	1,395,880,173	1,140,084,071	1,395,880,173	1,140,084,071
		91,448,447,902	82,409,607,473	92,345,977,331	83,934,280,017
	Outside Bangladesh	-	-	-	-
		91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**
7.1	**Lease receivable**				
	Balance at January 1	4,276,868,347	4,628,820,564	4,276,868,347	4,628,820,564
	Add: Addition during the year	795,923,403	1,589,662,430	795,923,403	1,589,662,430
		5,072,791,750	6,218,482,994	5,072,791,750	6,218,482,994
	Less: Realisation during the year	1,576,405,680	1,941,614,647	1,576,405,680	1,941,614,647
	Balance at December 31	**3,496,386,070**	**4,276,868,347**	**3,496,386,070**	**4,276,868,347**
7.1a	**Lease receivable**				
	Gross lease receivable	4,182,764,253	5,179,625,886	4,182,764,253	5,179,625,886
	Less: Unearned lease income	686,378,183	902,757,539	686,378,183	902,757,539
	Lease receivable	**3,496,386,070**	**4,276,868,347**	**3,496,386,070**	**4,276,868,347**

		31.12.2019		31.12.2018	
		Amount in BDT	% of total	Amount in BDT	% of total
7.1.1	**Aging analysis of lease receivable**				
	Up to one year	1,579,484,148	45.17	1,689,119,293	39.49
	Above one year to three years	1,527,248,564	43.68	1,971,227,095	46.09
	Above three years to five years	377,088,031	10.79	611,379,071	14.30
	More than five years	12,565,327	0.36	5,142,888	0.12
		3,496,386,070	**100.00**	**4,276,868,347**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
7.2	**Long-term finance**				
	Balance at January 1	48,640,216,228	39,242,839,011	48,640,216,228	39,242,839,011
	Add: Disbursement during the year	33,137,032,052	31,209,698,141	33,137,032,052	31,209,698,141
		81,777,248,280	70,452,537,152	81,777,248,280	70,452,537,152
	Less: Realisation during the year	26,224,454,169	21,812,320,924	26,224,454,169	21,812,320,924
	Balance at December 31	**55,552,794,111**	**48,640,216,228**	**55,552,794,111**	**48,640,216,228**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
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.

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
Balance at January 1	25,131,391,869	21,461,517,186	25,131,391,869	21,461,517,186
Add : Disbursement during the year	7,691,630,446	7,382,569,786	7,691,630,446	7,382,569,786
	32,823,022,315	28,844,086,972	32,823,022,315	28,844,086,972
Less : Realisation during the year	4,660,379,246	3,712,695,103	4,660,379,246	3,712,695,103
Balance at December 31	**28,162,643,069**	**25,131,391,869**	**28,162,643,069**	**25,131,391,869**

		31.12.2019		31.12.2018	
		BDT	**% of total**	**BDT**	**% of total**
7.3.1	**Aging analysis of real estate finance**				
	Up to one year	2,395,583,732	8.51	2,242,491,145	8.92
	Above one year to three years	4,645,306,910	16.49	4,280,158,323	17.03
	Above three years to five years	4,552,559,012	16.17	4,245,154,066	16.89
	More than five years	16,569,193,415	58.83	14,363,588,335	57.15
		28,162,643,069	**100.00**	**25,131,391,869**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
7.4	**Car loans**				
	Balance at January 1	1,409,802,577	1,858,522,855	1,409,802,577	1,858,522,855
	Add : Disbursement during the year	474,684,476	361,691,440	474,684,476	361,691,440
		1,884,487,053	2,220,214,295	1,884,487,053	2,220,214,295
	Less : Realisation during the year	633,772,549	810,411,718	633,772,549	810,411,718
	Balance at December 31	**1,250,714,504**	**1,409,802,577**	**1,250,714,504**	**1,409,802,577**
7.5	**Personal loan**				
	Balance at January 1	147,936,414	92,857,372	147,936,414	92,857,372
	Add : Disbursement during the year	60,440,509	94,760,641	60,440,509	94,760,641
		208,376,923	187,618,013	208,376,923	187,618,013
	Less : Realisation during the year	63,425,166	39,681,599	63,425,166	39,681,599
	Balance at December 31	**144,951,757**	**147,936,414**	**144,951,757**	**147,936,414**
7.6	**Short term finance**				
	Factoring of account receivable	**734,718,349**	**905,551,197**	**734,718,349**	**905,551,197**
7.7	**Loan to Subsidiaries**				
	Balance at January 1	-	1,230,349,692	-	-
	Add : Disbursement during the year	1,527,300,000	8,413,400,000	-	-
		1,527,300,000	9,643,749,692	-	-
	Less : Realisation during the year	1,527,300,000	9,643,749,692	-	-
	Balance at December 31	-	-	-	-
7.7.1	**Loan to IDLC Investments Limited**				
	Balance at January 1	-	1,230,349,692	-	-
	Add : Disbursement during the year	522,300,000	5,738,400,000	-	-
		522,300,000	6,968,749,692	-	-
	Less : Realisation during the year	522,300,000	6,968,749,692	-	-
	Balance at December 31	-	-	-	-

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
7.7.2	**Loan to IDLC Securities Limited**				
	Balance at January 1	-	-	-	-
	Add : Disbursement during the year	1,005,000,000	2,675,000,000	-	-
		1,005,000,000	2,675,000,000	-	-
	Less : Realisation during the year	1,005,000,000	2,675,000,000	-	-
	Balance at December 31	-	-	-	-
7.8	**Margin loan to portfolio investors**				
	Balance at January 1	-	-	1,524,672,544	2,063,263,811
	Add : Disbursement during the year	-	-	1,627,124,400	2,872,174,251
		-	-	3,151,796,944	4,935,438,062
	Less : Realisation during the year	-	-	2,254,267,515	3,410,765,518
	Balance at December 31	-	-	**897,529,429**	**1,524,672,544**

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 noted 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 is 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 becomes obvious that additional provision will be required, then it shall be provided for in due course.

7.9	**Interest Receivables**				
	Lease receivable	92,247,707	77,832,232	92,247,707	77,832,232
	Long-term finance	848,726,785	676,210,534	848,726,785	676,210,534
	Real estate finance	385,815,354	320,225,059	385,815,354	320,225,059
	Car loan	10,284,761	13,329,194	10,284,761	13,329,194
	Personal loan	1,690,144	1,793,519	1,690,144	1,793,519
	Loan against deposit (LAD)	45,354,825	40,490,071	45,354,825	40,490,071
	Short term finance	11,760,597	10,203,462	11,760,597	10,203,462
		1,395,880,173	**1,140,084,071**	**1,395,880,173**	**1,140,084,071**
7.10	**Net loans, advances and leases**				
	Gross performing loans, advances and leases (Note-7)	91,448,447,902	82,409,607,473	92,345,977,331	83,934,280,017
	Less:				
	Interest suspense (Note-12.5)	508,876,594	351,271,406	508,876,594	351,271,406
	Provision for loans and advances/investments (Note-12.6 (i))	1,661,443,447	1,248,174,229	1,741,869,167	1,318,975,417
		2,170,320,041	1,599,445,635	2,250,745,761	1,670,246,823
		89,278,127,861	**80,810,161,838**	**90,095,231,570**	**82,264,033,194**
7.11	**Residual maturity grouping of loans, advances and leases**				
	Repayable on demand	7,414,265,919	6,548,677,294	7,414,265,919	6,548,677,294
	Over 1 month but not more than 3 months	6,531,086,051	5,632,617,612	6,531,086,051	5,632,617,612
	Over 3 months but not more than 1 year	20,913,705,598	17,664,527,129	21,811,235,027	19,189,199,673
	Over 1 year but not more than 5 years	37,664,426,484	36,188,068,883	37,664,426,484	36,188,068,883
	Over 5 years	18,924,963,850	16,375,716,555	18,924,963,850	16,375,716,555
		91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
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	758,861	1,915,239	758,861	1,915,239
	b) Loans, advances and lease to Chief Executive and other senior executives	38,180,415	26,314,578	38,180,415	26,314,578
	c) Loans, advances and lease to customer groups:				
	i) Real estate finance	27,875,232,760	24,789,745,569	27,875,232,760	24,789,745,569
	ii) Car loan	1,258,964,436	1,423,131,770	1,258,964,436	1,423,131,770
	iii) Personal loan	120,917,401	128,047,324	120,917,401	128,047,324
	iv) Loan against deposit (LAD)	748,966,598	798,246,842	748,966,598	798,246,842
	v) Small and medium enterprises	35,920,027,020	33,220,931,682	35,920,027,020	33,220,931,682
	vi) Special program loan (BB refinancing scheme)	2,277,825,762	1,915,626,645	2,277,825,762	1,915,626,645
	vii) Staff loan	291,042,026	207,692,419	291,042,026	207,692,419
	viii) Industrial loans, advances and leases (Note- 7.12 (d))	22,916,532,623	19,897,955,405	22,916,532,623	19,897,955,405
	ix) Other loans and advances	-	-	897,529,429	1,524,672,544
		91,409,508,626	82,381,377,656	92,307,038,055	83,906,050,200
		91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**
	d) Details of Industrial loans, advances and leases				
	i) Agricultural industries	1,705,463,544	1,427,569,484	1,705,463,544	1,427,569,484
	ii) Textiles, Apparels & Accessories	6,659,559,935	5,392,694,525	6,659,559,935	5,392,694,525
	iii) Food and beverage	1,212,871,352	1,188,892,233	1,212,871,352	1,188,892,233
	iv) Pharmaceuticals	682,799,922	790,035,707	682,799,922	790,035,707
	v) Leather & leather products, chemicals	88,465,856	39,806,010	88,465,856	39,806,010
	vi) Power, energy & engineering	3,041,500,219	3,149,571,491	3,041,500,219	3,149,571,491
	vii) Real estate & Home appliances, cement, ceramics	3,975,851,581	1,959,399,082	3,975,851,581	1,959,399,082
	viii) IT & services	3,894,199,289	4,054,299,798	3,894,199,289	4,054,299,798
	ix) Transportation	856,337,884	844,773,812	856,337,884	844,773,812
	x) Other industries	799,483,041	1,050,913,263	799,483,041	1,050,913,263
		22,916,532,623	**19,897,955,405**	**22,916,532,623**	**19,897,955,405**
7.13	**Loans, advances and leases -geographical location-wise**				
	Inside Bangladesh:				
	Dhaka	64,472,643,008	58,503,548,731	65,370,172,437	60,028,221,275
	Chattogram	5,657,429,956	5,897,230,040	5,657,429,956	5,897,230,040
	Bogura	1,883,643,641	1,905,776,173	1,883,643,641	1,905,776,173
	Sylhet	1,442,664,585	1,407,478,566	1,442,664,585	1,407,478,566
	Savar	3,309,865,258	2,544,336,902	3,309,865,258	2,544,336,902
	Cumilla	1,726,741,096	1,589,100,828	1,726,741,096	1,589,100,828
	Jashore	2,249,907,439	1,907,053,650	2,249,907,439	1,907,053,650
	Narsingdi	675,322,408	740,341,900	675,322,408	740,341,900
	Bhulta	741,095,472	535,258,224	741,095,472	535,258,224
	Khulna	1,257,167,638	1,003,320,505	1,257,167,638	1,003,320,505
	Natore	666,957,514	634,362,043	666,957,514	634,362,043

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Kushtia	1,457,026,395	1,297,104,904	1,457,026,395	1,297,104,904
Habiganj	1,141,760,493	953,210,431	1,141,760,493	953,210,431
Mymensingh	948,309,040	843,836,850	948,309,040	843,836,850
Rangpur	1,145,557,077	1,014,371,145	1,145,557,077	1,014,371,145
Chowmuhani	971,010,853	605,674,751	971,010,853	605,674,751
Barishal	511,306,477	266,682,427	511,306,477	266,682,427
Rajshahi	527,976,857	310,920,849	527,976,857	310,920,849
Faridpur	662,062,695	449,998,554	662,062,695	449,998,554
	91,448,447,902	82,409,607,473	92,345,977,331	83,934,280,017
Outside Bangladesh:	-	-	-	-
	91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**

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 11,231.11 million as at 31 December 2019 (BDT 11,028.59 million in 2018)

7.15 Particulars of loans, advances and leases

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
i) Loans, advances and leases considered good in respect of which the financial institution is fully secured	7,922,159,722	7,860,384,870	8,819,689,151	9,385,057,414
ii) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors' personal guarantee	7,218,574,983	7,501,244,627	7,218,574,983	7,501,244,627
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	76,307,713,197	67,047,977,976	76,307,713,197	67,047,977,976
	91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**
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)]	329,222,441	234,006,997	329,222,441	234,006,997
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	758,861	1,915,239	758,861	1,915,239
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	329,222,441	234,006,997	329,222,441	234,006,997
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	758,861	1,915,239	758,861	1,915,239

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	**31.12.2018 BDT**	**31.12.2019 BDT**	**31.12.2018 BDT**
ix) Due from bank and financial institutions	1,881,310,807	1,313,323,157	1,881,310,807	1,313,323,157
x) Classified loans, advances and leases				
a) Classified loans, advances and leases on which interest has not been charged (Note-7.16)	2,803,655,952	1,813,924,860	2,803,655,952	1,813,924,860
b) Provision required for the year	459,152,995	571,269,530	483,136,950	639,905,591
Provision released during the year	(45,883,777)	(205,135,012)	(60,243,199)	(242,893,167)
Total provisions charged during the year (Note -12.6 (ii))	413,269,218	366,134,518	422,893,751	397,012,424
c) Amount of written off loans, advances and leases	-	223,307,352	-	223,307,352
Total amount realised against loans and leases previously written off	45,368,181	44,219,017	45,368,181	44,219,017
d) Provision kept against loans and advances classified as bad debts (Note -7.17)	542,373,927	306,760,406	542,373,927	306,760,406
e) Interest credited to Interest Suspense Account (Note-12.5)	508,876,594	351,271,406	508,876,594	351,271,406
xi) Cumulative amount of written off loans, advances and leases				
Balance at 01 January	1,169,410,585	946,103,233	1,169,410,585	946,103,233
Amount written off during the year	-	223,307,352	-	223,307,352
	1,169,410,585	1,169,410,585	1,169,410,585	1,169,410,585
The amount of written off loans, advances and leases for which law suits have been filed	2,315,121,996	2,305,689,606	2,315,121,996	2,305,689,606

7.16 Classification of loans, advances and leases

Unclassified				
Standard including staff loan	87,630,510,157	79,403,804,931	88,528,039,586	80,928,477,475
Special Mention Account (SMA)	1,014,281,793	1,191,877,682	1,014,281,793	1,191,877,682
	88,644,791,950	80,595,682,613	89,542,321,379	82,120,355,157
Classified				
Sub-standard	746,777,119	445,572,337	746,777,119	445,572,337
Doubtful	651,075,517	343,558,708	651,075,517	343,558,708
Bad/Loss	1,405,803,316	1,024,793,815	1,405,803,316	1,024,793,815
	2,803,655,952	1,813,924,860	2,803,655,952	1,813,924,860
	91,448,447,902	**82,409,607,473**	**92,345,977,331**	**83,934,280,017**

7.17 Particulars of required provision for loans, advances and leases

Status	**Base for provision**	**Rate (%)**				
General Provision						
Loans and leases (Excluding SMA)	58,574,291,164	1.00%	585,742,912	508,796,673	581,224,229	510,961,800
Loans and leases SME-STD (Excluding SMA)	28,522,653,891	0.25%	71,306,635	71,310,344	71,306,635	71,310,344
Special Mention Account (SMA)	943,087,407	5.00%	47,154,370	55,863,374	47,154,370	55,863,374
			704,203,917	635,970,391	699,685,234	638,135,518

Status	Base for provision	Rate (%)	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
Specific provision						
Sub-standard	618,572,727	20%	123,714,545	59,996,566	123,714,545	59,996,566
Doubtful	273,698,662	50%	136,849,331	84,405,945	151,728,872	84,405,945
Bad/ Loss	542,373,927	100%	542,373,927	306,760,406	542,373,927	306,760,406
			802,937,803	451,162,917	817,817,344	451,162,917
Required provision for loans, advances and leases			1,507,141,720	1,087,133,308	1,517,502,578	1,089,298,435
Required provision for diminution in value of investments			154,301,727	161,040,921	224,366,589	229,676,982
Total provision required			1,661,443,447	1,248,174,229	1,741,869,167	1,318,975,417
Total provision maintained (Note - 12.6 (i))			1,661,443,447	1,248,174,229	1,741,869,167	1,318,975,417
Excess/(short) provision at 31 December			-	-	-	-

8 Fixed assets including land, building, furniture and fixtures

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
a. Cost				
Balance at 01 January	1,302,436,541	1,302,771,783	1,508,163,591	1,502,935,732
Addition during the year	683,396,137	47,724,871	875,939,316	56,508,623
	1,985,832,678	1,350,496,653	2,384,102,907	1,559,444,355
Disposal/Adjustments during the year	(61,647,561)	(48,060,112)	(87,951,070)	(51,280,763)
Balance at 31 December	1,924,185,117	1,302,436,541	2,296,151,837	1,508,163,591
b. Accumulated depreciation				
Balance at 01 January	803,301,418	705,515,711	956,137,645	840,143,807
Charged during the year	254,776,553	137,598,412	302,983,900	158,725,831
	1,058,077,971	843,114,123	1,259,121,545	998,869,638
Disposal/Adjustments during the year	(60,175,893)	(39,812,705)	(82,946,101)	(42,731,993)
Balance at 31 December	997,902,078	803,301,418	1,176,175,444	956,137,645
c. Written down value (a-b)	**926,283,039**	**499,135,123**	**1,119,976,393**	**552,025,946**

A schedule of fixed assets including land, building, furniture and fixtures is given in Annexure-A

9. Other assets

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
Investment in subsidiary companies (Note - 9.1)	3,999,999,790	3,949,999,790	-	-
Accounts receivable (Note - 9.2)	323,747,461	243,987,618	845,320,143	845,806,562
Advances, deposits and prepayments (Note - 9.3)	690,343,620	193,401,514	704,987,857	215,268,866
Deferred tax asset (Note - 9.4)	223,927,668	30,724,949	318,897,693	67,344,846
Investment in stock exchanges (Note - 9.5)	-	-	14,869,750	14,869,750
	5,238,018,539	**4,418,113,871**	**1,884,075,443**	**1,143,290,024**

9.1 Investment in subsidiary companies

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
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)	149,999,990	99,999,990	-	
	3,999,999,790	**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 15,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 14,999,999 ordinary shares of BDT 10 each.

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
9.2	**Accounts receivable**				
	Interest receivable (Note - 9.2.1)	157,229,278	171,293,681	160,619,291	172,088,157
	Other receivables (Note - 9.2.2)	166,518,183	72,693,937	684,700,852	673,718,405
		323,747,461	**243,987,618**	**845,320,143**	**845,806,562**
9.2.1	**Interest receivable**				
	Interest receivable, Fixed deposit	145,835,694	149,025,347	147,269,120	149,819,823
	Receivable from Investment in bonds	8,630,000	22,268,333	10,586,587	22,268,333
		157,229,278	**171,293,681**	**160,619,291**	**172,088,157**
9.2.2	**Other receivables**				
	Accrued other income	47,039,424	25,662,064	47,039,424	25,662,064
	Other receivable	119,478,759	47,031,873	637,661,428	648,056,341
		166,518,183	**72,693,937**	**684,700,852**	**673,718,405**
9.3	**Advances, deposits and prepayments**				
	Deposits and prepayments	21,675,080	8,111,772	22,902,843	8,742,785
	Advance against expenses	668,668,540	185,289,742	682,085,014	206,526,081
		690,343,620	**193,401,514**	**704,987,857**	**215,268,866**

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:

	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
2019						
Assets (excluding land):						
Fixed assets net of depreciation as on December 31, 2019 (IDLC FL)-ROU	491,338,416	-	(491,338,416)	-	-	-
Fixed assets net of depreciation as on December 31, 2019 (IDLC SL)-ROU	-	-	-	89,634,883	-	(89,634,883)

	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 December 31, 2019 (IDLC IL)-ROU	-	-	-	32,702,924	-	(32,702,924)
Fixed assets net of depreciation as on December 31, 2019 (IDLC AML)	-	-	-	30,788,338	12,669,495	(18,118,843)
Total	**491,338,416**	**-**	**(491,338,416)**	**153,126,145**	**12,669,495**	**(140,456,650)**
2018						
Assets (excluding land):						
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)**
Applicable tax rate for IDLC FL (2019: 37.50%, 2018: 37.50%)			37.50%			-
Applicable tax rate for IDLC SL			-			35.00%
Applicable tax rate for IDLC IL			-			37.50%
Applicable tax rate for IDLC AML			-			35.00%
Deferred tax liability as on December 31, 2019			(184,251,906)			(49,977,401)
Deferred tax liability as on December 31, 2018			-			(536,023)
Deferred tax (expenses)/ income accounted for during the year			(184,251,906)			(49,441,378)

Deferred tax asset is arrived at as follows:

2019						
Assets (excluding land):						
Fixed assets net of depreciation as on December 31, 2019 (IDLC FL)	407,986,153	513,376,510	105,390,357	-	-	-
* Difference for vehicle	(4,786,166)		4,786,166			-
Fixed assets net of depreciation as on December 31, 2019 (IDLC SL)	-	-	-	25,569,211	45,900,610	20,331,399
Fixed assets net of depreciation as on December 31, 2019 (IDLC IL)			-	10,060,658	19,002,711	8,942,053
Total	**403,199,987**	**513,376,510**	**110,176,523**	**35,629,869**	**64,903,321**	**29,273,452**
Liabilities:						
Employee gratuity as on December 31, 2019 (IDLC SL)	-	-	-	41,747,105	-	41,747,105
Employee gratuity as on December 31, 2019 (IDLC IL)	-	-	-	19,997,779	-	19,997,779
Total	**-**	**-**	**-**	**61,744,884**	**-**	**61,744,884**
Lease Liability-Rent (IDLC FL)	464,684,567	-	464,684,567	-	-	-
Lease Liability-Rent (IDLC SL)	-	-	-	88,730,692	-	88,730,692
Lease Liability-Rent (IDLC IL)	-	-	-	32,898,804	-	32,898,804
Lease Liability-Rent (IDLC AML)	-	-	-	16,518,286	-	16,518,286
Loss on sale of secondary shares (IDLC FL)	83,547,594	-	83,547,594	-	-	-

	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
Loss on sale of secondary shares (IDLC SL)	-	-	-	8,781,629	-	8,781,629
Loss on sale of secondary shares (IDLC IL)	-	-	-	123,377,545	-	123,377,545
Total	**548,232,161**	**-**	**548,232,161**	**270,306,956**	**-**	**270,306,956**
Grand Total	**548,232,161**	**-**	**548,232,161**	**332,051,840**	**-**	**332,051,840**
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 December 31, 2018 (IDLC SL)	-	-	-	32,087,130	-	32,087,130
Employee gratuity as on December 31, 2018 (IDLC IL)	-	-	-	14,424,395	-	14,424,395
Total	**-**	**-**	**-**	**46,511,525**	**-**	**46,511,525**
Loss on sale of secondary shares (IDLC IL)	-	-	-	8,83,61,906	-	8,83,61,906
Total	**-**	**-**	**-**	**8,83,61,906**	**-**	**8,83,61,906**
Grand Total	**-**	**-**	**-**	**13,48,73,431**	**-**	**13,48,73,431**

	IDLC Finance Limited	Subsidiaries
Applicable tax rate for IDLC Finance Limited (2019: 37.50%, 2018: 37.50%)	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 December 31, 2019	223,927,668	94,970,025
Deferred tax asset as on December 31, 2018	30,724,949	36,619,897
Deferred tax (expenses)/ income accounted for during the year	193,202,719	58,350,128
Net deferred tax (expense)/income	**8,950,813**	**8,908,750**

2019: Consolidated deferred tax income was BDT 17.86 million, which includes BDT 8.95 million for deferred tax income of IDLC Finance Limited, BDT 3.64 million for deferred tax income of IDLC Securities Limited, BDT 5.30 million for deferred tax income of IDLC Investments Limited and BDT 0.02 million for deferred tax expense of IDLC Asset Management Limited.

2018: Consolidated deferred tax income was BDT 26.56 million, which includes BDT 14.62 million for deferred tax income of IDLC Finance Limited, BDT 2.59 million for deferred tax income of IDLC Securities Limited, BDT 10.64 million for deferred tax income of IDLC Investments Limited and BDT 1.30 million 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	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
9.5	**Investment in stock exchanges**				
	DSE membership at cost	-	-	11,418,750	11,418,750
	CSE membership at cost	-	-	3,451,000	3,451,000
		-	**-**	**14,869,750**	**14,869,750**

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.

10. Borrowings from other banks, financial institutions

		IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
	Inside Bangladesh (Note- 10.1)	14,027,773,689	12,246,240,919	14,227,773,689	12,496,240,919
	Outside Bangladesh	-	-	-	-
		14,027,773,689	**12,246,240,919**	**14,227,773,689**	**12,496,240,919**
10.1	**Inside Bangladesh**				
	Secured loans				
	Secured long term loans				
	Dutch Bangla Bank Limited	833,333,333	-	833,333,333	-
	Woori Bank	731,666,667	93,333,333	731,666,667	93,333,333
	Total secured long-term loans	1,565,000,000	93,333,333	1,565,000,000	93,333,333
	Secured short Term Loan				
	Citi Bank N.A.	560,000,000	560,000,000	560,000,000	560,000,000
	Bank Alfalah Limited	200,000,000	-	200,000,000	-
	Standard Chartered Bank	1,700,000,000	2,500,000,000	1,900,000,000	2,750,000,000
	Commercial Bank of Ceylon Plc	535,000,000	535,000,000	535,000,000	535,000,000
	Total secured short term loan	2,995,000,000	3,595,000,000	3,195,000,000	3,845,000,000
	Total secured loans	**4,560,000,000**	**3,688,333,333**	**4,760,000,000**	**3,938,333,333**
	Unsecured loans				
	Zero Coupon Bond				
	A. K. Khan & Company Limited	127,261,086	221,932,710	127,261,086	221,932,710
	Universal Jeans Limited	101,000,862	176,137,072	101,000,862	176,137,072

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Sk. Akijuddin Limited	1,874,357,546	-	1,874,357,546	-
Grameen Telecom Trust	62,620,534	109,204,984	62,620,534	109,204,984
Square Pharmaceuticals Limited	50,500,431	88,068,536	50,500,431	88,068,536
Pragati Life Insurance Limited	10,100,086	17,613,707	10,100,086	17,613,707
BETS Consulting Services Limited	10,100,086	17,613,707	10,100,086	17,613,707
Dr. Abdus Shabur	2,020,017	3,522,741	2,020,017	3,522,741
Bangla Telecom Limited	14,343,795	22,405,003	14,343,795	22,405,003
Bangladesh Infrastructure Finance Fund Limited	143,437,946	224,050,028	143,437,946	224,050,028
Delsey Cotton Spinning Mills Ltd.	28,687,589	44,810,006	28,687,589	44,810,006
	2,424,429,978	925,358,494	2,424,429,978	925,358,494
Unsecured Long-term loans				
Kreditanstalt fÜr Wiederaufbau (KfW)	60,863,409	71,318,636	60,863,409	71,318,636
Bangladesh Bank (JICA-FDI Fund)	147,222,222	80,000,000	147,222,222	80,000,000
Bangladesh Bank (BB Fund-Small Enterprise Refinancing Program)	12,465,278	23,086,110	12,465,278	23,086,110
Bangladesh Bank (Women-Small Enterprise Refinancing Program)	1,308,438,094	1,491,262,084	1,308,438,094	1,491,262,084
Bangladesh Bank (New Entrepreneur Refinancing Scheme)	4,915,080	36,618,976	4,915,080	36,618,976
Bangladesh Bank (Home Loan Refinancing Program)	453,643,857	511,290,606	453,643,857	511,290,606
Bangladesh Bank (Agro Loan Refinancing Program)	350,366,390	745,184,154	350,366,390	745,184,154
Bangladesh Bank (JICA Refinancing Program)	420,577,188	341,717,392	420,577,188	341,717,392
SME Foundation	100,135,000	73,450,000	100,135,000	73,450,000
Investment Promotion & Financing Facilities (IPFF)	512,854,343	576,593,459	512,854,343	576,593,459
Bangladesh Bank Solar Bio Gas & ETP Scheme	441,491,110	232,813,652	441,491,110	232,813,652
Bangladesh Bank Milk Production Scheme	3,000,000	5,400,000	3,000,000	5,400,000
Bangladesh Bank (SMEDP 2)	957,212,469	300,700,000	957,212,469	300,700,000
Saudi Bangladesh Industrial & Agricultural Investment Company Limited	500,159,271	423,114,023	500,159,271	423,114,023
	5,273,343,711	4,912,549,092	5,273,343,711	4,912,549,092
Total unsecured long-term loan	**7,697,773,689**	**5,837,907,586**	**7,697,773,689**	**5,837,907,586**
Unsecured Short Term Loans				
Short-term loans				
Trust Bank Limited	800,000,000	-	800,000,000	-
National Credit & Commerce Bank Limited	-	500,000,000	-	500,000,000
Meridian Finance & Investment Limited	150,000,000	-	150,000,000	-
South Bangla Agriculture and Commerce Bank Limited	100,000,000	550,000,000	100,000,000	550,000,000
	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Call Loans				
Janata Bank Limited	-	160,000,000	-	160,000,000
United Finance Limited	-	50,000,000	-	50,000,000
Sonali Bank Limited	280,000,000	420,000,000	280,000,000	420,000,000
Southeast Bank Limited	-	390,000,000	-	390,000,000
National Credit & Commerce Bank Limited	-	150,000,000	-	150,000,000
United Commercial Bank Limited	290,000,000	-	290,000,000	-
Bangladesh Development Bank Limited	150,000,000	-	150,000,000	-
Jamuna Bank Limited	-	300,000,000	-	300,000,000

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Mutual Trust Bank Limited	-	200,000,000	-	200,000,000
	720,000,000	1,670,000,000	720,000,000	1,670,000,000
Total unsecured short-term loans	**1,770,000,000**	**2,720,000,000**	**1,770,000,000**	**2,720,000,000**
Total Borrowings from other banks, financial institutions & agents	**14,027,773,689**	**12,246,240,919**	**14,227,773,689**	**12,496,240,919**

10.2 Security against borrowings from other banks and financial institutions

Secured	4,560,000,000	3,688,333,333	4,760,000,000	3,938,333,333
Unsecured	9,467,773,689	8,557,907,586	9,467,773,689	8,557,907,586
	14,027,773,689	**12,246,240,919**	**14,227,773,689**	**12,496,240,919**

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	2,858,174,654	4,401,845,130	3,058,174,654	4,651,845,130
Over 1 month but within 3 months	2,582,477,968	2,674,430,011	2,582,477,968	2,674,430,011
Over 3 months but within 1 year	2,641,745,583	1,651,199,377	2,641,745,583	1,651,199,377
Over 1 year but within 5 years	5,537,738,832	2,963,543,618	5,537,738,832	2,963,543,618
Over 5 years	407,636,652	555,222,783	407,636,652	555,222,783
	14,027,773,689	**12,246,240,919**	**14,227,773,689**	**12,496,240,919**

11 Deposits and other accounts

Current accounts and other accounts etc	-	-	-	-
Bills payable	-	-	-	-
Savings bank deposits	-	-	-	-
Term deposits (Note- 11.1)	77,008,419,045	71,338,071,965	75,415,433,310	70,257,701,507
Bearer certificate of deposits	-	-	-	-
Refundable deposits (Note- 11.2)	2,490,149,327	2,455,047,719	2,490,149,327	2,455,047,719
	79,498,568,372	**73,793,119,684**	**77,905,582,637**	**72,712,749,226**

11.1 Term deposits

This represents deposits received from institutions and individuals for a period not less than three months.

