



IDLC Finance Limited

Rights Share Offer Document

RIGHTS SHARE OFFER DOCUMENT

Date: November 22, 2016

For Rights Offer of **125,683,593** Ordinary Shares of **BDT 10 each** issuing at **BDT 20 each**, including a premium of **BDT 10 per share**, amounting to **BDT 2,513,671,860** offered on the basis of **1R:2** (i.e. one rights share against two existing shares held on the record date)



IDLC Finance Limited

Bay's Galleria (1st Floor), 57, Gulshan Avenue, Dhaka 1212
Telephone: 8834990, Fax: 8834377, Website: www.idlc.com

RECORD DATE FOR ENTITLEMENT OF RIGHTS **December 15, 2016**

SUBSCRIPTION

Opens on : **January 01, 2017**

Closes on : **January 19, 2017**

(Both days inclusive & within banking hour)

MANAGER TO THE ISSUE



City Bank Capital Resources Limited

10 Dilkusha C/A, 1st Floor, Jiban Bima Tower, Dhaka 1000
Telephone: 9565911, Fax: 9585377, Website: www.cbcrcl.com

CREDIT RATING STATUS

| Particulars | Long Term | Short Term |
|--------------------|---------------------------------------|-----------------------|
| Entity Rating | AAA | ECRL-1 |
| Date of Rating | April 15, 2016 | April 15, 2016 |
| Validity of Rating | April 14, 2017 | April 14, 2017 |
| Rating By | Emerging Credit Rating Limited | |

As per provision of the Depository Act, 1999 and regulation made there under, Rights Shares shall only be issued in dematerialized condition. An applicant must apply for allotment of rights share mentioning his/her Beneficiary Owner (BO) Account number in the application form.

FULLY UNDERWRITTEN BY

AAA Finance & Investment Limited

Amin Court (4th Floor)
62-63, Motijheel C/A,
Dhaka 1000

Alpha Capital Management Limited

National Scout Bhaban
(5th Floor), 70/1 Inner
Circular Road, Kakrail,
Dhaka 1000

BetaOne Investments Limited

Level 4, Green Delta Aims
Tower, 51-52, Mohakhali
C/A, Dhaka 1212

BMSL Investment Limited

Sadharan Bima Tower
(7th Floor), 37/A Dilkusha
C/A
Dhaka 1000

CAPM Advisory Limited

Tower Hamlet (9th Floor)
16 Kemal Atatürk Avenue
Banani C/A, Dhaka 1213

Citizen Securities & Investment Limited

Al-Razi Complex, 8th
Floor
166-167 Shaheed Nazrul
Islam Sarani, Purana
Paltan, Dhaka 1000

City Bank Capital Resources Limited

Jiban Bima Tower (1st
Floor), 10 Dilkusha C/A,
Dhaka 1000

EBL Investments Limited

59, Motijheel C/A (1st
Floor), Dhaka 1000

EC Securities Limited

Kazi Tower (5th Floor)
VIP Road, 86 Naya
Paltan, Dhaka 1000

Grameen Capital Management Limited

Grameen Bank 1st
Building (2nd Floor),
Mirpur 2, Dhaka 1216

GSP Investments Limited

1, Paribagh, Mymensingh
Road, Dhaka 1000

ICB Capital Management Limited

Green City Edge (5th & 6th
Floor), 89 Kakrail, Dhaka
1000

IDLC Investments Limited

D R Tower (4th Floor),
65/2/2 Bir Protik Gazi
Golam Dostogir Road,
Purana Paltan, Dhaka
1000

IIDFC Capital Limited

Eunoos Trade Centre
(Level 7), 52-53 Dilkusha
C/A, Dhaka 1000

IL Capital Limited

Printers Building (14th
Floor), 5, Rajuk Avenue,
Dhaka 1000

LankaBangla Investments Limited

City Center, Level 24,
90/1 Motijheel C/A, Dhaka
1000

MTB Capital Limited

MTB Tower (Level 3)
111 Kazi Nazrul Islam
Avenue
Bangla Motor, Dhaka
1000

Prime Bank Investment Limited

Peoples Insurance
Bhavan (11th Floor), 36
Dilkusha C/A, Dhaka 1000

Prime Finance Capital Management Limited

PFI Tower (6th Floor)
56-57 Dilkusha C/A,
Dhaka 1000

Roots Investment Limited

Diganta Tower (1st Floor)
12/1 R.K. Mission Road
Dhaka 1203

Sigma Capital Management Limited

87, Rashed Khan Menon
Road, Level 16
Eskaton, Dhaka 1000

Southeast Bank Capital Services Limited

Eunoos Center (Level 9)
52-53 Dilkusha C/A,
Dhaka 1000

IDLC FINANCE LIMITED

Bay's Galleria (1st Floor), 57, Gulshan Avenue, Dhaka 1212

RIGHTS ISSUE OF SHARES

November 22, 2016

Dear Shareholder(s),

We are pleased to inform you that the shareholders of IDLC Finance Limited have decided to issue Rights Offer of **125,683,593** Ordinary Shares of BDT 10 each issuing at BDT 20 each, including a premium of BDT 10 per share, amounting to **2,513,671,860** offered on the basis of 1R:2 (i.e. one rights share against two existing shares held on the record date) in the 30th Annual General Meeting held on March 30, 2015.

The purpose of issuance of Rights Shares is to strengthen the capital base of the Company and subsequently maintain a healthy Capital Adequacy Ratio (CAR) as per the "Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions" under BASEL Accord. The proceeds to be received from rights issue will be invested to increase the lending portfolio of the Company as well as to maintain its smooth growth.

The Company has successfully attained an operating income amounting to BDT 4,588 million and net profit after tax amounting to BDT 1,459 million for the year ended December 31, 2015. The asset base of the company stand at BDT 73,434 million as on December 31, 2015.

A self-explanatory Rights Share Offer Document prepared in the light of the Securities and Exchange Commission (Rights Issue) Rules, 2006 is enclosed herewith for your kind information and evaluation.

On behalf of the Board of Directors

Sd/-

Arif Khan

CEO and Managing Director

ACRONYMS

| | |
|---------------------------|---|
| Allotment | Allotment for Shares |
| BAS | Bangladesh Accounting Standards |
| BSEC/Commission | Bangladesh Securities & Exchange Commission |
| BB | Bangladesh Bank |
| BO | Beneficiary Owner |
| CDBL | Central Depository Bangladesh Limited |
| Certificate | Share Certificate |
| CSE | Chittagong Stock Exchange Limited |
| DSE | Dhaka Stock Exchange Limited |
| EPS | Earnings per Share |
| IAS | International Accounting Standards |
| Issue | Rights Issue |
| Issuer | IDLC Finance Limited |
| Issue Manager | City Bank Capital Resources Limited |
| NAV | Net Assets Value |
| NPAT | Net Profit After Tax |
| Offering Price | Price of the securities of IDLC Finance Limited |
| Rights Issue Rules | Securities & Exchange Commission (Rights Issue) Rules, 2006 |
| RJSC | Registrar of Joint Stock Companies & Firms |
| Securities | Shares of IDLC Finance Limited |
| Subscription | Application money |
| Tk./BDT | Bangladeshi Taka |

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THE RIGHTS SHARE OFFER

The Company

IDLC Finance Limited, the country's largest Non-Banking Financial Institution, was formed jointly by, International Finance Corporation, German Investment Corporation, Korea Development Bank, Aga Khan Fund for Economic Development and other local and international institutions. The single product leasing business which started in 1986 with five staff members has today evolved into a multi-product business which has diversified into Corporate, SME, Retail and Capital Market segments.

IDLC's corporate ethics are grounded in good governance, statutory compliance and transparency. The Company is committed to sustainable business practices and strong financial performance. IDLC has been regularly recognized by independent bodies for the values underpinning its business and is proud to be a standard bearer for the Bangladesh Financial Sector.

Since 2011, the IDLC Group has embarked on a journey to grow its capabilities and become larger and better – launching new technology, new products, new branches, new sales teams, new sales channels, etc.

Corporate Information

| | |
|--|--------------------|
| Incorporation of the Company | May 23, 1985 |
| Commencement of the leasing business | February 22, 1986 |
| Listed on the Dhaka Stock Exchange Limited | March 20, 1993 |
| Licensed as a Non-Banking Financial Institution under the Financial Institutions Act, 1993 | February 7, 1995 |
| Listed on the Chittagong Stock Exchange Limited | November 25, 1996 |
| Licensed as a merchant banker by the Bangladesh Securities and Exchange Commission | January 22, 1998 |
| Commencement of operation of IDLC Securities Limited, a wholly-owned subsidiary of IDLC Finance Limited | September 18, 2006 |
| Company name changed to 'IDLC Finance Limited' from 'Industrial Development Leasing Company of Bangladesh Limited' | August 05, 2007 |
| Commencement of operations of IDLC Investments Limited, a wholly-owned subsidiary of IDLC Finance Limited | August 16, 2011 |
| Obtain license of IDLC Asset Management Limited | June 07, 2016 |

Highlight of the Rights Issue

The Board of Directors of IDLC Finance Limited in its 226th Board Meeting decided to raise paid up capital through rights issue of 125,683,593 Ordinary Shares of BDT 10 each issuing at BDT 20 each, including a premium of BDT 10 per share, amounting to BDT 2,513,671,860 offered on the basis of 1R:2. Subsequently it was approved in the Annual General Meeting of the company held on March 30, 2015.

Issue Price

The issue price per share has been fixed in the Annual General Meeting of the company held on **March 30, 2015** at BDT **20** each, including a premium of BDT **10** per share on the basis of 1R:2 (one rights share against two existing shares).

Purpose of the Rights Issue

The purpose of issuance of Rights Shares is to strengthen the capital base of the Company and subsequently maintain a healthy Capital Adequacy Ratio (CAR) as per the “Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions” under BASEL Accord. The proceeds to be received from Rights issue will be invested to increase the lending portfolio of the Company as well as to maintain its smooth growth.

Sd/-

Arif Khan
CEO and Managing Director
IDLC Finance Limited

Sd/-

Mohammad Jobayer Alam
Head of Treasury & Strategic Planning
IDLC Finance Limited

DUE DILIGENCE CERTIFICATES

FORM-A

[As per rule 5 and rule 8(t) of Securities and Exchange Commission (Rights Issue) Rules, 2006]

DECLARATION (DUE DILIGENCE CERTIFICATE) ABOUT RESPONSIBILITY OF THE ISSUE MANAGER IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF IDLC FINANCE LIMITED

This rights share offer document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and issuer, and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

For City Bank Capital Resources Limited

Sd/-

Ershad Hossain

Managing Director & CEO

FORM-B

[As per rule 6 and rule 8(t) of Securities and Exchange Commission (Rights Issue) Rules, 2006]

DECLARATION (DUE DILIGENCE CERTIFICATE) ABOUT RESPONSIBILITY OF THE UNDERWRITER(S) IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF IDLC FINANCE LIMITED

This rights share offer document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006, and also that we shall subscribe for the under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

For Underwriters

Sd/-
Khwaja Arif Ahmed
Managing Director & CEO
AAA Finance & Investment Limited

Sd/-
Noor Ahamed FCA
CEO & Managing Director
Alpha Capital Management Limited

Sd/-
Mohammed Atiquzzaman
Managing Director
BetaOne Investments Limited

Sd/-
Md. Riyad Matin
Managing Director
BMSL Investment Limited

Sd/-
Mufakhkharul Islam
Managing Director & CEO
CAPM Advisory Limited

Sd/-
Ershad Hossain
Managing Director & CEO
City Bank Capital Resources Limited

Sd/-
Tahid Ahmed Chowdhury, ACCA
Managing Director & CEO
Citizen Securities & Investment Limited

Sd/-
Moinul Hossain Asif
Managing Director
EBL Investments Limited

Sd/-
Tanjil Chowdhury
Managing Director & CEO
EC Securities Limited

Sd/-
Md. Anwar Hossain
Managing Director
Grameen Capital Management Limited

Sd/-
Mahmudul Alam
Chief Executive Officer (Current Charge)
GSP Investments Limited

Sd/-
Nasrin Sultana
Chief Executive Officer
ICB Capital Management Limited

Sd/-
Md. Moniruzzaman
Managing Director
IDLC Investments Limited

Sd/-
Mohammad Saleh Ahmed
Chief Executive Officer
IIDFC Capital Limited

Sd/-
Nehal Ahmed FCA
Managing Director
IL Capital Limited

Sd/-
Khandakar Kayes Hasan, CFA
Chief Executive Officer
LankaBangla Investments Limited

Sd/-
Khairul Bashar Abu Taher Mohammed
Chief Executive Officer & EVP
MTB Capital Limited

Sd/-
Sheikh Mortuza Ahmed
Chief Executive Officer
Prime Bank Investment Limited

Sd/-
M. Mosharraf Hossain PhD, FCA
Managing Director & CEO
Prime Finance Capital Management Limited

Sd/-
Md. Shah Alam
Managing Director
Roots Investment Limited

Sd/-
Mohammed Gias Uddin
Head of Finance & Company Secretary
Sigma Capital Management Limited

Sd/-
Muhammad Shahjahan
Managing Director (C.C)
Southeast Bank Capital Services Limited

FORM – C

[(Rule 8(h), 8(i) and 8(t)] of Securities and Exchange Commission (Rights Issue) Rules, 2006

AUDITOR'S REPORT TO THE SHAREHOLDERS OF IDLC FINANCE LIMITED

We have audited the accompanying financial statements of IDLC Finance Limited for the year ended 31 December 2015 in accordance with the International Standards on Auditing as applicable in Bangladesh and state that we have obtained all the information and explanations which we have required, and after due verification thereof, we report that, in our opinion:

- (a) These Financial Statements have been drawn up in accordance with International Accounting Standards as adopted in Bangladesh and the requirements of Securities and Exchange Rules 1987 as amended, the Companies Act 1994 and other relevant laws where applicable;
- (b) These Financial Statements which are in agreement with the books of account of the issuer Company give a true and fair view of the state of its affairs as at 31 December 2015 and of the result of its operations and cash flows for the year then ended;
- (c) Proper books of account have been kept by the Company as required by the relevant laws; and
- (d) The expenditure incurred was for the purposes of the issuer Company's business.