Balance at January 1	71,338,071,965	60,538,332,988	70,257,701,507	59,853,619,702
Add: Deposits received during the year	38,331,088,741	41,936,331,303	38,331,088,741	41,936,331,303
	109,669,160,706	102,474,664,291	108,588,790,248	101,789,951,005
Less: Matured/encashed during the year	32,660,741,661	31,136,592,326	32,660,741,661	31,136,592,326
Inter-company deposit	-	-	512,615,277	395,657,172
Balance at December 31	**77,008,419,045**	**71,338,071,965**	**75,415,433,310**	**70,257,701,507**

11.1.1 Rate of interest

Rate of interest on term deposit receipts ranges from 5% to 13.25% (2018: 6.65% to 11.10%).

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
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:

	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Deposits against loan and lease rental	207,395,872	256,306,587	207,395,872	256,306,587
Deposits against financing as per term of agreements (Security deposits)	2,282,753,455	2,198,741,132	2,282,753,455	2,198,741,132
	2,490,149,327	**2,455,047,719**	**2,490,149,327**	**2,455,047,719**

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

	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Government	-	-	-	-
Bank	14,450,000,000	18,000,000,000	14,450,000,000	18,000,000,000
Other institutions	36,074,017,012	31,337,791,508	34,481,031,277	30,257,421,050
Individuals	28,974,551,360	24,455,328,176	28,974,551,360	24,455,328,176
	79,498,568,372	**73,793,119,684**	**77,905,582,637**	**72,712,749,226**

11.4 Maturity analysis of deposits

Maturity analysis of Term deposits

	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Payable on demand	-	-	-	-
Up to 1 month	5,963,188,703	4,566,491,104	5,387,710,560	4,153,370,646
Over 1 month but within 6 months	21,746,558,417	23,884,949,210	20,729,050,825	23,226,799,210
Over 6 months but within 1 year	6,392,132,235	6,029,055,073	6,392,132,235	6,019,955,073
Over 1 year but within 5 years	42,310,573,579	36,371,556,448	42,310,573,579	36,371,556,448
Over 5 years but within 10 years	571,448,057	456,273,341	571,448,057	456,273,341
Above 10 years	24,518,054	29,746,789	24,518,054	29,746,789
	77,008,419,045	**71,338,071,965**	**75,415,433,310**	**70,257,701,507**

Maturity analysis of Refundable deposit

	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Payable on demand	180,232,870	160,873,540	180,232,870	160,873,540
Up to 1 month	13,708,231	17,964,355	13,708,231	17,964,355
Over 1 month but within 6 months	196,513,933	91,398,745	196,513,933	91,398,745
Over 6 months but within 1 year	182,670,637	143,085,605	182,670,637	143,085,605
Over 1 year but within 5 years	1,911,336,252	2,031,631,421	1,911,336,252	2,031,631,421
Over 5 years but within 10 years	5,687,404	10,094,053	5,687,404	10,094,053
	2,490,149,327	**2,455,047,719**	**2,490,149,327**	**2,455,047,719**

12 Other liabilities

	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
Payable and accrued expenses (Note- 12.1)	5,441,179,928	4,471,796,045	6,136,622,701	5,724,736,748
Provision for income tax (Note- 12.2)	2,076,723,257	2,022,431,867	2,294,581,634	2,257,218,747
Deferred liability-employee gratuity (Note- 12.3)	-	-	61,744,884	46,511,525
Portfolio investors' fund (Note- 12.4)	-	-	231,541,547	599,996,551
Interest suspense account (Note- 12.5)	508,876,594	351,271,406	508,876,594	351,271,406
Provision for doubtful accounts and future losses (Note- 12.6 (i))	1,661,443,447	1,248,174,229	1,741,869,167	1,318,975,417
Unpaid dividend	24,884,844	20,124,526	24,884,844	20,124,526
Deferred tax liability (Note-9.4)	184,251,906	-	234,229,307	536,023
	9,897,359,976	**8,113,798,073**	**11,234,350,677**	**10,319,370,941**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
12.1	**Payable and accrued expenses**				
	Receipt against leases	605,534,735	492,814,517	605,534,735	492,814,517
	Liabilities for expenses	3,976,943,532	3,482,710,057	4,531,488,158	4,732,451,978
	Lease Liability	464,684,567	-	602,832,349	-
	Liabilities for other finance	394,017,094	496,271,471	396,767,459	499,470,252
		5,441,179,928	**4,471,796,045**	**6,136,622,701**	**5,724,736,748**
12.2	**Provision for income tax**				
	Provision				
	Balance at January 1	8,565,194,891	7,715,275,299	9,890,705,186	8,907,870,073
	Less: Adjustment during the year	-	-	-	-
		8,565,194,891	7,715,275,299	9,890,705,186	8,907,870,073
	Add: Provision made during the year**	877,173,990	849,919,592	1,079,041,944	982,835,113
		9,442,368,881	8,565,194,891	10,969,747,130	9,890,705,186
	Settlement of previous year's tax liability	-	-	-	-
	Balance at December 31	**9,442,368,881**	**8,565,194,891**	**10,969,747,130**	**9,890,705,186**
	Advance tax				
	Balance at 1 January	6,542,763,024	5,766,704,679	7,633,486,439	6,626,252,771
	Add: Payment made during the year:				
	Under sections 64 and 74 of ITO, 1984	629,123,093	631,848,670	689,263,312	676,502,387
	Deduction at source	192,583,832	143,091,781	351,240,070	329,613,387
	Others	1,175,675	1,117,894	1,175,675	1,117,894
		822,882,600	776,058,345	1,041,679,057	1,007,233,668
		7,365,645,624	6,542,763,024	8,675,165,496	7,633,486,439
	Less: Adjustment during the year	-	-	-	-
		7,365,645,624	**6,542,763,024**	**8,675,165,496**	**7,633,486,439**
	Net balance at December 31	**2,076,723,257**	**2,022,431,867**	**2,294,581,634**	**2,257,218,747**

** For basis of calculation of provision for taxation, please see note 2.27.2 & for reason for its changes, please see note 35.3

12.3	**Deferred Liability-employee gratuity**				
	Balance at January 1	-	-	46,511,525	42,254,402
	Add: Addition during the year	-	-	16,627,438	9,752,299
		-	-	63,138,963	52,006,701
	Less: Payment during the year	-	-	1,394,079	5,495,176
	Balance at December 31	**-**	**-**	**61,744,884**	**46,511,525**

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 January 1	-	-	599,996,551	370,999,029
Add: Deposit and share sold by clients	-	-	4,172,359,163	8,066,944,138
	-	-	4,772,355,714	8,437,943,167
Less: Purchase of share and deposit withdraw by clients	-	-	4,540,814,167	7,837,946,616
Balance at December 31	**-**	**-**	**231,541,547**	**599,996,551**

		IDLC Finance Limited		IDLC Group	
		31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT
12.5	**Interest suspense accounts**				
	On lease finance	61,167,997	35,695,541	61,167,997	35,695,541
	On real-estate finance	141,134,442	117,578,938	141,134,442	117,578,938
	On term finance	302,065,923	191,832,774	302,065,923	191,832,774
	On car loan	1,862,446	3,404,606	1,862,446	3,404,606
	On personal loan	874,633	980,226	874,633	980,226
	On short term finance	1,771,153	1,779,321	1,771,153	1,779,321
		508,876,594	**351,271,406**	**508,876,594**	**351,271,406**
12.6	**Provision for loans and advances/investments**				
12.6(i)	Balance at January 1	1,248,174,229	1,105,347,063	1,318,975,417	1,145,270,344
	Provision required for the year	459,152,995	571,269,530	483,136,950	639,905,591
	Provision released during the year	(45,883,777)	(205,135,012)	(60,243,199)	(242,893,167)
	Provision charged for the year (Note- 12.6 (ii))	413,269,218	366,134,518	422,893,751	397,012,424
	Write off during the year	-	223,307,352	-	223,307,352
	Balance at December 31	**1,661,443,447**	**1,248,174,229**	**1,741,869,167**	**1,318,975,417**
12.6(ii)	**Provision charged for the year**				
	General provision	76,942,529	93,718,957	70,258,720	91,218,921
	Specific provision	343,065,883	119,238,640	357,945,424	83,980,521
	Provision for diminutions in value of investments	(6,739,194)	153,176,921	(5,310,393)	221,812,982
	Other Provisions	-	-	-	-
		413,269,218	**366,134,518**	**422,893,751**	**397,012,424**

Reason for changes in provision charged for the year:

Solo:

Incremental provision of IDLC Finance Limited for the year ended December 31, 2019 was BDT 413.27 million, which was BDT 366.13 million in the same period of previous year. As per the breakdown of incremental provision for loans and investments, the main reason behind the 13% increase (amounted BDT 47.13 million) was the rise in specific provision for few clients, on the other hand provision for diminution in value of investments was dropped by 104% due to decrease in share provision made compared to the same period of previous year.

Group:

Incremental provision of IDLC Group for the year ended December 31, 2019 was BDT 422.89 million, which was BDT 397.01 million in the same period of previous year. As per the breakdown of incremental provision for loans and investments, the main reason behind the 7% increase (amounted BDT 25.88 million) was the rise in specific provision for few clients, on the other hand provision for diminution in value of investments was dropped by 102% due to decrease in share provision made compared to the same period of previous year.

12.6(iii) Product wise break up of provision

	IDLC Finance Limited 31.12.2019 BDT	IDLC Finance Limited 31.12.2018 BDT	IDLC Group 31.12.2019 BDT	IDLC Group 31.12.2018 BDT
Lease	120,705,409	109,855,135	120,705,409	109,855,135
Long- term finance	925,331,153	584,038,617	925,331,153	584,038,617
Real estate finance	407,642,431	333,400,005	407,642,431	333,400,005
Car loan	18,079,010	24,189,408	18,079,010	24,189,408
Investment in shares	154,301,727	161,040,921	224,366,589	229,676,982
Personal Loan	5,970,843	6,420,648	5,970,843	6,420,648
Short term finance	9,673,365	8,169,354	9,673,365	8,169,354
Loan against Deposit	7,557,147	7,982,468	7,557,147	7,982,468
Other Assets	12,182,361	13,077,673	14,561,119	13,077,673
Margin loan	-	-	7,982,100	2,165,126
	1,661,443,447	**1,248,174,229**	**1,741,869,167**	**1,318,975,417**

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT

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 December 31, 2019 comprises the following:

Composition of shareholding:

Sl. No.	Name of the Shareholders	31.12.2019 % of holding	31.12.2019 Number of shares	31.12.2019 BDT	31.12.2018 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)	5.98	22,551,871	225,518,710	177,850,200
	Bangladesh Fund	1.37	5,159,409	51,594,090	56,803,740
	Marina Apparels Limited	1.00	3,770,506	37,705,060	37,705,060
	Other Institutions	11.96	45,088,002	450,880,020	388,982,390
	Sub-Total	**20.31**	**76,569,788**	**765,697,880**	**661,341,390**
	Individuals				
	General Public (Individuals)	10.78	40,663,518	406,635,180	451,713,770
	Sub-Total	**10.78**	**40,663,518**	**406,635,180**	**451,713,770**
3	**FOREIGN**				
	Institutions & Individuals	12.25	46,174,897	461,748,970	521,026,870
		12.25	**46,174,897**	**461,748,970**	**521,026,870**
	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 March 20, 1993, and with Chittagong Stock Exchange Limited on November 25, 1996, and quoted at BDT 45.40 at Dhaka Stock Exchange Limited and BDT 45.20 at Chittagong Stock Exchange Limited respectively on December 31, 2019.

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 July 24, 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.

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT

The surplus eligible capital of the company as well as the Group at the close of business on 31 December 2019 were BDT 388.02 crore and BDT 630.70 crore, respectively.

Details are as follows:

Core Capital (Tier-1)/Shareholders' Equity

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
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)	2,509,921,870	2,416,541,850	2,509,921,870	2,416,541,850
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	2,643,591,766	2,534,456,251	5,430,052,634	5,143,188,211
Non-controlling interest	-	-	3,199	3,158
A) Sub-Total	**11,231,107,366**	**11,028,591,831**	**14,017,571,433**	**13,637,326,949**
Supplementary capital (Tier -II)				
General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)*	704,203,917	635,970,391	699,685,234	638,135,518
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	**704,203,917**	**635,970,391**	**699,685,234**	**638,135,518**
C) Total eligible capital	**11,935,311,283**	**11,664,562,222**	**14,717,256,667**	**14,275,462,466**
Total assets including off-balance sheet exposures	**116,693,531,643**	**107,718,533,695**	**119,424,000,676**	**111,702,471,223**
D) Total risk weighted assets	**80,550,856,754**	**75,420,815,521**	**84,102,331,872**	**82,338,539,263**
E) Required capital based on risk weighted assets (10% of D)	**8,055,085,675**	**7,542,081,552**	**8,410,233,187**	**8,233,853,926**
F) Surplus (C-E)	**3,880,225,608**	**4,122,480,670**	**6,307,023,480**	**6,041,608,540**
Capital Adequacy Ratio (%)	**14.82**	**15.47**	**17.50**	**17.34**

* Limited to 1.25% of RWA as per CAMD guideline.

14 Share premium

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Balance at January 1	1,260,585,930	1,260,585,930	1,260,585,930	1,260,585,930
Add: Received during the year	-	-	-	-
Balance at December 31	**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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Balance at January 1	2,416,541,850	2,098,412,371	2,416,541,850	2,098,412,371
Add: Transferred on appropriation of profit	93,380,020	318,129,479	93,380,020	318,129,479
Balance at December 31	**2,509,921,870**	**2,416,541,850**	**2,509,921,870**	**2,416,541,850**

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.

	IDLC Finance Limited		IDLC Group	
	31.12.2019 BDT	31.12.2018 BDT	31.12.2019 BDT	31.12.2018 BDT

16 General reserves

Balance at January 1	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Add: Transferred on appropriation of profit	-	-	-	-
Balance at December 31	**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)	50,000,000	11,853,790	50,000,000	11,853,790
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
	800,000,000	**761,853,790**	**800,000,000**	**761,853,790**

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	50,000,000	11,853,790	50,000,000	11,853,790
	50,000,000	**11,853,790**	**50,000,000**	**11,853,790**

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
Chittagong 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 December 31	289,816,587	647,584,179	289,816,587	647,584,179
Real estate finance commitments outstanding at December 31	948,905,653	1,126,786,809	948,905,653	1,126,786,809
Car loan commitments outstanding at December 31	-	434,333	-	434,333
Personal loan commitments outstanding at December 31	-	124,077	-	124,077
Loan Against Deposit commitments outstanding at December 31	-	-	-	-
	1,238,722,240	**1,774,929,398**	**1,238,722,240**	**1,774,929,398**

	31.12.2019		31.12.2018	
	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 :

	31.12.2019 Contracts/ sanction BDT	31.12.2019 Disbursement BDT	31.12.2018 Contracts/ sanction BDT	31.12.2018 Disbursement BDT
Lease and term finance	1,202,200,000	912,383,413	1,583,097,789	935,513,610
Real estate finance	3,598,159,707	2,649,254,054	3,775,381,207	2,648,594,398
Car loans	-	-	4,010,000	3,575,667
Personal loans	-	-	1,000,000	875,923
Loan Against Deposit (LAD)	-	-	-	-
	4,800,359,707	**3,561,637,467**	**5,363,488,996**	**3,588,559,598**

17.2.2 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at December 31, 2019 (2018: nil). There was no material capital expenditure authorised by the Board but not contracted for at December 31, 2019 (2018: 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.

18 Income statement

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT
Income				
Interest, discount and similar income (Note-18.1)	12,914,211,438	11,206,746,696	13,156,162,458	11,570,470,144
Dividend income (Note-21)	54,478,019	31,927,537	123,091,573	151,755,893
Fees, commission and brokerage (Note-22)	53,374,175	45,343,775	410,459,017	597,129,398
Other operating income (Note-23)	432,922,088	436,992,055	440,562,062	445,097,147
	13,454,985,720	11,721,010,063	14,130,275,110	12,764,452,582
Expenses				
Interest on deposits and borrowings etc. (Note-20)	8,639,581,266	7,015,750,078	8,512,176,946	6,940,206,955
Administrative expenses (Note-18.2)	1,454,915,081	1,442,703,286	1,759,828,938	1,762,521,245
Other expenses (Note-33)	302,027,160	332,872,479	371,286,980	378,707,446
Depreciation on assets (Note-32)	254,776,553	137,598,412	302,983,900	158,725,831
	10,651,300,060	8,928,924,255	10,946,276,764	9,240,161,476
Operating Income	**2,803,685,660**	**2,792,085,808**	**3,183,998,346**	**3,524,291,106**

18.1 Interest, discount and similar income

	IDLC Finance Limited 2019 BDT	IDLC Finance Limited 2018 BDT	IDLC Group 2019 BDT	IDLC Group 2018 BDT
Interest income (Note -19)	12,936,084,679	10,941,528,941	13,183,089,035	11,162,932,726
Gain on sale of marketable securities & DSE share (Note - 21)	(83,552,594)	184,568,942	(122,836,562)	303,852,150
Income from investment in bonds (Note - 21)	61,679,353	80,648,813	95,909,985	103,685,268
	12,914,211,438	**11,206,746,696**	**13,156,162,458**	**11,570,470,144**

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT
18.2 Administrative expenses				
Salary and allowances (Note-24)	1,178,919,053	1,056,145,323	1,431,940,133	1,294,517,509
Rent, taxes, insurance, electricity, etc. (Note-25)	45,233,286	183,828,267	58,428,798	224,066,909
Legal expenses (Note-26)	17,984,805	7,454,537	22,539,605	10,102,999
Postage, stamp, telecommunication, etc. (Note-27)	35,866,522	31,073,127	43,491,044	38,997,409
Stationery, printing, advertisement, etc. (Note-28)	142,334,199	141,320,774	161,843,179	165,973,660
Managing Director's salary and fees (Note-29)	12,490,004	11,940,004	12,490,004	11,940,004
Directors' fees (Note-30)	1,409,523	1,464,473	1,990,581	2,144,666
Auditors' fees (Note-31)	883,928	2,496,940	1,228,928	2,841,940
Depreciation & repair of Company's assets (Note-32)	19,793,761	6,979,841	25,876,666	11,936,149
	1,454,915,081	**1,442,703,286**	**1,759,828,938**	**1,762,521,245**

19 Interest income

This represents interest income from the following products:

Lease finance	488,299,562	558,016,665	488,299,562	558,016,665
Real estate finance	3,398,500,857	2,750,373,868	3,398,500,857	2,750,373,868
Term finance	6,863,169,383	5,821,349,436	6,863,169,383	5,821,349,436
Short term finance	107,276,317	113,978,460	107,276,317	113,978,460
Car loan	175,809,520	207,466,154	175,809,520	207,466,154
Personal loan	20,082,134	15,435,326	20,082,134	15,435,326
Margin loan to portfolio investors	-	-	159,834,216	210,696,771
Loan to subsidiaries	1,596,800	58,713,463	-	-
	11,054,734,573	**9,525,333,372**	**11,212,971,989**	**9,677,316,680**
Interest on balance with other banks and financial institutions	1,794,587,107	1,361,109,502	1,883,354,047	1,430,529,979
Call loan	-	124,389	-	124,389
Loan against deposit	86,762,999	54,961,678	86,762,999	54,961,678
	12,936,084,679	**10,941,528,941**	**13,183,089,035**	**11,162,932,726**

20 Interest on deposits and borrowings etc.

Interest on term deposits	7,248,278,157	5,995,380,911	7,098,808,823	5,908,049,669
Interest on borrowings	925,986,578	694,102,214	935,051,390	705,890,333
Interest on secured/unsecured zero coupon bonds	196,159,850	109,535,327	196,159,850	109,535,327
Interest on security deposit	134,057,524	117,083,682	134,057,524	117,083,682
Interest on call loan	89,833,681	99,647,944	89,833,681	99,647,944
Interest on lease rent	45,265,476	-	58,265,678	-
	8,639,581,266	**7,015,750,078**	**8,512,176,946**	**6,940,206,955**

21 Investment income

Gain on sale of marketable securities	(83,552,594)	184,568,942	(122,836,562)	269,779,083
Dividend income	54,478,019	31,927,537	123,091,573	151,755,893
Income from investment in bonds	61,679,353	80,648,813	95,909,985	103,685,268
Gain/(loss) on sale of DSE Shares	-	-	-	34,073,067
	32,604,778	**297,145,292**	**96,164,996**	**559,293,311**

		IDLC Finance Limited		IDLC Group	
		2019 BDT	2018 BDT	2019 BDT	2018 BDT
22	**Commission, exchange and brokerage**				
	Agency fees	19,154,666	17,821,666	19,154,666	17,821,666
	Arrangement fees	32,436,738	12,908,201	32,436,738	12,908,201
	Advisory fees	1,366,609	14,013,041	1,366,609	14,013,041
	Commission & brokerage	-	-	257,683,274	387,845,448
	Underwriting commission	-	-	1,700,000	-
	Documentation fees	-	-	84,000	547,000
	Custodial fees	416,162	600,867	416,162	600,867
	Fees from mutual fund	-	-	22,263,529	22,347,863
	Issue management fees	-	-	2,600,000	16,282,616
	Portfolio management fees	-	-	37,494,238	50,102,579
	Corporate advisory fees	-	-	18,514,389	43,529,723
	Settlement charges	-	-	16,745,412	31,130,394
		53,374,175	**45,343,775**	**410,459,017**	**597,129,398**
23	**Other operating income**				
	Application, processing and documentation fees	275,680,326	285,091,762	275,680,326	285,091,762
	Loan settlement and others	89,395,692	71,819,912	89,395,692	71,819,912
	Service charges	6,175,589	15,557,202	6,175,589	15,557,202
	Gain on disposal of fixed assets	4,457,598	7,731,912	5,850,318	8,688,267
	Account opening & BO account maintenance fees	-	-	2,225,615	2,502,630
	IPO service charge	-	-	53,675	83,675
	Revenue from write off collection	45,368,181	44,219,017	45,368,181	44,219,017
	Commission on Corporate Guarantee	2,661,458	2,761,111	2,661,458	2,761,111
	Miscellaneous income	9,183,244	9,811,139	13,151,208	14,373,571
		432,922,088	**436,992,055**	**440,562,062**	**445,097,147**
24	**Salaries and allowances**	**1,178,919,053**	**1,056,145,323**	**1,431,940,133**	**1,294,517,509**

24.1 Salaries and allowances

Salaries and allowances of IDLC Finance Limited include annual contribution of BDT 43,911,159 to Provident Fund and BDT 39,084,222 to Gratuity Fund. Salaries and allowances of IDLC Group include annual contribution of BDT 52,428,060 to Provident Fund and BDT 57,648,151 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 in next page:

		IDLC Finance Limited	
		2019	2018
		BDT	BDT
	Net defined benefit assets & liability		
	Defined benefit obligation (Note: 24.2.1)	(279,868,761)	(282,364,295)
	Fair value of plan assets (Note: 24.2.2)	250,319,877	209,563,537
	Net defined benefit obligation	**(29,548,884)**	**(72,800,758)**
24.2.1	**Change in benefit obligation**		
	Benefit obligation at end of prior year	(282,364,295)	(231,257,703)
	Current service cost	(20,066,201)	(20,456,129)
	Interest expense	(24,706,876)	(17,922,472)
	Benefit payments	18,764,704	12,802,766
	Remeasurements due to change in demographic assumptions	-	(2,100,000)
	Remeasurements due to change in financial assumptions	42,659,784	-
	Remeasurements due to experience adjustments	(14,155,877)	(23,430,757)
	Defined benefit obligation at end of year	**(279,868,761)**	**(282,364,295)**
24.2.2	**Change in fair value of plan assets**		
	Fair value of plan assets at end of prior year	209,563,537	174,300,068
	Interest income	19,042,743	13,066,235
	Employer contributions	40,478,301	35,000,000
	Benefit payments from plan assets	(18,764,704)	(12,802,766)
	Fair value of plan assets at end of year	**250,319,877**	**209,563,537**
	Fair value of plan assets		
	Cash and cash equivalents	6,004,830	815,988
	Debt instruments	244,315,047	208,747,549
	Total fair value of plan assets	**250,319,877**	**209,563,537**

Significant characteristics of the gratuity plan

Plan sponsor	: IDLC Finance Limited
Name of the gratuity fund	: IDLC Finance Limited Employees' Gratuity Fund
Nature of benefits	: Final salary defend 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 from 5 years to below 10 years: One month's basic pay for each year of service - From 10 years to below 15 years: One & a half month's basic pay for each year of service - From 15 years & above: Two month's basic pay for each year of service

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT

25 Rent, taxes, insurance, electricity, etc.

Rent, rate and taxes (Note: 25.1)	1,389,053	137,519,744	5,962,712	169,992,408
Insurance	3,659,334	4,427,032	4,776,093	5,129,399
Power and electricity	40,184,899	41,881,491	47,689,993	48,945,102
	45,233,286	**183,828,267**	**58,428,798**	**224,066,909**

25.1 Disclosure related to Rent, rate and taxes:

Actual rent expenses	146,712,458	137,519,744	184,152,990	169,992,408
Less: Reclassification of rent expenses (as per IFRS 16: Leases)	145,323,405	-	178,190,278	-
Rent expenses as reported	**1,389,053**	**137,519,744**	**5,962,712**	**169,992,408**

In addition to the above mentioned change in rent expense, implementation of IFRS 16 has resulted in charging of depreciation against Right-of-use asset as disclosed in Annexure A and of Interest expense on lease rent, as disclosed in Note 20.

26 Legal expenses

Renewal and registration	6,660,952	2,936,533	8,820,552	4,372,468
Other professional charges	11,323,853	4,518,004	13,719,053	5,730,531
	17,984,805	**7,454,537**	**22,539,605**	**10,102,999**

27 Postage, stamp, telecommunication, etc.

Postage	2,271,160	1,313,866	2,435,059	1,437,546
Telecommunication and internet etc.	33,595,362	29,759,261	41,055,985	37,559,863
	35,866,522	**31,073,127**	**43,491,044**	**38,997,409**

28 Stationery, printing, advertisements, etc.

Stationery & printing	52,749,024	63,494,722	56,175,391	66,952,177
Advertisement and publicity	89,585,175	77,826,052	105,667,788	99,021,483
	142,334,199	**141,320,774**	**161,843,179**	**165,973,660**

29 Managing Director's salary and benefits

Basic pay	6,000,000	6,000,000	6,000,000	6,000,000
Allowances	2,890,000	2,340,000	2,890,000	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
	12,490,004	**11,940,004**	**12,490,004**	**11,940,004**

Managing Director's salary and benefits have been revised and is effective from March 2019.

30 Directors' fees

Honorarium for attending meeting	1,409,523	1,464,473	1,990,581	2,144,666
	1,409,523	**1,464,473**	**1,990,581**	**2,144,666**

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT

30.1 Directors' fees

In compliance with Bangladesh Bank's circular No. DFIM Circular No. 13, dated November 30, 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

	IDLC Finance Limited 2019 BDT	IDLC Finance Limited 2018 BDT	IDLC Group 2019 BDT	IDLC Group 2018 BDT
Annual statutory audit fees (including VAT)	805,000	690,000	1,150,000	1,035,000
Other audit fees (including VAT)	78,928	1,806,940	78,928	1,806,940
	883,928	**2,496,940**	**1,228,928**	**2,841,940**

32 Depreciation and repair of company's assets

	IDLC Finance Limited 2019 BDT	IDLC Finance Limited 2018 BDT	IDLC Group 2019 BDT	IDLC Group 2018 BDT
Freehold assets (Annexure-A)	254,776,553	137,598,412	302,983,900	158,725,831
Repair and maintenance for premises, vehicles, computers and computers accessories	19,793,761	6,979,841	25,876,666	11,936,149
	274,570,314	**144,578,253**	**328,860,566**	**170,661,980**

33 Other expenses

	IDLC Finance Limited 2019 BDT	IDLC Finance Limited 2018 BDT	IDLC Group 2019 BDT	IDLC Group 2018 BDT
Bank charges	5,889,266	5,327,621	6,814,176	6,013,353
Books and periodicals	249,130	259,294	354,778	354,122
Car expenses	30,572,350	29,999,451	34,938,422	34,628,979
Donations and subscriptions	883,412	776,698	1,182,582	1,025,885
Medical & welfare expenses	13,991,342	8,327,466	15,549,376	9,916,280
Entertainment expenses	23,260,619	18,706,185	25,725,752	20,697,352
Consultancy fees	10,687,371	10,124,055	10,687,371	10,124,055
Office service expenses	88,715,738	84,382,011	108,887,230	103,896,982
Training expenses	8,235,406	16,206,157	10,659,418	18,970,111
Travel and conveyances	27,077,945	21,631,229	28,831,895	23,812,073
CDBL charges	900	6,450	1,158,880	1,309,782
Howla and Laga charge	-	-	40,691,742	54,476,277
Portfolio Management Charge	8,926,202	46,435,225	-	-
Sales Incentive	61,118,217	56,192,312	63,171,180	57,194,893
Repossession fees and others	22,419,262	34,498,325	22,634,178	36,287,302
	302,027,160	**332,872,479**	**371,286,980**	**378,707,446**

34 Operating Segment Report (IDLC Finance Limited & it's subsidiaries)

	For the year 2019				
Revenue and profit	**Core financing business**	**Investment banking business**	**Brokerage business**	**Asset management business**	**Total**
External revenue					
Net interest income	4,296,503,413	199,381,141	167,686,963	7,340,572	4,670,912,089
Investment income	32,604,778	(5,527,285)	67,278,914	1,808,589	96,164,996
Commission and brokerage	53,374,175	71,846,673	257,683,274	41,508,565	424,412,687
Other operating income	432,922,088	2,885,857	5,600,492	(846,375)	440,562,062
Inter-segment revenue/interest expense	85,734,442	(3,067,089)	(81,250,492)	(15,370,532)	(13,953,670)
Total Segment Revenue (A)	**4,901,138,896**	**265,519,297**	**416,999,152**	**34,440,819**	**5,618,098,164**

Revenue and profit	For the year 2019 Core financing business	Investment banking business	Brokerage business	Asset management business	Total
Other operating expenses	1,756,942,241	87,984,153	265,813,250	61,409,873	2,172,149,516
Major non-cash expenses					
Depreciation	254,776,553	6,420,028	11,492,255	3,215,136	275,903,973
Provision for future losses	413,269,218	(1,858,639)	6,270,705	5,212,467	422,893,751
Inter-segment expense	(2,978,130)	(3,544,074)	(7,431,465)	-	(13,953,670)
Total Segment Expense (B)	**2,422,009,882**	**89,001,467**	**276,144,745**	**69,837,476**	**2,856,993,569**
Reportable segment profit before tax (A-B)	**2,479,129,015**	**176,517,830**	**140,854,407**	**(35,396,657)**	**2,761,104,595**

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	91,522,315	288,049,361	43,492,013	2,198,639,454
Major non-cash expenses:					
Depreciation	137,598,412	6,420,027	11,492,255	3,215,137	158,725,831
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**

Segment assets and liabilities	For the year 2019 Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External assets					
Total assets	114,654,809,403	3,524,405,706	4,572,619,015	253,969,057	123,005,803,182
Inter-segment assets	(4,002,484,272)	(575,822,157)	(1,042,218,317)	-	(5,620,524,746)
Total Segment Assets	**110,652,325,131**	**2,948,583,549**	**3,530,400,698**	**253,969,057**	**117,385,278,436**
External liabilities					
Total liabilities	103,423,702,037	1,000,382,071	529,464,925	46,504,031	105,000,053,065
Inter-segment liabilities	(1,629,861,580)	(2,484,482)	-	-	(1,632,346,062)
Total Segment Liabilities	**101,793,840,457**	**997,897,589**	**529,464,925**	**46,504,031**	**103,367,707,003**

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**

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 2018: 37.5%). 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	
	2019 BDT	2018 BDT	2019 BDT	2018 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)	868,223,177	835,303,895	1,061,182,381	956,278,260
Accounting profit before tax (B)	2,390,416,442	2,425,951,290	2,761,104,595	3,127,278,682
Average effective tax rate (A÷B)	**36.32%**	**34.43%**	**38.43%**	**30.58%**

Reason for changes in Average effective tax rate:

Solo:

The effective tax rate of IDLC Finance Limited has increased slightly over previous year mainly due to growth in current tax provision and de-growth in profit before tax over previous year. Although, current year's profit before provision has experienced a very marginal growth, of amount BDT 11.60 million, but higher increase in provision for loans and investments, of amount BDT 47.13 million, over the previous year, has resulted in profit before taxation to decrease. The growth of provision for loans and investments having an incremental impact on current tax of BDT 17.68 million, along with the reduction of deferred tax income by BDT 10 million for implementation of IFRS 16, have resulted in increase in net current tax provision.

Group:

In the consolidated financial statements, the effective tax rate has risen over the previous year mainly due to growth in current tax provision and de-growth in profit before tax. With the Group experiencing de-growth in profit before provision by amount BDT 340.29 million and increase in provision for loans and investments by amount BDT 25.88 million, over the previous year; the Profit before taxation has declined significantly. The growth of provision for loans and investments having an incremental impact on current tax of BDT 10.57 million, along with the reduction of deferred tax income by BDT 10.44 million for implementation of IFRS 16, have resulted in increase in net current tax provision.

35.3.1 Reconciliation of effective tax rate :

IDLC Finance Limited	2019		2018	
	%	BDT	%	BDT
Profit before income tax as per profit and loss account		2,390,416,442		2,425,951,290
Income tax as per applicable tax rate	37.50%	896,406,166	37.50%	909,731,734
Net inadmissible expenses (including tax release due to reduction in tax rate in 2018 and prior years' adjustments)	-0.34%	(8,027,587)	-0.02%	(568,971)
Tax savings from reduced tax rates (ranging from 0% to 20% for exempted investment income, dividend income, capital gains, management fee of mutual funds, sale of stock exchange membership)	-0.47%	(11,204,589)	-2.44%	(59,243,171)
Effect of deferred tax	-0.37%	(8,950,813)	-0.60%	(14,615,697)
Reported average effective tax rate & total tax expenses	**36.32%**	**868,223,177**	**34.43%**	**835,303,895**
IDLC Group				
Profit before income tax as per Consolidated profit and loss account		2,761,104,595		3,127,278,682
Income tax as per applicable tax rate	37.32%	1,030,548,040	37.08%	1,159,633,241
Net inadmissible expenses (including tax release due to reduction in tax rate in 2018 and prior years' adjustments)	3.21%	88,696,996	-1.07%	(33,436,845)
Tax savings from reduced tax rates (ranging from 0% to 20% for exempted investment income, dividend income, capital gains, management fee of mutual funds, sale of stock exchange membership)	-1.46%	(40,203,092)	-4.58%	(143,361,283)
Effect of deferred tax	-0.65%	(17,859,563)	-0.85%	(26,556,853)
Reported average effective tax rate & total tax expenses	**38.43%**	**1,061,182,381**	**30.58%**	**956,278,260**

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".

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT
Basic earnings per share has been calculated as follows:				
Earnings attributable to ordinary shareholders (Net profit after tax) (A)	1,522,193,265	1,590,647,395	1,699,922,173	2,171,000,265
Weighted average number of ordinary shares outstanding during the year (B)	377,050,780	377,050,780	377,050,780	377,050,780
Earnings Per Share (A÷B)	**4.04**	**4.22**	**4.51**	**5.76**

Reason for changes in Earnings Per Share (EPS):

Solo:

EPS of IDLC Finance Limited for the year ended December 31, 2019 is BDT 4.04, which was BDT 4.22 in the same period of previous year. The primary reason behind this decline is investment income (decline of BDT 265 million), operating expense (increased by BDT 99 million) and provision for loans and investments (increased by BDT 47 million). On the other hand, net interest income increased by BDT 371 million. So, aggregately net profit after tax declined by BDT 68 million.

Group:

In consolidated financial statement, EPS for the year ended December 31, 2019 is BDT 4.51, which was BDT 5.76 in the same period of previous year. The primary reason behind this decline is investment & other income (decline of BDT 654 million), operating expense (increased by BDT 134 million) and provision for loans and investments (increased by BDT 26 million). On the other hand, net interest income increased by BDT 448 million. So, aggregately net profit after tax declined by BDT 471 million.

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT

37 Net Asset Value (NAV) Per Share

Net Asset (total assets less total liabilities) (A)	11,231,107,366	11,028,591,831	14,017,571,433	13,637,326,949
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)	**29.79**	**29.25**	**37.18**	**36.17**

38 Net Operating Cash Flows Per Share (NOCFPS)

Net cash flows from operating activities (A)	(2,771,310,364)	4,142,614,766	(3,438,109,353)	4,166,671,146
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)	**(7.35)**	**10.99**	**(9.12)**	**11.05**

Reason for changes in Net Operating Cash Flows Per Share (NOCFPS):

Solo:

NOCFS of IDLC Finance Limited for the year ended December 31, 2019 is BDT (7.35), which was BDT 10.99 in the same period of previous year. The primary reason behind this variance is cash generation from term & other deposits and net drawdown of short term loan, which saw a decline of BDT 5,311 million and BDT 4,680 million respectively. On the other hand, cash generation from loans & advances has been increased by BDT 2,779 million. So, aggregately cash generation form operating activities has been reduced by BDT 6,914 million during the year 2019.

Group:

In consolidated financial statement, NOCFPS for the year ended December 31, 2019 is BDT (9.12) which was BDT 11.05 in the same period of previous year. The primary reason behind this variance is cash generation from term & other deposits and net drawdown of short term loan, which saw a decline of BDT 5,427 million and BDT 4,810 million respectively. Cash generation from payable and accrued expenses also saw a decline of BDT 1,096 million. On the other hand, cash generation from loans & advances has been increased by BDT 4,098 million. So, aggregately cash generation form operating activities has been reduced by BDT 7,605 million during the year 2019.

39 Reconciliation of Net Profit with Cash Flows from Operating Activities

Net profit after tax	**1,522,193,265**	**1,590,647,395**	**1,699,922,214**	**2,171,000,422**
Items not involved in cash movement:				
Add: Depreciation	254,776,553	137,598,412	302,983,900	158,725,831
Add: Provision for loans and investments	413,269,218	366,134,518	422,893,751	397,012,424
Add: Provision for taxation	877,173,990	849,919,592	1,079,041,944	982,835,113
Add/ (Less): Accrued expenses	3,954,501,675	3,399,771,114	3,397,003,745	3,877,988,860
Add/ (Less): Accrued income	(335,555,945)	(243,943,221)	(255,309,682)	(449,113,473)
Less: Gain On Disposal of Fixed assets	(4,457,598)	(7,731,912)	(5,850,318)	(8,688,267)
Increase/(Decrease) in Employee gratuity	-	-	15,233,359	4,257,123
Increase/(Decrease) in deferred tax	(8,950,813)	(14,615,697)	(17,859,563)	(26,556,854)
Adjustments to reconcile net profit after tax to net cash provided by operating activities	**6,672,950,345**	**6,077,780,201**	**6,638,059,350**	**7,107,461,179**

	IDLC Finance Limited		IDLC Group	
	2019 BDT	2018 BDT	2019 BDT	2018 BDT
Increase/(decrease) in operating assets and liabilities				
(Increase)/Decrease in Loans & advances	(8,783,044,327)	(11,561,730,271)	(8,155,901,212)	(12,253,488,696)
(Increase)/Decrease in Other assets	(546,942,106)	20,322,075	(489,718,991)	25,125,845
Increase/(Decrease) in Short term borrowings	(1,550,000,000)	3,130,000,000	(1,600,000,000)	3,210,000,000
Increase/(Decrease) in Term & other deposits	5,705,448,688	11,015,972,486	5,192,833,411	10,620,315,314
Increase/(Decrease) in Payable and accrued expenses	(3,604,445,552)	(3,718,891,418)	(3,770,853,037)	(3,719,726,387)
(Increase)/Decrease in Income tax	(822,882,600)	(776,058,345)	(1,041,679,057)	(1,007,233,668)
Increase/(Decrease) in Portfolio investors fund	-	-	(368,455,004)	228,997,522
Increase/(Decrease) in Interest suspense	157,605,188	(44,779,963)	157,605,188	(44,779,963)
	(9,444,260,709)	**(1,935,165,436)**	**(10,076,168,702)**	**(2,940,790,033)**
Net cash flows from/(used in) operating activities	**(2,771,310,364)**	**4,142,614,766**	**(3,438,109,353)**	**4,166,671,146**

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 2019
1	Mr. Aziz Al Mahmood	Chairman	Danish Condensed 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%
			Voice Tel Limited	Managing Director	22.50%
			Partex Tissue Limited	Managing Director	70.00%
			Danish Multipurpose Farm Limited	Managing Director	70.00%
2	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%
3	Mr. Monower Uddin Ahmed	Independent Director	Monower Associates	CEO & Lead Consultant	100%
4	Mr. Md. Abdul Wadud	Director	The City Bank Limited	Deputy Managing Director and Head of Commercial, Trade and SME-M Business Segment	-
5	Ms. Mahia Juned	Director	The City Bank Limited	Deputy Managing Director & Chief Operating Officer	-
			City Hong Kong Limited	Nominated director of City Bank Ltd.	-
6	Mr. Mohammad Mahbubur Rahman FCA	Director	The City Bank Limited	Deputy Managing Director & Chief Financial Officer (CFO)	-

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 2019
			City Bank Capital Resources Limited	Director nominated by CBL	-
			City Brokerage Limited	Director nominated by CBL	-
7	Mr. Md. Kamrul Hassan FCA	Director	Transcom Group of Companies	Executive Director - Finance	-
			National Asset Management Limited	Director	12%
8	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	-
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	ZUNOKS Consulting	Partner	25%

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 Bangladesh 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 2019 were as follows:

Name of the related party	Transaction nature	Relationship	Balance as at January 1, 2019	Addition	Adjustment	Balance as at December 31, 2019 receivable/ (payable)
			BDT	BDT	BDT	BDT
The City Bank Limited	Term Deposit	Sponsor shareholder	(4,300,000,000)	(450,000,000)	4,300,000,000	(450,000,000)
City Bank Capital Resources Limited	Term Deposit	Related party	-	(30,000,000)	-	(30,000,000)
Mercantile Bank Limited	Subordinated Bond	Shareholder	180,000,000	(60,000,000)	-	120,000,000
Transcom group	Lease/Loan	Shareholder	1,897,076	-	(1,138,215)	758,861
	Term Deposit	Shareholder	(1,429,776,079)	(333,297,697)	687,076,023	(1,075,997,753)
Reliance Insurance Limited	Term Deposit	Shareholder	(198,000,000)	(474,000,000)	-	(672,000,000)
Directors & their families	Term Deposit	Shareholder	(76,810,204)	(53,570,688)	10,369,396	(120,011,496)
IDLC Securities Limited	Loan to IDLC IL	Subsidiary	178,400,000	183,800,000	(362,200,000)	-
	Term Deposit	Subsidiary	(1,000,000,000)	(21,770,653)	-	(1,021,770,653)
	Payable to SL	Subsidiary	(17,300,000)	(104,012,278)	100,864,614	(20,447,664)
IDLC Investments Limited	Borrowings from IDLC SL	Subsidiary	(178,400,000)	(183,800,000)	362,200,000	-

Name of the related party	Transaction nature	Relationship	Balance as at January 1, 2019	Addition	Adjustment	Balance as at December 31, 2019 receivable/ (payable)
			BDT	BDT	BDT	BDT
	Term Deposit	Subsidiary	(57,250,000)	(820,860,895)	306,895,813	(571,215,082)
	Payable to IDLC IL	Subsidiary	-	(48,335,799)	43,728,724	(4,607,075)
IDLC Asset Management Limited	Term Deposit	Subsidiary	(23,120,458)	-	23,120,458	-
			(6,920,359,665)	**(2,395,848,011)**	**5,470,916,813**	**(3,845,290,862)**

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	7,589	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 751,659 as at December 31, 2019.

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 2019 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:	66th	17-Feb-2019
	67th	13-May-2019
	68th	25-Jul-2019
	69th	12-Sep-2019
	70th	30-Oct-2019
	71st	12-Dec-2019

c. Six meetings of the audit committee were held during the year 2019 where it carried out the following tasks:

i) Conducted discussions, with the statutory auditors and with management, on the financial statements of the company for the year ended December 31, 2018 before concluding that the financial statements provided a true and fair view

ii) Reviewed the audited financial statements of IDLC Finance Limited for the year ended December 31, 2018;

iii) Recommended for appointment of statutory external auditors for the year 2019;

iv) Reviewed report of the audit committee for 2018 for publication in the Annual Report 2018;

v) Reviewed management discussion and analysis 2018 prior to its publication in the Annual Report 2018

vi) Reviewed Internal Control & Compliance report of 2018;

vii) Reviewed and approved annual audit plan for the year 2019;

viii) Reviewed audit report issued by Rahman Rahman Huq, Chartered Accountants, on Information Systems Audit and Vulnerability Assessment of IDLC Finance Limited

ix) Reviewed summary of investigation report

x) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited for the first quarter ended on 31 March 2019;

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 December 31, 2018;

xii) Reviewed summary of internal audit reports circulated in the first quarter of 2019;

xiii) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited for the second quarter ended on June 30, 2019;

xiv) Reviewed the summary of internal audit reports circulated in the second quarter of 2019;

xv) Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on the financials as of December 31, 2018 and management responses thereto;

xvi) Reviewed the quarterly un-audited financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended on September 30, 2019;

xvii) As a matter of course, at each meeting, confirmed minutes of the immediately preceding audit committee meeting

43 Foreign remittance

There were no foreign remittance during the year 2019.

44 Number of employees

The Company paid an aggregate amount more than BDT 36,000 per annum to 1,304 employees, who were in employment for full year or part of the year. (2018: 1,150)

45 Events after the reporting period

45.1 Dividend for the year 2019

The Board of Directors of IDLC Finance Limited at its 288th Board Meeting held on February 20, 2020, recommended to the shareholders a cash dividend @35% i.e. BDT 3.50 per share (amounting to BDT 1,319,677,730) based on financial performance of 2019. This will be considered for approval by the shareholders at the 35th Annual General Meeting (AGM) to be held on March 30, 2020. Out of the distributable dividend, 3.30% is comprised of Taxed Dividend, amounting to BDT 43,582,415, which will be distributed without deduction of tax, as per Income Tax Ordinance, 1984.

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 September 27, 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.

Dated, Dhaka	Sd/-	Sd/-	Sd/-	Sd/-
20 February 2019	Chairman	Director	CEO & Managing Director	Company Secretary

Annexure - A

Fixed assets including land, building, furniture and fixtures-for 2019

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2019
	Balance at January 1, 2019	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2019		Balance at January 1, 2019	Charged for the year	Adjustment during the year	Balance at December 31, 2019	
	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	31,125,083	5,187,983	-	36,313,066	171,206,236
Right-of-use Asset	-	619,327,760	-	619,327,760		-	127,989,344	-	127,989,344	491,338,416
Furniture and fixtures	93,030,776	4,292,546	(1,728,767)	95,594,555	12.50	44,819,301	9,662,155	(1,674,828)	52,806,628	42,787,927
Electrical equipment	79,547,789	3,923,099	(6,074,496)	77,396,392	20.00	55,443,632	9,289,787	(5,890,585)	58,842,834	18,553,558
Curtain and carpets	5,187,835	1,057,965	(2,101,974)	4,143,826	33.33	3,815,333	1,000,863	(2,080,913)	2,735,283	1,408,543
Office equipment	119,904,724	5,142,732	(22,467,731)	102,579,725	20.00	91,441,121	14,478,524	(22,465,866)	83,453,779	19,125,946
Office decoration	148,180,108	6,687,295	(3,040,964)	151,826,439	20.00	89,073,117	21,709,484	(2,894,117)	107,888,484	43,937,955
Computers	183,003,184	9,021,097	(85,340)	191,938,941	20.00	117,214,737	20,534,833	(85,290)	137,664,280	54,274,661
Software (Office Operation)	37,279,545	3,557,941	-	40,837,486	33.33	31,806,797	3,196,160	-	35,002,957	5,834,528
Software (Business Operation)	137,540,494	-	-	137,540,494	20.00	134,968,064	1,028,969	-	135,997,033	1,543,461
Telephone and telex	12,454,882	11,816,754	(5,580,607)	18,691,029	33.33	9,238,162	3,643,023	(5,528,916)	7,352,269	11,338,760
Motor vehicles	251,829,432	18,568,948	(20,567,682)	249,830,698	25.00	194,356,070	37,055,428	(19,555,378)	211,856,120	37,974,578
Total 2019	**1,302,436,541**	**683,396,137**	**(61,647,561)**	**1,924,185,117**		**803,301,418**	**254,776,553**	**(60,175,893)**	**997,902,078**	**926,283,039**

Fixed assets including land, building, furniture and fixtures-for 2018

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2018
	Balance at January 1, 2018	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2018		Balance at January 1, 2018	Charged for the year	Adjustment during the year	Balance at December 31, 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
Right-of-use Asset	-	-	-	-		-	-	-	-	-
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**

A.1 Details of disposals/adjustments-for 2019

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	1,728,767	(1,674,828)	53,939	77,400	23,461	As per policy of the Company	Employees/Outsider
Electrical equipment	6,074,496	(5,890,585)	183,911	243,334	59,423	As per policy of the Company	Employees/Outsider
Curtain and carpets	2,101,974	(2,080,913)	21,061	23,619	2,558	As per policy of the Company	Employees/Outsider
Office decoration	3,040,964	(2,894,117)	146,847	40,000	(106,847)	As per policy of the Company	Employees/Outsider
Office equipment	22,467,731	(22,465,866)	1,865	340,620	338,755	As per policy of the Company	Employees/Outsider
Computers	85,340	(85,290)	50	5,970	5,920	As per policy of the Company	Employees/Outsider
Telephone and telex	5,580,607	(5,528,916)	51,691	86,563	34,872	As per policy of the Company	Employees/Outsider
Motor vehicles	20,567,682	(19,555,378)	1,012,304	5,111,760	4,099,456	As per policy of the Company	Employees/Outsider
Total 2019	**61,647,561**	**(60,175,893)**	**1,471,668**	**5,929,266**	**4,457,598**		

Consolidated fixed assets including land, building, furniture and fixtures-for 2019

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2019
	Balance at January 1, 2019	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2019		Balance at January 1, 2019	Charged for the year	Adjustment during the year	Balance at December 31, 2019	
	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	31,125,083	5,187,983	-	36,313,066	171,206,236
Right-of-use Asset	-	785,735,245	-	785,735,245		-	154,953,567	-	154,953,567	630,781,678
Furniture and fixtures	111,681,014	6,004,777	(3,267,598)	114,418,193	12.50	56,094,737	11,132,306	(3,209,254)	64,017,789	50,400,404
Electrical equipment	104,850,304	7,701,498	(9,982,335)	102,569,467	20.00	77,416,347	10,798,662	(9,658,497)	78,556,512	24,012,956
Curtain and carpets	6,575,667	1,468,160	(2,151,974)	5,891,853	33.33	4,928,781	1,236,415	(2,112,854)	4,052,342	1,839,512
Office equipment	158,067,703	7,641,436	(24,909,475)	140,799,664	20.00	124,053,060	16,506,079	(24,907,450)	115,651,689	25,147,975
Office decoration	179,899,327	12,261,106	(8,313,684)	183,846,749	20.00	109,636,752	25,966,190	(6,961,045)	128,641,897	55,204,851
Computers	208,115,976	9,731,807	(942,600)	216,905,183	20.00	136,257,323	22,908,808	(942,465)	158,223,666	58,681,517
Software (Office Operation)	47,519,924	3,557,941	-	51,077,865	33.33	39,789,940	3,922,066	-	43,712,006	7,365,859
Software (Business Operation)	142,176,620	-	-	142,176,620	20.00	136,331,515	2,276,939	-	138,608,454	3,568,166
Telephone and telex	16,076,332	12,117,698	(5,987,743)	22,206,287	33.33	12,222,363	4,052,215	(5,892,027)	10,382,551	11,823,736
Motor vehicles	298,722,952	29,719,648	(32,395,661)	296,046,939	25.00	228,281,744	44,042,670	(29,262,509)	243,061,905	52,985,034
Total 2019	**1,508,163,591**	**875,939,316**	**(87,951,070)**	**2,296,151,837**		**956,137,645**	**302,983,900**	**(82,946,101)**	**1,176,175,444**	**1,119,976,393**

Consolidated Fixed assets including land, building, furniture and fixtures -for 2018

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2018
	Balance at January 1, 2018	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2018		Balance at January 1, 2018	Charged for the year	Adjustment during the year	Balance at December 31, 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
Right-of-use Asset	-	-	-	-		-	-	-	-	-
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**

Annexure - B

Disclosure of deviations from few requirements of IAS/IFRS

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: a) 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 b) 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 413.27 million has been charged as incremental provision for leases, loans and advances, which includes BDT 76.94 million as general provision on good loan for the year 2019. Also, as at 31 December 2019, accumulated provision for leases, loans and advances stand at BDT 1,661.44 million. In consolidated Financial Statements, the same amount is BDT 422.89 million which includes general provision of BDT 70.26 million. Also, as at 31 December 2019, accumulated provision for leases, loans and advances stand at BDT 1,741.87 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 of 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, 2019 there was BDT 940.62 million gross loss on consolidated investment in marketable securities and BDT 154.43 million gross loss on investment by IDLC Finance Limited in marketable securities. (except investment in government bond)
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 increased to BDT 508.88 million from BDT 351.27 million resulting increase of BDT 157.61 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 2019 and corresponding year 2018 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. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IAS 39. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.	Financial Statements for 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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.

mallard

**lifts off
almost vertically**

ascends up to 21,000 ft

IDLC SECURITIES LIMITED

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Sakhawat Hossain Head of Finance	**Md. Masud Karim Majumder FCA** Group Chief Financial Officer	**A.H.M. Nazmul Hasan** Head of Operations	**Kazi Monirul Islam, CFA** Head of Research	**Md. Momin Uddin** Head of International & Institutional Sales

Sitting from left

Shamima Akter Lovely Head of HR- Capital Market and Head of OD & Talent Management	**Mohammad Jobair Rahman Khan FCA** Head of Group Corporate Affairs & Taxation and Group Company Secretary	**Golam Ahad Chowdhury** Head of Trading & Business Development	**Arif Khan, CFA, FCMA** Group CEO & Managing Director	**Md. Saifuddin** Managing Director

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, 2019 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 40 billion with more than 580 securities including stocks, corporate bonds, treasury bonds and mutual funds whereas the equity market capitalization stands around USD 33.0 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 less than 15%, it is much higher for countries like India (78%), Vietnam (76%), the Philippines (80%), Thailand (105%), Malaysia (106%) and Indonesia (47%). 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 12 million in 2015. On top of that, we believe, strategic partnership of Dhaka Stock Exchange (DSE) with Shenzhen stock exchange will bring many qualitative improvements in our market including adoption of technology, launching of new products and thus accelerate the growth of our market. In this highly prospective environment, IDLCSL is focusing on knowledge based brokerage services, productivity improvement of sales personnel and increase of operating efficiency with new technology adoption in order to capture a substantial share of this emerging growth potential

The year 2019 has seen the continuation of bearish trend in market from 2018. The prime index dropped by 17.32% whereas in the previous year it saw a decline of 13.90%. The year started with an index value of 5,386 and ended with an index value of 4,453. Throughout the year 2019, DSEX was in downtrend except a few attempts to recover. Moreover, the average trade volume in DSE also declined by 12.84% to Taka 4.80 billion in 2019 from Taka 5.51 billion in 2018.

The challenging market scenario put significant pressure on overall profitability of the brokerage industry. During the year, our company took a conscious strategy to avoid unprofitable trade to protect the client's interest. It resulted in a decline in turnover and hence brokerage commission income. The bearish trend in the market resulted in decline in price of the invested stocks, thus decreasing the investment income. In addition, a non-recurring income (one-off gain from the sale of DSE shares) of BDT 34 mn in 2018 discontinued in 2019. Despite all these setbacks, IDLC SL managed to make a net profit after tax of Taka 99 million in 2019.

2019 has been an eventful year in the arena of foreign brokerage business. The entrance of a new international brokerage firm disrupted the competitive landscape of the business in the frontier market as well as in Bangladesh. The disruption reduced IDLC SL's market share of foreign brokerage business from 11.75% in 2018 to 6.56% in first 5 months of 2019. In response to the competitive landscape, IDLCSL collaborated with the reputed international brokerage firm Tellimer (the then Exotix Capital) to inaugurate co-branded research. The collaboration helps us strengthen our research capability, expand outreach to the international funds manager and increase foreign trade flow. Therefore, your company recovered its share in the foreign brokerage business to 13.33% during last 7 months of the year and ended the year 2019 with 10.11% market share. Also, the contribution from foreign trade to the total revenue has increased to 10.53% in 2019 from 9.52% in 2018. We believe, the initiatives taken in 2019 will enhance franchise value of our foreign brokerage business and capacity of our research.

Operational highlights of 2019

Particulars	2015	2016	2017	2018	2019
No. of Accounts at the beginning	12,854	13,960	15,352	17,171	16,510
Accounts opened during the year	2,514	1,878	2,358	1,506	1,288
Accounts closed during the year	(1,408)	(486)	(539)	(2,167)	(1,964)
No. of accounts at year end	**13,960**	**15,352**	**17,171**	**16,510**	**15,834**
Growth (year on year)	8.60%	9.97%	11.85%	-3.85%	-4.09%
Composition of client base:					
Individual	13,602	14,933	16,363	15,685	15,010
Institution & Foreign	226	287	685	713	351
NRB	132	132	123	112	473
Total	13,960	15,352	17,171	16,510	15,834

Currently, IDLC SL has 15,800+ clients including 351 institutional and foreign clients. Moreover, the Company serves more than 2,500 customers as a panel broker of its enlisted merchant banks. In 2019, IDLCSL closed 1,582 inactive accounts. As a result, total number of accounts in 2019 shows de-growth of 4.09%. Normalizing that impact of inactive accounts closure, in fact, client base grew by 5.49% in 2019.