We also certify that the above Company has declared the following dividend for each of the following five years immediately preceding the issue of rights share offer document under the Securities and Exchange Commission (Rights Issue) Rules, 2006, and that the Company has duly paid off the following amounts of the declared dividend as mentioned against respective year:

| Financial Year | Date of AGM held & Dividend Declaration | Declared Dividend | |
|----------------|---|--------------------|--------------------|
| | | Rate (%) | Dividend Paid (Tk) |
| 2011 | 29.03.2012 | No Cash Dividend | - |
| | | 25% Stock Dividend | 247,500,000 |
| 2012 | 25.03.2013 | No Cash Dividend | - |
| | | 30% Stock Dividend | 371,250,000 |
| 2013 | 30.03.2014 | 5% Cash Dividend | 80,437,500 |
| | | 25% Stock Dividend | 402,187,500 |
| 2014 | 30.03.2015 | 10% Cash Dividend | 201,093,750 |
| | | 25% Stock Dividend | 502,734,375 |
| 2015 | 30.03.2016 | 25% Cash Dividend | 628,417,968 |
| | | No Stock Dividend | - |

Sd/-

ACNABIN

Chartered Accountants

Place: Dhaka

Dated: August 8, 2016

FORM-D

[As per rule 8 (t)]

DUE DILIGENCE CERTIFICATE BY THE DIRECTORS ABOUT THEIR PERSONAL RESPONSIBILITY IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF IDLC FINANCE LIMITED

This rights share offer document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document; relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006.

We confirm, after making all reasonable enquiries, that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made.

In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/-
Aziz Al Mahmood
Director
(Nominated by The City Bank Limited)

Sd/-
Faruq M. Ahmed
Director
(Nominated by The City Bank Limited)

Sd/-
Meherun Haque
Director
(Nominated by The City Bank Limited)

Sd/-
S. M. Mashrur Arefin
Director
(Nominated by The City Bank Limited)

Sd/-
Mohammad Mahbubur Rahman, FCA
Director
(Nominated by The City Bank Limited)

Sd/-
Md. Kamrul Hassan, FCA
Director
(Nominated by Transcom Group of Companies)

Sd/-
Shamim Akhter
Director
(Nominated by Sadharan Bima Corporation)

Sd/-
Mati Ul Hasan
Director
(Nominated by Mercantile Bank Limited)

Sd/-
Atiqur Rahman
Director
(Nominated by Reliance Insurance Limited)

Sd/-
Monower Uddin Ahmed
Independent Director

Sd/-
M. Ehsanul Haque
Independent Director

Sd/-
Matiul Islam Nowshad
Independent Director

Sd/-
Arif Khan
CEO & Managing Director
(Ex-Officio)

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT RISK

At IDLC, the approach to risk is grounded on the strong practices of Corporate Governance that are intended to strengthen IDLC's enterprise risk management framework and also the position of the Company to adapt to the changing regulatory environment in an effective and efficient manner. The governance of risk management starts with our Board, which plays the pivotal role of reviewing and approving risk management policies and practices. The company's governance structure provides the protocol and responsibilities for decision-making on risk management issues and ensures their adequate implementation. IDLC's risk management capabilities are interlaced around a strong management structure and information system, an effective risk rating system and robust policies. The primary objective of risk management is to protect the company's financial strength and reputation and ensure efficient capital deployment to support business activities and enhance shareholder value. In addition to embracing the best practices of the industry for assessing, identifying and measuring risk, IDLC considers guidelines for Managing Core Risks of Financial Institutions issued by the Bangladesh Bank vide FID circular number 10 dated September 18, 2005. Strong inter-departmental communication link on risk factors and a culture of collaboration in decision-making among the revenue-producing units, independent control and support functions, committees and the senior management, help the organization to manage the risk effectively. Effective risk management coupled with the adoption of BASEL-II recommendations benefit IDLC by augmenting capitalization and optimizing costs to risk and funding.

Risk Types

At IDLC, 'risk' is the potential of creating loss for the company as well as for its stakeholders. Such loss is not necessarily quantifiable. A wrong doing does not necessarily make an instant effect on organizational reputation and financial picture. Sometimes an error affects the financials of more than the year of occurrence. Thus, risks are diverse in term of its effect. Risks are also diversified in terms of their source. A loss may occur due to poor selection of borrower. A loss might be caused by the absence of strong collection force. Thus, IDLC runs the risk of creating diversified losses for itself or for its stakeholders during its day-to-day operations. Therefore, the dimension of risks that need to be managed at IDLC is very broad and diverse. The risks are in congruence with Bangladesh Bank guidelines. These include

- Credit Risk
- Market Risk
- Liquidity and Funding Risk
- Operational Risk
- Strategic Risk
- Money Laundering and Terrorist Financing Risk
- Compliance Risk
- Reputation Risk
- Environmental Risk and Social Risk

Credit Risk

Credit risk is the potential loss arising from the failure of a client, its counter-party or related parties to meet their contractual obligations. Such loss can have impact on the financial profitability of the organization as well as the community and stakeholders of IDLC. At IDLC, credit risk may arise on account of the following:

- Default Risk
- Credit Concentration Risk
- Recovery Risk
- Counter Party Risk
- Related Party Risk
- Environmental Risk

Market Risk

Market risk is the risk of loss arising from changes in market variables such as interest rates, security prices, equity index levels, exchange rates, commodity prices and general credit spreads. For ease of management and in keeping with regulatory requirements, market risk in IDLC is further categorized into interest rate risk and equity risk.

Liquidity and Funding Risk

Liquidity risk is the risk of being unable to meet our payment obligations on maturity, due to liquidity crisis. Risk of loss caused by the failure to borrow funds from the market at an acceptable price to fund actual or proposed commitments is recognized as funding risk.

Operational Risk

Operational risk comprises of risk of loss inherent in day to day operation of the organization and caused by inadequate or inappropriate internal processes, inadequate or inappropriate systems, absence of right people at right place, mistakes of people whether such mistakes are deliberate, accidental or natural and by any other external reasons. The following presents operational risk of IDLC in a simple manner:

- People Risk
The risk of loss intentionally or unintentionally caused by an employee, for example an error or a misdeed, or involving employees such as disputes.
- Process Risk
The risk related to the execution and maintenance of transactions and the various aspects of running a business.
- System Risk
The risk of loss caused by piracy, theft, failure, breakdown or disruption in technology, data or information.
- External Risk
The risk of loss on account of damage to physical property or assets from natural or unnatural causes. This category includes the risk presented by actions of external parties such as the perpetration of fraud or in the case of the regulators, the execution of change that would alter the Company's ability to continue operating in certain markets.

Strategic Risk

Strategic risk is the risk of loss arising from inappropriate strategic decision. Strategic risks include:

- **Business Volume Risk**
At IDLC, such a risk may arise from declining business volumes and market share, from competitive pressures and loss of leadership position and from over-trading, which may affect profitability due to revenue volatility and reduced earning spreads, credit rating and reputation. Risk of over-trading may lead to insufficient capital.
- **Project Risk**
If projects undertaken by the Company are not viable and feasible because of an adverse market environment, the Company may run the risk of being encumbered by such projects.
- **Technology Risk**
Technology risk is associated with the failure in identifying opportunity for implementing new technology as well as failure in implementing new technology. If business units cannot identify scope to implement new technology which might differentiate our products and services, they might lose out market position to other service providers. On the other hand, technology which is not actually compatible with the organization's function is implemented, it not only brings forth operational challenges but also runs the risk of monetary wastage.

Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk is an inevitable risk of doing business as a financial institution. For IDLC, money laundering and terrorist financing risk takes two broad dimensions:

Business risk - the risk that IDLC may be used for money laundering or terrorism financing

Regulatory risk - the risk that IDLC fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).

IDLC has been managing money laundering and terrorist financing risk since its inception. In this regard, the company follows the requirements laid down by the various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU).

The IDLC compliance program for combating money laundering and terrorism financing consists of the following components:

- Development, implementation and execution of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing;
- Creation of structure and sub-structure within the organization, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- Independent audit function including internal and external audit function to test the programs; and
- Ongoing employee training programs.

Robust KYC policies and procedures are in place, including policies for customer identification, acceptance, risk assessment and enhanced due diligence. The CCU and its members ensure that money laundering and terror financing issues (such as suspicious transactions) are raised and escalated to the appropriate level of management in a timely manner while periodic internal audits provide an independent check as to whether relevant policies and procedures are being complied with on a regular basis. Last, but not least, regular AML/CFT trainings aim at ensuring that employees are, and remain, aware of anti-money laundering and terrorist financing regulations.

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organization may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines articulate 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 and 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. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk will be reviewed and appropriate changes, to ensure conformity with the guidelines, implemented.

Reputation Risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. Reputation risk may manifest itself in a variety of ways:

- Loss of revenue;
- Increased operating expense;
- Capital or regulatory costs;
- Erosion/destruction of shareholder value

The guidelines lay out the respective roles of the board and the senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

While the Board of IDLC retains ultimate responsibility for managing reputation risk, senior management remains responsible for implementing an appropriate reputation risk management process. Elements of the company's reputational risk management process include:

- An organizational culture that continuously stresses on the importance of compliance with laws, regulations and internal policies.
- Establishment of a set of non-financial reputational risk indicators and implementation of a process for monitoring these and any other matters that might give rise to potential reputational risk issues.

- Maintenance of a healthy, non-antagonistic relationship with various media organizations.
- Restrictions on general release of information to the public, press without approval from senior management

Environmental and Social Risk

IDLC is also focusing on 'mother planet and its sustainability', shifting from the traditional financing approach. In this regard, the company is making its credit appraisal process to be much more stringent from an Environment and Social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan.

Being the only listed member of UNEP FI, IDLC has been following the Environmental Risk Management guideline 2011 provided 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 organization 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 process; and
- Make those customers, especially those who are not complying 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 green banking policy, which is in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guideline, is considered as another milestone towards sustainability.

Risk management strategies

Risk Management Framework

1. Integrating risk management principles with the company's core values
2. Maintaining those values via actions
3. Performing risk analysis
4. Implementation of various strategies to minimize risks
5. Building of screening systems to encourage early warnings related to prospective risks
6. Periodic analysis of the management programme

Integrated risk management approach

At IDLC, risk data is integrated into the strategic decision-making framework of the Company and the risk tolerance degrees of various departments and divisions are taken into account in decision making process. Another part of our Integrated Risk Management is managing diversified risks by different teams in an integrated manner. At IDLC, Treasury department manages market risk and liquidity risk whereas

Credit Risk Management is responsible for managing credit risk. Operational risk management is the responsibility of our Internal Control & Compliance team. These teams co-ordinate with the Senior Management team, Corporate Affairs department and Finance department to manage legal, compliance and strategic risk.

Risk management and control principles

The five pillars that support IDLC's approach to achieving an appropriate balance between risk and return include the following:

1. Protecting IDLC's financial strength by controlling risk exposures and circumventing potential risk concentration at the level of individual exposures, at specific portfolio levels and at an aggregate firm-wide level across all risk types.
2. Protecting our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward and by ensuring thorough compliance with our standards and principles, particularly our Code of Conduct.
3. 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 of all exposures to ensure the right balance between risk and return.
4. Independent control functions which monitor the effectiveness of the business's risk management capabilities and also oversee risk- taking activities.
5. Comprehensive and transparent risk disclosure to senior management, the Board of Directors, shareholders, regulators, rating agencies and other stakeholders

Periodic analysis of policies and guidelines

At IDLC, policies are periodically modified. IDLC's credit policy is generally reviewed within two years of each approval. IDLC's credit policy has been last reviewed in 2015, just one year after the preceding review. Product Programme Guidelines (PPG) for different products are analyzed every year to incorporate changes in market variables and the learnings from collection history. Such periodic modification of policies helps IDLC cope with the current market situation and changes in the industry. A monthly meeting is held between the Credit Risk Management (CRM), Special Assets Management (SAM) and the collection team, highlighting learnings from special clients. This helps IDLC formulate better policies to improve its assets, works as an effective screening system and provides early warnings to IDLC about a client/ industry.

Different policies customized for different market segments

IDLC's credit management processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsive decision-making and customer service. The process for each division is tailored to the risk profile and service requirements of its customers and product portfolio. A Board-approved credit policy is adequately documented among business divisions and is strictly adhered to pre-sanction. Key parameters associated with credit structuring and approval are periodically reviewed to ensure continued relevance.