Key achievements of 2019

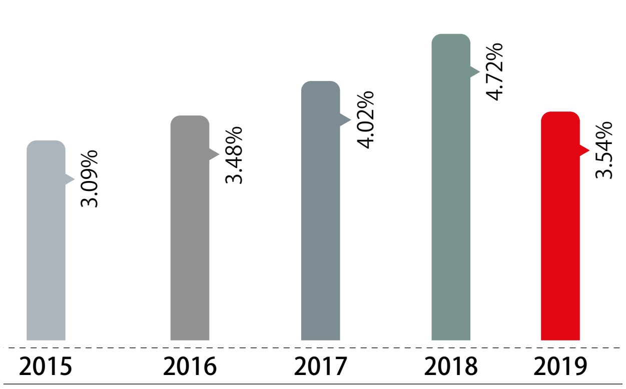
- Co-branded research in collaboration with Tellimer that strengthened our foreign sales operation
- Conducted overseas roadshow in USA & UK
- Restructured our operational risk management process through introduction of compliance dashboard and Turnaround Time (TAT) of service delivery
- Formulated code of conduct for the traders to improve compliance process

Financial highlights of 2019

Amount in BDT Million	2015	2016	2017	2018	2019
Total turnover of IDLCSL	63,782	82,950	1,74,274	1,25,934	80,529
Total turnover of IDLCSL Growth (%)	8.85%	30.05%	110.09%	-27.74%	-36.05%
Total assets	1,558	2,145	4,136	4,935	4,541
Total assets Growth (%)	10.69%	37.72%	92.81%	19.31%	-7.97%
Total shareholders' equity	1,025	1,129	3,108	3,474	3,572
Total shareholders' equity Growth (%)	10.34%	10.08%	175.38%	11.76%	2.84%
Net brokerage commission income	203	250	480	333	217
Net brokerage income Growth (%)	18.05%	23.06%	92.33%	-30.62%	-34.91%
Net interest income	72	53	82	149	168
Net interest income Growth (%)	-17.07%	-26.04%	54.64%	82.18%	12.34%
Income from share market investment	52	71	256	268	64
Investment income growth (%)	986.28%	36.92%	261.60%	4.76%	-76.08%
Operating expenses	181	187	248	238	233
Operating expenses Growth (%)	16.11%	3.28%	32.40%	-4.00%	-1.76%
Net profit before tax & provision	148	192	576	518	221
Net profit before tax & provision Growth (%)	50.64%	29.98%	200.18%	-10.02%	-57.35%
Net Profit after Tax	96	103	379	366	99
Net Profit after Tax Growth (%)	147.01%	7.60%	267.07%	-3.67%	-73.03%
Return on total assets*	6.48%	5.58%	14.79%	8.06%	2.08%
Return on equity*	9.83%	9.60%	21.44%	11.11%	2.80%

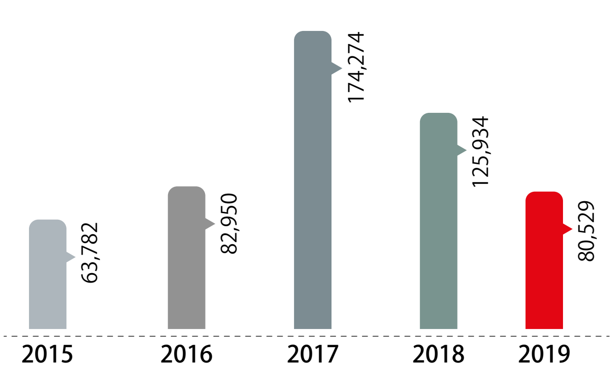
* Time weighted ROA & ROE in 2017

IDLCSL Market Share

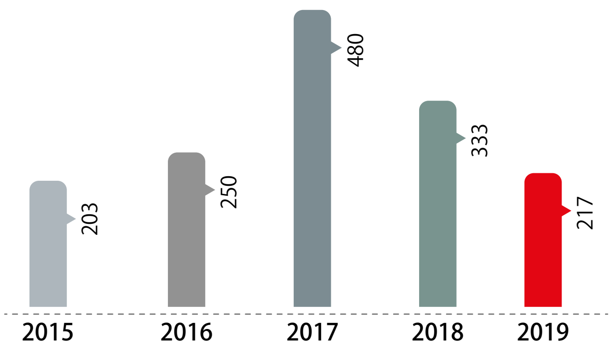


Total turnover of IDLCSL

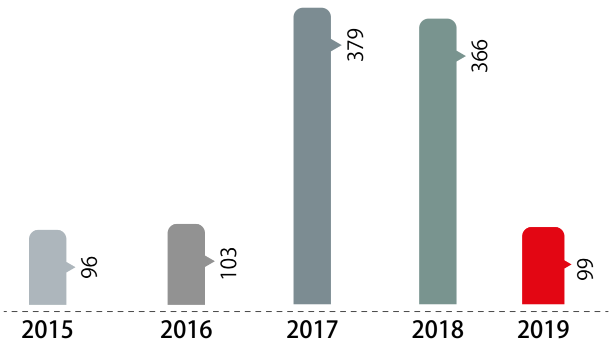
in BDT mn



Net brokerage commission income in BDT mn



Net Profit after Tax in BDT mn



Human resource development

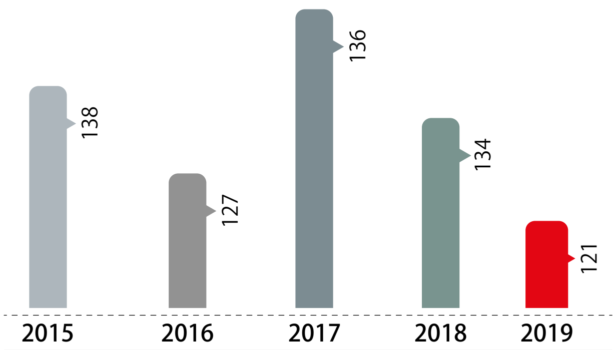
We believe in performance, meritocracy and equal opportunity in every aspects of human resource management. We maintain a culture of continuous learning and invest substantially in talent management. As part of IDLCSL's human resource development initiatives, a significant number of employees attended different training programs during the year, including both managerial development and technical competency.

As part of IDLCSL's human resource development program, a large number of employees underwent training, which included both managerial development and technical modules. During 2019, out of 44 employees, 41 participants were trained in three different local training programs along with three participants went to two foreign training.

We believe in high morale and 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 2019, the total number of employees stood at 121 as compared with 134 in 2018.

No. of Employees



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 mentoring 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 chances to adopt the appropriate technology and remain contemporary with regards to the prevailing standards

Our Focus for 2020

At IDLC SL, we intend to:

- Regain the market share by 100 bps
- Continue focus on capacity building of dealers through both in-house and external training
- Continue focus on foreign and premium brokerage segments
- Enhance capacity of sell side research and increase outreach to foreign fund managers
- Generate direct revenue from research activity from our collaboration with Tellimer
- Explore new technology conducive for brokerage business to enhance operating efficiency

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)/International Financial Reporting Standards (IFRS), 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 2019.

Appointment of auditors

In terms of Article 102 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 third year as auditor of the Company. As per the BSEC restriction on re-appointment of the same auditor for more than three consecutive years for a listed Company, the existing auditor will not be eligible for re-appointment as auditors of IDLC Group for the year 2020. We will appoint the same auditor for the IDLC Group so that the auditor can consolidate the Group financial statements without any review of other auditors' work.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 288th meeting of the Board, held on the February 20, 2020 recommended Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC SL at its 93rd meeting held on February 19, 2020 also recommended to the shareholders of the Company Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the Company for 2020 at the remuneration of BDT 1 (one) Lac only.

Going concern

It is assumed IDLC Securities Limited as usual will able to continue as a going concern by generating greater values for its shareholders.

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 as and when required 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 (BSEC), the Dhaka Stock Exchange (DSE) Limited, the Chittagong Stock Exchange (CSE) Limited and the Central Depository Bangladesh Limited (CDBL), 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

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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 2019, 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 2019, 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 Auditor's 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/-

Dated, Dhaka
19 February 2020

A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Particulars	Notes	2019 BDT	2018 BDT
ASSETS			
Non-Current Assets		**730,092,238**	**217,334,449**
Property, plant and equipment	4	27,864,713	27,620,781
Intangible asset	5	402,254	823,508
Right-of-use-assets	6	89,634,883	-
Investment in Stock Exchanges	7	14,869,750	14,869,750
Investment in Bond	8	575,031,466	155,366,353
Deferred tax assets	9	22,289,172	18,654,056
Current Assets		**3,811,154,569**	**4,717,334,689**
Advances, deposits and prepayment	10	3,337,686	13,060,061
Investment in marketable securities	11	2,085,402,765	2,126,037,264
Accounts receivable	12	138,505,730	237,482,931
Short term loan to IDLC Investments Limited	13	-	178,400,000
Margin loan to clients	14	167,287,246	126,049,423
Cash and cash equivalents	15	1,416,621,142	2,036,305,009
Total Assets		**4,541,246,807**	**4,934,669,138**
EQUITY AND LIABILITIES			
Equity		**3,572,236,944**	**3,473,653,398**
Share capital	16	2,000,000,000	2,000,000,000
Retained earnings	17	1,572,236,944	1,473,653,398
Liabilities			
Non-Current Liabilities		**88,730,692**	**-**
Lease liabilities	18	88,730,692	-
Current Liabilities		**880,279,171**	**1,461,015,740**
Accounts payable	19	493,038,398	1,015,781,251
Short term loan	20	200,000,000	250,000,000
Liabilities for expenses	21	25,040,277	32,909,342
Provision for income tax	22	115,463,646	121,858,999
Provision for diminution in value of investments	23	44,358,094	40,466,147
Provision for operations	24	2,378,758	-
Total liabilities		**969,009,863**	**1,461,015,740**
Total equity and liabilities		**4,541,246,807**	**4,934,669,138**

The annexed notes from 1 to 41 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
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

Particulars	Notes	2019 BDT	2018 BDT
Operating Income			
Brokerage commission income	25	257,683,274	387,845,448
Brokerage commission expense	26	(40,691,742)	(54,476,277)
Net brokerage commission income (a)		**216,991,532**	**333,369,171**
Interest income	27	186,176,694	168,031,595
Interest expense	28	(18,489,731)	(18,770,091)
Net interest income (b)		**167,686,963**	**149,261,503**
Net investment income (c)	29	64,116,975	268,001,158
Other brokerage income (d)	30	3,323,369	3,066,040
Total Operating Income (A=a+b+c+d)		**452,118,840**	**753,697,872**
Operating Expenses			
Salaries & allowances	31	148,890,050	143,487,798
Rent, taxes, insurance, electricity, etc.	32	24,868,281	45,012,512
Legal expenses	33	2,533,782	1,610,635
Postage, stamp, telecommunication, etc.	34	6,872,712	7,133,066
Stationery, printing, advertisements, etc.	35	9,066,502	14,219,821
Directors' Fee & Meeting Expenses	36	273,558	291,193
Audit fee		115,000	115,000
Depreciation and amortization	(4+5+6)	29,678,256	11,492,255
Other expenses	37	11,153,683	14,271,593
Total Operating Expenses (B)		**233,451,824**	**237,633,874**
Operating Profit (A-B)		**218,667,016**	**516,063,998**
Non-operating Income	38	2,277,122	1,937,921
Profit before Provisions and Tax		**220,944,138**	**518,001,918**
Provision for diminution in value of investments	23	(3,891,947)	(40,466,147)
Provision for operations	24	(2,378,758)	-
Profit before Provision for Income Tax		**214,673,434**	**477,535,771**
Provision for Income Tax		**116,089,888**	**112,006,470**
Current tax	22	119,725,004	114,599,583
Deferred tax income	9	(3,635,116)	(2,593,113)
Net Profit		**98,583,546**	**365,529,301**
Other comprehensive income		-	-
Total Comprehensive Income		**98,583,546**	**365,529,301**

The annexed notes from 1 to 41 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
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Particulars	2019 BDT	2018 BDT
A. Cash flow from operating activities		
Net profit during the year	**98,583,546**	**365,529,301**
Adjustments for:		
Depreciation & amortization	29,678,256	11,492,255
Gain on disposal of property, plant and equipment	(1,494,746)	(931,360)
Cash generated from operating activities before changes in working capital:	**28,183,510**	**10,560,895**
Changes in workings capital:		
(Increase)/decrease in accounts receivable	98,977,201	(202,928,705)
(Increase)/decrease in deferred tax asset	(3,635,116)	(2,593,113)
(Increase)/decrease in margin loan to clients	(41,237,823)	(40,739,368)
Decrease/(increase) in advances, deposits and prepayments	9,722,375	4,711,632
Increase/(decrease) in accounts payable	(522,742,853)	346,037,741
(Decrease)/increase in provision for expenses	(7,869,066)	(14,934,221)
(Decrease)/increase in provision for operations	2,378,758	-
Increase/(decrease) in provision for current tax	(6,395,354)	(18,404,469)
Increase/(decrease) in lease liabilities	88,730,692	-
Net cash flow from operating activities	**(255,304,130)**	**447,239,694**
B. Cash flow from investing activities		
Acquisition of property, plant and equipment	(117,641,070)	(2,986,987)
Investment in shares/securities	40,634,499	239,812,631
Investment in Stock Exchanges	-	3,806,250
Investment in Bond	(419,665,113)	(155,366,353)
Provision for diminution in value of investments	3,891,947	40,466,147
(Disbursement)/Reimbursement of Short term loan to IDLC Investments Limited	178,400,000	21,600,000
Net cash (used in)/ flow from investing activities	**(314,379,737)**	**147,331,687**
C. Cash flows from financing activities		
Receipt of short term loan - Standard Chartered Bank	(50,000,000)	80,000,000
Net cash flow from in financing activities	**(50,000,000)**	**80,000,000**
D. Net surplus/(deficit) in cash & cash equivalents for the year (A+B+C)	(619,683,867)	674,571,381
E. Cash & cash equivalents at the beginning of the year	2,036,305,009	1,361,733,629
F. Cash and cash equivalents at the end of the year	**1,416,621,142**	**2,036,305,009**
Cash and cash equivalents:		
Cash in hand	100,000	100,000
Cash at bank	360,250,489	1,001,705,009
Fixed deposits	1,056,270,653	1,034,500,000
	1,416,621,142	**2,036,305,009**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the statement of cash flows referred to in our separate report of even date.

Dated, Dhaka
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Particular	Share Capital BDT	Retained Earnings BDT	Total Equity BDT
Balance as on 01 January 2018	**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**
Balance as on 01 January 2019	2,000,000,000	1,473,653,398	3,473,653,398
Addition during the year	-	98,583,546	98,583,546
Balance as on 31 December 2019	**2,000,000,000**	**1,572,236,944**	**3,572,236,944**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the statement of changes in equity referred to in our separate report of even date.

Dated, Dhaka
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 Chattagram 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 , Chattogram, 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 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 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 Accounting Standard (IAS) 39, 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 only recognised when it meets the following five steps model framework as per IFRS 15: "Revenue from Contracts with Customers"

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.

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) Limited and Chittagong Stock Exchange (CSE) Limited 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.
Right of use assets	Lease term

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 Changes in significant accounting policies - IFRS 16 Leases

Other than the disclosed accounting policies (note no: 3.2) as a result of adoption of IFRS 16 Leases which is effective from 1 January 2019, same accounting policies and methods of computation have been followed in these Financial Statements as were applied in the preparation of the financial statements of IDLC Securities Limited as at and for the year ended 31 December 2018.

3.2.1. Nature and impact of changes

(a) Definition of a lease

Previously, IDLCSL determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 (if any). Under IFRS 16, IDLCSL assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.2.2. On transition to IFRS 16, IDLCSL evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

As a Lessee

As a lessee, IDLCSL previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to IDLCSL. Under IFRS 16, IDLCSL recognises right-of-use assets and lease liabilities for all leases.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at IDLCSL's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments (if any).

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17 (if any), the carrying amount of the right-of-use assets and the lease liabilities at 1 January 2019 are determined at the carrying amount of the lease assets and lease liabilities under IAS 17.

As a lessor

IDLCSL is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

Impacts on financial statements

IDLCSL has lease contracts related to the rental agreement of various branches. The table below show the impacts arising from IFRS 16 in 2019 (at inception):

IDLC Securities Limited **Amount in BDT**

Leases	Leases Liabilities	Advance for rent	Right-of-use Assets
Office Rent	98,367,906	9,562,855	107,930,761

As at 1 January 2019:

Right-of-use assets:

Right-of-use assets of BDT 107,930,761 were recognised and presented separately in the statement of financial position. This includes the lease liabilities & prepayments for office rent. (Please see note: 6)

Leases Liabilities:

Lease liabilities derived from present value of all rental payments for various branches amounting to BDT 98,367,906 and presented separately in the statement of financial position. (please see note : 18)

Advance for rent:

As at January 01, 2019 advance for rent has been BDT 9,562,855 incorporated in Advance, deposits & prepayments head.

When measuring lease liabilities, IDLCSL discounted lease payments using its incremental borrowing rate (9.25%) at 1 January 2019.

(b) The following summarises the impacts of adopting IFRS 16 on the IDLCSL's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and consolidated statement of cash flows for the period then ended for each of the line items affected.

Impact on the statement of financial position
As at 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
PROPERTY AND ASSETS			
Non-Current Assets	**730,092,238**	**(89,318,416)**	**640,773,822**
Property, plant and equipment	27,864,713	-	27,864,713
Intangible asset	402,254	-	402,254
Right-of-use-assets	89,634,883	(89,634,883)	-
Investment in Stock Exchanges	14,869,750	-	14,869,750
Investment in Bond	575,031,466	-	575,031,466
Deferred tax assets	22,289,172	316,467	22,605,639
Current Assets	**3,811,154,569**	**5,327,295**	**3,816,481,864**
Advances, deposits and prepayment	3,337,686	5,327,295	8,664,981
Investment in marketable securities	2,085,402,765	-	2,085,402,765
Accounts receivable	138,505,730	-	138,505,730
Short term loan to IDLC Investments Limited	-	-	-
Margin loan to clients	167,287,246	-	167,287,246
Cash and cash equivalents	1,416,621,142	-	1,416,621,142
Total Assets	**4,541,246,807**	**(83,991,121)**	**4,457,255,686**
EQUITY AND LIABILITIES			
Equity	**3,572,236,944**	**4,739,571**	**3,576,976,515**
Share capital	2,000,000,000	-	2,000,000,000
Retained earnings	1,572,236,944	4,739,571	1,576,976,515
Liabilities			
Non-Current Liabilities	**88,730,692**	**(88,730,692)**	**-**
Lease liabilities	88,730,692	(88,730,692)	-
Current Liabilities	**880,279,171**	**-**	**880,279,171**
Accounts payable	493,038,398	-	493,038,398
Short term loan	200,000,000	-	200,000,000
Liabilities for expenses	25,040,277	-	25,040,277
Provision for income tax	115,463,646	-	115,463,646
Provision for diminution in value of investments	44,358,094	-	44,358,094
Provision for operations	2,378,758	-	2,378,758
Total liabilities	**969,009,863**	**(88,730,692)**	**880,279,171**
Total equity and liabilities	**4,541,246,807**	**(83,991,121)**	**4,457,255,686**

Impact on the statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Operating Income			
Brokerage commission income	257,683,274	-	257,683,274
Brokerage commission expense	(40,691,742)	-	(40,691,742)
Net brokerage commission income (a)	**216,991,532**	**-**	**216,991,532**
Interest income	186,176,694	-	186,176,694
Interest expense	(18,489,731)	8,498,251	(9,991,479)
Net interest income (b)	**167,686,963**	**8,498,251**	**176,185,215**
Net investment income (c)	64,116,975	-	64,116,975
Other brokerage income (d)	3,323,369	-	3,323,369
Total Operating Income (A=a+b+c+d)	**452,118,840**	**8,498,251**	**460,617,092**
Operating Expenses			
Salaries & allowances	148,890,050	-	148,890,050
Rent, taxes, insurance, electricity, etc.	24,868,281	22,371,025	47,239,306
Legal expenses	2,533,782	-	2,533,782
Postage, stamp, telecommunication, etc.	6,872,712	-	6,872,712
Stationery, printing, advertisements, etc.	9,066,502	-	9,066,502
Directors' Fee & Meeting Expenses	273,558	-	273,558
Audit fee	115,000	-	115,000
Depreciation and amortization	29,678,256	(18,295,878)	11,382,378
Other expenses	11,153,683	-	11,153,683
Total Operating Expenses (B)	**233,451,824**	**4,075,147**	**237,526,971**
Operating Profit (A-B)	**218,667,016**	**4,423,104**	**223,090,120**
Non-operating Income	2,277,122	-	2,277,122
Profit before Provisions and Tax	**220,944,138**	**4,423,104**	**225,367,243**
Provision for diminution in value of investments	(3,891,947)	-	(3,891,947)
Provision for operations	(2,378,758)	-	(2,378,758)
Profit before Provision for Income Tax	**214,673,434**	**4,423,104**	**219,096,538**
Provision for Income Tax	**116,089,888**	**(316,467)**	**115,773,421**
Current tax	119,725,004	-	119,725,004
Deferred tax income	(3,635,116)	(316,467)	(3,951,583)
Net Profit	**98,583,546**	**4,739,571**	**103,323,117**
Other comprehensive income	-	-	-
Total Comprehensive Income	**98,583,546**	**4,739,571**	**103,323,117**

Impact on the statement of cash flows
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
A) Cash flows from operating activities			
Net profit during the year	98,583,546	4,739,571	103,323,117
Adjustments for:	-	-	-
Depreciation & amortization	29,678,256	(18,295,878)	11,382,378
Gain on disposal of property, plant and equipment	(1,494,746)	-	(1,494,746)
Cash generated from operating activities before changes in working capital:	**28,183,510**	**(18,295,878)**	**9,887,633**
Changes in workings capital:			
(Increase)/decrease in accounts receivable	98,977,201	-	98,977,201
(Increase)/decrease in deferred tax asset	(3,635,116)	(316,467)	(3,951,583)
(Increase)/decrease in margin loan to clients	(41,237,823)	-	(41,237,823)
Decrease/(increase) in advances, deposits and prepayments	9,722,375	(5,327,295)	4,395,080
Increase/(decrease) in accounts payable	(522,742,853)	-	(522,742,853)
(Decrease)/increase in provision for expenses	(7,869,066)	-	(7,869,066)
(Decrease)/increase in provision for operations	2,378,758	-	2,378,758
Increase/(decrease) in provision for current tax	(6,395,354)	-	(6,395,354)
Increase/(decrease) in lease liabilities	88,730,692	(88,730,692)	-
Net cash flow from operating activities	**(255,304,130)**	**(107,930,761)**	**(363,234,891)**
B) Cash flows from investing activities			
Acquisition of property, plant and equipment	(117,641,070)	107,930,761	(9,710,310)
Investment in shares/securities	40,634,499	-	40,634,499
Investment in Stock Exchanges	-	-	-
Investment in Bond	(419,665,113)	-	(419,665,113)
Provision for diminution in value of investments	3,891,947	-	3,891,947
(Disbursement)/Reimbursement of Short term loan to IDLC Investments Limited	178,400,000	-	178,400,000
Net cash (used in)/ flow from investing activities	**(314,379,737)**	**107,930,761**	**(206,448,977)**
C) Cash flows from financing activities			
Receipt of short term loan - Standard Chartered Bank	(50,000,000)	-	(50,000,000)
Net cash flow from in financing activities	**(50,000,000)**	**-**	**(50,000,000)**
D) Net surplus/(deficit) in cash & cash equivalents for the year (A+B+C)	**(619,683,867)**	**-**	**(619,683,867)**
E) Cash and cash equivalents at beginning of the year	**2,036,305,009**	**-**	**2,036,305,009**
F) Cash and cash equivalents at the end of the year	**1,416,621,142**	**-**	**1,416,621,142**
Cash and cash equivalents:			
Cash in hand	100,000	-	100,000
Cash at bank	360,250,489	-	360,250,489
Fixed deposits	1,056,270,653	-	1,056,270,653
	1,416,621,142	**-**	**1,416,621,142**

3.2.2. Accounting policy for IFRS 16: Leases

IDLCSL has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 as Operating Lease .The details impact of changes in the financial statements has been disclosed in Note 3.2.1 (b).

Policy applicable from 1 January 2019

At inception of a contract, IDLCSL assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, IDLCSL assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- IDLCSL has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- IDLCSL has the right to direct the use of the asset. IDLCSL has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, IDLCSL has the right to direct the use of the asset if either:

(i) IDLCSL has the right to operate the asset; or

(ii) IDLCSL designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

IDLCSL as a lessee

IDLCSL recognises a right of use assets and a lease liabilities from the beginning of 2019. The right of use assets is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line methods from the commencement date (from the beginning of 2019) to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date (from the beginning of 2019), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, IDLCSL 's incremental borrowing rate. The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in IDLCSL 's estimate of the amount expected to be payable under a residual value guarantee, or if IDLCSL changes its assessment of whether it will exercise purchase, extension or termination option. When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use assets, or is recorded in profit or loss if the carrying amount of the right to use assets have been reduced to zero.

IDLCSL presents right of use assets in annexure A and lease liabilities in note number 18 separately.

IDLCSL as a lessor

When IDLCSL acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

3.3 Provision for tax

3.3.1. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, in accordance with provisions of Income Tax Ordinance, 1984. It is measured using tax rates enacted or substantively enacted at the reporting date. Applicable tax rate for the Company for the year 2019 will be declared by Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing tax rates will be applicable for Income year 2019 as well, which are mentioned below:

Regular business tax rate	Rate
Private Limited Company	35%

Other business tax rate	Rate
Dividend Income	20%
Capital gain on sale of fixed assets	15%
Capital gain on sale of marketable securities	10%

The Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019. We already accounted for uncertainty of taxes and further disclosure is not required.

3.3.2. Deferred tax

The Company accounts for deferred tax as per International Accounting Standard (IAS) 12: "Income Taxes". Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the date of reporting of the financial statements.

The Company provides disclosures based on the classes of assets and liabilities related to the temporary differences.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognized for all taxable temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Both the Deferred tax assets and liabilities are reviewed at each reporting date considering the probability of benefit or detriment realizable.

3.4. 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.

3.5. 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 quoted shares) and book value (for quoted shares) are higher than the cost except investment in mutual fund. Incase of provision for unrealized loss in portfolio (Own portfolio) has been made as per BSEC press release BSEC/2019/159 dated 07 January 2020.

3.6. 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 Income Tax Ordinance 1984.

3.7. 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 40.

3.8. 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 when material.

3.9. 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 IASs	IAS	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
Financial Instruments: Recognition and Measurement	39	Applied

Name of the IFRSs	IFRS	Status
Revenue from Contracts with Customers	15	Applied
Financial Instruments	9	Applied
Financial Instruments: Disclosures	7	Applied
Leases	16	Applied

	2019 BDT	2018 BDT
4. Property, plant and equipment		
A. Cost:		
Opening balance	134,385,221	134,071,311
Addition during the year	12,429,089	3,284,561
	146,814,310	137,355,872
Disposal for the year	(16,890,757)	(2,970,651)
	129,923,554	**134,385,221**
B. Accumulated depreciation:		
Opening balance	106,764,440	98,535,771
Charged for the year	10,961,124	10,897,963
	117,725,564	109,433,734
Disposal for the year	(15,666,723)	(2,669,294)
	102,058,841	**106,764,440**
C. Written down Value (A-B)	**27,864,713**	**27,620,781**

A schedule of property, plant and equipment is given in Annexure - A.

	2019 BDT	2018 BDT
5. Intangible asset		
A. Cost:		
Opening balance	6,928,848	5,993,705
Addition during the year	-	935,143
	6,928,848	**6,928,848**
B. Accumulated amortization		
Opening balance	6,105,340	5,511,048
Amortization for the year	421,254	594,292
	6,526,594	**6,105,340**
C. Written down value (A-B)	**402,254**	**823,508**
6. Right-of-use-assets		
A. Cost :		
Opening balance	-	-
Addition during the year	107,930,761	-
	107,930,761	-
Disposal for the year	-	-
	107,930,761	**-**
B. Accumulated depreciation:		
Opening balance	-	-
Charged for the year	18,295,878	-
	18,295,878	-
Disposal for the year	-	-
	18,295,878	**-**
C. Written down Value (A-B)	**89,634,883**	**-**

		2019 BDT	2018 BDT
7. Investment in Stock Exchanges			
Dhaka Stock Exchange Limited (DSE)	(Note: 7.1)	11,418,750	11,418,750
Chittagong Stock Exchange Limited (CSE)	(Note: 7.2)	3,451,000	3,451,000
		14,869,750	**14,869,750**
7.1 Dhaka Stock Exchange Limited (DSE)			
Purchase of DSE membership from Mehnaz Mannan & Co.		11,193,750	11,193,750
Share transfer stamp duty		225,000	225,000
		11,418,750	**11,418,750**
7.2 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	**14,869,750**

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.

	2019 BDT	2018 BDT
8. Investments in Bond		
Investment in Zero Coupon Bond	184,548,428	149,111,291
Investment in Bangladesh Bank Treasury Bond	373,298,545	-
Interest capitalized during the period	17,184,493	6,255,062
	575,031,466	**155,366,353**

9. Deferred tax assets

Deferred tax asset for 2019 is arrived at as follows:

	Carrying Amount	Tax base	Taxable Temporary Difference
	BDT	BDT	BDT
As on 31 December 2019			
Assets:			
Fixed assets net of depreciation	25,569,211	45,900,610	20,331,399
Right of Use Assets	89,634,883	-	(89,634,883)
Capital loss from sale of securities in Capital Market:	8,781,629	-	8,781,629
Carry forwarded from 2018	-	-	-
Add: Capital loss in 2019	8,781,629	-	-
Liabilities:			
Provision for gratuity	41,747,105	-	41,747,105
Lease Liabilities	88,730,692	-	88,730,692
Total	164,828,637	45,900,610	**69,955,941**
Applicable tax rate (For fixed assets net of depreciation & provision for gratuity)			35%
Applicable tax rate (for Capital loss from sale of securities)			10%
Deferred tax assets as on 31 December 2019			22,289,172
Deferred tax assets as on 31 December 2018			18,654,056
Deferred tax income accounted as on for 31 December 2019			**3,635,116**
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 fixed assets net of depreciation & provision for gratuity)			35%
Applicable tax rate (for Capital loss from sale of securities)			10%
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**

		2019 BDT	2018 BDT
10. Advances, deposits and prepayment			
Advances and prepayments	(Note: 10.1)	2,852,936	12,772,061
Security deposit	(Note: 10.2)	484,750	288,000
		3,337,686	**13,060,061**
10.1. Advances and prepayments			
Advances	(Note: 10.1.1)	2,173,122	2,109,359
Prepayments	(Note: 10.1.2)	679,814	10,662,702
		2,852,936	**12,772,061**

			2019 BDT	2018 BDT
10.1.1.	**Advances**			
	Advance to Dhaka Stock Exchange Limited		850,000	850,000
	Advances for Expenses		15,000	-
	Advances for services /to suppliers		949,294	949,295
	Advances to Chittagong Stock Exchange Limited		100,000	100,000
	Advance to Bloomberg Finance L.P.		258,828	210,065
			2,173,122	**2,109,359**
10.1.2.	**Prepayments**			
	Rent	(Note: 10.1.2.1)	-	9,950,855
	Insurance premium	(Note: 10.1.2.2)	679,814	711,848
			679,814	**10,662,702**
10.1.2.1.	**Rent**			
	Head office		-	5,785,848
	Agrabad branch		-	2,338,340
	Sylhet branch		-	266,667
	Dhanmondi branch		-	300,000
	Gazipur branch		-	1,260,000
			-	**9,950,855**
10.1.2.2.	**Insurance premium**			
	Group life		441,320	456,280
	Hospitalization		70,404	75,498
	Office insurance		88,980	93,409
	Motor vehicles		79,110	86,661
			679,814	**711,848**
10.2.	**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 for DOHS Branch		180,000	150,000
	Security Deposit for Sylhet Branch		100,000	-
	Security Deposit for Head Office		66,750	-
	Security deposit to Nabarun Agencies		8,000	8,000
			484,750	**288,000**

11 Investment in marketable securities

Investment in shares available for sale	(Note: 11.1.1)	1,988,887,339	2,114,888,624
Investment in shares (Strategic Investment)	(Note: 11.1.2)	36,175,450	-
Investment in Initial Public Offering (IPO)	(Note: 11.1.3)	-	808,640
Investment in non-tradeable shares	(Note: 11.2)	60,339,976	10,340,000
		2,085,402,765	**2,126,037,264**

11.1.1. Investment in shares available for sale

The investments in shares are categories as financial assets held for trading as per IAS 39. The details of the investments are as follows:

Business Segments	No. of Shares	Total Cost of Shares as on 31.12.2019 BDT	Market price as on 31.12.2019 BDT
Fuel & Power	4,485,464	223,873,166	152,073,993
Bank	11,834,268	502,962,688	362,321,711
Cement	2,061,119	324,863,234	218,684,726
IT Sector	23,947	616,480	629,146
Telecommunication	657,823	260,540,948	188,005,813
Financial Institutions	347,565	9,726,873	8,897,664
Engineering	4,139,234	353,016,638	242,180,406
Textile	4,282	40,023	63,374
Pharmaceuticals & Chemicals	1,243,951	313,247,289	239,375,292
		1,988,887,339	**1,412,232,125**

All investment in marketable securities are value on aggregate portfolio basis, at the lower of cost and market value, at the reporting date.

			2019 BDT	2018 BDT
11.1.2	**Investment in shares (Strategic Investment)**		**36,175,450**	**-**
11.1.3.	**Investment in Initial Public Offering (IPO)**		**-**	**808,640**
11.2.	**Investment in non-tradeable shares**			
	Energypac Power Generation Limited(235,000 shares @ BDT 44 each)		10,340,000	10,340,000
	Jayson Pharmaceuticals Limited(1,923,076 shares @ BDT 26 each)		49,999,976	-
			60,339,976	**10,340,000**

12. Accounts receivable

		2019 BDT	2018 BDT
Receivable from DSE	(Note: 12.1)	8,324,572	9,593,777
Receivable from CSE	(Note: 12.2)	357,346	511,830
Receivable from clients (broker)	(Note: 12.3)	88,052,993	192,272,327
Receivable from sale of shares	(Note: 12.4)	2,923	26,240
Interest receivable	(Note: 12.5)	21,007,498	17,750,493
Interest receivable from Treasury Bond	(Note: 12.6)	1,956,587	-
Dividend receivable		15,668,610	15,180,624
Dividend receivable (Strategic Investment)		189,205	-
Other receivable		2,945,996	2,147,640
		138,505,730	**237,482,931**

12.1. Receivable from DSE

Sale for broker	8,324,572	9,593,777
Sale for dealer	-	-
	8,324,572	**9,593,777**

This balance has been resulted from sale of shares through Dhaka Stock Exchange Limited (DSE).

		2019 BDT	2018 BDT
12.2.	**Receivable from CSE**		
	Sale for broker	357,346	511,830
	Sale for dealer	-	-
		357,346	**511,830**

This balance has been resulted from sale of shares through Chittagong Stock Exchange Limited (CSE).

		2019 BDT	2018 BDT
12.3.	**Receivable from clients (brokers)**	**88,052,993**	**192,272,327**
12.4.	**Receivable from sale of shares**	**2,923**	**26,240**

This balance has been resulted from the sale of marketable securities during the year.

		2019 BDT	2018 BDT
12.5.	**Interest receivable**	**21,007,498**	**17,750,493**

The interest has been accrued from Fixed Deposit Receipt (FDR).

		2019 BDT	2018 BDT
12.6.	**Interest receivable from Treasury Bond**	**1,956,587**	**-**

13. Short term loan to IDLC Investments Limited

	2019 BDT	2018 BDT
Short term loan to IDLC Investments Limited	**-**	**178,400,000**

The amount represents due from IDLC Investments Limited as the inter-company lending.

14. Margin loan to clients

	2019 BDT	2018 BDT
Opening balance	126,049,423	85,310,055
Addition during the year	41,237,823	40,739,368
	167,287,246	**126,049,423**

15. Cash and cash equivalents

		2019 BDT	2018 BDT
Cash in hand		100,000	100,000
Cash at bank	(Note: 15.1)	360,250,489	1,001,705,009
Fixed Deposit Receipt (FDR)	(Note: 15.2)	1,056,270,653	1,034,500,000
		1,416,621,142	**2,036,305,009**

15.1. Cash at bank

Name of the Bank	Branch	Type	A/C No.	2019 BDT	2018 BDT
Standard Chartered Bank	Dhaka Main	SND	02-3066347-01	1,000	1,000
Standard Chartered Bank	Dhaka Main	CD	01-3066347-01	2,567,834	6,330,972
Standard Chartered Bank	Dhaka Main	CD	01-3066347-02	28,366,717	81,251,963
NCC Bank Ltd.	NCC Bank Bhaban	SND	0103-0325000302	31,416,499	337,033,725
NCC Bank Ltd. (IPO)	NCC Bank Bhaban	SND	0103-0325000295	687,631	1,174,367
Standard Chartered Bank	Dhaka Main	CD	01-3066347-05	888,974	147,150,852
One Bank Limited	Principal	SND	001-5025642009	14,983,099	7,366,862
One Bank Limited (IPO)	Principal	SND	001-3000000944	1	27
Brac Bank Limited	Graphics Building	SND	1513101749870001	3,481,117	18,686,987
Commercial Bank of Ceylon PLC	Dhaka	SND	2802005291	2,602,233	4,275,733
EXIM Bank Limited	Shantinagar	SND	11313100024301	271,094,380	356,223,185
NCC Bank Ltd. (Strategic Inv.)	NCC Bank Bhaban	SND	0103-0325000384	313,335	36,251,719
Dutch Bangla Bank Limited	Sylhet	SND	121-120-2668	3,847,669	5,957,617
				360,250,489	**1,001,705,009**

			2019 BDT	2018 BDT

15.2. Fixed Deposit Receipt (FDR)

Name of the Bank	Branch	FDR No.	2019 BDT	2018 BDT
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	25,000,000
IDLC Finance Limited	Gulshan	10252206364303	600,000,000	600,000,000
IDLC Finance Limited	Gulshan	10252206364310	271,770,653	250,000,000
IDLC Finance Limited	Motijheel	10252206364308	150,000,000	150,000,000
			1,056,270,653	**1,034,500,000**

*FDR # 93066347051 & 93066347094 kept under lien with Standard Chartered Bank as security for Overdraft and Short term loan respectively.

16. Share capital

	2019 BDT	2018 BDT
Authorised capital	**2,000,000,000**	**2,000,000,000**
20,000,000 shares of BDT 100 each		
Issued, subscribed & paid up capital :	**2,000,000,000**	**2,000,000,000**

The issued, subscribed and paid-up capital of BDT 2,000,000,000 is divided into 20,000,000 ordinary shares of BDT 100 each. Details are as follows:

	2019 BDT	2018 BDT
IDLC Finance Limited		
19,999,992 shares of BDT 100 each fully paid up	1,999,999,200	1,999,999,200
Mr. Asif Saad Bin Shams		
8 shares of BDT 100 each fully paid up	800	800
	2,000,000,000	**2,000,000,000**

17. Retained earnings

	2019 BDT	2018 BDT
Opening balance	1,473,653,398	1,108,124,097
Net profit for the year	98,583,546	365,529,301
	1,572,236,944	**1,473,653,398**

18. Lease liabilities

	2019 BDT	2018 BDT
Opening Balance	-	-
Add: Addition during the year	98,367,906	-
	98,367,906	**-**
Less: Adjustment during the year	9,637,214	-
	88,730,692	**-**

19. Accounts payable

		2019 BDT	2018 BDT
Payable to clients	(Note: 19.1)	345,598,242	733,431,316
Public issue application money	(Note: 19.2)	4,990	825,000
Payable to DSE	(Note: 19.3)	99,141,755	242,848,446
Payable to CSE	(Note: 19.4)	1,902,459	199,872
Deferred liability - employees' gratuity	(Note: 19.5)	41,747,105	32,087,130
Other payable	(Note: 19.6)	4,643,847	6,389,487
		493,038,398	**1,015,781,251**

19.1 Payable to clients

	2019 BDT	2018 BDT
Broker	345,595,316	733,405,077
Dealer	2,926	26,239
	345,598,242	**733,431,316**

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.

		2019 BDT	2018 BDT
19.2	**Public issue application money**	**4,990**	**825,000**
19.3	**Payable to DSE**		
	Purchase for broker	98,315,099	112,100,543
	Purchase for dealer	826,656	130,747,903
		99,141,755	**242,848,446**

This balance has been resulted from purchase of shares through Dhaka Stock Exchange Limited (DSE).

		2019 BDT	2018 BDT
19.4	**Payable to CSE**		
	Purchase for broker	1,902,459	199,872
	Purchase for dealer	-	-
		1,902,459	**199,872**

This balance has been resulted from purchase of shares through Chittagong Stock Exchange Limited (CSE).

		2019 BDT	2018 BDT
19.5	**Deferred liability - employees' gratuity**		
	Opening balance	32,087,130	27,071,908
	Addition during the year	9,659,975	5,015,222
		41,747,105	32,087,130
	Payment during the year	-	-
		41,747,105	**32,087,130**
19.6	**Other payable**		
	Payable to CDBL	-	769,803
	Payable to Investec Securities Proprietary Limited	79,138	134,062
	Payable to Decker & Co LLC	14,844	62,390
	Payable to Exotix Partners LLP	1,074,754	1,600,586
	Payable to welfare fund	772,433	511,920
	Interest payable	541,667	665,000
	Miscellaneous payable	2,161,011	2,645,726
		4,643,847	**6,389,487**

20. Short term loan

	2019 BDT	2018 BDT
Short term loan - IDLC Finance Limited	-	-
Short term loan - Standard Chartered Bank	200,000,000	250,000,000
	200,000,000	**250,000,000**

Standard Chartered Bank approved an overdraft facility and a short term loan facility in favour of IDLC Securities Limited for amount of BDT 70,000,000 at 9.95% per annum interest rate and BDT 250,000,000 at 9.95% per annum interest rate for 30 days tenor respectively vide sanction letter ref# 12H/10660525/BDTQPJUR dated 27 May 2019. For security purpose, IDLC Securities Limited has to maintain cash security for BDT 7,000,000.00 for overdraft facility and FDR amount of BDT 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.

		2019 BDT	2018 BDT

21. Liabilities for expenses

		2019 BDT	2018 BDT
Audit fee		115,000	115,000
Legal & professional fee		480,743	1,019,513
Office rent		235,441	235,440
Utilities		721,665	558,665
Office maintenance		856,428	980,724
Salaries & allowances		22,631,000	30,000,000
		25,040,277	**32,909,342**

22. Provision for income tax

		2019 BDT	2018 BDT
Opening balance		121,858,999	140,263,468
Provision during the year		119,725,003	114,599,583
		241,584,004	**254,863,051**
Paid during the year		60,140,219	44,653,717
Tax deducted at source	(Note: 22.1)	65,980,139	88,350,335
		(126,120,358)	**(133,004,052)**
		115,463,646	**121,858,999**

22.1. 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.

	2019 BDT	2018 BDT
Dhaka Stock Exchange Limited		
For broker	36,855,534	55,264,687
For dealer	1,535,328	2,200,663
	38,390,862	**57,465,350**
Chittagong Stock exchange Limited		
For broker	1,426,974	3,624,658
For dealer	446,234	1,877,028
	1,873,208	**5,501,686**
Total tax deducted on turnover as per section 53BBB	**40,264,070**	**62,967,036**
Tax deducted at source on bank interest and dividend income	25,716,069	25,383,299
	65,980,139	**88,350,335**

23. Provision for diminution in value of investments

	2019 BDT	2018 BDT
Opening balance	40,466,147	-
Provision for the year	3,891,947	40,466,147
	44,358,094	**40,466,147**

24. Provision for operations

	2019 BDT	2018 BDT
Opening balance	-	-
Provision for the year	2,378,758	-
	2,378,758	**-**

25. Brokerage commission

	2019 BDT	2018 BDT
Commission for Dhaka Stock Exchanges (DSE):		
Broker	239,269,572	345,632,180
Dealer	7,652,689	11,003,316
	246,922,261	**356,635,496**

		2019 BDT	2018 BDT
Commission for Chittagong Stock Exchanges (CSE):			
Broker		8,918,253	21,824,813
Dealer		1,842,760	9,385,138
		10,761,013	**31,209,951**
		257,683,274	**387,845,448**

26. Brokerage commission expense

		2019 BDT	2018 BDT
Howla charges	(Note: 26.1)	-	42,494
Laga charges	(Note: 26.2)	19,149,769	27,974,158
Charges on corporate/bank guarantee		2,661,459	2,761,111
International market development fees		18,880,514	23,698,514
		40,691,742	**54,476,277**

26.1. Howla charges

	2019 BDT	2018 BDT
CSE for broker	-	41,576
CSE for dealer	-	918
	-	**42,494**

26.2. Laga charges

	2019 BDT	2018 BDT
DSE for broker	17,969,445	26,313,782
DSE for dealer	743,479	992,408
	18,712,924	**27,306,190**
CSE for broker	399,101	511,966
CSE for dealer	37,744	156,002
	436,845	667,968
	19,149,769	**27,974,158**

27. Interest income

	2019 BDT	2018 BDT
Interest on FDR	105,452,591	97,595,299
Bank interest	53,983,298	45,054,731
Interest against short-term loan to IDLC Investments Limited	678,913	8,213,207
Interest on margin loan	26,061,892	17,168,358
	186,176,694	**168,031,595**

28. Interest expense

	2019 BDT	2018 BDT
Interest on short-term	9,820,069	18,502,806
Interest on overdraft	171,410	267,285
Interest on Office Space	8,498,252	-
	18,489,731	**18,770,091**

29. Net investment income

	2019 BDT	2018 BDT
Capital gain/(loss) from sale of securities	(8,781,629)	157,572,703
Dividend income	50,213,255	70,100,326
Dividend Income (Strategic Investment)	593,706	-
Income from Zero Coupon Bond	17,184,493	6,255,062
Income from Treasury Bond	4,907,150	-
Gain/(loss) on sale of DSE Shares	-	34,073,067
	64,116,975	**268,001,158**

	2019 BDT	2018 BDT

30. Other brokerage income

	2019 BDT	2018 BDT
Account opening fee	463,500	648,500
BO account maintenance fee	1,584,450	1,558,500
Transmission fee	136,665	244,530
Demate & remate fee	41,000	51,100
Pledge unpledge & others fee	24,573	36,675
IPO service charge	53,675	83,675
Wealth Certificate	1,800	-
Cheque dishonour charge	294,500	256,000
Research Service Income	723,206	187,059
	3,323,369	**3,066,040**

31. Salaries & allowances

	2019 BDT	2018 BDT
	148,890,050	**143,487,798**

Salaries & allowances includes key management compensation of BDT 26,612,675 (2018: BDT 31,178,984). Key management personnel comprises the Management Committee, including the Managing Director who exercise significant authority and play strategic role in the company.

32. Rent, taxes, insurance, electricity, etc.

	2019 BDT	2018 BDT
Rent, rates & taxes	1,518,475	22,332,162
Service charge	5,161,200	4,677,440
Office maintenance	10,617,321	10,795,582
Office insurance	538,305	552,389
Repair & maintenance	1,825,073	1,644,611
Utilities	5,207,907	5,010,327
	24,868,281	**45,012,512**

32.1. Disclosure related to rent, taxes, insurance, electricity, etc.

	2019 BDT	2018 BDT
Actual rent expenses	23,889,500	-
Less: Reclassification of rent expenses (as per IFRS 16: Leases)	22,371,025	-
Rent expenses as reported	**1,518,475**	**-**

33. Legal expenses

	2019 BDT	2018 BDT
Renewal & registration	1,717,362	883,644
Subscription & fees	299,170	222,626
Legal & professional fees	517,250	504,365
	2,533,782	**1,610,635**

34. Postage, stamp, telecommunication, etc.

	2019 BDT	2018 BDT
Postage and courier	64,033	41,355
Telephone expenses	1,826,361	1,861,981
Government fees & stamp duty	35,626	37,685
Internet connectivity charges	4,946,692	5,192,045
	6,872,712	**7,133,066**

	2019 BDT	2018 BDT

35. Stationery, printing, advertisements, etc.

	2019 BDT	2018 BDT
Printing & stationeries	2,101,610	2,320,220
Advertisement	1,520,408	2,067,566
Selling Expense	1,098,918	1,013,966
Corporate Social Responsibility	174,188	975,000
Branding & marketing expenses	1,942,395	3,092,645
Business promotional expenses	2,228,983	4,750,424
	9,066,502	**14,219,821**

36. Directors' Fee & Meeting Expenses

	2019 BDT	2018 BDT
Directors' fees	172,500	207,000
Meeting expenses	101,058	84,193
	273,558	**291,193**

37. Other expenses

	2019 BDT	2018 BDT
Staff training	723,073	1,721,084
Medical and welfare expenses	185,971	237,601
Entertainment	599,392	1,002,798
Motor vehicle expenses	2,335,129	2,635,360
Newspapers & periodicals	75,167	67,943
Travelling and conveyance	965,676	1,323,660
Employees' group insurance premium	522,116	527,387
Employees' hospitalization insurance premium	849,947	823,826
Software maintenance	3,213,828	2,817,413
CDBL transaction fee	885,710	1,075,151
Bank charges	797,672	539,371
Other expenses	-	1,500,000
	11,153,683	**14,271,593**

38. Other non-operating income

	2019 BDT	2018 BDT
Miscellaneous income	782,377	1,006,561
Gain on disposal of fixed assets	1,494,745	931,360
	2,277,122	**1,937,921**

39. Number of employees

The number of employees for the whole year who received a total remuneration of BDT 36,000 or above were 133 which was 142 on 31 December 2018.

40. 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	Transaction during year	Closing balance as on 31.12.2019	Closing balance as on 31.12.2018
IDLC Finance Limited	Parent Company	Short Term Loan	-	-	-
IDLC Investments Limited	Subsidiary of IDLC Finance Limited	Loan	(178,400,000)	-	178,400,000

41. Date of authorisation

The Board of director has authorised these financial statements for issue on 19 February 2020.

Dated, Dhaka 19 February 2020	Sd/- Chairman	Sd/- Director	Sd/- Managing Director	Sd/- Company Secretary

IDLC Securities Limited

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As on 31 December 2019

Annexure-A

(Amount in BDT)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.19
	Balance as on 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2019		Balance as on 01.01.2019	Charged during the year	Disposal/ adjustment during the year	Balance as on 31.12.2019	
Computer peripherals	22,077,377	289,400	(857,260)	21,509,517	20%	18,172,776	1,717,739	(857,175)	19,033,340	2,476,17677
Office equipment	28,384,144	713,080	(2,441,744)	26,655,480	20%	25,575,029	1,024,555	(2,441,584)	24,158,001	2,497,480
Electrical equipment	21,698,761	2,695,917	(3,907,839)	20,486,839	20%	19,745,583	903,118	(3,767,912)	16,880,789	3,606,050
Motor vehicles	20,202,148	5,900,700	(5,049,999)	21,052,849	25%	14,521,434	3,096,210	(4,029,161)	13,588,484	7,464,365
Office decoration	25,505,030	1,793,563	(2,689,511)	24,609,083	20%	17,538,008	2,963,139	(2,689,216)	17,811,932	6,797,151
Furniture & fixtures	13,785,637	710,992	(1,487,268)	13,009,362	12.50%	9,103,157	875,083	(1,486,623)	8,491,617	4,517,745
Telephone and telex	2,342,940	192,600	(407,136)	2,128,404	33.33%	1,839,972	303,037	(363,111)	1,779,898	348,506
Curtain & carpet	389,184	132,836	(50,000)	472,020	33.33%	268,480	78,242	(31,941)	314,781	157,239
Balance as on 31 December 2019	**134,385,221**	**12,429,089**	**(16,890,757)**	**129,923,554**		**106,764,440**	**10,961,124**	**(15,666,723)**	**102,058,841**	**27,864,713**
Balance as on 31 December 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**

Right-of-use assets

Office Space	-	107,930,761	-	107,930,761		-	18,295,878	-	18,295,878	89,634,883
Balance as on 31 December 2019	**-**	**107,930,761**	**-**	**107,930,761**		**-**	**18,295,878**	**-**	**18,295,878**	**89,634,883**
Balance as on 31 December 2018	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**

IDLC INVESTMENTS LIMITED

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Abul Ahsan Ahmed
Head of Discretionary Portfolio Management

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

Sakhawat Hossain
Head of Finance

Sitting from left

Rubayet-E-Ferdous
Chief Operating Officer

Md. Masud Karim Majumder FCA
Group Chief Financial Officer

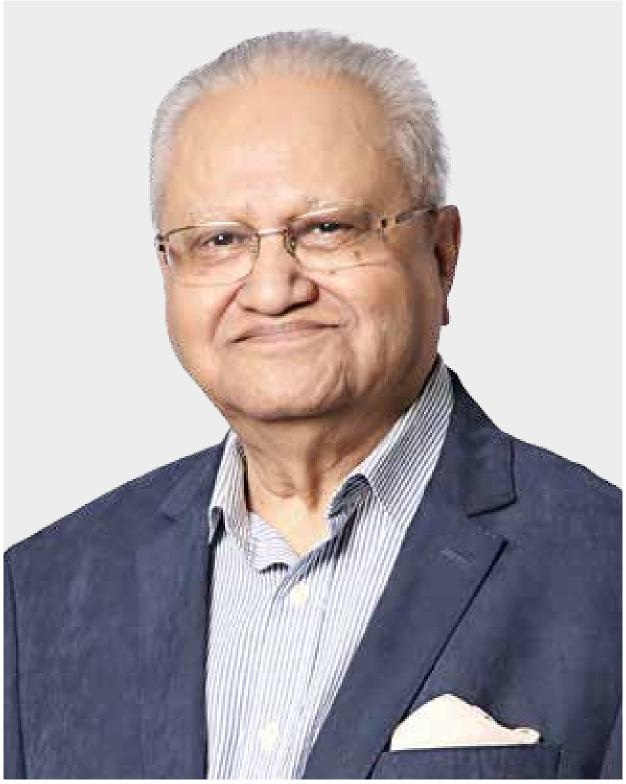
Shamima Akter Lovely
Head of HR- Capital Market and Head of OD & Talent Management

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

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, 2019 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.

2019 has been a challenging year for the capital market. The prolonged bearish trend in the secondary market affected the primary market as well.

Key industrial challenges in 2019:

- DSE index dropped by 17.3%.
- Cautiously reduce Margin Loan.
- Prudently reduce Proprietary Investment.
- Average trade volume in DSE declined by 12.8%.

To overcome inherent market wide challenges, we have undertaken timely strategies that allowed us to retain our position as one of the top-ranking merchant banking enterprises in the country. In recognition of deal quality, outstanding financial performance compared to other market participants, and track record of delivering tailored and innovative solutions to clients across a range of products and service, we have received 'Euromoney Awards for Excellence 2019' as the 'Best Investment Bank in Bangladesh' for the second consecutive year in a row.

Operational highlights:

Advisory services

Our prime focus to combat the adverse market was through focusing on advisory services. It is particularly mentionable that investment banking successfully worked as corporate advisor of Telenor Mobile Communications AS in acquisition of ordinary shares of Grameenphone Limited outside the trading system of the Exchange in consideration of other than cash through merger of several Telenor entities, a unique transaction undertaken for the first time in the capital market in Bangladesh. The team also advised Reckitt Benckiser Plc, UK in strategy formulation for setting up a subsidiary in the country. During the year other notable completed deals included advising a multinational paint manufacturer in foreign equity investment through rights issuance, business restructuring and private placement of a pharmaceutical company and capital raising of a spinning.

IDLC Investments provides a high standard of professional and personalized services to its local and Non Resident Bangladeshi (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.

Investment banking:

IDLC Investments Limited (IDLCIL) possesses a rich experience and 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 (M&A), corporate advisory, business restructuring, equity valuations, underwriting and arrangement of pre-IPO placement / capital raising, among others.

Our ability to value and rightly position target companies in the financial markets, devise the best financial structure according to the clients' strategic needs, showcase the enterprise to the right investors, leverage our strong liaison with regulatory authorities, thereby ensuring growth as well as continuous value-creation for clients, are our key strengths.

On the M&A front, investment banking completed the horizontal merger of Gweebarra Bakery Industry Limited with related entities and signed a deal for merger of an oil and shipping business with a power company. In 2019, Runner Automobiles Limited, for whom we have been the issue manager, was listed in the stock exchanges. Along with providing trusteeship service to five bonds, during the year, IDLCIL also signed two trustee deals of perpetual bond issuances.

We have successfully floated 12 IPOs, RPO and Rights Issue that raised BDT 14,256 million as of December 31, 2019. By managing IPOs, RPOs, rights issues, private placements and capital raising activities, we helped to raise BDT 36,277 million for its clientele, so far. We have also provided underwriting services to 56 issuers till December 2019. Currently, we are working as the issue manager for 12 IPO-bound companies, 1 rights issue and a number of corporate advisory deals.

Dynamic changes in regulatory environment, sluggish primary markets and market risks affecting the capital market continue to be the crucial challenges for investment banking. Our 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, we will continue to focus on new avenues of investment banking services including mergers & acquisitions, corporate advisory and equity valuation among others.

Discretionary portfolio management (DPM):

Since 2007, hawse have been offering discretionary portfolio management (DPM) service with the vision to provide superior fund management service to the corporate & retail investors in Bangladesh. We have an experienced team of fund managers who manage funds on behalf of our clients by developing appropriate investment strategies, monitoring market regularly, diversifying the portfolio and managing risk actively. We offer multiple products which allows our clients to invest depending on their risk and return objective. The department, which started with a single product "MAXCAP" in 2007, now offers multiple products including "Easy Invest", "Profit-Loss Sharing Scheme", "Capital Protected Scheme" and "Portfolio Advisory Services".

Amid challenging capital market scenario in 2019, we are still the largest merchant bank in terms of Asset under Management (AUM) of BDT 1,548 million having more than 2,800 clients. Despite DSEX's 17.3% negative return, we managed to achieve an alpha of 6.1% in the said year.

Margin loan product:

Our Margin product, 'Cap Invest' was launched in December 2004 under IDLC Finance Limited (IDLCFL). Subsequently later in August 2011, it was transferred under a fully-owned subsidiary company "IDLC Investments Limited (IDLCIL)". Since then, we have been able to reduce customer risk profiles in volatile markets by proactively reducing margin loan. IDLCIL has always been maintaining regulatory framework of capital adequacy, single obligor limits and capital market exposure limits of the parent company.

Cap Invest - activities in 2019:

Much like 2018, the market was very volatile and in downtrend in 2019 as well. DSEX closed with 4,453 point which is 933 point lower than the beginning of the year. The market return was negative by 17.30%. The appetite for margin was very low. In this bearish scenario, we advised our clients to diversify their portfolios to fundamental stocks, avoid investing in junk and risky stocks and do value investing and manage risk while using leverage.

Risk management:

At IDLCIL, we always prudent with our risk management tools and are widely considered as an industry trendsetter. We introduced the concept of mark-to-market (MTM) earlier through which we were able to protect client's equity level. We adopted different types of netting policies as well to reduce the loan burden, provided alerts to customers to book unrealized gains and supported them with research based recommendations. We also provided our own 'Approved List of Securities (ALOS)' on the basis of the client portfolio status to minimize the risk for both the clients and IDLCIL.

Financial highlights:

Given the depressed market scenario, the company registered a net operating income of BDT 174.18 million, which was BDT 162.17 million in 2018. Consequently, the Company registered a profit after tax of BDT 105.98 million, representing an unfavorable growth of 41.13% year-on-year. The following table demonstrates the breakdown of revenue streams from different products.

A1: Portfolio operations:

Amount in BDT mn

Operational income	2015	2016	2017	2018	2019
Net interest income	150	140	103	134	129
Portfolio management services	68	45	47	45	35
Settlement and transaction fees	22	20	59	31	17
Documentation fees	0.07	0.75	0.95	0.55	0.08
Total operational revenue	**239**	**206**	**209**	**210**	**181**

In the year 2019, as our net interest income stood at BDT 129.28 million from a BDT 133.58 million in 2018. Portfolio management services and Settlement and transaction fees were in unfavorable situation given the lower value of asset under management and fewer transactions in client accounts.

A2: Investment banking:

Amount in BDT mn

Investment banking	2015	2016	2017	2018	2019
Issue management fees	4.61	11.00	2.50	16.28	2.60
Underwriting	1.28	0.20	-	-	1.70
Corporate advisory fees	12.17	17.21	44.06	43.53	14.28
Total revenue from investment banking	**18.06**	**28.42**	**46.56**	**59.81**	**18.58**

Revenue from investment banking stood at BDT 18.58 million in 2019 wherein 77% contribution came from corporate advisory fees. Issue management fees contributed 14% and underwriting fees 9%.

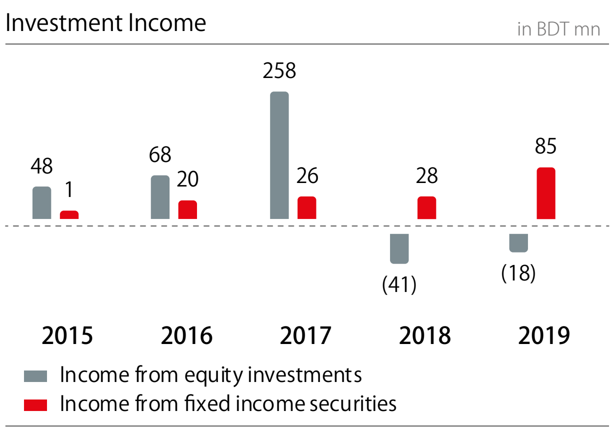
A3: Investment income:

In the midst of a 17% decline in broad market index, generating return in the portfolio was a challenging task. Remarkably, many blue chip stocks suffered a lot. We reduced our exposure in the banking sector during the early months. And banks suffered heavily throughout the year. We also reduced our exposure in some blue chip stocks, which helped us in stopping the further loss.

We prudently managed our exposure level. The free cash was used to repay debt. Even in a few months, we placed our surplus cash in fixed deposits. IDLCIL managed to generate 2.44% return on investments against market return of -17.32% implying Alpha of 19.76%.