Credit Risk Management

Credit risk management process

1. Approving transactions and setting and communicating credit
2. Use of credit risk including collateral
3. Monitoring compliance with established credit exposure limits
4. Assessing the likelihood that a counter-party will default on its payment obligations
5. Measuring the firm's current and potential credit exposure and losses resulting out of counter-party default
6. Reporting of credit exposures to the senior management, the Board and regulators.
7. Communication and collaboration with other independent control and support functions such as operations, legal and compliance

Segregation of credit appraisal from loan origination

The credit appraisal and measurement process leads to approval or rejection of a credit proposal. At IDLC, credit appraisal process is segregated from loan origination. This ensures the independence and integrity of the credit decision-making process. An independent Credit Risk Management (CRM) department scrutinizes projects from a risk-weighted perspective and assists the management in creating a high-quality credit portfolio that maximizes returns from risk assets. Moreover, The Credit Evaluation Committee (CEC) regularly meets to review market and credit risks related to lending and recommends and implements appropriate measures to counter associated risks.

Multiple level of credit authorities

At IDLC, credit approval authorities vary on the basis of the size of the proposed credit exposure, expected cash flows, borrower credit worthiness and the security offered. Multiple levels of credit approval authorities range from the CEO and Managing Director to the Board. The credit limit, which is proposed in the credit application, serves as a basis to determine the appropriate credit risk approval level. All assigned credit authorities are reviewed in credit policy.

Client specific credit risk measurement

• Clients' payment history review

At IDLC, payment behavior of individual client is scrutinized prior to loan approval. CIB reports are collected from the Credit Information Bureau (CIB) of the Bangladesh Bank. CIB report contains existing loan status of a client. The reports are scrutinized by the CRM to assimilate the liability condition and repayment behavior of the client. Depending upon the report, opinions are taken from the client's banks. Suppliers' and buyers' opinion are also taken to understand the market position and the repayment behavior of the proposed customer.

• Internal Rating System

IDLC has internal Risk Grading Model (RGM) to facilitate informed decision-making. This helps to promote corporate safety and soundness. RGM model measures credit risks and categorizes individual and group credit on the basis of the risk. IDLC possesses different internal rating tools to assess the credit risk on Corporate, SME and Retail Banking clients. Both quantitative and qualitative factors are analyzed to assess the credit risk. The specific factors analyzed depend on the type of the counter-party. Credit officers use peer analysis, industry comparisons, external ratings, research and the judgment of credit specialists. At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counter-party are used in assigning a credit rating. IDLC uses a rating scale ranging from 1-8 whereby the 1-3 risk rates are

tagged as satisfactory and above satisfactory and the 4-5 risk rates are tagged as average risks. Any client whose rating is less than 6 may not be considered for the loan. This process allows the management to monitor changes and trends in risk levels and manage risks to optimize returns.

Credit Risk measurement in general

- **Ongoing active monitoring and management of credit risk positions**

CRM's research team regularly reviews market conditions and our exposure to various industrial sub sectors. Thus, we aim to proactively identify Counter-parties that highlight the likelihood of problems well in advance in order to effectively manage credit exposure and maximize recovery. Also, collection team and relationship manager provide negative feedback of business condition and payment status of a particular client via early warning report. Ongoing active monitoring and management of credit risk positions is an integral part of our credit risk management activities.

- **Stress Testing**

IDLC embraces stress- testing guidelines issued by the Bangladesh Bank since 2010. These guidelines were revised for NBFIs in June 2012, with subsequent amendment thereon, after a thorough analysis of situational requirements and future perspectives. Stress-testing quantifies exposures to plausible, yet extreme and unusual market movements and enables us to identify, understand and manage our potential vulnerabilities and risk concentrations. IDLC deploys regular stress-tests to calculate credit exposures, including potential concentrations that would result from applying shocks to credit risk factors (interest rates and equity prices for instance). These shocks include a wide range of moderate and extreme market movements. Stress tests are regularly conducted jointly with the firm's market and liquidity risk functions and are reported quarterly to the Bangladesh Bank. The suggested recommendations from the test are in implementation and are modified and monitored regularly and thoroughly.

Credit risk mitigation

IDLC employs various credit risk mitigation techniques to organize credit exposure and reduce losses. These techniques are used consistently and reviewed periodically to meet operational management risk associated with their legal, practical and timely enforcement. A key focus of IDLC's credit risk management approach is to avoid undue concentrations in the credit portfolio whether in terms of counter-party, groups, sectors or products. The Company's portfolio management supports a comprehensive assessment of concentrations within its credit risk portfolio for provision of subsequent risk-mitigating actions and diversification across geographical boundaries, sectors, borrower groups and products. The analysis is also used to determine strategies for both portfolio and individual counterparties within the portfolio based on their risk/ reward profile and potential. The use and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used include:

| Risk Mitigation Technique | |
|-------------------------------------|--|
| Credit Limit (individual and group) | IDLC possesses a set of Board approved prudential limits to address counterparty concentration risks. These allow higher exposure to better-rated customers and lower exposure to lower-rated customers. |
| Sustainable cash flow | <p>IDLC's credit review gives focus on the asset to be financed and the expected cash flow in order to minimize the probability of losses from late and delinquent payments.</p> <p>Borrower credit-worthiness is determined on the basis of their reliability and ability to make timely payments. Measures of reliability include credit payment history, references from current and past suppliers and qualitative character of the management/ owners. Projected cash flows are also used to demonstrate the ability of the applicant to generate enough revenue and cash flow to make payments within the prescribed terms and conditions.</p> |
| Collateral | <p>Collateral is security in the form of an asset or third-party obligation that serves to mitigate inherent risks of credit loss due to exposure by either substituting the borrower default risk or improving recoveries in the event of a default.</p> <p>The principle types of collateral includes cash and cash equivalent instruments, properties (residential, commercial and industrial), capital funds, plant and equipment. Realizable value of the collateral is computed on a conservative view of current market prices, suitably discounted for price volatility and the lack of a ready market for assets. All realization costs are taken into account as well. Collaterals taken by IDLC are well-documented to ensure that credit risk mitigation is legally effective and enforceable.</p> |
| Risk Transfer | IDLC holds guarantees, letters of credit (LC) and similar instruments from third parties, which enable it to claim the settlement in the event of default on the part of the counter-party. Guarantor counter-parties include banks, parent companies, shareholders and associated counter-parties. |

Operational Risk Management

Managing operational risks requires timely and accurate information as well as a strong control culture. At IDLC, we seek to manage our operational risks through:

- Training, supervision and development of our human resource;
- Active participation of the senior management in identifying and mitigating key operational risks;
- Independent control and support functions that monitor operational risks on a daily basis; we have instituted extensive policies and procedures and implemented controls designed to prevent the occurrence of events leading to operational risks;
- Proactive communication between our revenue-producing units and our independent control and support functions;
- Building a network of systems throughout the firm to facilitate the collection of data used in analyzing and assessing our operational risk exposure;
- Appropriate internal control measures are put in place to address operational risks.

Starting from Q4 of 2015, IDLC has started to implement an operational risk management framework. Under the framework, Unit Operational Risk Managers (UORM) have been appointed for the various departments and divisions. Separate forums at mid-management and senior management level have been created for discussion and resolution of Operational Risk issues. Under the new framework, the Internal Control and Compliance (ICC) department will act as a separate line of defense against operational risks. In line with regulatory requirements, ICC is responsible for the following:

- Assess compliance with applicable laws and regulations, codes and guidelines, internal procedures and policies.
- Timely audits are conducted where compliance with laws/ regulations/ guidelines is critical and appropriate recommendations for enhancement in processes and controls are enunciated.
- Track transactions and report any suspicious transactions to the local designated authority. It also imparts training on anti-money laundering in order to enable staff to mitigate compliance risks as recommended by local regulators.
- Act as a contact point within IDLC and deliver timely advice in relation to compliance queries emanating within the Company.
- A complaint cell has been formed, in line with the DFIM circular 13/2011 to ensure prompt settlement of complaints.

At IDLC, proper credit administration includes efficient and effective operations related to monitoring, documentation, contractual requirements, legal covenants and collaterals, among others; accurate and timely report to the management and compliance with management policies and procedures and applicable rules and regulations. All businesses of IDLC are audited to assess control adequacy and

effectiveness from a process perspective. The Company gathers information of different risks from reports and plans that are published within the institution (like audit reports, regulatory reports, management reports, business plans and operations plans, among others). A careful review of these documents reveals gaps that can present potential risks. The data from the reports are then categorized into internal and external factors and converted into the likelihood of potential loss to the institution. Work performed by the internal audit is taken into consideration by statutory auditors for the purpose of forming an opinion on the Company's financial statements. As part of their statutory duties, external auditors also conduct yearly independent process reviews and report directly to the Audit Committee.

THE COMPANY

Highlights of the Company

The company operates the following business segments

- SME
- Corporate
- Consumer
- Capital Market

SME Division

IDLC's SME division is a priority business segment for the Company. Sound business strategies, focused customer acquisition efforts, high-quality service and a superior risk adjusted appetite enabled SME portfolio CAGR of 40% over the last five years, clearly one of the fastest growth rates in the industry. Significant investments in human resources and infrastructure – the two most critical building blocks – have resulted in the creation of a robust structure that will facilitate sustainable growth, going forward.

In one of the most pioneering initiatives in the sector, the SME division launched a pilot under the automated credit appraisal system, a mechanism that will not only reinforce the quality of our services but also save paper and contribute to environmental preservation. The system will be synced with a data warehousing system and front end customer relationship management which will facilitate lead management, prospect management and help in information-driven business decisions.

At the SME division, our vision is to be the best SME financier in the country. We will continue to innovate and launch newer products and services to serve the SME market, which is both underserved and unserved in many areas. We believe that technology is at the forefront of our priorities and by the end of 2016 we hope to integrate online appraisal system into smartphones to be used by all our relationship managers for faster and more accurate decision-making. We will continue to focus on extending the ambit of non-financial services and invest significantly in the capacity development of our talent pool.

Consumer Division

IDLC's Consumer division is one of the key drivers of sustainability. The division enjoys a proven track record in Bangladesh's consumer finance industry and enjoys a high recall for its superior service standards, high levels of transparency, dedicated sales force and robust customer experience. The division has not only been a frontline player in the national consumer market but has also contributed to the corporate bottom-line significantly over the last few years. The division's two-pronged functions include funds mobilization for the company as per requirements and grow the asset business sustainably.

The Consumer division offers term deposit products to cater to the needs of various individuals as well as institutions. It also offers consumer loans to its targeted customer segments. As a result of continuous and focused efforts, the division possesses a significant market-share in home loans and car loans businesses. The division has been able to consistently grow its home and car loan portfolios due to its sound business strategy, faster loan processing time and other unique selling propositions.

Corporate Division

IDLC's corporate division has made significant inroads into the confederation of local corporate conglomerates, large corporate houses and multinationals. This was made possible by our integrated relationship management approach, strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also widened its geographical coverage, deepening its niche market comprising established corporate houses and upcoming enterprises. In parallel, the division also diversified its product basket to cater to specific customer funding requirements comprising, but not limited to:

- Establishment of greenfield projects
- Capacity augmentation programmes
- Commercial space acquisition
- Meeting seasonal demand through working capital

Our wide array of products includes simple lease finance, term loans, working capital finance (with suitable tenor), asset finance, project finance, green finance under Bangladesh Bank schemes and participation in syndication arrangements, among others.

The robust infrastructure and resources that we have created helped our operations remain relatively insulated from economic headwinds and even domestic unrest (most visible during the beginning of 2015). Resultantly, our division posted positive growth during the year under review. In the backdrop of our focus on sustainable growth is embedded our integrated relationship approach, deep understanding of business dynamics and customer risk profile and the growth aspirations of our clients.

Capital Market Operation

IDLC Finance Limited's capital market operations have so far been covered by its two wholly-owned subsidiaries, IDLC Securities Limited (IDLC SL) and IDLC Investments Limited (IDLC IL). Going forward, the Capital Market Operations will further be strengthened by the newly formed IDLC Asset Management Limited. Though the Group's capital market businesses were significantly impacted in the melt down of 2010 and the challenges that were brought forth by several global events, the operations have come out stronger since then with the full absorption of the impairment losses suffered on account of certain open exposures in the margin lending portfolio. Today, all the businesses have created robust platforms in terms of technology, processes, practices and human resources and are rightly positioned to capture the upturn as and when the political climate becomes harmonious and stable.

IDLC Securities Limited

IDLC SL, one of the top brokerages of Bangladesh, commenced operations in 2006. The Company provides brokerage services to more than 13,900 retail, institutional and foreign investors through sophisticated and reliable trading platforms of both the Dhaka and Chittagong stock exchanges. It also serves around 2,500 customers of its enlisted merchant banks as a panel broker. It possesses a proven track record of delivering quality-led customer services in strict compliance with prevailing rules and regulations. It maintains high standards for both corporate and employee ethics.

The Company also offers premium brokerage services to High Net Worth (HNWs), Institutional and foreign investors. Premium brokerage services is a prime bundle of research and advisory support in addition to execution brokerage.

Moreover, the Company has the most reliable online trading system under its in-house developed Order Management Unit (OMU), which was launched in 2010 with the principal objective is to facilitate those investors who prefer online trading, thereby democratizing market access.

IDLC Investments Limited

IDLC Finance commenced its merchant banking operations in 1999 through participating in underwriting of IPOs. The Company managed its first IPO as issue manager in 2003. It also managed the first IPO under the book-building method in the capital market history of Bangladesh. Aligning with regulatory requirements, the merchant banking operation was carved out and transferred to IDLC Investments Limited, a fully-owned subsidiary of IDLC Finance, which was established in 2011. The products suite of the IDLC Investments Limited are Investment banking (IPO, RPO, rights issue, corporate advisory on pre-IPO capital raising, underwriting, pre-IPO placement of forthcoming IPOs and mergers and acquisitions), research, discretionary portfolio management (DPM) and margin loans.