Amount in BDT mn

Investment income	2015	2016	2017	2018	2019
Income from equity investments	48	68	258	(41)	(18)
Income from fixed income securities	1	20	26	28	85
Total Investment income	**49**	**89**	**284**	**(14)**	**67**



B) Operational expenses:

Amount in BDT mn

Operational expenses	2015	2016	2017	2018	2019
Salary and allowances	55	49	58	63	64
General and administrative expenses	26	30	31	31	29
Total operational expenses	**81**	**79**	**89**	**94**	**93**

The Company incurred a total cost of BDT 93 million during 2019, under which 69% was incurred on salary and allowances and the rest was for general and administrative purposes (31%).

Human resource development:

We strongly believe that human resources are our most precious assets and we recognize them as building blocks for the Company to perform sustainably. At IDLCIL, we continue 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.

Few years back, the Company revamped its operational model by centralizing most of its operation which saw further improvement to the model.

Number of permanent employees:

No. of employees	2015	2016	2017	2018	2019
Male	24	24	24	27	23
Female	5	5	5	5	5
Total	**29**	**29**	**29**	**32**	**28**

As part of our human resource development program, a large number of employees underwent training, which included both managerial development and technical modules. During 2019, out of 33 employees, 18 participants were trained in three different local training programs. One participant went to a foreign training as well.

Outlook:

- We are entering 2020 with some visible weaknesses in macro front, i.e., de-growth in export and import and single digit private sector credit growth.
- Concerns remain over banking system liquidity and NPLs. Banking sector weakness may cast a shadow on the overall business performance.
- Rate cap policy is expected to have significant impact in the short run. Many banks would find very low or no margin while lending to SMEs and marginal borrowers. Thus, overall fund flow to business may get impacted.

Strategies going forward:

- We would put utmost focus on generating positive return for the clients by minimizing risk through more disciplined and proactive fund management. We will introduce interest income facilities on clients' free cash balance from January, 2020 in addition to some other dynamic fund management approaches. We hope these endeavor will help us to retain clients' confidence and onboarding more Institutional & HNW prospects.
- We will allocate more funds in fixed income securities.
- We will pursue to to remain as the top investment banking firm, in the areas of issue management, mergers and acquisitions and other corporate advisory related services.

Books of accounts:

We have maintained proper books of accounts.. 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)/ International Financial Reporting Standards (IFRS), 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.

Dividend:

The Company reported a profit of BDT 105,981,971 in the year 2019. As IDLCIL took provision for diminution in value of investments as per BSEC press release BSEC/2019/159 dated 07 January 2020 the Board has proposed not to distribute dividend to the shareholders for the year 2019.

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 third year as auditor of the Company. As per the BSEC restriction on re-appointment of the same auditor for more than three consecutive years for a listed Company, the existing auditor will not be eligible for re-appointment as auditors of IDLC Group for the year 2020. We will appoint the same auditor for the IDLC Group so that the auditor can consolidate the Group financial statements without any review of other auditors' work.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 288th meeting of the Board, held on the February 20, 2020 recommended Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC IL at its 59th meeting held on February 20, 2020 also recommended to the shareholders of the Company Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the Company for 2020 at the remuneration of BDT 1 (one) Lac only.

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 heartiest gratitude to the entire team of IDLC Investments Limited. It would be unfair to not acknowledge the exceptional efforts of our employees who worked in praiseworthy partnerships to meet the many challenges of a difficult year. They were called upon to embrace some major challenges while concurrently maintaining the highest standards of service to our clients. They met the challenges and we thank each of them for their extraordinary performance.

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

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Suites # 01-03, Level : 7, Plot # 15, Road # 103
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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 2019, 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 2019, 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 Auditor's 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 scepticism 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
20 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Particulars	Note	2019 BDT	2018 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	5	12,220,851	12,931,632
Intangible asset	6	79,390	165,910
Right-of-use assets	7	32,702,924	-
Investments in bond	8	152,111,840	163,067,717
Deferred tax asset	9	23,263,647	17,965,841
		220,378,652	**194,131,100**
Current Assets			
Investment in securities	10	1,293,341,472	1,970,182,416
Margin loans to portfolio clients	11	730,242,184	1,398,623,120
Account receivables	12	400,527,723	375,862,601
Cash and cash equivalents	13	866,893,468	263,346,812
Advance, deposits & prepayments		758,612	3,546,612
Advance income tax		376,839,997	291,273,909
		3,668,603,456	**4,302,835,471**
Total Assets		**3,888,982,108**	**4,496,966,570**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,200,000,000	2,200,000,000
Retained earnings	15	794,940,780	688,958,809
		2,994,940,780	**2,888,958,809**
Liabilities			
Non-Current Liabilities			
Lease liabilities	16	32,898,804	-
Deferred liabilities - gratuity payable		19,997,779	14,424,395
		52,896,583	**14,424,395**
Current Liabilities			
Short-term loan	17	-	178,400,000
Portfolio investors' fund	18	234,026,031	706,343,810
Account payables	19	81,883,464	257,445,581
Liabilities for expenses	20	22,749,564	22,406,327
Provision for diminution in value of investments	21	14,778,971	22,454,584
Provision for margin loan	22	19,803,205	13,986,232
Provision for income tax	23	467,903,510	392,546,831
Total Liabilities		**841,144,745**	**1,593,583,366**
Total Equity and Liabilities		**3,888,982,108**	**4,496,966,570**

The annexed notes from 1 to 35 form an integral part of these financial statements.

Sd/- Chairman	Sd/- Director	Sd/- Managing Director	Sd/- Company Secretary

This is the statement of financial osition referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

Particulars	Note	2019 BDT	2018 BDT
Operating Income			
Interest income	24	129,275,136	133,583,715
Income from portfolio management services	25	34,570,675	45,202,719
Settlement and transaction fees	26	16,745,412	31,130,392
Documentation charges	27	84,000	547,000
Income from investment banking	28	18,581,057	59,812,339
Investment Income	29	(5,527,285)	(24,626,633)
Other income	30	72,991,862	10,921,964
		266,720,857	**256,571,496**
Operating Expense			
General & administrative expenses	31	(81,393,368)	(87,978,239)
Depreciation on property, plant and equipment		(11,058,764)	(6,202,680)
Amortization on IT software		(86,519)	(217,348)
Profit before provision for diminution in value of investments and margin loan		**174,182,206**	**162,173,229**
Provision for diminution in value of investments		7,675,613	(22,454,584)
Provision on margin loan		(5,816,974)	37,758,154
Profit before income tax		**176,040,844**	**177,476,799**
Provision for income tax			
Current tax		(75,356,679)	(8,084,797)
Deferred tax expense	32	5,297,806	10,644,790
Net profit		**105,981,971**	**180,036,792**
Other comprehensive Income		-	-
Total Comprehensive Income		**105,981,971**	**180,036,792**

The annexed notes from 1 to 35 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
20 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Particulars	2019 BDT	2018 BDT
A. Cash flow from operating activities		
Net profit during the year	105,981,971	180,036,792
Item not involving in movement of cash:		
Depreciation on property, plant and equipment	11,145,284	6,420,028
Loss/(Gain) on disposal of fixed asset	(920,354)	(24,995)
Provision for diminution in value of investments	(7,675,613)	22,454,584
Provision (release)/charged for margin loan	5,816,974	(37,758,154)
Provision for income tax	75,356,679	8,084,797
Liabilities for expenses	343,237	3,469,712
Decrease/(increase) in deferred tax assets	(5,297,806)	(10,644,790)
(Increase)/decrease in lease liability	32,898,804	-
Increase in deferred liabilities - gratuity payable	5,573,384	2,873,826
Cash generated from operating activities before changes in working capital	**117,240,589**	**(5,124,992)**
Changes in working capital:		
Decrease/(increase) in account receivables	(24,665,122)	(16,900,663)
Decrease/(increase) in advance, prepayments & deposits	2,788,000	1,562,167
Increase in advance income tax (AIT)	(85,566,087)	(89,954,975)
Increase/(decrease) in account payables	(175,562,118)	205,208,508
	(283,005,327)	**99,915,038**
Net cash flow from operating activities (A)	**(59,782,767)**	**274,826,837**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(44,154,678)	(1,697,199)
Sale proceed of property, plant and equipment	2,024,123	25,000
Purchase of marketable securities	676,840,944	99,396,925
Purchase of zero coupon bond	10,955,878	14,718,605
Margin loan realized from portfolio clients	668,380,937	579,330,636
Net cash (used in)/flow from investing activities (B)	**1,314,047,202**	**691,773,967**
C. Cash flows from financing activities		
Receipt/(repayment) of loan	(178,400,000)	(1,251,949,693)
Receipt/(repayment) of portfolio investors' fund	(472,317,780)	325,071,202
Net cash from/(used in) financing activities (C)	**(650,717,780)**	**(926,878,491)**
Net cash surplus for the year (A+B+C)	**603,546,656**	**39,722,313**
Cash and bank balance at the beginning of the year	263,346,812	223,624,499
Cash and bank balance at the end of the year	**866,893,468**	**263,346,812**
Cash and Bank Balance:		
Cash at bank	145,678,386	206,096,812
Fixed deposits	721,215,082	57,250,000
	866,893,468	**263,346,812**

The annexed notes from 1 to 35 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the statement of cash flows referred to in our separate report of even date.

Dated, Dhaka
20 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Amount in BDT)

Particulars	Share Capital BDT	Retained Earnings BDT	Total Equity BDT
Balance as on 01 January 2019	2,200,000,000	688,958,809	2,888,958,809
Net profit for the year	-	105,981,971	105,981,971
Balance as on 31 December 2019	**2,200,000,000**	**794,940,780**	**2,994,940,780**
Balance as on 01 January 2018	**2,200,000,000**	**508,922,017**	**2,708,922,017**
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 35 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

This is the statement of changes in equity referred to in our separate report of even date.

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
20 February 2020

IDLC Investments Limited

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

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 Non Resident Bangladeshi (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

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:

- The Income Tax Ordinance, 1984;
- The 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 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 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: 9	Deferred tax assets
Note: 12	Accounts receivables
Note: 19	Accounts payables
Note: 20	Liabilities for expenses
Note: 23	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 in note 3.4) 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%
Right of use assets	Lease term

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 Changes in significant accounting policies - IFRS 16 Leases

Other than the disclosed accounting policies (note no 3.4) as a result of adoption of IFRS 16 Leases which is effective from 1 January 2019, same accounting policies and methods of computation have been followed in these Financial Statements as were applied in the preparation of the financial statements of IDLC Investments Limited as at and for the year ended 31 December 2018.

3.4.1 Nature and impact of changes

(a) Definition of a lease

Previously, IDLCIL determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 (if any). Under IFRS 16, IDLCIL assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.4.2 On transition to IFRS 16, IDLCIL evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

As a Lessee

As a lessee, IDLCIL previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to IDLCIL. Under IFRS 16, IDLCIL recognises right-of-use assets and lease liabilities for all leases.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at IDLCIL's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (if any).

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17 (if any), the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17.

As a lessor

IDLCIL is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

Impacts on financial statements

IDLCIL has lease contracts related to the rental agreement of various branches. The table below show the impacts arising from IFRS 16 in 2019 (at inception):

IDLCIL (Amount in BDT)

Leases	Leases Liabilities	Advance for rent	Right-of-use assets
Office Rent	34,965,412	3,188,000	38,153,412

As at 1 January 2019:

Right-of-use assets:

Right-of-use assets of BDT 38,153,412 were recognised and presented separately in the statement of financial position. This includes the lease liabilities & prepayments for office rent. (Please see note: 7)

Leases Liabilities:

Lease liabilities derived from present value of all rental payments for various branches amounting BDT 34,965,412 and presented separately in the statement of financial position. (please see note: 16)

Advance for rent:

As at January 01, 2019 advance for rent has been BDT 3,188,000 incorporated in Advance, deposits & prepayments head.

When measuring lease liabilities, IDLCIL discounted lease payments using its incremental borrowing rate (9.25%) at 1 January 2019.

(b) The following summarises the impacts of adopting IFRS 16 on the IDLCIL's statement of financial position as at 31 December 2019, statement of profit or loss and statement of cash flows for the period then ended for each of the line items affected.

Impact on the statement of financial position

As at 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	12,220,851	-	12,220,851
Intangible asset	79,390	-	79,390
Right-of-use assets	32,702,924	(32,702,924)	-
Investments in bond	152,111,840	-	152,111,840
Deferred tax asset	23,263,647	(73,455)	23,190,192
	220,378,652	**(32,776,379)**	**187,602,273**
Current Assets			
Investment in securities	1,293,341,472	-	1,293,341,472
Margin loans to portfolio clients	730,242,184	-	730,242,184
Account receivables	400,527,723	-	400,527,723
Cash and cash equivalents	866,893,468	-	866,893,468
Advance, deposits & prepayments	758,612	1,658,000	2,416,612
Advance income tax	376,839,997	-	376,839,997
	3,668,603,456	**1,658,000**	**3,670,261,456**
Total Assets	**3,888,982,108**	**(31,118,379)**	**3,857,863,729**
EQUITY AND LIABILITIES			
Equity			
Share capital	2,200,000,000	-	2,200,000,000
Retained earnings	794,940,780	1,780,425	796,721,206
	2,994,940,780	**1,780,425**	**2,996,721,206**
Liabilities			
Non-Current Liabilities			
Lease liabilities	32,898,804	(32,898,804)	-
Deferred liabilities - gratuity payable	19,997,779	-	19,997,779
	52,896,583	**(32,898,804)**	**19,997,779**
Current Liabilities			
Short-term loan	-	-	-
Portfolio investors' fund	234,026,031	-	234,026,031
Account payables	81,883,464	-	81,883,464
Liabilities for expenses	22,749,564	-	22,749,564
Provision for diminution in value of investments	14,778,971	-	14,778,971
Provision for margin loan	19,803,205	-	19,803,205
Provision for income tax	467,903,510	-	467,903,510
Total Liabilities	**841,144,745**	**-**	**841,144,745**
Total Equity and Liabilities	**3,888,982,108**	**(31,118,379)**	**3,857,863,729**

Impact on the Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December , 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Operating Income			
Interest income	129,275,136	3,148,143	132,423,278
Income from portfolio management services	34,570,675	-	34,570,675
Settlement and transaction fees	16,745,412	-	16,745,412
Documentation charges	84,000	-	84,000
Income from investment banking	18,581,057	-	18,581,057
Investment Income	(5,527,285)	-	(5,527,285)
Other income	72,991,862	-	72,991,862
	266,720,857	**3,148,142**	**269,869,000**
Operating Expenses			
General & administrative expenses	(81,393,368)	(6,744,750)	(88,138,118)
Depreciation on property, plant and equipment	(11,058,764)	5,450,488	(5,608,277)
Amortization on IT software	(86,519)	-	(86,519)
Profit before provision for diminution in value of investments and margin loan	**174,182,206**	**1,853,880**	**176,036,086**
Provision for diminution in value of investments	7,675,613	-	7,675,613
Provision on margin loan	(5,816,974)	-	(5,816,974)
Profit before income tax	**176,040,844**	**1,853,880**	**177,894,724**
Provision for income tax			
Current tax	(75,356,679)	-	(75,356,679)
Deferred tax expense	5,297,806	(73,455)	5,224,351
Net profit	**105,981,971**	**1,780,425**	**107,762,396**
Other comprehensive Income			
Total Comprehensive Income	**105,981,971**	**1,780,425**	**107,762,396**

Impact on the statement of cash flows
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
A) Cash flows from operating activities			
Net profit during the year	105,981,971	1,780,425	107,762,396
Item not involving in movement of cash:			
Depreciation on property, plant and equipment	11,145,284	(5,450,488)	5,694,796
Loss/(Gain) on disposal of fixed asset	(920,354)	-	(920,354)
Provision for diminution in value of investments	(7,675,613)	-	(7,675,613)
Provision (release)/charged for margin loan	5,816,974	-	5,816,974
Provision for income tax	75,356,679	-	75,356,679
Liabilities for expenses	343,237	-	343,237
Decrease/(increase) in deferred tax assets	(5,297,806)	73,455	(5,224,351)
(Increase)/decrease in lease liabilities	32,898,804	(32,898,804)	-
Increase in deferred liabilities - gratuity payable	5,573,384	-	5,573,384
Cash generated from operating activities before changes in working capital:	**117,240,589**	**(38,275,837)**	**78,964,752**
Changes in working capital:			
Decrease/(increase) in account receivables	(24,665,122)	-	(24,665,122)
Decrease/(increase) in advance, prepayments & deposits	2,788,000	(1,658,000)	1,130,000
Increase in advance income tax (AIT)	(85,566,087)	-	(85,566,087)
Increase/(decrease) in account payables	(175,562,118)	-	(175,562,118)
	(283,005,327)	**(1,658,000)**	**(284,663,328)**
Net cash flow from operating activities (A)	**(59,782,767)**	**(38,153,412)**	**(97,936,179)**
B) Cash flows from investing activities			
Purchase of property, plant and equipment	(44,154,678)	38,153,412	(6,001,266)
Sale proceed of property, plant and equipment	2,024,123	-	2,024,123
Purchase of marketable securities	676,840,944	-	676,840,944
Purchase of zero coupon bond	10,955,878	-	10,955,878
Margin loan realized from portfolio clients	668,380,937	-	668,380,937
Net cash (used in)/flow from investing activities (B)	**1,314,047,202**	**38,153,412**	**1,352,200,615**
C) Cash flows from financing activities			
Receipt/(repayment) of loan	(178,400,000)	-	(178,400,000)
Receipt/(repayment) of portfolio investors' fund	(472,317,780)	-	(472,317,780)
Net cash from/(used in) financing activities (C)	**(650,717,780)**	**-**	**(650,717,780)**
Net cash surplus for the year (A+B+C)	**603,546,656**	**-**	**603,546,656**
Cash and bank balance at the beginning of the year	263,346,812	-	263,346,812
Cash and bank balance at the end of the year	**866,893,468**	**-**	**866,893,468**
Cash and bank balance:			
Cash at bank	145,678,386	-	145,678,386
Fixed deposits	721,215,082	-	721,215,082
	866,893,468	**-**	**866,893,468**

3.4.2 Accounting policy for IFRS 16: Leases

IDLCIL has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 as Operating Lease. The details impact of changes in the financial statements has been disclosed in Note 3.4.1 (b).

Policy applicable from 1 January 2019

At inception of a contract, IDLCIL assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, IDLCIL assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- IDLCIL has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- IDLCIL has the right to direct the use of the asset. IDLCIL has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, IDLCIL has the right to direct the use of the asset if either:

(i) IDLCIL has the right to operate the asset; or

(ii) IDLCIL designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

IDLCIL as a lessee

IDLCIL recognises a right of use assets and a lease liabilities from the beginning of 2019. The right of use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use assets are depreciated using the straight line methods from the commencement date (from the beginning of 2019) to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date (from the beginning of 2019), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, IDLCIL's incremental borrowing rate. The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in IDLCIL's estimate of the amount expected to be payable under a residual value guarantee, or if IDLCIL changes its assessment of whether it will exercise purchase, extension or termination option. When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use assets, or is recorded in profit or loss if the carrying amount of the right to use assets have been reduced to zero.

IDLCIL presents right of use assets in Annexure-A and lease liabilities in note number 16 separately.

Short-term leases and leases of low-value assets

IDLCIL has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets for which the underlying asset is of BDT 400,000 or less. IDLCIL recognises the lease payments associated with these leases as an expense in the profit or loss account.

IDLCIL as a lessor

When IDLCIL acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, IDLCIL makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, IDLCIL considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, IDLCIL applies IFRS 15 to allocate the consideration in the contract. IDLCIL recognises lease payments received under operating leases as income over the lease term.

3.5 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.

3.6 Taxation

3.6.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, in accordance with provisions of Income Tax Ordinance, 1984. It is measured using tax rates enacted or substantively enacted at the reporting date. Applicable tax rate for the Company for the year 2019 will be declared by Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing tax rates will be applicable for Income year 2019 as well, which are mentioned below:

Regular business tax rate	Rates
Merchant Bank	37.50%

Other business tax rate	Rates
Dividend income	20.00%
Capital gain on sale of fixed assets	15.00%
Capital gain on sale of marketable securities	10.00%

The Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019. We already accounted for uncertainty of taxes and further disclosure is not required.

3.6.2 Deferred tax

The Company accounts for deferred tax as per International Accounting Standard (IAS) 12: "Income Taxes". Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the date of reporting of the financial statements.

The Company provides disclosures based on the classes of assets and liabilities related to the temporary differences. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognized for all taxable temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Both the Deferred tax assets and liabilities are reviewed at each reporting date considering the probability of benefit or detriment realizable.

3.7 Revenue recognition

Revenue is only recognised when it meets the following five steps model framework as per IFRS 15: "Revenue from Contracts with Customers"

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 margin loans and other sources is recognised on an accrual basis of accounting.

3.7.1 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.

3.7.2 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.

3.7.3 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.

3.7.4 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.

3.8 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.

3.9 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting event are disclosed in the notes when material.

3.10 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
Financial Instruments: Recognition and Measurement	39	Applied

Name of the IFRSs	No	Status
Financial Instruments: Disclosures	7	Applied
Financial Instruments	9	Applied
Revenue from Contracts with Customers	15	Applied
Leases	16	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.

		2019 BDT	2018 BDT
5	**Property, plant and equipment**		
	A. Cost		
	Opening balance	45,910,658	44,463,459
	Add: Addition during the year/period	6,001,266	1,697,199
		51,911,924	46,160,658
	Disposal during the year/period	6,829,543	250,000
		45,082,381	**45,910,658**
	B. Accumulated depreciation		
	Opening balance	32,979,026	27,026,341
	Add: Charged during the year/period	5,608,277	6,202,680
		38,587,303	33,229,021
	Disposal during the year/period	5,725,773	249,995
		32,861,530	**32,979,026**
	C. Written down value (A-B)	**12,220,851**	**12,931,632**
	A schedule of property, plant and equipment is given in Annexure-A.		
6	**Intangible asset**		
	A. Cost		
	Opening balance	2,068,954	2,068,954
	Add: Addition during the year/period	-	-
		2,068,954	**2,068,954**
	B. Accumulated amortization		
	Opening balance	1,903,045	1,685,697
	Add: Charged during the year/period	86,519	217,348
		1,989,565	**1,903,045**
		79,390	**165,910**
7	**Right-of-use assets**		
	A. Cost :		
	Opening balance	-	-
	Add: Addition during the year/period	38,153,412	-
		38,153,412	-
	Less: Disposal during the year/period	-	-
		38,153,412	**-**
	B. Accumulated depreciation:		
	Opening balance	-	-
	Add: Charged during the year/period	5,450,487	-
		5,450,487	-
	Less: Disposal during the year/period	-	-
		5,450,487	**-**
	C. Written down value (A-B)	**32,702,924**	**-**
	A schedule of right-of-use assets is given in Annexure-A.		
8	**Investments in bond**		
	Investment in zero coupon bond (Note: 8.1)	101,268,695	163,067,717
	Investment in treasury bond (Note: 8.2)	50,843,145	
		152,111,840	**163,067,717**

		2019 BDT	2018 BDT
8.1	**Investment in zero coupon bond**		
	Investment in commercial bond	163,067,717	177,786,322
	Add: Interest capitalized during the period	11,700,977	16,781,394
		174,768,695	**194,567,717**
	Less: Scrip matured	73,500,000	31,500,000
		101,268,695	**163,067,717**

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.

		2019 BDT	2018 BDT
8.2	**Investment in Treasury Bond**		
	Opening balance	-	-
	Add: Investment during the year/period	50,843,145	-
		50,843,145	-
	Less: Encashment during the year/period	-	-
		50,843,145	-

9 Deferred tax asset

Deferred tax assets is arrived at as follows:

	Carrying Amount BDT	Tax base BDT	Taxable/(deductible) temporary difference BDT
As on 31 December 2019			
Property, plant and equipment	12,300,241	19,002,711	(6,702,470)
*Difference for vehicle	(2,239,583)	-	(2,239,583)
Gratuity provision (net of payment)	(19,997,779)	-	(19,997,779)
Right-of-use assets	32,702,924	-	32,702,924
Lease liability	(32,898,804)	-	(32,898,804)
Realised loss on investments	(123,377,545)	-	(123,377,545)
Net taxable temporary difference			(152,513,257)
Applicable tax rate			37.50%
Applicable tax rate for capital gain/(loss) from capital market			10.00%
Deferred tax - assets			**23,263,647**

	Carrying Amount BDT	Tax base BDT	Taxable/(deductible) temporary difference 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)
Net taxable temporary difference			(112,707,639)
Applicable tax rate			37.50%
Applicable tax rate for capital gain/(loss) from capital market			10.00%
Deferred tax - assets			**17,965,841**

* 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 BDT. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

			2019 BDT	2018 BDT
10	**Investment in securities**			
	Investment in available-for-sale securities	(Note: 10.1)	1,147,530,816	1,824,358,888
	Investment in initial public offering	(Note: 10.2)	-	673,730
	Investment in DPM PLS scheme		33,302,680	45,149,797
	Investment in non marketable securities		112,507,976	102,508,000
			1,293,341,472	**1,970,182,416**

10.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position as of 31 December 2019 is given below:

Name of industry	Cost price	Market price as on 31.12.2019
Bank	275,750,356	242,897,883
Cement	187,793,679	127,630,862
Engineering	5,612,232	2,426,989
Fuel & Power	24,522,434	24,113,337
Mutual Funds	93,387,252	93,461,702
Pharmaceuticals & Chemicals	298,081,154	257,368,995
Telecommunication	174,279,564	129,505,454
Textile	40,027	63,387
Miscellaneous	43,444,291	38,654,000
Food	44,619,826	38,796,000
	1,147,530,816	**954,918,609**

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.

		2019 BDT	2018 BDT
10.2	**Investment in initial public offering (IPO)**	**-**	**673,730**
11	**Margin loans to portfolio clients**		
	Opening balance	1,398,623,120	1,977,953,756
	Add: Loan disbursed during the year/period	1,585,886,577	2,831,434,883
		2,984,509,697	4,809,388,639
	Less: Loan reimbursed during the year/period	2,254,267,514	3,410,765,518
		730,242,184	**1,398,623,120**
12	**Account receivables**		
	Receivable from corporate advisory	33,382,351	29,108,751
	Receivable from portfolio advisory services	877,687	877,687
	Receivable from issue management fees	6,600,000	14,582,616
	Receivable from brokers	343,752,519	308,277,740
	Other receivables	15,915,166	23,015,807
		400,527,723	**375,862,601**
13	**Cash and cash equivalents**		
	Cash at bank (Note: 13.1)	145,678,386	206,096,812
	Fixed deposit receipt (Note: 13.2)	721,215,082	57,250,000
		866,893,468	**263,346,812**

	2019 BDT	2018 BDT

13.1 Cash at bank

Name of the Bank	Branch	A/C No	Type	2019 BDT	2018 BDT
Standard Chartered Bank	Gulshan	1110866	CD	16,212,473	200,693,789
Commercial Bank of Ceylon	Sylhet	1807005260	CD	25,000	25,000
Commercial Bank of Ceylon	Sylhet	8807005815	SND	637,242	1,088,062
One Bank Limited	Principal	001300000988	SND	9,981,652	896,398
One Bank Limited	Principal	0013000001906	SND	56,257,585	2,399,368
One Bank Limited	Principal	0013000002206	SND	-	-
NRB Bank Limited	Dilkusha	1081030007238	SND	117,179	115,085
NRB Bank Limited	Dilkusha	1081030007229	SND	46,850	46,497
NRB Bank Limited	Dilkusha	1081030029855	SND	29,200	29,319
NCC Bank Limited	Principal	0103-0325000393	SND	61,716,261	-
BRAC Bank Limited	Motijheel	1505201920062001	CD	654,945	803,295
				145,678,386	**206,096,812**

13.2 Fixed deposit receipt

Institution	Branch	Type	A/C No	2019 BDT	2018 BDT
IDLC FL	Dilkusha	FDR	10253112385006 *	-	30,000,000
			10253112385010*	-	750,000
			10252212385010*	-	8,800,000
			10252212385011*	-	8,600,000
			10252212385013*	-	4,200,000
			10252212385012*	-	4,300,000
			10252212385006*	-	600,000
			10252212385016	214,209,902	-
			10252212385017	106,399,169	-
			10252212385018	104,869,072	-
			10252212385019	125,736,939	-
			10252212385021*	20,000,000	
Exim Bank Limited	Shantinagar branch	FDR	11360100048821	150,000,000	-
				721,215,082	**57,250,000**

*Fixed Deposit Receipts are kept with IDLC Finance Limited represents the Discretionary Portfolio Management Clients fund under Capital Protected Scheme.

14 Share capital

	2019 BDT	2018 BDT
Authorized Capital		
30,000,000 ordinary shares of BDT 100 each	**3,000,000,000**	**3,000,000,000**
Issued, subscribed & paid up capital	**2,200,000,000**	**2,200,000,000**

The issued, subscribed and paid-up capital of BDT 2,200,000,000 is divided into 22,000,000 ordinary shares of BDT 100 each. Details are as follows:

	2019 BDT	2018 BDT
IDLC Finance Limited		
21,999,999 shares of BDT 100 each fully paid up	2,199,999,900	2,199,999,900
Mr. Asif Saad Bin Shams		
1 share of BDT 100 each fully paid up	100	100
	2,200,000,000	**2,200,000,000**

		2019 BDT	2018 BDT

15 Retained earnings

		2019 BDT	2018 BDT
Opening balance		688,958,809	508,922,017
Net profit for the year		105,981,971	180,036,792
		794,940,780	**688,958,809**

16 Lease liabilities

		2019 BDT	2018 BDT
Opening balance		-	-
Add: Addition during the year		34,965,412	-
		34,965,412	-
Less: Adjustment during the year		2,066,607	-
		32,898,804	**-**

17 Short term loan

		2019 BDT	2018 BDT
Borrowing from IDLC Finance Limited	(Note: 17.1)	-	-
Borrowing from IDLC Securities Limited	(Note: 17.2)	-	178,400,000
		-	**178,400,000**

17.1 Borrowing from IDLC Finance Limited

		2019 BDT	2018 BDT
Opening balance		-	1,230,349,693
Add: Loan received during the year		522,300,000	5,738,400,000
		522,300,000	6,968,749,693
Less: Loan paid during the year		522,300,000	6,968,749,693
		-	-

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 BDT 6,500 million and renewed for a revolving demand loan having limit of BDT 1,700 million on 30 June 2019 vide sanction letter ref # IDLC/TR/2019/2308.

17.2 Borrowing from IDLC Securities Limited

		2019 BDT	2018 BDT
Opening balance		178,400,000	200,000,000
Add: Loan received during the year		183,800,000	4,208,900,000
		362,200,000	4,408,900,000
Less: Loan paid during the year		362,200,000	4,230,500,000
		-	**178,400,000**

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.

18 Portfolio investors' fund

		2019 BDT	2018 BDT
Opening balance		706,343,811	381,272,608
Add: Deposit and share sold by clients		4,068,496,386	8,163,017,818
		4,774,840,197	8,544,290,426
Less: Purchase of share and withdraw by clients		4,540,814,167	7,837,946,616
		234,026,031	**706,343,810**

Portfolio investor's fund represents the unutilized balance of the IDLC Investments Limited's clients portfolio.

19 Account payables

		2019 BDT	2018 BDT
Payable against clients' withdrawal & others		29,846,744	62,711,359
Broker payables		50,302,800	193,332,480
Other payables	(Note 19.1)	1,733,919	1,401,743
		81,883,464	**257,445,581**

		2019 BDT	2018 BDT

19.1 Other payables

IDLCIL employees' welfare fund		357,575	281,430
Others		1,376,344	1,120,312
		1,733,919	**1,401,743**

20 Liabilities for expenses

Salary and allowance	20,229,878	20,000,114
CDBL charges	192,010	331,224
Postage and courier	7,051	18,826
Office rent	440,671	-
Office maintenance	601,636	830,175
Telephone & telex bill	72,851	79,810
Utilities	462,556	282,404
Legal & professional fees	487,199	642,943
Printing & stationery	2,516	961
Director's Remuneration	71,250	47,750
Car maintenance and others	181,945	172,121
	22,749,564	**22,406,327**

21 Provision for diminution in value of investments

Opening balance	22,454,584	-
Add: Charged during the year	-	22,454,584
	22,454,584	22,454,584
Less: Released during the year	7,675,613	-
	14,778,971	**22,454,584**

Provision for unrealized loss in portfolio (Own portfolio) has been made as per BSEC press release BSEC/2019/159 dated 07 January 2020.

22 Provision for margin loan

Provision for margin loan	(Note: 22.1)	7,302,422	13,986,231
Provision for unrealized loss in portfolio	(Note: 22.2)	12,500,783	-
		19,803,205	13,986,231

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 2019 as per BSEC press release BSEC/2019/159 dated 07 January 2020.

22.1 Provision for margin loan

Opening balance	13,986,231	16,486,267
Add: Charged during the year	-	-
	13,986,231	16,486,267
Less: Released during the year	6,683,809	2,500,036
	7,302,422	**13,986,231**

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.

22.2 Provision for unrealized loss in portfolio

Opening balance	-	35,258,118
Add: Charged during the year	12,500,783	-
	12,500,783	35,258,118
Less: Released during the year	-	35,258,118
	12,500,783	**-**

Provision for unrealized loss in portfolio (client portfolio) has been made for shortfall in negative equity existed as on 31 December 2019 as per BSEC press release BSEC/2019/159 dated 07 January 2020.

		2019 BDT	2018 BDT

23 Provision for income tax

		2019 BDT	2018 BDT
Opening balance		392,546,831	384,462,034
Add: Charged during the year		75,356,679	8,084,797
		467,903,510	**392,546,831**

24 Interest income

		2019 BDT	2018 BDT
Income from DPM clients		3,432	36,600
Income from Cap Invest clients		133,768,892	193,491,813
		133,772,324	193,528,413
Less: Interest expenses on borrowing	(Note: 24.1)	4,497,188	59,944,698
		129,275,136	**133,583,715**

24.1 Interest expenses on borrowing

	2019 BDT	2018 BDT
IDLC Finance Limited	670,133	51,731,491
IDLC Securities Limited	678,913	8,213,207
Interest expenses on right-of-use assets	3,148,143	-
	4,497,188	**59,944,698**

25 Income from portfolio management services

	2019 BDT	2018 BDT
Income from DPM clients	24,799,374	28,197,861
Portfolio advisory service	76,618	775,546
Income from Cap invest clients	9,694,683	16,229,312
	34,570,675	**45,202,719**

26 Settlement and transaction fees

	2019 BDT	2018 BDT
Income from DPM clients	7,396,764	5,953,783
Income from Cap invest clients	12,328,548	30,621,878
	19,725,313	36,575,661
Less: CDBL expenses	2,979,901	5,445,268
	16,745,412	**31,130,392**

27 Documentation charges

	2019 BDT	2018 BDT
Income from DPM clients	55,500	517,500
Income from Cap invest clients	28,500	29,500
	84,000	**547,000**

28 Income from investment banking

	2019 BDT	2018 BDT
Issue management	2,600,000	16,282,616
Underwriting	1,700,000	-
Corporate advisory	14,281,056	43,529,723
	18,581,057	**59,812,339**

29 Investment income

		2019 BDT	2018 BDT
Capital gain/(loss) on investments	(Note: 29.1)	(35,025,639)	(88,361,906)
Dividend income from marketable securities		17,359,366	46,953,879
Income from zero coupon bond		11,700,977	16,781,394
Income from treasury bond		438,011	-
		(5,527,285)	**(24,626,633)**

29.1 Capital gain/(loss) on investments

	2019 BDT	2018 BDT
Sale price	2,194,428,779	5,078,540,957
Less: Cost of investment	2,229,454,417	5,166,902,863
	(35,025,639)	**(88,361,906)**

		2019 BDT	2018 BDT

30 Other income

Interest income on SND accounts		21,172,290	2,848,339
Interest income on fixed deposit receipt		48,933,715	5,280,500
Gain on disposal of fixed asset		920,353	24,995
Income from DPM-PLS Scheme		533,166	145,411
Other charges		1,432,337	2,622,719
		72,991,862	**10,921,964**

31 General and administrative expenses

Salary and allowances	(Note: 31.1)	64,025,028	63,081,902
Statutory audit fees		115,000	115,000
Other professional fees		902,500	366,900
Postage and courier		58,250	44,640
Renewal and registration		202,800	192,009
Director's remuneration		156,500	222,250
Printing & stationery		427,490	395,269
Promotional expenses		1,645,130	6,506,669
Motor vehicle expenses		1,404,651	1,319,425
Insurance		578,454	149,978
Travel and conveyance		788,274	857,184
Training and developments		1,211,855	331,092
Entertainment		1,839,599	833,555
Other operational expenses		214,916	288,980
Office rent, maintenance & services	(Note: 31.2)	7,822,921	13,273,388
		81,393,368	**87,978,239**

31.1 Salary and allowances

Salary and allowances	55,327,738	58,536,898
Gratuity	6,967,463	2,998,254
Provident fund (Company's contribution)	1,729,827	1,546,750
	64,025,028	**63,081,902**

Salaries & allowances includes key management compensation of BDT 21,951,312 (2018: BDT 20,386,626). Key management personnel comprises the Management Committee, including the Managing Director who exercise significant authority and play strategic role in the Company.

31.2 Office rent, maintenance & services

Office rent	(Note:31.2.1)	2,209,985	7,752,627
Office maintenance		2,788,009	2,730,253
Office services		285,258	411,852
Office utilities		1,640,851	1,509,714
Telephone & telex		455,584	571,898
IT maintenance		443,234	297,044
		7,822,921	**13,273,388**

31.2.1 Office rent

Actual rent expenses	8,954,735	7,752,627
Less: Reclassification of rent expenses (as per IFRS 16: Leases)	6,744,750	-
Rent expenses as reported	**2,209,985**	**7,752,627**

	2019 BDT	2018 BDT
32 Deferred tax expense		
Closing balance of deferred tax asset	23,263,647	17,965,841
Opening balance of deferred tax asset	17,965,841	7,321,050
	5,297,806	**10,644,790**

33 Related party transaction

Name of the related party	Relationship	Nature of transaction	Balance as on 01.01.2019	Addition	Adjustment	Balance as on 31.12.2019
IDLC Finance Limited	Parent company	Loan	-	522,300,000	(522,300,000)	-
		FDR	57,250,000	820,860,895	(306,895,813)	571,215,082
IDLC Securities Limited	Subsidiary to Parent company	Loan	178,400,000	183,800,000	(362,200,000)	-

34 Number of employees

The number of employees for the whole year who received a total remuneration of BDT 36,000 or above were 35 which was 35 on 31 December 2018.

35 Date of authorisation

The Board of director has authorised these financial statements for issue on 20 February 2020.

Dated, Dhaka 20 February 2020	Sd/- Chairman	Sd/- Director	Sd/- Managing Director	Sd/- Company Secretary

IDLC Investments Limited

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As on 31 December 2019

Annexure-A

(Amount in BDT)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.19
	Balance as on 01.01.19	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.19		Balance as on 01.01.19	Charged during the year	Adjustment during the year	Balance as on 31.12.19	
Curtain & Carpet	893,033	179,359	-	1,072,392	33.33%	783,489	89,444	-	872,933	199,459
Electrical Equipment	3,157,482	317,810	-	3,475,292	20%	2,081,718	464,965	-	2,546,683	928,609
Furniture & Fixture	4,000,645	24,166	51,563	3,973,248	12.50%	1,952,181	440,823	47,803	2,345,202	1,628,046
Office Decoration	3,151,589	71,500	-	3,223,089	20%	1,779,460	579,668	-	2,359,128	863,961
Office Equipment	9,056,419	118,932	-	9,175,351	20%	6,796,523	636,292	-	7,432,815	1,742,536
Motor Vehicles	24,468,473	5,250,000	6,777,980	22,940,493	25%	18,486,301	3,341,032	5,677,970	16,149,363	6,791,131
Telephone & Telex	1,183,017	39,500	-	1,222,517	33.33%	1,099,354	56,053	-	1,155,407	67,110
Balance as at 31 December 2019	**45,910,658**	**6,001,266**	**6,829,543**	**45,082,381**		**32,979,026**	**5,608,277**	**5,725,773**	**32,861,530**	**12,220,851**
Balance as at 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**
Right-of-use assets -2019										
Office Space	-	38,153,412	-	38,153,412		-	5,450,487	-	5,450,487	32,702,924
Balance as at 31 December 2019	**-**	**38,153,412**	**-**	**38,153,412**		**-**	**5,450,487**	**-**	**5,450,487**	**32,702,924**

Details of disposals/adjustments for - 2019

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	6,777,980	5,677,970	1,100,010	2,016,123	916,113	As per policy of the Company	Employees/Outsider
Furniture & Fixture	51,563	47,803	3,760	8,000	4,240	As per policy of the Company	Employees/Outsider
Total 2019	**6,829,543**	**5,725,773**	**1,103,770**	**2,024,123**	**920,353**		
Total 2018	**250,000**	**249,995**	**5**	**25,000**	**24,995**		

IDLC ASSET MANAGEMENT LTD

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)

Standing from left

Sakhawat Hossain
Head of Finance

Shaikh Malik Al - Razi
Head of Portfolio Management

Ahmed Abdullah Al Tamjeed
Head of Marketing & Sales

Kazi Mashook Ul Haq
Chief Operating Officer

Sitting from left

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

Rajib Kumar Dey
Managing Director

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Shamima Akter Lovely
Head of HR- Capital Market and Head of OD & Talent Management

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, 2019 and the Auditor's Report thereon in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

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 with 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 subsequent value erosion in their investments portfolio. Rising negative equity from margin loan accounts crippled the institutions' capacity to go for fresh investments and performance recovery. Meanwhile, individual investors with poor understanding about the fundamentals of investment watched their investment evaporate amid market correction. The market nonetheless gained some stability over the next few years. Notable improvements that followed, were strong regulatory oversight minimizing malpractices, and institutions realizing the need for professional approach to capital market investment.

The asset management industry is cyclical in nature. The broad index posted double digit negative returns for two consecutive years in 2018 and 2019. However, globally mutual fund is one of the most preferred investment tool for investors, in the long horizon. The structural improvement in the market and investors' growing awareness of professional approach to investment in the last few years are promising signs for the industry 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 the strong presence of IDLC Investments Limited and IDLC Securities Limited in their respective business line, pivoted 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 55 open end mutual funds and 37 closed end mutual funds currently operating in the market. The size of total asset under management (AUM) was approximately BDT 131 bn as of December 2019. 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.

Operational Milestones

At IDLC AML, we are fully committed to invest in people and relevant processes, to develop products with game changing features, to deploy sales and marketing networks that would define industry standards and bring about a complete customer care setup, always ready to go extra miles to serve the customers. In 2018, we introduced the Systematic Investment Plan (SIP) to cater the needs of retail investors. In 2019, we continued our efforts to expand business. We have been progressing according to our long-term vision of being the country's no. 1 asset management company in terms of investor's trust and asset under management. Our major milestones achieved during the year are as follows:

- **Launch of third open end mutual fund:** In December 2019, we have successfully launched our third open end mutual fund namely 'IDLC AML Shariah Fund'. The investment objective of the Fund is to generate profit by investing in a portfolio of Shariah compliant securities, vetted by an experienced Shariah Supervisory Board.

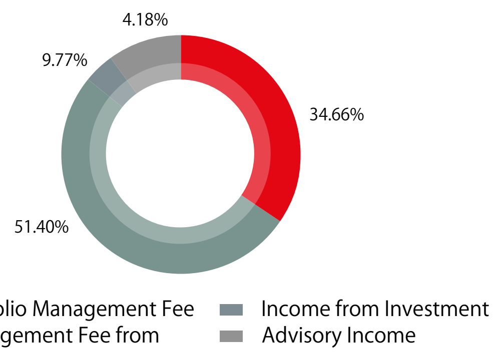
- **Launch of first alternative investment fund:** In October 2019, we have successfully launched our first alternative investment fund namely 'IDLC Venture Capital Fund I'. The objective of the Fund is to provide returns that are superior to those earned on equity or equity-related investments. The Fund will do so by investing in early stage Tech-based startups that show high growth potential.

- **Appointment of IDLC Asset Management Limited as the new asset manager of two listed funds:** We have been appointed as the new asset manager for the two listed funds, DBH First Mutual Fund and Green Delta Mutual Fund, following approval from the BSEC on 22nd December 2019. We expect to formally receive the funds during the year 2020.

Overview of Financial Performance

2019 was quite a challenging year for the capital market constituents with a 17.32% correction in the broad index DSEX. We have generated an operational revenue of BDT 43 mn in 2019. Of the total operational revenue, 51.40% came from management fee from mutual fund, 34.6% came from portfolio management fee, 9.77% from advisory income and the rest of 4.18% came from investment income.

Operational Revenue 2019

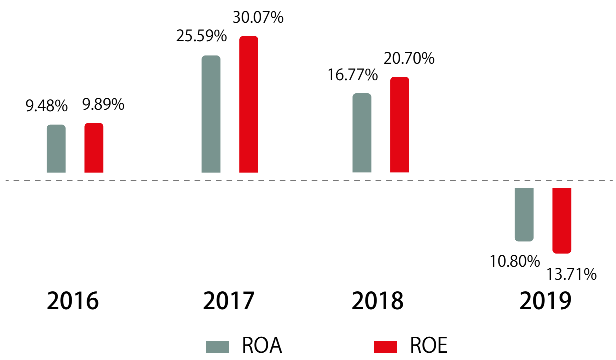


in BDT mn

Particulars	2015	2016	2017	2018	2019
Operational revenue	-	20	102	92	43
Profit before tax	-	15	51	46	(20)
Net profit after tax	-	10	39	35	(27)
Total Assets	100	119	186	225	272
Total shareholders' equity	100	110	150	184	207

Paying off for operational expenses, the company incurred pretax loss of BDT 20 mn in 2019. After deducting for tax payable to government exchequer, we booked an after tax loss of BDT 27 mn. In 2019, our ROE stood at -13.71% and ROA stood at -10.80%.

Return Ratios



Roadmap to 2020

2020 will be a year to strengthen our foothold in the asset management industry through enhancing our client base with more diverse investment product offerings and enriching our customers' experience with more convenient investment solutions. Our focus for this year would be on:

- Creating awareness among retail investors about the benefits of long term investment through mutual funds
- Making the customer service unit more equipped so that highest level of service and customer satisfaction can be ensured
- Building up the company's corporate advisory business
- Exploring opportunities to build up the company's presence in the nascent Private Equity and Venture Capital industry of Bangladesh
- To construct an extensive sales, distribution and marketing channel to broaden the customer base for distributing units of mutual funds
- To develop and deploy IT and network infrastructure capable of facilitating the realization of our vision

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)/ International Financial Reporting Standards (IFRS), 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 2020

The Company reported a net loss of BDT 27 mn in the year 2019. Considering the 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 2019.

Appointment of auditors

In terms of Article 132 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 third year as auditor of the Company. As per the BSEC restriction on re-appointment of the same auditor for more than three consecutive years for a listed Company, the existing auditor will not be eligible for re-appointment as auditors of IDLC Group for the year 2020. We will appoint the same auditor for the IDLC Group so that the auditor can consolidate the Group financial statements without any review of other auditors' work.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 288th meeting of the Board, held on the February 20, 2020 recommended Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC AML at its 29th meeting held on February 19, 2020 also recommended to the shareholders of the Company Hoda Vasi Chowdhury & Co., Chartered Accountants, to appoint them as the statutory auditors for the Company for 2020 at the remuneration of BDT 1 (one) Lac only.

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.

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

Phone: 880-2-8881824-6
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 2019, 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 2019, 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 Auditor's 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), 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.

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 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 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 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.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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
19 February 2020

IDLC Asset Management Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Particulars	Note	2019 BDT	2018 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	4	10,608,493	6,808,499
Intangible assets	5	3,074,390	4,540,492
Right-of-use assets	6	17,105,454	-
		30,788,337	**11,348,992**
Current Assets			
Investments	8	108,163,470	116,072,451
Advance, deposits & prepayments	9	10,563,538	5,276,278
Accounts receivables	10	7,578,369	6,045,463
Advance income tax	11	23,486,192	16,376,182
Cash and cash equivalents	12	91,093,943	70,044,775
		240,885,512	**213,815,150**
Total Assets		**271,673,849**	**225,164,141**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	150,000,000	100,000,000
Retained earnings		57,465,027	84,301,595
		207,465,027	**184,301,595**
Non Current Liabilities			
Provisions for diminution value in investments		10,927,797	5,715,330
Leased liabilities		16,518,285	-
Deferred tax liability	7	560,195	536,022
		28,006,276	**6,251,352**
Current Liabilities			
Provision for audit fees		115,000	115,000
Provision for expenses	14	1,270,134	6,465,053
Provision for income tax	15	34,817,412	28,031,141
		36,202,546	**34,611,194**
Total Equity and Liabilities		**271,673,849**	**225,164,141**

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
19 February 2020

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 2019

Particulars	Note	2019 BDT	2018 BDT
Operating Income (a)			
Portfolio management fee		15,011,703	58,766,551
Management fee from mutual fund	16	22,263,529	22,347,863
Advisory income		4,233,333	-
Income from investment	17	1,808,589	11,342,030
		43,317,154	**92,456,445**
Operating Expenses (b)			
General & administrative expenses	18	57,241,199	43,492,015
Depreciation on property, plant and equipment		7,383,809	3,215,136
		64,625,008	**46,707,151**
Operating (Loss)/Profit for the year (a-b)		**(21,307,854)**	**45,749,294**
Interest income		8,694,379	5,972,850
Interest expenses (Lease liabilities - right-of-use Assets)		(1,353,807)	-
Loss on disposal of fixed asset		(1,022,379)	-
Miscellaneous Income		176,004	308,007
(Loss)/Profit before provisions		**(14,813,658)**	**52,030,151**
Provisions for diminution value in Investments		(5,212,467)	(5,715,330)
(Loss)/Profit before provision for income tax		**(20,026,124)**	**46,314,821**
Provision for income tax			
Current tax		(6,786,271)	(10,231,141)
Deferred tax expense	19	(24,173)	(1,296,747)
		(6,810,443)	**(11,527,888)**
Profit/(Loss) for the year		**(26,836,567)**	**34,786,934**
Other comprehensive income		-	-
Total Comprehensive Income		**(26,836,567)**	**34,786,934**

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
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Particulars	2019 BDT	2018 BDT
A. Cash flow from operating activities		
Profit/(Loss) during the year	(26,836,567)	34,786,934
Items not involving in movement of cash:		
Loss on disposal of fixed asset	1,022,379	-
Provisions for diminution value in investments	5,212,467	5,715,330
Decrease in deferred tax assets	-	760,724
Increase in deferred tax liabilities	24,172	536,022
Depreciation on property, plant and equipment	7,383,809	3,215,136
	(13,193,740)	**45,014,146**
Changes in working capital:		
Increase in account receivables	(1,532,906)	(1,277,940)
Increase in advance, prepayments & deposits	(5,287,260)	(5,276,278)
Increase in advance income tax	(7,110,011)	(8,216,296)
Decrease in account payables	(5,194,919)	(8,939,613)
Decrease in gratuity payable	-	(3,631,925)
Increase in Leased liability - Right of Use	16,518,285	-
Increase in provision for income tax	6,786,271	10,231,141
	4,179,461	(17,110,911)
Net cash (used in)/flow from operating activities (A)	**(9,014,280)**	**27,903,235**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(28,028,651)	(2,866,848)
Proceeds from sale of property, plant and equipment	183,119	-
Sale/(Purchase) of investments	7,908,981	(19,751,682)
Net cash used in investing activities (B)	**(19,936,551)**	**(22,618,530)**
C. Cash flows from financing activities		
Proceed from issuance of ordinary shares	50,000,000	-
Net cash flow from financing activities (C)	**50,000,000**	**-**
D. Net cash surplus for the year (A+B+C)	**21,049,168**	**5,284,705**
E. Cash and cash equivalents at the beginning of the year	**70,044,775**	**64,760,070**
F. Cash and Cash Equivalents at the end of the year	**91,093,943**	**70,044,775**

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 cash flows referred to in our separate report of even date.

Dated, Dhaka
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Particulars	**Share Capital** **BDT**	**Retained Earnings** **BDT**	**Total Equity** **BDT**
Balance as at 1 January 2018	100,000,000	49,514,661	149,514,661
Profit/(Loss) for the year	-	34,786,934	34,786,934
Balance as at 31 December 2018	**100,000,000**	**84,301,595**	**184,301,595**
Paid-up share capital	50,000,000	-	50,000,000
Profit/(Loss) for the year	-	(26,836,567)	(26,836,567)
Balance as at 31 December 2019	**150,000,000**	**57,465,027**	**207,465,027**

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 changes in equity referred to in our separate report of even date.

Dated, Dhaka
19 February 2020

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

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 Symphony (Level – 04), Plot # SE (F): 9, Road # 142, Gulshan Avenue, Bir Uttam Mir Shawkat Sarak, Dhaka 1212. 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; 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 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: 7	Deferred tax Assets
Note: 10	Accounts receivables
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.
Right-of-used assets	Lease term

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, in accordance with provisions of Income Tax Ordinance, 1984. It is measured using tax rates enacted or substantively enacted at the reporting date. Applicable tax rate for the Company for the year 2019 will be declared by Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing tax rates will be applicable for Income year 2019 as well, which are mentioned below:

Regular business tax rate	Rates
Private Limited Company	35.00%

Other business tax rate	Rates
Dividend income	20.00%
Asset Management fee of Mutual funds	15.00%
Capital gain on sale of fixed assets	15.00%
Capital gain on sale of marketable securities	10.00%

The Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019. We already accounted for uncertainty of taxes and further disclosure is not required.

3.7.2 Deferred tax

The Company accounts for deferred tax as per International Accounting Standard (IAS) 12: "Income Taxes". Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the date of reporting of the financial statements.

The Company provides disclosures based on the classes of assets and liabilities related to the temporary differences. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognized for all taxable temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Both the Deferred tax assets and liabilities are reviewed at each reporting date considering the probability of benefit or detriment realizable.

3.8 Revenue recognition

Revenue is only recognised when it meets the following five steps model framework as per IFRS 15: "Revenue from Contracts with Customers"

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.

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 Significant accounting policies

Other than the disclosed accounting policies (note no 3.1 to 3.10) as a result of adoption of IFRS 16 Leases which is effective from 1 January 2019, same accounting policies and methods of computation have been followed in these Financial Statements as were applied in the preparation of the financial statements of IDLC Asset Management Limited as at and for the year ended 31 December 2018.

3.11.1 Changes in significant accounting policies - IFRS 16 Leases

3.11.1.1 Nature and impact of changes

(a) Definition of a lease

Previously, IDLC AML determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 (if any). Under IFRS 16, IDLC AML assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.11.1.1. On transition to IFRS 16, IDLC AML evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

As a Lessee

As a lessee, IDLC AML previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to IDLC AML. Under IFRS 16, IDLC AML recognises right-of-use assets and lease liabilities for all leases.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at IDLC's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments (if any).

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17 (if any), the carrying amount of the right-of-use assets and the lease liabilities at 1 January 2019 are determined at the carrying amount of the lease assets and lease liabilities under IAS 17.

As a lessor

IDLC AML is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

Impacts on financial statements

IDLC AML has lease contracts related to the rental agreement of variuous branches. The table below show the impacts arising from IFRS 16 in 2019 (at inception): (Amount in BDT)

Leases	Leases Liabilities	Advance for rent	Right-of-use assets
Office Rent	18,263,212	2,060,100	20,323,312

As at 1 January 2019:

Right-of-use assets:

Right-of-use assets of BDT 20,323,312 were recognised and presented separately in the statement of financial position. This includes the lease liabilities & prepayments for office rent (please see note: 06).

Leases Liabilities:

Lease liabilities derived from present value of all rental payments for various branches amounting to BDT 18,263,212 and presented separately in the statement of financial position.

Advance for rent:

As at January 01, 2019 advance for rent was BDT 2,060,100 has been incorporated in Advance, deposits & prepayments head.

When measuring lease liabilities, IDLC AML discounted lease payments using its incremental borrowing rate (9.25%) at 1 January 2019.

(b) The following summarises the impacts of adopting IFRS 16 on the IDLC AML's statement of financial position as at 31 December 2019, statement of profit or loss and statement of cash flows for the period then ended for each of the line items affected.

Impact on the statement of financial position
As at 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
PROPERTY AND ASSETS			
Non Current Assets			
Property, plant and equipment	10,608,493	-	10,608,493
Intangible assets	3,074,390	-	3,074,390
Right-of-use asset	17,105,454	17,105,454	-
	30,788,337	**17,105,454**	**13,682,883**
Current Assets			
Investments	108,163,470	-	108,163,470
Advance, deposits & prepayments	10,563,538	(1,407,735)	11,971,273
Accounts receivables	7,578,369	-	7,578,369
Advance income tax	23,486,192	-	23,486,192
Cash and cash equivalents	91,093,943	-	91,093,943
	240,885,512	**(1,407,734)**	**242,293,247**
Total Assets	**271,673,849**	**15,697,720**	**255,976,129**
EQUITY AND LIABILITIES			
Equity			
Share capital	150,000,000	-	150,000,000
Retained earnings	57,465,027	(1,026,073)	58,491,101
	207,465,027	**(1,026,073)**	**208,491,101**
Non Current Liabilities			
Provisions for diminution value in investments	10,927,797	-	10,927,797
Leased liabilities	16,518,285	16,518,285	-
Deferred tax liability	560,195	205,509	354,686
	28,006,276	**16,723,794**	**11,282,482**
Current Liabilities			
Provision for audit fees	115,000	-	115,000
Provision for expenses	1,270,134	-	1,270,134
Provision for income tax	34,817,412	-	34,817,412
	36,202,546	**-**	**36,202,546**
Total Equity and Liabilities	**271,673,849**	**15,697,720**	**255,976,129**

Impact on the Statement of profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
Operating Income (a)			
Portfolio management fee	15,011,703	-	15,011,703
Management fee from mutual fund	22,263,529	-	22,263,529
Advisory income	4,233,333	-	4,233,333
Income from investment	1,808,589	-	1,808,589
	43,317,154	**-**	**43,317,154**
Operating Expenses (b)			
General & administrative expenses	57,241,199	(3,751,099)	60,992,298
Depreciation on property, plant and equipment	7,383,809	3,217,857	4,165,951
	64,625,008	**(533,241)**	**65,158,250**
Operating Profit for the year (a - b)	**(21,307,854)**	**533,241**	**(21,841,096)**
Interest income	8,694,379	-	8,694,379
Interest expenses (Lease liability - right-of-use Asset)	(1,353,807)	(1,353,807)	-
Loss on disposal of fixed asset	(1,022,379)	-	(1,022,379)
Miscellaneous Income	176,004	-	176,004
Profit before provisions	**(14,813,658)**	**(820,566)**	**(13,993,092)**
Release / (Provisions) for diminution value in Investments	(5,212,467)	-	(5,212,467)
Profit before provision for income tax	**(20,026,124)**	**(820,566)**	**(19,205,559)**
Provision for income tax			
Current tax	(6,786,271)	-	(6,786,271)
Deferred tax income/(expense)	(24,173)	(205,509)	181,336
	(6,810,443)	**(205,509)**	**(6,604,934)**
Profit for the year	(26,836,567)	(1,026,074)	(25,810,493)
Other comprehensive income	**-**	**-**	**-**
Total Comprehensive Income	**(26,836,567)**	**(1,026,074)**	**(25,810,493)**

Impact on the statement of cash flows

For the year ended December 31, 2019

Particulars	As reported BDT	Adjustments BDT	Amounts without adoption of IFRS 16 BDT
A) Cash flows from operating activities			
(Loss)/Profit during the year	(26,836,567)	(1,026,073)	(25,810,494)
Items not involving in movement of cash:			
Loss on disposal of fixed asset	1,022,379	-	1,022,379
Provisions for diminution value in investments	5,212,467	-	5,212,467
(Decrease)/Increase in deferred tax liabilities	24,172	205,509	(181,336)
Depreciation on property, plant and equipment	7,383,809	3,217,857	4,165,951
	(13,193,740)	**2,397,293**	**(15,591,033)**
Changes in working capital:			
Increase in account receivables	(1,532,906)	-	(1,532,906)
(Increase)/Decrease in advance, prepayments & deposits	(5,287,260)	1,407,735	(6,694,995)
Increase in advance income tax	(7,110,011)	-	(7,110,011)
(Decrease)/Increase in account payables	(5,194,919)	-	(5,194,919)
Increase in Leased liability - Right of Use	16,518,285	16,518,285	-
Increase in provision for income tax	6,786,271	-	6,786,271
	4,179,461	**17,926,020**	**(13,746,559)**
Net cash flow from operating activities (A)	**(9,014,280)**	**20,323,313**	**(29,337,593)**
B) Cash flows from investing activities			
Purchase of property, plant and equipment	(28,028,651)	(20,323,312)	(7,705,339)
Proceeds from sale of property, plant and equipment	183,119	-	183,119
Sale/(Purchase) of investments	7,908,981	-	7,908,981
Net cash flow/(used in) investing activities (B)	**(19,936,551)**	**(20,323,312)**	**386,761**
C) Cash flows from financing activities			
Proceed from issuance of ordinary shares	50,000,000	-	50,000,000
Net cash flow from financing activities (C)	**50,000,000**	**-**	**50,000,000**
D. Net cash surplus/(deficit) for the year/period (A+B+C)	**21,049,168**	**-**	**21,049,168**
E. Cash and cash equivalents at the beginning of the year/period	**70,044,775**	**-**	**70,044,775**
F. Cash and Cash Equivalents at the end of the year/period	**91,093,943**	**-**	**91,093,943**

3.11.1.2 Accounting policy for IFRS 16: Leases

IDLC AML has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 as Operating Lease . The details impact of changes in the financial statements has been disclosed in Note 3.11.1.1 (b).