IDLC Asset Management Limited

IDLC Asset Management Limited (AML) was incorporated in Bangladesh on 19 November 2015 vide registration no. C-127068/2015 as a private company limited by shares under the Companies Act, 1994. The registered office of the Company is situated at D.R. Tower (4th Floor), 65/2/2, Bir Protik Gazi Dostogir Road, Paltan, Dhaka. It is a subsidiary Company of IDLC Finance Ltd that holds 99.99% ownership of the Company. The principal objective of the company is to carry out the business of asset management, primarily, through launching and managing mutual funds to cater to the diverse needs of investors. Besides, institutional fund management, IDLC AML also aims at creating avenues for alternative investments through private equity and venture capital.

Services rendered by IDLC Finance Limited and its Subsidiaries

Small and Medium Enterprises

| Small Enterprise Finance | Medium Enterprise Finance | Supplier and Distributor |
|---|--|--|
| <ul style="list-style-type: none"> ▪ Small Enterprise Loan/ Lease ▪ Seasonal Loan ▪ IDLC Purnota- Women Entrepreneur Loan ▪ SME Shachal Loan ▪ SME Surakkha ▪ Revolving Short Term Loan ▪ SME Deposit ▪ Commercial Vehicle Loan ▪ IDLC Udbhabon ▪ Commercial Space Loan | <ul style="list-style-type: none"> ▪ Medium Enterprise Loan/ Lease ▪ Commercial Vehicle Finance ▪ Machinery Lease ▪ Healthcare Finance ▪ Revolving Short Term Loan ▪ SME Deposit ▪ Commercial Space Loan ▪ Commercial Vehicle Loan | <ul style="list-style-type: none"> ▪ Factoring of Accounts Receivable ▪ Bill/ Invoice Discounting ▪ Work Order Financing ▪ Distributor Financing |

Consumer Finance

Loan

- Home Loan
- Car Loan
- Personal Loan
- Loan Against Deposit

Deposit

- Flexible Term Deposit Package
- Regular Earner Package

Corporate

Structured Finance Solution

- Structured Finance Solution/Arrangement of Funds
- Loan/Lease Syndication
- Syndication fund raising for bonds (Zero Coupon and Coupon Bearing)
- Commercial Paper
- Preference Shares
- Projects/Infrastructure Finance
- Foreign Currency Loans
- Structured Solutions
- Private Placement of Equity Refinancing of Special Funds
- Securitization of Assets
- Working Capital Syndication

Corporate Finance

- Lease financing
- Term Loan Financing
- Commercial Space Financing
- Project Financing
- Short-term loan to meet working capital
- Specialized Products to meet seasonal demand
- Green Financing

Treasury

- Overnight Borrowing/ Placement
- Term Deposits
- Bonds
- Debentures
- Commercial Papers
- Preference Shares
- Equity Investments
- Treasury Bills/ Bonds

Capital Markets

IDLC Securities Limited

- Cash Account
- Margin Account through IDLC IL and other enlisted merchant banks
- Easy IPO
- Custodial and CDBL services

IDLC Investments Limited

- Margin Loan
- Discretionary Portfolio Management
- Corporate Advisory
- Issue Management

- Bloomberg terminal for foreign clientele
- Research and advisory services
- Premium Brokerage for High Net worth Individual (HNIs) and institutional and foreign investors
- Trade execution through Dhaka and Chittagong Stock Exchanges
- Underwriting
- Research

Details of Directors, Managing Director and Company Secretary

| Name | Designation | Present Address |
|----------------------------------|--|--|
| Mr. Aziz Al Mahmood | Director (Nominated by The City Bank Limited) | The City Bank Limited, Head Office City Bank Center 136, Gulshan Avenue, Gulshan 2, Dhaka 1212 |
| Ms. Meherun Haque | Director (Nominated by The City Bank Limited) | The City Bank Limited, Head Office City Bank Center 136, Gulshan Avenue, Gulshan 2, Dhaka 1212 |
| Mr. Faruq M. Ahmed | Director (Nominated by The City Bank Limited) | The City Bank Limited City Bank Center, 136 Gulshan Avenue, Gulshan 2, Dhaka 1212 |
| Mr. S. M. Mashrur Arefin | Director (Nominated by The City Bank Limited) | The City Bank Limited, Head Office City Bank Center 136, Gulshan Avenue, Gulshan 2, Dhaka 1212 |
| Mr. Mohammad Mahbubur Rahman FCA | Director (Nominated by The City Bank Limited) | The City Bank Limited, Head Office City Bank Center 136, Gulshan Avenue, Gulshan 2, Dhaka 1212 |
| Mrs. Shamim Akhter | Director (Nominated by Sadharan Bima Corporation) | Sadharan Bima Corporation 33, Dilkusha C/A, Dhaka 1000 |
| Mr. Md. Kamrul Hassan FCA | Director (Nominated by Transcom Group of Companies) | Transcom Limited Gulshan Tower, Plot no. 31, Road no. 53, Gulshan North C/A, Dhaka 1212 |
| Mr. Mati Ul Hasan | Director (Nominated by Mercantile Bank Limited) | Mercantile Bank Limited 61 Dilkusha C/A, Dhaka 1000 |
| Mr. Atiqur Rahman | Director (Nominated by Reliance Insurance Limited) | Reliance Insurance Limited Shanta Western Tower, Level no. 05, 186 Tejgaon I/A, Dhaka 1208 |
| Mr. Monower Uddin Ahmed | Independent Director | Monowar Associates Bilquis Tower 6 Gulshan North C/A, Dhaka 1212 |
| Mr. M. Ehsanul Haque | Independent Director | Priyo Prangon, House No. 4, Road No. 10, Baridhara, Dhaka 1212 |
| Mr. Matiul Islam Nowshad | Independent Director | Robi Axiata Limited 53 Gulshan South C/A, Dhaka 1212 |

| Name | Designation | Present Address |
|--|--|--|
| Mr. Arif Khan CFA, FCMA | CEO & Managing Director | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 |
| Mr. Mohammad Jobair Rahman Khan ACA | Head of Statutory Reporting & Taxation and Group Company Secretary | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 |

Management Committee

As per DFIM Circular Letter No. 18, dated October 26, 2011 of Bangladesh Bank on the policy regarding the responsibility and accountability of the Board of Directors, Chairman and Chief Executive Officer/ Managing Director of the Financial Institutions, the Board of Directors of IDLC formed two sub Committees of the Board, namely

- **Executive Committee (EC)**
- **Audit Committee (AC)**

All other Committees of IDLC are formed under the jurisdiction of the management.

Executive Committee (EC)

The matter related to ordinary business operations of the Company and the matters that the Board of Directors authorizes from time to time are vested on this Committee.

Audit Committee (AC)

The Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Company and to review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements, among others.

Management Committee (MC)

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. An important feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer.

Management Committee 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.

The Management Committee is tasked with making key decisions for the Company's management and operations under the official delegation of authority from the Board. The Committee comprises senior executives who are from various key functions and operations of the Company.

The composition of Management Committee is as follows-

| Name | Designation | Present Address | Educational Qualification | Occupation |
|------------------------------------|-------------------------------------|--|---|-------------------|
| Mr. Arif Khan, CFA FCMA | CEO & Managing Director | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Chartered Financial Analyst (CFA); MBA, IBA, University of Dhaka | Service |
| Mr. H. M. Ziaul Hoque Khan, FCA | Deputy Managing Director | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Chartered Accountant, ICAB M.Com (Accounting) University of Dhaka | Service |
| Mr. M. Jamal Uddin | Deputy Managing Director | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | MBA, International University of Pakistan | Service |
| Mr. Mir Tariquzzaman | Chief Technology Officer | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | MBA, IBA, University of Dhaka | Service |
| Mr. Asif Saad Bin Shams | Head of Credit and Collection | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | MBA , M. Com University of Dhaka | Service |
| Mr. Ahmed Rashid | Head of SME Division | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Masters in Bank Management, Bangladesh Institute of Bank Management | Service |
| Mr. Syed Javed Noor | Head of Consumer | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | MBA, IBA, University of Dhaka | Service |
| Mr. Mesbah Uddin Ahmed | Head of Corporate | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Masters of Commerce in Finance & Banking, University of Dhaka | Service |
| Mr. Md. Saifuddin | Managing Director, IDLC SL | IDLC Securities Limited D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka 1000 | MBA, IBA, University of Dhaka | Service |
| Mr. Md. Moniruzzaman, CFA | Managing Director, IDLC IL | IDLC Investments Limited D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka 1000 | Chartered Financial Analyst (CFA); MBA, North South University, Dhaka | Service |

| Name | Designation | Present Address | Educational Qualification | Occupation |
|--------------------------------|---------------------------------------|--|--|------------|
| Mr. Rajib Kumar Dey | Managing Director, IDLC AML | IDLC Asset Management Limited South Avenue Tower (5th Floor) House 50, Road 3, 7 Gulshan Avenue, Dhaka 1212. | MBA, IBA, University of Dhaka | Service |
| Mr. M. Ataur Rahman Chowdhury | Head of Operations | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | MBA (AIS) MSS (Economics), University of Dhaka | Service |
| Mr. Masud Karim Majumder, ACA | Chief Financial Officer | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Chartered Accountant, ICAB; M.Com (Finance), University of Dhaka | Service |
| Mr. Mohammad Jobayer Alam, CFA | Head of Treasury & Strategic Planning | IDLC Finance Limited Bay's Galleria (1 st Floor), 57, Gulshan Avenue, Gulshan 1, Dhaka 1212 | Chartered Financial Analyst (CFA); MBA, East West University | Service |

Apart from management committee, IDLC Finance Limited has the following committees to perform specific needs.

Credit Evaluation Committee (CEC)

CEC evaluates all projects/ proposals of financing activities of the Company from the risk point of view.

Asset Liability Management Committee (ALCO)

The main responsibilities of the ALCO are to look after the financial market activities, manage liquidity and interest rate risk and understand market position and competition among other activities. In carrying out its responsibilities, the ALCO convene periodical meetings and regularly reviews the decisions of the meetings with due consideration of the market situation.

Internal Control Committee (ICC)

The Internal Control Committee addresses operational risks and frames and implements policies to encounter such risks. The Committee assesses operational risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks.

HR and Compensation Committee

IDLC's HR and Compensation Committee was formed on May 24, 2007 to provide a forum for discussion on the Company's various HR related issues. The main 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 overall human resource strategy of the Group.

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 principal purpose of the Committee is to assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.

Corporate Governance Committee

The Committee ensures the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank. The Committee also recommends and advises course of action in the areas where there is a scope of improvement.

BASEL Implementation Committee

The BASEL Implementation Committee is responsible for the implementation of BASEL Accord for Financial Institution (BAFI) at IDLC. Managing risk based capital adequacy is the most important responsibility of the Committee. The BASEL Implementation Desk (BID) of the Risk Management Department manages BASEL activities. The results of risk based capital analysis along with recommendations are placed in the Committee meeting by the BID where important decisions are made to maintain minimum/ regulatory capital and manage related risks.

Integrity Committee

Integrity Committee of IDLC was formed on October 22, 2013 in accordance with Bangladesh Bank's letter no. HR-1(O&D) Focal-1/2013-2 dated October 10, 2013 to abide by the code of integrity and good governance in line with National Integrity Strategy of Bangladesh.

Central Compliance Unit (CCU)

Central Compliance Unit (CCU) is a committee responsible for supervising the Anti-Money Laundering (AML) and Anti-Terrorism activities (ATA) at IDLC Finance Limited, formed on November 1, 2012. The CCU was constituted as per the "Guidance Notes on Prevention of Money Laundering and Terrorist Financing" issued by Bangladesh Financial Intelligence Unit, Bangladesh Bank, BFIU Circular no.04 dated September 16, 2012.

Risk Management Forum (RMF)

The Risk Management Forum was formed on April 15, 2013 in accordance with the Bangladesh Bank's DFIM Circular no. 01 dated April 07, 2013 to introduce proactive risk management procedures in line with the international best practices framework.

Risk Analysis Unit (RAU)

Concurrent with the formation of the RMF, the IDLC Risk Analysis Unit was formed to act as the secretariat of the Risk Management Forum with the responsibility for identifying and analyzing various types of risks appropriately and in a timely manner. The Head of Internal Control and Compliance acts as the Head of RAU.

IDLC Ladies Forum (IDLCFLF)

IDLC has launched its first Ladies Forum through a formal ceremony with the participation of all the female employees from different levels of positions, working areas and distribution points to address their views, problems and opinions to facilitate a better working environment for them.