Policy applicable from 1 January 2019

At inception of a contract, IDLC AML assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, IDLC AML assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- IDLC AML has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- IDLC AML has the right to direct the use of the asset. IDLC AML has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, IDLC AML has the right to direct the use of the asset if either:

(i) IDLC AML has the right to operate the asset; or

(ii) IDLC AML designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

IDLC AML as a lessee

IDLC AML recognises a right of use asset and a lease liability from the begining of 2019. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use assets are depreciated using the straight line methods from the commencement date (from the begining of 2019) to the earlier of the end of the useful life of the right of use assets or the end of the lease term. In addition, the right of use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date (from the begining of 2019), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, IDLC AML's incremental borrowing rate. The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in IDLC AML's estimate of the amount expected to be payable under a residual value guarantee, or if IDLC AML changes its assessment of whether it will exercise purchase, extension or termination option. When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use assets, or is recorded in profit or loss if the carrying amount of the right to use assets have been reduced to zero.

IDLC AML presents right of use assets in annexure A seperately.

Short-term leases and leases of low-value assets

IDLC AML has elected not to recognise right of use assets and lease liabilities of low-value assets for which the underlying asset is of BDT 400,000 or less. IDLC AML recognises the lease payments associated with these leases as an expense in the profit or loss account.

IDLC AML as a lessor

When IDLC AML acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, IDLC AML makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, IDLC AML considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, IDLC AML applies IFRS 15 to allocate the consideration in the contract. IDLC AML recognises lease payments received under operating leases as income over the lease term.

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 Balance Sheet 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
Lease	16	Applied
Financial Instruments	9	Applied
Financial Instruments: Disclosures	7	Applied

	2019 BDT	2018 BDT
4. Property, plant and equipment		
Tangible Assets		
A. Cost		
Opening balance	10,554,669	9,683,701
Add: Addition during the year	7,705,339	870,968
	18,260,008	10,554,669
Less: Disposal/adjustments during the year	(2,583,209)	-
	15,676,799	**10,554,669**
B. Accumulated depreciation		
Opening balance	3,746,170	1,631,225
Add: Charged during the year	2,699,848	2,114,945
	6,446,018	3,746,170
Less: Disposal/adjustments during the year	(1,377,712)	-
	5,068,306	3,746,170
C. Written down value (A-B)	**10,608,493**	**6,808,499**
5. Intangible Assets		
A. Cost		
Opening balance	5,878,701	3,882,822
Add: Addition during the year	-	1,995,880
	5,878,701	5,878,701
Less: Disposal/adjustments during the year	-	-
	5,878,701	5,878,701
B. Accumulated amortization		
Opening balance	1,338,209	238,018
Add: Charged during the year	1,466,103	1,100,191
	2,804,312	1,338,209
Less: Disposal/adjustments during the year	-	-
	2,804,312	1,338,209
C. Written down value (A-B)	**3,074,390**	**4,540,492**
6 Right-of-use assets		
A. Cost		
Opening balance	-	-
Add: Addition during the year	20,323,312	-
	20,323,312	-
Less: Disposal/adjustments during the year	-	-
	20,323,312	-
B. Accumulated amortization		
Opening balance	-	-
Add: Charged during the year	3,217,858	-
	3,217,858	-
Less: Disposal/adjustments during the year	-	-
	3,217,858	-
C. Written down value (A-B)	**17,105,454**	**-**

A schedule of property, plant and equipment, intangible assets and right-of-use assets is given in Annexure-A.

7 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 2019			
Property, plant and equipment	13,682,883	12,669,495	(1,013,388)
Right of use assets	17,105,454	-	(17,105,454)
Lease liability	(16,518,286)	-	16,518,286
Net deductible temporary difference			(1,600,556)
Applicable tax rate			35.00%
Deferred tax - liabilities			**(560,195)**

	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)
Net deductible temporary difference			(1,531,492)
Applicable tax rate			35.00%
Deferred tax - (liabilities)			**(536,022)**

8 Investments

		2019 BDT	2018 BDT
Investment in available-for-sale securities	(Note: 8.1)	49,163,470	92,143,333
IDLC Asset Management Shariah Fund	(Note: 8.2)	50,000,000	-
IDLC Venture Capital Fund I	(Note: 8.3)	9,000,000	-
Investment in initial public offering (IPO)	(Note: 8.4)	-	808,660
Short term deposit in fixed deposits	(Note: 8.5)	-	23,120,458
		108,163,470	**116,072,451**

8.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position is given below:

Name of industry	Cost price as on 31.12.2019	Market price as on 31.12.2019	Cost price as on 31.12.2018	Market price as on 31.12.2018
Bank	31,858,291	25,531,000	23,466,002	23,118,600
Telecommunication	16,431,886	11,717,800	28,080,040	23,690,850
Pharmaceuticals & Chemicals	39,793	132,623	94,613	285,883
Fuel & Power	-	-	12,321,445	10,842,129
Textile	40,023	63,374	224,697	906,542
Hotel & Leisure	37,300	161,731	-	-
Information Technology	569,070	512,163	-	-
Engineering	187,107	116,983	27,956,537	27,584,000
	49,163,470	**38,235,674**	**92,143,333**	**86,428,003**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the reporting date.

		2019 BDT	2018 BDT
8.2	**IDLC Asset Management Shariah Fund**	**50,000,000**	-

IDLC Asset Management Limited (IDLC AML) invested BDT 50,000,000 as the sponsor in IDLC Asset Management Shariah Fund, an open-ended mutual fund. The objective of the fund is to generate profit by investing in a portfolio of Shariah compliant securities, vetted by the Shariah Advisory Board. The fund intends to deliver the profit among the investors in the form of dividend as well as capital appreciation.

		2019 BDT	2018 BDT
8.3	**IDLC Venture Capital Fund I**	**9,000,000**	-

IDLC Asset Management Limited (IDLC AML) invested BDT 9,000,000 in IDLC Venture Capital Fund I, an alternative investment fund. With this fund, IDLC aims to bridge the critical gap between the large number of startups in Bangladesh changing people's lives and the much needed institutional capital and support to guide these startups to greater heights. IDLC believes that the favorable macro scenario of Bangladesh – A large population with favorable demography, fast growing consumer disposable income, and rapidly increasing tech and internet penetration – provides an ideal opportunity for early movers in the technology space of the country. IDLC AML expects to begin deploying capital from the fund in early 2020.

8.4 Investment in initial public offering (IPO)

	2019 BDT	2018 BDT
ADN Telecom Limited	-	569,070
S. S. Steel Limited	-	134,920
Genex Infosys Limited	-	104,670
	-	808,660

8.5 Short term fixed deposits

Institution	Branch	A/C No	Term Months	2019 BDT	2018 BDT
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

9 Advance, deposits & prepayments

	2019 BDT	2018 BDT
PricewaterhouseCoopers Bangladesh Private Limited	10,552,557	5,276,278
Advance against expenses	10,981	-
	10,563,538	**5,276,278**

10 Accounts receivables

	2019 BDT	2018 BDT
Interest receivable (FDR)	275,675	631,633
Mutual fund management fees receivable	4,692,644	4,450,985
Receivable from IDLC Balanced Fund	125,551	41,036
Receivable from IDLC Growth Fund	137,055	88,264
Receivable from IDLC Asset Management Shariah Fund	37,080	-
Receivable from IDLC Venture Capital Fund I	627,700	-
Cash Dividend Receivable	5,625	833,519
Corporate Advisory Fees	1,433,333	-
Other receivables	243,706	27
	7,578,369	**6,045,463**

		2019 BDT	2018 BDT

11 Advance income tax

		2019 BDT	2018 BDT
Opening balance		16,376,182	8,159,886
Addition during the period:			
Advance corporate income tax		6,283,308	7,030,171
Tax deducted at source		826,702	1,186,125
		23,486,192	**16,376,182**

12 Cash and cash equivalents

		2019 BDT	2018 BDT
Cash at Bank	(Note: 12.1)	80,574,747	19,872,238
Cash at Hand		-	4,090
Cash at portfolio with IDLC Securities Limited		-	32,507,072
Fixed deposit receipt	(Note: 12.2)	10,519,196	17,661,375
		91,093,943	**70,044,775**

12.1 Cash at Bank

Name of the Bank	Branch	A/C No	Type	2019 BDT	2018 BDT
BRAC Bank Limited	Bijoy Nagar	1532203891815001	CA	13,515	19,871,330
ONE Bank limited	Principal	0013000002032	SND	80,300,290	-
Standard Chartered Bank	Gulshan	02-1307951-01	STD	260,692	907
NRB Bank Limited	Principal	1011030069892	SND	1	1
NRB Bank Limited	Banani	1022010036414	CD	248	-
				80,574,747	**19,872,238**

12.2 Fixed Deposit Receipt

Institution	Branch	A/C No	Term Months	2019 BDT	2018 BDT
IDLC Finance Limited	Gulshan	05367	3	5,259,598	-
		05368	3	5,259,598	-
		03969	3	-	5,000,000
		03970	3	-	5,000,000
		03980	3	-	7,661,375
				10,519,196	**17,661,375**

13 Share capital

	2019 BDT	2018 BDT
Authorized Capital		
25,000,000 ordinary shares of BDT 10 each	**250,000,000**	**250,000,000**
Issued, subscribed & paid up capital	150,000,000	100,000,000
	150,000,000	**100,000,000**

The issued, subscribed and paid-up capital of BDT 150,000,000 is divided into 15,000,000 ordinary shares of BDT 10 each. Details are as follows:

	2019 BDT	2018 BDT
IDLC Finance Limited		
14,999,999 shares of BDT 10 each fully paid up	99,999,990	99,999,990
Mr. Akhteruddin Mahmood		
1 share of BDT 10 fully paid up	10	10
	150,000,000	**100,000,000**

		2019 BDT	2018 BDT
14. Provision for Expenses			
Salary and allowance		42,557	4,588,116
Professional fees		532,250	465,000
Recall (BD) Ltd.		-	278,942
Training		181,610	725,735
Promotional expenses		-	260,616
Selling and distribution expenses		196,358	-
Office maintenance		-	24,534
Utilities		82,780	57,721
CS Infotech Limited		115,113	33,962
Car maintenance and others		19,557	30,000
Printing & stationery		32,124	-
Other payables		67,786	427
		1,270,134	**6,465,053**
15. Provision for income tax			
Opening balance		28,031,141	17,800,000
Add: Charged during the year		6,786,271	10,231,141
		34,817,412	**28,031,141**
16. Management Fee from Mutual Fund			
Mutual fund formation fees		2,010,600	2,809,350
Mutual fund management fees		18,081,736	16,633,884
Mutual fund pre scheme formation fees		2,171,193	2,904,629
		22,263,529	**22,347,863**
17 Income from investment			
Capital gain on investments		1,361,361	8,567,879
Dividend income from marketable securities		447,227	2,774,151
		1,808,589	**11,342,030**
18 General and administrative expenses			
Salary and allowances	(Note: 18.1)	40,106,002	31,802,486
Statutory audit fees		115,000	115,000
Renewal and registration		239,438	360,282
Motor vehicle expenses		626,292	674,743
Entertainment		26,142	154,814
Postage, stamp & telecommunication etc.		237,976	173,516
Printing & stationery		897,267	741,966
Advertisement and promotional expenses		7,472,591	2,789,160
Selling and distribution expenses		2,052,963	1,002,581
Director's remuneration		151,000	166,750
Books and periodicals		30,481	26,885
Donations and subscriptions		-	26,561
Consultancy fees		975,450	341,262
Training expenses		489,084	711,778
Bank charges		127,237	146,361
CDBL charges		272,270	228,181
Repair and maintenance		600,767	197,239
Office rent, maintenance & service, etc.	(Note:18.2)	2,821,240	3,832,449
		57,241,199	**43,492,015**

		2019 BDT	2018 BDT
18.1 Salary and allowances			
Salary and allowances		36,929,736	28,978,524
Provident fund (Company's contribution)		1,239,775	1,085,139
Gratuity		1,936,491	1,738,823
		40,106,002	**31,802,486**

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 2019 key management compensation was BDT. 19,478,333 (2018: BDT. 15,229,835).

		2019 BDT	2018 BDT
18.2 Office rent, maintenance & service, etc.			
Office rent	(Note: 18.2.1)	845,199	2,387,874
Office maintenance		1,319,706	899,843
Office utility		656,335	543,570
Telephone & telex		-	1,162
		2,821,240	**3,832,449**
18.2.1 Office rent			
Actual rent expenses		4,562,035	2,387,874
Less: Reclassification of rent expenses (as per IFRS 16: Leases)		3,716,836	-
Rent expenses as reported		**845,199**	**2,387,874**

19 Deferred tax (expense)/income

	2019 BDT	2018 BDT
Closing balance of deferred tax asset	(560,195)	(536,022)
Opening balance of deferred tax asset	(536,022)	760,724
	(24,173)	**(1,296,747)**

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 31.12.2019	Closing balance as on 31.12.2017
IDLC Finance Limited	Parent company	FDR	-	23,120,458

21 Number of employees

The Company paid an aggregate amount more than BDT 36,000 per annum to 21 employees, who were in employment for full year or part of the year. (2018: 20)

22 Date of authorization

The Board of director has authorized these financial statements for issue on 19 February 2020.

Dated, Dhaka 19 February 2020	Sd/- Chairman	Sd/- Director	Sd/- Managing Director	Sd/- Company Secretary

IDLC Asset Management Limited

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2019

Annexure-A

A. Tangible Assets

(Amount in BDT)

Particulars	Cost				Rate	Depreciation				Written Down
	Balance as on 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2019	%	Balance as on 01.01.2019	Charged during the year	Adjustment during the year	Balance as on 31.12.2019	Value as on 31.12.2019
Curtain & carpet	105,617	98,000	-	203,617	33.33%	61,479	67,866	-	129,345	74,272
Electrical equipment	446,275	764,672	-	1,210,947	20%	145,417	140,792	-	286,209	924,738
Furniture & fixture	863,958	977,073	-	1,841,031	12.50%	220,098	154,245	-	374,344	1,466,687
Office decoration	3,062,602	3,708,747	2,583,209	4,188,139	20%	1,246,171	713,898	1,377,712	582,357	3,605,782
Office equipment	722,413	1,666,693	-	2,389,106	20%	240,386	366,708	-	607,095	1,782,011
IT equipment	3,035,415	421,310	-	3,456,725	20%	869,809	656,236	-	1,526,045	1,930,680
Motor vehicle	2,200,000	-	-	2,200,000	25%	916,667	550,000	-	1,466,667	733,333
Telephone & telex	118,390	68,844	-	187,234	33.33%	46,143	50,102	-	96,245	90,989
Total as on 31 December 2019	**10,554,669**	**7,705,339**	**2,583,209**	**15,676,799**		**3,746,170**	**2,699,848**	**1,377,712**	**5,068,306**	**10,608,493**
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**

B. Intangible Assets

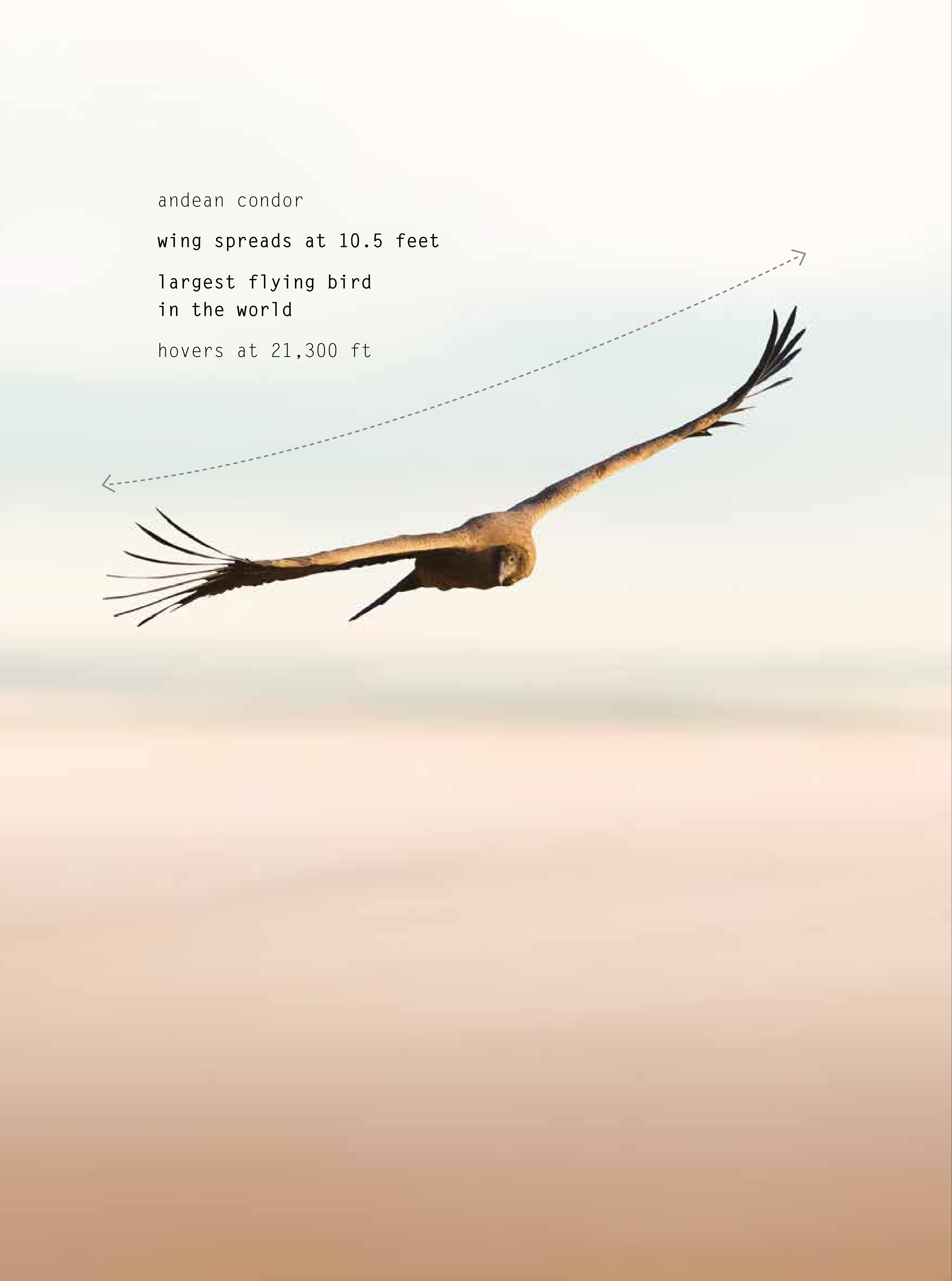
(Amount in BDT)

Particulars	Cost				Rate	Depreciation				Written Down
	Balance as on 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2019	%	Balance as on 01.01.2019	Charged during the year	Adjustment during the year	Balance as on 31.12.2019	Value as on 31.12.2019
Business software	3,700,984	-	-	3,700,984	20%	551,811	740,197	-	1,292,008	2,408,976
Office operation software	2,177,718	-	-	2,177,718	33.33%	786,398	725,906	-	1,512,304	665,414
Total as on 31 December 2019	**5,878,702**	**-**	**-**	**5,878,702**		**1,338,209**	**1,466,103**	**-**	**2,804,312**	**3,074,390**
Total as on 31 December 2018	**3,882,822**	**1,995,880**	**-**	**5,878,702**		**238,018**	**1,100,191**	**-**	**1,338,209**	**4,540,493**

C. Right-of-use assets

(Amount in BDT)

Particulars	Cost				Rate	Depreciation				Written Down
	Balance as on 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2019	%	Balance as on 01.01.2019	Charged during the year	Adjustment during the year	Balance as on 31.12.2019	Value as on 31.12.2019
Office Space	-	20,323,312	-	20,323,312		-	3,217,858	-	3,217,858	17,105,454
Total as on 31 December 2019	**-**	**20,323,312**	**-**	**20,323,312**		**-**	**3,217,858**	**-**	**3,217,858**	**17,105,454**


andean condor
wing spreads at 10.5 feet
largest flying bird in the world
hovers at 21,300 ft

IDLC'S BRANCH NETWORK

IDLC Finance Limited

CORPORATE HEAD OFFICE Bay's Galleria (1st Floor), 57 Gulshan Avenue, Dhaka 1212 Telephone: 16409 Facsimile: +880 (2) 883 4377, 883 5887 E-mail: contactcenter@idlc.com	**DILKUSHA BRANCH** D R Tower (5th Floor) 65/2/2 Bir Pratik Gazi Golam Dastagir Road, Purana Paltan, Dhaka 1000 Telephone: 16409 Facsimile: +880 (2) 956 3620 E-mail: idlcdlk@idlc.com
GULSHAN BRANCH Bay's Galleria (4th Floor), 57 Gulshan Avenue, Dhaka 1212 Telephone: 16409 Facsimile: +880 (2) 883 4148 E-mail: idlcgln@idlc.com	**UTTARA BRANCH** Paradise Tower (5th Floor), Plot No. 11, Sector No. 3 Uttara Model Town, Dhaka 1230 Telephone: 16409 Facsimile: +880 (2) 895 9190 E-mail: idlcuttara@idlc.com
DHANMONDI BRANCH House No. 39/A (3rd Floor), Road No. 14/A, Dhanmondi, Dhaka 1209 Telephone: 16409 Facsimile: +880 (2) 5812 3161 Ext - 122 E-mail: idlcdhn@idlc.com	**MIRPUR BRANCH** Plot No. 01, Green Avenue Park (3rd Floor) Road no. 3, Block-A, Sec-6, Mirpur, Dhaka 1216 Telephone: 16409 E-mail: idlcmirpur@idlc.com
ELEPHANT ROAD BRANCH Pearsons Tower (1st Floor), 299 Elephant Road, Dhaka 1205 Telephone: 16409 E-mail: idlcelephantroad@idlc.com	**IMAMGANJ BRANCH** 57/58 Mitford Road (3rd Floor), Chowk Bazar, Dhaka 1100 Telephone: 16409 E-mail: idlcimg@idlc.com
KERANIGANJ BRANCH A K Tower (1st Floor) Nagar Mahal Road, Nadidhara Ispahani East Aganagar, South Keraniganj, Dhaka 1310 Telephone: 16409 E-mail: idlckeranigonj@idlc.com	**NARAYANGANJ BRANCH** Sattar Tower (4th Floor) 50 S. M. Maleh Road, Tanbazar, Narayanganj 1400 Telephone: 16409 Facsimile: +880 (2) 764 8217 E-mail: idlcngonj@idlc.com
GAZIPUR BRANCH Rahmat Tower (2nd Floor), Holding No. 1034, Outpara Joydebpur, Gazipur 1700 Telephone: 16409 Facsimile: +880 (2) 926 3569 E-mail: idlcgaz@idlc.com	**TONGI BRANCH** Sena Kalyan Commercial Complex (1st Floor) Plot No. 9/F, Tongi, Gazipur- 1710 Telephone: 16409 E-mail: idlctongi@idlc.com
SAVAR BRANCH Savar New Market (3rd Floor) Holding No. 3, Savar Pouroshova, Savar, Dhaka 1340 Telephone: 16409 E-mail: idlcsavar@idlc.com	**NARSINGDI BRANCH** T Hussain Tower, Holding No. 382 Kalibari road, Narsingdi Bazar, Narsingdi 1600 Telephone: 16409 Facsimile: + 880 (2) 945 2078 E-mail: idlcnrsd@idlc.com
BHULTA BRANCH Hazi A Aziz Super Market (2nd Floor) Mouza: Golakandail, P.O: Bhulta, P.S.: Rupganj, District: Narayanganj 1460 Telephone: 16409 E-mail: idlcbhulta@idlc.com	**FARIDPUR BRANCH** Hafeez Building (2nd Floor), 94 Mujib Shorok, Faridpur 7800 Telephone: 16409 E-mail: idlcfaridpur@idlc.com
CHATTOGRAM BRANCH World Trade Center (5th Floor) 102-103 Agrabad Commercial Area, Chattogram 4100 Telephone: 16409 Facsimile: +880 (31) 715 895 E-mail: idlcctg@idlc.com	**CUMILLA BRANCH** Artisan Nasir Center (3rd Floor) 437 Nazrul Avenue, Kandirpar, Cumilla 3500 Telephone: 16409 Facsimile: +880 (81) 64907-8 (Ext-110), 72 881 (Ext-110) E-mail: idlccomilla@idlc.com

NANDANKANON BRANCH A. K. Mansion (1st Floor) 17 J.C. Guha Road, Nandankanon, Chittagong 4100 Telephone: 16409 Facsimile: +880 (31) 612 762	**CHOWMUHANI BRANCH** N S S Bhaban (2nd Floor), Feni Road, Chowmuhani, Noakhali 3821 Telephone: 16409 E-mail: idlcchowmuhani@idlc.com
KUSHTIA BRANCH Momtaz Tower (2nd Floor), 5/1 Jaliram Agarwala Lane, Roxy Goly, Kustia 7000 Telephone: 16409 E-mail: idlckushtia@idlc.com	**JASHORE BRANCH** Rashid Center (2nd Floor), 7/A R. N. Road, Jashore 7400 Telephone: 16409 Facsimile: +880 (421) 608 96 E-mail: idlcjessore@idlc.com
KHULNA BRANCH Syed Ali Hossain Tower (Ground Floor), 181 Khan A Sobur Road, Khulna 9100 Telephone: 16409 E-mail: idlckhulna@idlc.com	**BARISHAL BRANCH** L L Tower (2nd Floor), Holding No. 119, Sadar Road, Barishal 8200 Telephone: 16409 E-mail: idlcbarisal@idlc.com
RANGPUR BRANCH Paper Palace Tower (Ground Floor) House No. 306, Road No. 1, Central Road, Rangpur 5400 Telephone: 16409 E-mail: idlcrangpur@idlc.com	**BOGURA BRANCH** Sairul Complex (1st Floor), Sherpur Road, Sutrapur, Bogura 5800 Telephone: 16409 Facsimile: +880 (51) 698 39 E-mail: idlcbog@idlc.com
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MYMENSINGH BRANCH Swapnaneer Tower (1st Floor), 27 C K Ghosh Road, Mymensingh 2200 Telephone: 16409 E-mail: idlcmymensingh@idlc.com	**SYLHET BRANCH** Casablanca (2nd Floor), 982 Dargah Gate, Sylhet 3100 Telephone: 16409 Facsimile: +880 (821) 728 244 E-mail: idlcsyl@idlc.com
HABIGANJ BRANCH Shankar City (1st Floor), Ram Krishna Mission Road, Ghatia Bazar, Habiganj 3300 Telephone: 16409 E-mail: idlchabiganj@idlc.com	

IDLC Securities Limited

HEAD OFFICE D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dastagir Road Purana Paltan, Dhaka 1000 Telephone: 16409 Fax: +880 (2) 9574366 Email: securities@idlc.com	**GULSHAN BRANCH** Symphony (Level – 04) Plot # SE (F): 9, Road # 142 Gulshan Avenue, Dhaka-1212. Telephone: 16409 Fax: +880 (2) 9883898 Email: idlcslgulshan@idlc.com
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SYLHET BRANCH R N Tower (4th Floor), Chowhatta, Sylhet Telephone: 16409 Fax: +880 (821) 728 244 Email: idlcslsylhet@idlc.com	**UTTARA BRANCH** Monsur Complex (4th Floor), Plot # 59/A, Road # 7, Sector # 4, Uttara Model Town, Dhaka 1230. Telephone: 16409 Email: idlcsluttara@idlc.com

IDLC Investments Limited

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IDLC Asset Management Limited

HEAD OFFICE
Symphony (Level – 04)
Plot # SE (F): 9, Road # 142
Gulshan Avenue
Bir Uttam Mir Shawkat Sarak, Dhaka-1212.

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
Tax Identification number (ETIN):	549619260951
VAT registration number:	001273718-0101
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
Tax Identification number (ETIN):	**814688547577**
VAT registration number:	**002379539-0208**
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
Tax Identification number (ETIN):	**869368715769**
VAT registration number:	**001656972**
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
Commencement of operation:	**01 July 2016**
BSEC licence number	BSEC/Asset Manager/2016/25 dated 07 June 2016
Tax Identification number (ETIN):	**712782428191**
VAT registration number:	002078126-0101
Number of branches:	NIL
Address of Registered Office	Symphony (Level – 04), Plot # SE (F): 9, Road # 142, Gulshan Avenue, Bir Uttam Mir Shawkat Sarak, Dhaka-1212.
Contact Center	16409
Email address	idlcaml@idlc.com

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57 Gulshan Avenue, Gulshan-1, Dhaka-1212
Tel: +88 02 8834990, Fax : 8834377
E-mail : contactcenter@idlc.com

IDLC Finance Limited
financing happiness

35th 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 35th Annual General Meeting of the Company to be held on March 30, 2020 (Monday) and at any adjournment thereof.

Signed this day of March 2020		
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
Bay's Galleria (1st Floor)
57 Gulshan Avenue, Gulshan-1, Dhaka-1212
Tel: +88 02 8834990, Fax : 8834377
E-mail : contactcenter@idlc.com

IDLC Finance Limited
financing happiness

35th Annual General Meeting

ATTENDANCE SLIP

I hereby record my attendance at the **35th 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

Bay's Galleria (1st Floor)

57 Gulshan Avenue, Gulshan-1, Dhaka-1212

Tel: +88 (02) 8834990, **Facsimile:** +88 (02) 8834377, **Contact Center:** 16409

E-mail: contactcenter@idlc.com, **Web:** www. idlc.com