Corporate Directory

| | |
|-----------------------------|--|
| Auditors | ACNABIN, Chartered Accountants BDBL Bhaban (Level 13 & 14) 12 Kawran Bazar C/A, Dhaka 1215 |
| Tax Consultants | Howladar Yunus & Co., Chartered Accountants House 14 (4th Floor), Road 16A Gulshan 1, Dhaka 1212 Farooq & Associates Darus Salam Arcade (3rd Floor) 14 Purana Paltan, Dhaka 1000 |
| Legal Advisor | A. Rahman & Associates Suite No. 801 Paltan Tower (8 th floor) 87 Purana Paltan Line (Culvert Rd), Dhaka- 1000 Farooq & Associates Darus Salam Arcade (3rd Floor) 14 Purana Paltan Dhaka 1000 Law & Remedy Suite # 5/7, City Heart (4 th floor) 67 Naya Paltan, V.I.P. Road, Dhaka 1000 |
| Rating Agency | Emerging Credit Rating Limited Shams Rangs (Level - A1, A2 & A5), House 104, Park Road Baridhara, Dhaka-1212 |
| Manager to the Issue | City Bank Capital Resources Limited Jiban Bima Tower, 10 Dilkusha C/A, Dhaka 1000 |
| Bankers to the Issue | Investment Corporation of Bangladesh 8, Rajuk Avenue, BDBL Bhaban, (Level 14 -17), Dhaka 1000 BRAC Bank Limited 1 Gulshan Avenue, Gulshan 1, Dhaka 1212 Mercantile Bank Limited 61, Dilkusha Commercial Area, Dhaka 1000 Mutual Trust Bank Limited MTB Centre, 26 Gulshan Avenue, Gulshan 1, Dhaka 1212 National Bank Limited 18, Dilkusha Commercial Area, Dhaka 1000 The City Bank Limited City Bank Center, 136, Gulshan Avenue, Gulshan 2, Dhaka 1212 |

AGM related information of the Company

| SI No. | No. of AGM | Date of holding of AGM | Declaration approved | | Financial Year |
|--------|------------|------------------------|----------------------|----------|----------------|
| | | | Stock (%) | Cash (%) | |
| 1 | 31 | 30-Mar-16 | - | 25 | 2015 |
| 2 | 30 | 30-Mar-15 | 25 | 10 | 2014 |
| 3 | 29 | 30-Mar-14 | 25 | 5 | 2013 |
| 4 | 28 | 25-Mar-13 | 30 | - | 2012 |
| 5 | 27 | 28-Mar-12 | 25 | - | 2011 |
| 6 | 26 | 31-Mar-11 | 65 | 35 | 2010 |
| 7 | 25 | 19-Apr-10 | 100 | 10 | 2009 |
| 8 | 24 | 30-Mar-09 | 20 | 15 | 2008 |
| 9 | 23 | 30-Mar-08 | 25 | 15 | 2007 |
| 10 | 22 | 16-Apr-07 | 33.33 | 5 | 2006 |
| 11 | 21 | 26-Apr-06 | - | 37.5 | 2005 |
| 12 | 20 | 17-May-05 | - | 35 | 2004 |
| 13 | 19 | 26-May-04 | - | 30 | 2003 |
| 14 | 18 | 27-May-03 | - | 30 | 2002 |
| 15 | 17 | 14-May-02 | - | 30 | 2001 |
| 16 | 16 | 22-May-01 | - | 30 | 2000 |
| 17 | 15 | 21-May-00 | - | 27.5 | 1999 |
| 18 | 14 | 10-Jun-99 | - | 25 | 1998 |
| 19 | 13 | 2-Jun-98 | - | 30 | 1997 |
| 20 | 12 | 13-Apr-97 | 100 | 35 | 1996 |
| 21 | 11 | 12-May-96 | - | 35 | 1995 |
| 22 | 10 | 26-Apr-95 | - | 30 | 1994 |
| 23 | 9 | 18-May-94 | - | 25 | 1993 |
| 24 | 8 | 29-Mar-93 | - | 30 | 1992 |
| 25 | 7 | 29-Mar-92 | - | 15 | 1991 |
| 26 | 6 | 24-Mar-91 | 100 | 15 | 1990 |
| 27 | 5 | 21-Mar-90 | - | 15 | 1989 |
| 28 | 4 | 29-Mar-89 | - | - | 1988 |
| 29 | 3 | 12-Apr-88 | - | - | 1987 |
| 30 | 2 | 29-Mar-87 | - | - | 1986 |
| 31 | 1 | 2-Apr-86 | - | - | 1985 |

Length of time during which the issuer has carried on business

IDLC Finance Limited was incorporated on May 23, 1985 vide registration no. C-14218/1984-85 under the Companies Act, 1913 as a private limited company in the name of Industrial Development Leasing Company of Bangladesh Limited. It commenced commercial operation on February 22, 1986. Later on, the company changed its name to IDLC Finance Limited from Industrial Development Leasing Company of Bangladesh Limited on August 05, 2007.

Implementation Schedule

Total rights issue proceeds will be utilized as follows:

| Use of rights share proceeds | Amount | Tentative time |
|---|-----------------------------|--|
| Investment in SME lending portfolio | BDT 1,500.00 million | Within 6 (six) months after receiving right issue fund |
| Investment in Consumer lending portfolio | BDT 600.00 million | Within 6 (six) months after receiving right issue fund |
| Investment in Corporate lending portfolio | BDT 413.67 million | Within 6 (six) months after receiving right issue fund |
| Total | BDT 2,513.67 million | |

Sd/-
Arif Khan
CEO and Managing Director
IDLC Finance Limited

Sd/-
Mohammad Jobayer Alam
Head of Treasury & Strategic Planning
IDLC Finance Limited

Shareholding Position

| Sl. No. | Name of Shareholders | No. of Shares* | As a % of Total |
|---------|---|--------------------|-----------------|
| 1 | Sponsors/Directors: | | |
| | <u>The City Bank Limited and its wholly owned subsidiaries</u> | 60,854,056 | 24.21 |
| | -The City Bank Limited | 25,137,225 | 10.00 |
| | -City Bank Capital Resources Limited | 24,885,352 | 9.90 |
| | -City Brokerage Limited | 10,831,479 | 4.31 |
| | <u>Transcom Group</u> | 33,515,443 | 13.33 |
| | -Eskayef Bangladesh Limited | 20,109,375 | 8.00 |
| | -Transcraft Limited | 10,088,022 | 4.01 |
| | -Bangladesh Lamps Limited | 3,318,046 | 1.32 |
| | Sadharan Bima Corporation | 19,151,663 | 7.62 |
| | Mercantile Bank Limited | 18,852,538 | 7.50 |
| | Reliance Insurance Co. Limited | 17,595,702 | 7.00 |
| | Sub-Total | 149,969,402 | 59.66 |
| 2 | General | | |
| | Institutions: | | |
| | Bangladesh Fund | 8,040,750 | 3.20 |
| | Investment Corporation of Bangladesh (ICB) | 6,624,054 | 2.64 |
| | ICB Managed Funds | 3,198,866 | 1.27 |
| | Eastern Bank Ltd. and its subsidiaries | 7,256,186 | 2.89 |
| | LR Global | 5,114,786 | 2.03 |
| | Marina Apparels Limited | 2,513,671 | 1.00 |
| | Other Institutions | 20,228,308 | 8.05 |
| | Sub total | 52,976,621 | 21.08 |
| | Individuals : | | |
| | General Public(Individuals) | 39,051,646 | 15.54 |

| Sl. No. | Name of Shareholders | No. of Shares* | As a % of Total |
|---------|----------------------------|--------------------|-----------------|
| | Sub total | 39,051,646 | 15.54 |
| | Foreign: | | |
| | Institutions & Individuals | 9,369,518 | 3.73 |
| | Sub total | 9,369,518 | 3.73 |
| | Total Holdings | 251,367,187 | 100.00 |

*As on July 31, 2016

All the directors except independent directors of IDLC Finance Limited are representative directors. Independent directors do not hold any shares of the company and appointed as per BSEC's Corporate Governance guideline.

Quantity of Shares held by each Director and Persons who hold 5% or more of paid-up share capital

| Name | Number of shares held* | % of shareholding |
|-------------------------------------|------------------------|-------------------|
| The City Bank Limited | 25,137,225 | 10.00% |
| City Bank Capital Resources Limited | 24,885,352 | 9.90% |
| Eskayef Bangladesh Limited | 20,109,375 | 8.00% |
| Sadharan Bima Corporation | 19,151,663 | 7.62% |
| Mercantile Bank Limited | 18,852,538 | 7.50% |
| Reliance Insurance Co. Limited | 17,595,702 | 7.00% |

*As on July 31, 2016

All the directors except independent directors of IDLC Finance Limited are representative directors. None of the representative directors hold any shares individually except Mr. Mohammad Mahbubur Rahman FCA who holds 100 shares in his individual capacities. Independent directors do not hold any shares of the company and appointed as per BSEC's Corporate Governance guideline.

Directors' subscription in the Rights Offer

The Directors' and institutions/companies whose representatives constitute the Board of Directors of IDLC Finance Limited are expected to take up in the rights offered to those institutions/companies

| Name of Directors' and Institutions whose representatives are Directors of IDLC Finance Limited | No. of Shares Held | No. of Shares to be Offered | No. of shares to be renounced |
|---|--------------------|-----------------------------|-------------------------------|
| The City Bank Limited | 25,137,225 | 12,568,612 | - |
| Eskayef Bangladesh Limited | 20,109,375 | 10,054,687 | - |
| Transcraft Limited | 10,088,022 | 5,044,011 | - |
| Bangladesh Lamps Limited | 3,318,046 | 1,659,023 | - |
| Sadharan Bima Corporation | 19,151,663 | 9,575,831 | - |
| Mercantile Bank Limited | 18,852,538 | 9,426,269 | - |
| Reliance Insurance Company Limited | 17,595,702 | 8,797,851 | - |
| Mr. Mohammad Mahbubur Rahman FCA* (Nominated by The City Bank Limited as Director) | 100 | 50 | - |

*The Nominated Director holds the shares in his individual capacities.

Public Listed Company under Common Management

There is no public listed company under common management of IDLC Finance Limited.

Utilization of Funds from IPO and Previous Rights Offer

Industrial Development Leasing Company of Bangladesh Limited (the company changed its name to IDLC Finance Limited on August 05, 2007) raised fund through Initial Public Offering in 1993 by issuing 75,000 ordinary shares of BDT 100 each at an issue price of BDT 150 each (including premium of BDT 50 per share) totaling to BDT 11,250,000. The objective of fund utilization of IPO was not clearly specified in the prospectus. However raised fund through IPO was utilized for extending loan and normal course of business such as lease financing for all types of machineries and equipment including vehicles for industrial and commercial purposes. The company did not issue any rights shares since listing with stock exchanges.

Sd/-
Arif Khan
CEO and Managing Director
IDLC Finance Limited

Sd/-
Masud Karim Majumder
CFO
IDLC Finance Limited

TERMS & CONDITIONS OF THE RIGHTS ISSUE

Basis of the Offer

The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the record date at BDT 20 per share including a premium of BDT 10 per share in the ratio of 1R:2 i.e., one rights share for two existing shares held on the record date.

Entitlement

As a shareholder of the company on the record date on December 15, 2016, the shareholders are entitled to this Rights Share Offer. Only the holder(s) of a minimum of two fully paid ordinary shares is entitled to receive the Rights Share Offer.

Acceptance of the Offer

A shareholder may accept and apply for the shares hereby offered, wholly or in part by filling in Application "Form-A" and submitting the same along with the application money to the Bankers to the Issue on or before the closing date of subscription i.e. January 19, 2017.

Renunciation

A shareholder may renounce all or part of the shares he/she is entitled to in favor of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her rights/entitlement of shares by signing Renunciation "Form-B". Renouncee(s) shall fill in "Form-C" appropriately.

General

All applications should be made on the printed form provided by the Company in this Rights Share Offer Documents only and should be completed in all respects. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communications in connection with the application for the Rights Share should be addressed to the Bank quoting the registered folio number/BO ID number in the form.

Condition of Subscription

Rights Offer of 125,683,593 ordinary shares of BDT 20 each including a premium of BDT 10 each totaling BDT 2,513,671,860 offered on the basis of 1R:2 i.e. one rights share against two existing shares held by existing Shareholder(s) whose name(s) appeared in the company's Share Register at the record date as on December 15, 2016.

Payment of Share Price

Payments for the full value of Shares applied for shall be made with designated branches of Bankers to the issue by Cash/Pay Order/Demand Draft payable to "IDLC Finance Limited" and crossed. The Pay Order/Demand Draft for payment of share price must be drawn on a bank in the same town to which the application form has been submitted.

Date of Opening and Closing of subscription of the Rights Offer

Opens on : January 01, 2017

Closes on : January 19, 2017

(Both days inclusive & within banking hour)

Any change or extension regarding subscription period will be notified through national dailies.

Lock-In on Rights Share

As per Rule 14 of the Securities and Exchange Commission (Rights Issue) Rules, 2006, the rights share of Directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights share by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period shall be operative.

| Name | Position | Proportion of Rights Share* | Lock-in |
|---|--|-----------------------------|---|
| The City Bank Limited | Nominated Representative in the Board of Directors | 12,568,612 | 3 (three) years from the closing date of subscription |
| Eskayef Bangladesh Limited | Nominated Representative in the Board of Directors | 10,054,687 | |
| Transcraft Limited | Nominated Representative in the Board of Directors | 5,044,011 | |
| Bangladesh Lamps Limited | Nominated Representative in the Board of Directors | 1,659,023 | |
| Sadharan Bima Corporation | Nominated Representative in the Board of Directors | 9,575,831 | |
| Mercantile Bank Limited | Nominated Representative in the Board of Directors | 9,426,269 | |
| Reliance Insurance Company Limited | Nominated Representative in the Board of Directors | 8,797,851 | |
| Mr. Mohammad Mahbubur Rahman FCA (Nominated by The City Bank Limited as Director) | Representative Director | 50 | |
| City Bank Capital Resources Limited | Shareholder | 12,442,676 | |

*The proportion of rights share is calculated based on the shareholding position as on July 31, 2016.

All the directors except independent directors of IDLC Finance Limited are representative directors. None of the representative directors hold any shares individually except Mr. Mohammad Mahbubur Rahman FCA who holds 100 shares in his individual capacities. Independent directors do not hold any shares of the company and appointed as per BSEC's Corporate Governance guideline.

Others

The application not properly filled in shall be treated as cancelled and deposited money will be refunded. For any reason, no profit/compensation will be paid on the refunded amount.

The offer will be deemed to have been declined if completed Application "Form-A" with necessary payments have not been received by January 19, 2017 or by such later date as may be notified through national dailies to that effect.

JUSTIFICATION OF OFFER PRICE

The issue price at BDT 20 each including a premium of BDT 10 each is justified as per guidelines set by the BSEC is as below:

Net Assets Value per Share

The Rights Offer of the ordinary shares of BDT 20 has been determined by assessing the Net Assets Value. The Net Assets Value (NAV) per share based on audited accounts as on December 31, 2015 stands at BDT 30.97. The detailed calculations are as follows:

| Particulars | As at December 31, 2015 (Figures in BDT) |
|---|---|
| Paid-up capital | 2,513,671,870 |
| Share premium | 3,750,000 |
| Statutory reserves | 1,482,722,671 |
| General reserves | 1,000,000,000 |
| Dividend equalization reserves | 46,500,000 |
| Retained Earnings | 2,739,315,501 |
| Total equity attributable to equity holders of the company | 7,785,960,042 |
| Outstanding no. of ordinary shares as on December 31, 2015 | 251,367,187 |
| Net Asset Value per share as on December 31, 2015 | 30.97 |

Earning Based Value per Share

Earnings per share of IDLC Finance Limited stands at BDT 5.81 and net profit after tax is BDT 1,459 million as per audited accounts for the year ended December 31, 2015. In calculating the historical earnings based value, previous five years net profit after tax, no. of shares outstanding and EPS as per audited accounts of respective years are as follows:

| Year | Net Profit after Tax | No. of shares Outstanding | Weight of Number of Shares | Weighted Average of Net Profit after Tax |
|--|----------------------|---------------------------|----------------------------|--|
| 2011 | 500,282,954 | 99,000,000 | 11.84% | 59,237,945 |
| 2012 | 712,821,226 | 123,750,000 | 14.80% | 105,505,454 |
| 2013 | 669,466,122 | 160,875,000 | 19.24% | 128,814,943 |
| 2014 | 1,245,508,897 | 201,093,750 | 24.05% | 299,567,357 |
| 2015 | 1,459,224,581 | 251,367,187 | 30.06% | 438,712,292 |
| Total | | 836,085,937 | 100.00% | 1,031,837,992 |
| Current no. of shares | | | | 251,367,187 |
| Weighted Average EPS | | | | 4.10 |
| P/E Multiple (Lower of six month average P/E of Market and Financial Institution)* | | | | 13.95 |
| Earnings-based-value per share (EPS x P/E multiple) | | | | 57.26 |

* Calculation of relevant P/E multiple: (Source: DSE Monthly Market Review)

| Month | Market | Financial Institution |
|----------------|--------------|-----------------------|
| Jan-16 | 15.22 | 15.00 |
| Feb-16 | 15.17 | 14.75 |
| Mar-16 | 14.26 | 14.24 |
| Apr-16 | 13.86 | 13.08 |
| May-16 | 14.33 | 12.68 |
| Jun-16 | 14.61 | 13.95 |
| Average | 14.58 | 13.95 |

Average Market Price

Market price of the share of IDLC Finance Limited at the last trading day of preceding six months (January, 2016 to June, 2016) has been presented in the following table. The price of the shares remained much higher during the period under review than the issue price of BDT 20 per share (including premium of BDT 10 per share).

| Month | Market Price in BDT |
|----------------|---------------------|
| January, 2016 | 61.90 |
| February, 2016 | 56.10 |
| March, 2016 | 52.80 |
| April, 2016 | 55.20 |
| May, 2016 | 54.80 |
| June, 2016 | 58.70 |
| Average | 56.58 |

The average price of preceding six months (January, 2016 to June, 2016) stands at **BDT 56.58**. Price data is collected from day end statistics of the Dhaka Stock Exchange Limited.

Justification of Offering Price under different methods

| Name of the Method | Amount in BDT |
|--|---------------|
| Net Assets Value per Share | 30.97 |
| Earning Based Value per Share | 57.26 |
| Average Market Price (January, 2016 to June, 2016) | 56.58 |

UNDERWRITERS AND BANKERS TO THE ISSUE

Underwriters to the Issue

As per Rule 3(d) & 6(1) of Securities and Exchange Commission (Rights Issue) Rules, 2006, the issuer of a listed security making rights offer shall appoint one or more underwriters licensed under Securities and Exchange Commission (Merchant Banker & Portfolio Manager) Regulation, 1996 to fully underwrite the rights issue on a firm commitment basis. Underwriting commission will be at 0.10% on the underwritten amount and there will be no additional commission for take up of unsubscribed portion of shares, if any. Following is the details of the underwriters of the rights issue of IDLC Finance Limited

| Name of the Underwriter | Address | Number of Shares Underwritten | Underwritten Amount |
|---|--|-------------------------------|---------------------|
| AAA Finance & Investment Limited | Amin Court (4th Floor) 62-63, Motijheel C/A, Dhaka 1000 | 2,500,000 | 50,000,000 |
| Alpha Capital Management Limited | National Scout Bhaban (5th Floor), 70/1 Inner Circular Road Kakrail, Dhaka 1000 | 1,500,000 | 30,000,000 |
| BetaOne Investments Limited | Level 4, Green Delta Aims Tower 51-52, Mohakhali C/A Dhaka 1212 | 1,500,000 | 30,000,000 |
| BMSL Investment Limited | Sadharan Bima Tower (7th Floor) 37/A Dilkusha C/A Dhaka 1000 | 2,500,000 | 50,000,000 |
| CAPM Advisory Limited | Tower Hamlet (9th Floor) 16 Kemal Atatürk Avenue Banani C/A, Dhaka 1213 | 2,500,000 | 50,000,000 |
| Citizen Securities & Investment Limited | Al-Razi Complex, 8th Floor 166-167 Shaheed Nazrul Islam Sarani, Purana Paltan, Dhaka 1000 | 1,500,000 | 30,000,000 |
| City Bank Capital Resources Limited | Jiban Bima Tower (1st Floor) 10 Dilkusha C/A, Dhaka 1000 | 7,500,000 | 150,000,000 |
| EBL Investments Limited | 59, Motijheel C/A (1st Floor) Dhaka 1000 | 2,500,000 | 50,000,000 |
| EC Securities Limited | Kazi Tower (5th Floor) VIP Road, 86 Naya Paltan, Dhaka 1000 | 1,500,000 | 30,000,000 |
| Grameen Capital Management Limited | Grameen Bank 1st Building (2nd Floor), Mirpur 2, Dhaka 1216 | 1,500,000 | 30,000,000 |
| GSP Investments Limited | 1, Paribagh, Mymensingh Road Dhaka 1000 | 2,500,000 | 50,000,000 |
| ICB Capital Management Limited | Green City Edge (5 th & 6 th Floor), 89 Kakrail, Dhaka 1000 | 7,500,000 | 150,000,000 |
| IDLC Investments Limited | D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka 1000 | 68,183,593 | 1,363,671,860 |

| Name of the Underwriter | Address | Number of Shares Underwritten | Underwritten Amount |
|--|---|-------------------------------|----------------------|
| IIDFC Capital Limited | Eunoos Trade Centre (Level 7) 52-53 Dilkusha C/A, Dhaka 1000 | 3,500,000 | 70,000,000 |
| IL Capital Limited | Printers Building (14th Floor) 5, Rajuk Avenue, Dhaka 1000 | 2,500,000 | 50,000,000 |
| LankaBangla Investments Limited | City Center, Level 24, 90/1 Motijheel C/A, Dhaka 1000 | 3,500,000 | 70,000,000 |
| MTB Capital Limited | MTB Tower (Level 3) 111 Kazi Nazrul Islam Avenue Bangla Motor, Dhaka 1000 | 2,500,000 | 50,000,000 |
| Prime Bank Investment Limited | Peoples Insurance Bhavan (11th Floor), 36 Dilkusha C/A, Dhaka 1000 | 2,500,000 | 50,000,000 |
| Prime Finance Capital Management Limited | PFI Tower (6th Floor) 56-57 Dilkusha C/A, Dhaka 1000 | 3,500,000 | 70,000,000 |
| Roots Investment Limited | Diganta Tower (1st Floor) 12/1 R.K. Mission Road Dhaka 1203 | 1,500,000 | 30,000,000 |
| Sigma Capital Management Limited | 87, Rashed Khan Menon Road, Level 16, Eskaton, Dhaka 1000 | 1,500,000 | 30,000,000 |
| Southeast Bank Capital Services Limited | Eunoos Center (Level 9) 52-53 Dilkusha C/A, Dhaka 1000 | 1,500,000 | 30,000,000 |
| Total | | 125,683,593 | 2,513,671,860 |

Underwriters' Obligation

If and to the extent that the shares offered to the existing shareholders by the Rights Share Offer Document authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within 10 (ten) days of the closure of subscription call upon the underwriters (for full unsubscribed amount) in writing with a copy of the said writing to the Bangladesh Securities and Exchange Commission, to subscribe for shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, for such unsubscribed shares within 15 (fifteen) days after being called upon to do so. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his commitment, until such time as the Cheque/Bank Draft has been encashed and the bank's account has been credited. In any case, within 7 (seven) days after the expiry of the aforesaid 15 (fifteen) days, the Bank shall send proof of subscription and payment by the underwriters to the Commission.

Bankers to the Issue

Investment Corporation of Bangladesh, BRAC Bank Limited, Mercantile Bank Limited, Mutual Trust Bank Limited, National Bank Limited and The City Bank Limited are the Bankers to the Issue for the rights offer. The following is the detailed branch list-

Investment Corporation of Bangladesh

| SI no. | Branch Name | SI no. | Branch Name |
|--------|-------------------------------|--------|---------------------------|
| 1 | Barisal Branch, Barisal | 5 | Khulna Branch |
| 2 | Bogra Branch, Barisal | 6 | Local Office, Dhaka |
| 3 | Chittagong Branch, Chittagong | 7 | Rajshahi Branch, Rajshahi |
| 4 | Head Office, NSC Tower, Dhaka | 8 | Sylhet Branch, Sylhet |

BRAC Bank Limited

| SI no. | Branch Name | SI no. | Branch Name |
|--------|-------------------------------|--------|---------------------------------|
| 1 | Agrabad Branch, Chittagong | 12 | Khulna Branch, Khulna |
| 2 | Asad Gate Branch, Dhaka | 13 | Manda Branch, Dhaka |
| 3 | Barisal Branch, Barisal | 14 | Mirpur Branch, Dhaka |
| 4 | Bashundhara Branch, Dhaka | 15 | Momin Road Branch, Chittagong |
| 5 | Bogra Branch, Bogra | 16 | Narayangonj Branch, Narayangonj |
| 6 | CDA Avenue Branch, Chittagong | 17 | Nawabpur Branch, Dhaka |
| 7 | Donia Branch, Dhaka | 18 | Rajshahi Branch, Rajshahi |
| 8 | Eskaton Branch, Dhaka | 19 | Rampura Branch, Dhaka |
| 9 | Halisohor Branch, Chittagong | 20 | Shyamoli Branch, Dhaka |
| 10 | Jessore Branch, Jessore | 21 | Uttara Branch, Dhaka |
| 11 | Kazirdeuri Branch, Chittagong | 22 | Zindabazar Branch, Sylhet |

Mercantile Bank Limited

| SI no. | Branch Name | SI no. | Branch Name |
|--------|-----------------------------|--------|---------------------------------|
| 1 | Agrabad Branch, Chittagong | 14 | Mirpur Branch, Dhaka |
| 2 | Banani Branch, Dhaka | 15 | Mohakhali Branch, Dhaka |
| 3 | Bijoy nagor Branch, Dhaka | 16 | Motijheel Branch, Dhaka |
| 4 | Bogra Branch, Bogra | 17 | Narayangonj Branch, Narayangonj |
| 5 | Comilla Branch, Comilla | 18 | Nayabazar Branch, Dhaka |
| 6 | Dhanmondi Branch, Dhaka | 19 | Progati Sarani Branch, Dhaka |
| 7 | Dinajpur Branch, Dinajpur | 20 | Rajshahi Branch, Rajshahi |
| 8 | Elephant Road Branch, Dhaka | 21 | Rangpur Branch, Rangpur |
| 9 | Feni Branch, Feni | 22 | Ring Road Branch, Dhaka |
| 10 | Gulshan Branch, Dhaka | 23 | Satmasjid Road Branch, Dhaka |
| 11 | Jessore Branch, Jessore | 24 | Sylhet Branch, Sylhet |
| 12 | Kawran Bazar Branch, Dhaka | 25 | Uttara Branch, Dhaka |
| 13 | Khulna Branch, Khulna | | |

Mutual Trust Bank Limited

| SI no. | Branch Name | SI no. | Branch Name |
|---------------|---------------------------------|---------------|------------------------------------|
| 1 | Agrabad Branch, Chittagong | 19 | Khatungonj Branch, Chittagong |
| 2 | Alankar Mour Branch, Chittagong | 20 | Kushtia Branch, Kushtia |
| 3 | Babu Bazar Branch, Dhaka | 21 | Mohammadpur Branch, Dhaka |
| 4 | Banani Branch, Dhaka | 22 | Moulvi Bazar Branch, Sylhet |
| 5 | Baridhara Branch, Dhaka | 23 | MTB Corporate Center Branch, Dhaka |
| 6 | Bogra Branch, Bogra | 24 | Narayangonj Branch, Narayangonj |
| 7 | C D A Avenue Branch, Chittagong | 25 | Pabna Branch, Pabna |
| 8 | Dania Branch, Dhaka | 26 | Pallabi Branch, Dhaka |
| 9 | Dhanmondi Branch, Dhaka | 27 | Panthapath Branch, Dhaka |
| 10 | Dholaikhal Branch, Dhaka | 28 | Principal Branch, Dhaka |
| 11 | Dilkusha Branch, Dhaka | 29 | Progati Sarani Branch, Dhaka |
| 12 | Elephant Road Branch, Dhaka | 30 | Rajshahi Branch, Rajshahi |
| 13 | Feni Branch, Feni | 31 | Rangpur Branch, Rangpur |
| 14 | Fulbaria Branch, Dhaka | 32 | Savar Branch, Dhaka |
| 15 | Gulshan Branch, Dhaka | 33 | Sonargaon Branch, Narayangonj |
| 16 | Habigonj Branch, Habigonj | 34 | Sylhet Branch, Sylhet |
| 17 | Jessore Branch, Jessore | 35 | Tongi Branch, Dhaka |
| 18 | Jubilee Road Branch, Chittagong | 36 | Uttara Model Town Branch, Dhaka |

National Bank Limited

| SI no. | Branch Name | SI no. | Branch Name |
|---------------|--------------------------------|---------------|---------------------------------|
| 1 | Agrabad Branch, Chittagong | 15 | Malibagh Branch, Dhaka |
| 2 | Banani Branch, Dhaka | 16 | Mirpur Branch, Dhaka |
| 3 | Barisal Branch, Barisal | 17 | Mohakhali Branch, Dhaka |
| 4 | Chawk Bazar Branch, Chittagong | 18 | Mohammadpur Branch, Dhaka |
| 5 | Dhanmondi Branch, Dhaka | 19 | Motijheel Branch, Dhaka |
| 6 | Elephant Road Branch, Dhaka | 20 | Mymensing Branch, Mymensing |
| 7 | Foreign Exchange Branch, Dhaka | 21 | Narayangonj Branch, Narayangonj |
| 8 | Gazipur Branch, Gazipur | 22 | North Brook Hall Branch, Dhaka |
| 9 | Gulshan Branch, Dhaka | 23 | Rajshahi Branch, Rajshahi |
| 10 | Islampur Branch, Dhaka | 24 | Rokeya Sarani Branch, Dhaka |
| 11 | Jatrabari Branch, Dhaka | 25 | Savar Bazar Branch, Savar |
| 12 | Kawran Bazar Branch, Dhaka | 26 | Sylhet Branch, Sylhet |
| 13 | Khatungong Branch, Chittagong | 27 | Uttara Branch, Dhaka |
| 14 | Khulna Branch, Khulna | 28 | Z. H. Sikder M.C. Branch, Dhaka |

The City Bank Limited

| SI no. | Branch Name | SI no. | Branch Name |
|---------------|---------------------------------|---------------|--------------------------------|
| 1 | Agrabad Branch, Chittagong | 14 | Narsingdi Branch, Narsingdi |
| 2 | Andarkilla Branch, Chittagong | 15 | Nawabgonj Branch, Dhaka |
| 3 | Bandar Bazar Branch, Sylhet | 16 | Nawabpur Branch, Dhaka |
| 4 | Bangabandhu Road Branch, N'ganj | 17 | New Market Branch, Dhaka |
| 5 | Bogra Branch, Bogra | 18 | Pahartoli Branch, Chittagong |
| 6 | Cox's Bazar Branch, Chittagong | 19 | Pragati Sarani Branch, Dhaka |
| 7 | Imamgonj Branch, Dhaka | 20 | Principal Office Branch, Dhaka |
| 8 | Islampur Road Branch, Dhaka | 21 | Rajshahi Branch, Rajshahi |
| 9 | Jessore Branch, Jessore | 22 | Rangpur Branch, Rangpur |
| 10 | Johnson Road Branch, Dhaka | 23 | Shaymoli Branch, Dhaka |
| 11 | Khatungonj Branch, Chittagong | 24 | Sirajgonj Branch, Sirajgonj |
| 12 | Khulna Branch, Khulna | 25 | Tongi Branch, Gazipur |
| 13 | Moulvi Bazar Branch, Sylhet | 26 | Zinda Bazar Branch, Sylhet |

MATERIAL CONTRACTS

Manager to the Issue

City Bank Capital Resources Limited has been appointed as Manager to the Issue of the Rights Issue of the Company. Accordingly, an agreement was made between the Issue Manager and the company. The company will pay an issue management fee of total BDT 700,000 to the Issue Manager.

Underwriters

There are 22 underwriters who have underwritten the full amount of Rights Offer of BDT 2,513,671,860 as shown under the “Underwriters and Bankers to the Issue” part of the offer document. The underwriter will be paid underwriting commission at 0.10% of the value of shares underwritten by them out of the total Rights Issue. Simultaneously, with the calling upon an underwriter to subscribe or procure subscriber and pay for any number of shares, the company will pay no additional commission to that underwriter on the nominal value of shares required to be subscribed by them.

Bankers to the Issue

Investment Corporation of Bangladesh, BRAC Bank Limited, Mercantile Bank Limited, Mutual Trust Bank Limited, National Bank Limited and The City Bank Limited are the Bankers to the Issue who will collect the subscription money of the Rights Share Offer. Commission at 0.10% of the amount collected will be paid to aforesaid banks for the services rendered by them as Banker to the Issue. The Rights Issue subscription money collected from the shareholders by the Bankers to the issue will be remitted to The City Bank Limited, Account No. 2952020205001 opened exclusively for the purpose of collecting fund from shareholders against subscription for rights share.

Material Contract with the Vendors

There is no contract with the vendors entered by the company.

Material Contract Regarding Acquisition of Property

During the year ended December 31, 2014, the company acquired one material property. Board of Directors of IDLC Finance Limited, at its 213th meeting held on May 12, 2014, has decided to purchase a commercial floor space measuring more or less 7,871.40 sft. at the 5th floor along with eight car parking spaces at World Trade Centre, 102-103 Agrabad C/A, Chittagong at a cost of Tk. 146,485,200 for the use of the Company. There is no material acquisition of property by the company after the balance sheet date, i.e. December 31, 2015.

IDLC Finance Limited

Financial Statements

as at and for the year ended December 31, 2015

Independent Auditor's Report To the Shareholders of IDLC Finance Limited

We have audited the accompanying 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 the separate balance sheet as at 31 December 2015, profit and loss account, statement of changes in equity, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the consolidated financial statements of the Group and also the separate financial statements of the Company that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable laws and regulations 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements of the Group and the separate financial statements of the Company based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements of the Group and the separate financial statements of the Company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and the separate financial statements of the Company. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and separate financial statements of the Company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements of the Group and separate financial statements of the Company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and also the separate financial statements of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2015, and of the

consolidated and the separate financial performance and cash flows of the Group and the Company for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

We also report that:

- i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;
- 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 of the Group and the separate balance sheet and profit and loss statement of the Company together with annexed notes from 1 to 43 dealt with by the report are in agreement with the books of account;
- iv. the expenditure incurred was for the purpose of the Group and the Company's business;
- v. the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;
- vi. the record submitted by the parent company and the subsidiary companies have been audited and consolidated properly in the financial statements;
- vii. the records and accounts of the branches have been properly maintained and consolidated in the financial statements;
- viii. adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- ix. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- x. taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;
- 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 issued by Bangladesh Bank and other regulatory authorities have been complied properly;
- xiii. the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible 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. the consolidated financial statements of the Group and the separate financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- xvi. we have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,500 person hours for the audit of books and accounts of the Group and the Company;
- xvii. all other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report;

Dhaka,
18 February 2016

SD/-
ACNABIN
Chartered Accountants

IDLC Finance Limited and Its Subsidiaries
Consolidated Balance Sheet as at December 31, 2015

| | <u>Note</u> | <u>31.12.2015</u> <u>Taka</u> | <u>31.12.2014</u> <u>Taka</u> |
|---|-------------|----------------------------------|----------------------------------|
| PROPERTY AND ASSETS | | | |
| Cash | 3 | | |
| In hand (including foreign currencies) | 3.1 | 366,000 | 316,000 |
| Balance with Bangladesh Bank and its agent (including foreign currencies) | 3.2 | 891,503,744 | 728,597,992 |
| | | 891,869,744 | 728,913,992 |
| Balance with other banks and financial institutions | 4 | | |
| Inside Bangladesh | 4(a) | 12,543,322,538 | 7,256,039,490 |
| Outside Bangladesh | 4(b) | - | - |
| | | 12,543,322,538 | 7,256,039,490 |
| Money at call and short notice | 5 | - | - |
| Investments | 6 | | |
| Government | | 300,000,000 | 300,000,000 |
| Others | | 3,092,468,561 | 2,336,025,841 |
| | | 3,392,468,561 | 2,636,025,841 |
| Loans and advances | 7 | | |
| Loans, cash credit, overdraft etc. | | 55,211,824,250 | 47,068,955,362 |
| Bills purchased and discounted | | - | - |
| | | 55,211,824,250 | 47,068,955,362 |
| Fixed assets including land, building, furniture and fixtures | 8(c) | 537,098,683 | 380,542,124 |
| Other assets | 9 | 857,870,414 | 856,111,439 |
| Non-banking assets | | - | - |
| Total Assets | | 73,434,454,190 | 58,926,588,248 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other banks, financial institutions and agents | 10 | 10,585,582,747 | 9,198,032,173 |
| Deposits and other accounts | 11 | | |
| Current accounts and other accounts etc. | | - | - |
| Bills payable | | - | - |
| Savings bank deposits | | - | - |
| Term deposits | | 46,038,675,236 | 35,240,301,090 |
| Bearer certificate of deposits | | - | - |
| Other deposits | | 1,585,890,057 | 1,354,817,959 |
| | | 47,624,565,293 | 36,595,119,049 |
| Other liabilities | 12 | 7,438,343,943 | 6,605,605,660 |
| Total liabilities | | 65,648,491,983 | 52,398,756,882 |
| Capital / Shareholders' equity | | | |
| Paid-up capital | 13 | 2,513,671,870 | 2,010,937,500 |
| Share premium | 14 | 3,750,000 | 3,750,000 |
| Statutory reserves | 15 | 1,482,722,671 | 1,233,958,647 |
| General reserves | 16 | 1,000,000,000 | 1,000,000,000 |
| Dividend equalisation reserves | | 46,500,000 | 46,500,000 |
| Retained earnings | | 2,739,315,501 | 2,232,683,265 |
| Total equity attributable to equity holders of the company | | 7,785,960,042 | 6,527,829,412 |
| Non-controlling interest | | 2,165 | 1,954 |
| Total liabilities and Shareholders' equity | | 73,434,454,190 | 58,926,588,248 |

| | <u>Note</u> | <u>31.12.2015</u> <u>Taka</u> | <u>31.12.2014</u> <u>Taka</u> |
|---|-------------|----------------------------------|----------------------------------|
| OFF - BALANCE SHEET ITEMS | | | |
| Contingent liabilities | 17.1 | | |
| Acceptances and endorsements | | - | - |
| Letters of guarantee | | 118,488,520 | 465,240,778 |
| Irrevocable letters of credit | | - | - |
| Bills for collection | | - | - |
| Indemnity bond | | - | - |
| Corporate guarantee | | 500,000,000 | 500,000,000 |
| | | 618,488,520 | 965,240,778 |
| 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 | | 607,054,854 | 699,924,252 |
| | | 607,054,854 | 699,924,252 |
| Total Off-Balance Sheet items including contingent liabilities | | 1,225,543,374 | 1,665,165,030 |
| Net Assets Value (NAV) per share | | 30.97 | 25.97 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
CEO & Managing Director

Sd/-
Company Secretary

This is the consolidated balance sheet referred to in our separate report of even date.

Dhaka, February 18, 2016

Sd/-
ACNABIN
Chartered Accountants

IDLC Finance Limited and Its Subsidiaries
Consolidated Profit and Loss Account for the year ended December 31, 2015

| | <u>Note</u> | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--|-------------|----------------------------|----------------------------|
| Interest income | 19 | 8,251,180,347 | 7,431,871,158 |
| Interest on deposits and borrowings etc. | 20 | (4,833,191,104) | (4,543,097,395) |
| Net interest income | | 3,417,989,243 | 2,888,773,763 |
| Investment income | 21 | 372,098,181 | 48,365,964 |
| Commission, exchange and brokerage | 22 | 356,949,912 | 359,076,106 |
| Other operating income | 23 | 440,864,639 | 361,507,263 |
| Total operating income | | 4,587,901,975 | 3,657,723,096 |
| Salaries and allowances | 24 | 899,165,319 | 749,662,409 |
| Rent, taxes, insurance, electricity, etc. | 25 | 135,714,936 | 121,724,427 |
| Legal expenses | 26 | 16,102,123 | 8,632,327 |
| Postage, stamp, telecommunication, etc. | 27 | 35,021,731 | 34,123,344 |
| Stationery, printing, advertisements, etc. | 28 | 85,711,998 | 115,003,057 |
| Managing Director's salary and benefits | 29 | 11,493,667 | 13,060,000 |
| Directors' fees | 30 | 1,409,400 | 1,132,750 |
| Auditors' fees | 31 | 690,000 | 690,000 |
| Charges on loan losses | | - | - |
| Depreciation and repair of Company's assets | 32 | 178,307,014 | 164,341,322 |
| Other expenses | 33 | 284,171,561 | 255,278,412 |
| Total operating expenses | | 1,647,787,749 | 1,463,648,048 |
| Profit before provision | | 2,940,114,226 | 2,194,075,048 |
| Provision for loans/investments | 12.7(ii) | | |
| General provision | | 49,183,322 | 45,031,836 |
| Specific provision | | 276,007,148 | (55,344,909) |
| Provision for diminution in value of investments | | (13,579,695) | 17,861,794 |
| Other provisions | | - | - |
| Total provision | | 311,610,775 | 7,548,721 |
| Total profit before taxation | | 2,628,503,451 | 2,186,526,327 |
| Provision for taxation | | | |
| Current tax | 12.2 | 1,171,629,363 | 959,575,652 |
| Deferred tax | 9.5 | (2,350,493) | (18,558,222) |
| | | 1,169,278,870 | 941,017,430 |
| Net profit after taxation | | 1,459,224,581 | 1,245,508,897 |
| Attributable to: | | | |
| Shareholders of the Company | | 1,459,224,380 | 1,245,508,797 |
| Non-controlling interest | | 201 | 100 |
| | | 1,459,224,581 | 1,245,508,897 |
| Appropriations to: | | | |
| Statutory reserves | | 248,764,024 | 230,707,003 |
| General reserves | | - | 188,750,000 |
| Dividend etc. | | - | - |
| | | 248,764,024 | 419,457,003 |
| Retained surplus | | 1,210,460,356 | 826,051,794 |
| Earnings Per Share (EPS) | 36 | 5.81 | 4.95 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
CEO & Managing Director

Sd/-
Company Secretary

This is the consolidated profit & loss account referred to in our separate report of even date.

IDLC Finance Limited and Its Subsidiaries
Consolidated Cash Flow Statement
for the year ended December 31, 2015

| Particulars | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--|----------------------------|----------------------------|
| A) Cash flows from operating activities | | |
| Interest received | 7,265,516,269 | 6,680,026,625 |
| Interest paid | (2,212,191,438) | (2,418,998,453) |
| Dividend received | 96,282,352 | 40,805,382 |
| Fees and commission received | 356,949,912 | 359,076,106 |
| Paid to employees and suppliers | (1,502,411,831) | (1,329,683,793) |
| Payment of income tax | (822,263,674) | (695,710,617) |
| Received from other operating activities | 704,398,111 | 363,130,219 |
| Cash generated from operating activities before changes in operating assets and liabilities | 3,886,279,701 | 2,998,645,469 |
| Increase/(decrease) in operating assets and liabilities | | |
| Lease receivable | 265,654,756 | 76,496,366 |
| Long-term finance | (5,278,801,586) | (2,804,999,034) |
| Real estate finance | (2,383,834,215) | (3,652,126,335) |
| Car loan | (693,235,866) | (1,017,759,216) |
| Personal loan | 19,086,626 | 23,654,351 |
| Loan against deposit | (1,389,646) | 127,887,279 |
| Margin loan to portfolio investors | 463,395,053 | 1,394,966,775 |
| Short term finance | (344,010,256) | (131,782,937) |
| Investment in marketable securities | (87,711,139) | (935,762,941) |
| Other assets | 794,171,349 | 201,629,478 |
| Term and other deposits | 11,029,446,244 | 6,407,679,965 |
| Net drawdown of short term loan | (40,000,000) | (1,290,000,000) |
| Payable and accrued expenses | (2,626,981,541) | (1,547,480,875) |
| Deferred liability-employee gratuity | 4,462,019 | 6,256,142 |
| Portfolio investors' fund | (2,323,273) | (315,683,978) |
| Deferred tax liability | (5,687,038) | (10,206,563) |
| Interest suspense account | 181,528,850 | 43,607,230 |
| | 1,293,770,335 | (3,423,624,293) |
| Net cash flows from/(used in) operating activities | 5,180,050,037 | (424,978,824) |
| B) Cash flows from investing activities | | |
| Purchase of fixed assets | (313,654,913) | (122,318,386) |
| Disposal of fixed assets | 24,004,794 | 9,473,570 |
| Investment in non marketable securities | (668,731,581) | (913,709,884) |
| Net cash used in investing activities | (958,381,700) | (1,026,554,700) |
| C) Cash flows from financing activities | | |
| Drawdown of term loans | 4,165,756,728 | 4,109,392,162 |
| Repayment of term loans | (2,738,206,155) | (2,449,252,439) |
| Share money in arrear | 10 | - |
| Dividend paid | (198,980,120) | (79,570,244) |
| Net Cash from financing activities | 1,228,570,463 | 1,580,569,479 |
| D) Net increase/(decrease) in cash and cash equivalents (A+ B + C) | 5,450,238,800 | 129,035,955 |
| E) Effects of exchange rate changes on cash and cash equivalents | - | - |
| F) Cash and cash equivalents at beginning of the year | 7,984,953,482 | 7,855,917,527 |
| G) Cash and cash equivalents at end of the year (D+E+F) | 13,435,192,282 | 7,984,953,482 |
| Cash and cash equivalents at end of the year | | |
| Cash in hand (including foreign currencies) (Note-3.1) | 366,000 | 316,000 |
| Money at call and short notice (Note-5) | - | - |
| Balance with Bangladesh Bank and its agent bank(s) (Note-3.2) | 891,503,744 | 728,597,992 |
| Balance with other banks and financial institutions (note- 4) | 12,543,322,538 | 7,256,039,490 |
| | 13,435,192,282 | 7,984,953,482 |
| Net operating cashflow per share | 20.61 | (1.69) |

IDLC Finance Limited and Its Subsidiaries
Consolidated Statement of Changes in Equity
for the year ended December 31, 2015

| Particulars | Attributable to equity holders of the Company | | | | | | | Non-controlling interest | Total equity |
|--|---|------------------------------|-----------------------------------|---------------------------------|---|----------------------------------|----------------------|--------------------------|----------------------|
| | <u>Paid-Up capital</u> Taka | <u>Share premium</u> Taka | <u>Statutory reserves</u> Taka | <u>General reserves</u> Taka | <u>Dividend equalisation reserves</u> Taka | <u>Retained earnings</u> Taka | <u>Total</u> Taka | | |
| Balance at January 1, 2015 | 2,010,937,500 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 2,232,683,265 | 6,527,829,412 | 1,954 | 6,527,831,366 |
| Dividend for 2014: | | | | | | | | | |
| 10% cash dividend | - | - | - | - | - | (201,093,750) | (201,093,750) | - | (201,093,750) |
| 25% stock dividend | 502,734,370 | - | - | - | - | (502,734,370) | - | - | - |
| Changes in accounting policy | - | - | - | - | - | - | - | - | - |
| Restated balance | 2,513,671,870 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 1,528,855,145 | 6,326,735,662 | 1,954 | 6,326,737,616 |
| 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 | - | - | - | - | - | - | - | - | - |
| Non-controlling interest | - | - | - | - | - | - | - | 10 | 10 |
| Net profit for the year 2015 | - | - | - | - | - | 1,459,224,380 | 1,459,224,380 | 201 | 1,459,224,581 |
| Appropriation to reserves | - | - | 248,764,024 | - | - | (248,764,024) | - | - | - |
| Balance at December 31, 2015 | 2,513,671,870 | 3,750,000 | 1,482,722,671 | 1,000,000,000 | 46,500,000 | 2,739,315,501 | 7,785,960,042 | 2,165 | 7,785,962,207 |

IDLC Finance Limited and Its Subsidiaries
Consolidated Statement of Changes in Equity
for the year ended December 31, 2014

| Particulars | Attributable to equity holders of the Company | | | | | | | Non-controlling interest Taka | Total equity Taka |
|--|---|----------------------------------|---------------------------------------|-------------------------------------|---|--------------------------------------|----------------------|-------------------------------------|----------------------|
| | <u>Paid-Up capital</u> Taka | <u>Share premium</u> Taka | <u>Statutory reserves</u> Taka | <u>General reserves</u> Taka | <u>Dividend equalisation reserves</u> Taka | <u>Retained earnings</u> Taka | <u>Total</u> Taka | | |
| Balance at January 1, 2014 | 1,608,750,000 | 3,750,000 | 1,003,251,644 | 811,250,000 | 46,500,000 | 1,889,256,471 | 5,362,758,115 | 1,854 | 5,362,759,969 |
| Dividend for 2013: | | | | | | | | | |
| 5% cash dividend | - | - | - | - | - | (80,437,500) | (80,437,500) | - | (80,437,500) |
| 25% stock dividend | 402,187,500 | - | - | - | - | (402,187,500) | - | - | - |
| Changes in accounting policy | - | - | - | - | - | - | - | - | - |
| Restated balance | 2,010,937,500 | 3,750,000 | 1,003,251,644 | 811,250,000 | 46,500,000 | 1,406,631,471 | 5,282,320,615 | 1,854 | 5,282,322,469 |
| 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 2014 | - | - | - | - | - | 1,245,508,797 | 1,245,508,797 | 100 | 1,245,508,897 |
| Appropriation to reserves | - | - | 230,707,003 | 188,750,000 | - | (419,457,003) | - | - | - |
| Balance at December 31, 2014 | 2,010,937,500 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 2,232,683,265 | 6,527,829,412 | 1,954 | 6,527,831,366 |

IDLC Finance Limited
Balance Sheet as at December 31, 2015

| | Note | 31.12.2015 Taka | 31.12.2014 Taka |
|---|-------------|----------------------------------|----------------------------------|
| PROPERTY AND ASSETS | | | |
| Cash | 3 | | |
| In hand (including foreign currencies) | 3.1 | 266,000 | 216,000 |
| Balance with Bangladesh Bank and its agent (including foreign currencies) | 3.2 | 891,503,744 | 728,597,992 |
| | | 891,769,744 | 728,813,992 |
| Balance with other banks and financial institutions | 4 | | |
| Inside Bangladesh | 4(a) | 11,804,324,866 | 6,846,398,723 |
| Outside Bangladesh | 4(b) | - | - |
| | | 11,804,324,866 | 6,846,398,723 |
| Money at call and short notice | 5 | - | - |
| Investments | 6 | | |
| Government | | 300,000,000 | 300,000,000 |
| Others | | 2,470,947,105 | 1,812,315,829 |
| | | 2,770,947,105 | 2,112,315,829 |
| Loans and advances | 7 | | |
| Loans, cash credit, overdraft etc. | | 53,857,714,206 | 45,348,701,212 |
| Bills purchased and discounted | | - | - |
| | | 53,857,714,206 | 45,348,701,212 |
| Fixed assets including land, building, furniture and fixtures | 8(c) | 502,363,356 | 343,557,415 |
| Other assets | 9 | 1,941,591,577 | 1,779,727,856 |
| Non-banking assets | | - | - |
| Total Assets | | 71,768,710,854 | 57,159,515,027 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other banks, financial institutions and agents | 10 | 10,550,165,864 | 9,136,412,565 |
| Deposits and other accounts | 11 | | |
| Current accounts and other accounts etc. | | - | - |
| Bills payable | | - | - |
| Savings bank deposits | | - | - |
| Term deposits | | 46,174,475,236 | 35,241,001,090 |
| Bearer certificate of deposits | | - | - |
| Other deposits | | 1,585,890,057 | 1,354,817,959 |
| | | 47,760,365,293 | 36,595,819,049 |
| Other liabilities | 12 | 6,721,632,975 | 5,733,463,062 |
| Total liabilities | | 65,032,164,132 | 51,465,694,676 |
| Capital/Shareholders' equity | | | |
| Paid-up capital | 13 | 2,513,671,870 | 2,010,937,500 |
| Share premium | 14 | 3,750,000 | 3,750,000 |
| Statutory reserves | 15 | 1,482,722,671 | 1,233,958,647 |
| General reserves | 16 | 1,000,000,000 | 1,000,000,000 |
| Dividend equalisation reserves | | 46,500,000 | 46,500,000 |
| Retained earnings | | 1,689,902,181 | 1,398,674,204 |
| Total equity | | 6,736,546,722 | 5,693,820,351 |
| Total liabilities and Shareholders' equity | | 71,768,710,854 | 57,159,515,027 |

| | Note | <u>31.12.2015</u> <u>Taka</u> | <u>31.12.2014</u> <u>Taka</u> |
|---|-------------|--|--|
| OFF - BALANCE SHEET ITEMS | | | |
| Contingent liabilities | 17.1 | | |
| Acceptances and endorsements | | - | - |
| Letters of guarantee | | 118,488,520 | 465,240,778 |
| Irrevocable letters of credit | | - | - |
| Bills for collection | | - | - |
| Indemnity bond | | - | - |
| Corporate guarantee | | 500,000,000 | 500,000,000 |
| | | 618,488,520 | 965,240,778 |
| 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 | | 607,054,854 | 699,924,252 |
| | | 607,054,854 | 699,924,252 |
| Total Off-Balance Sheet items including contingent liabilities | | 1,225,543,374 | 1,665,165,030 |
| Net Assets Value (NAV) per share | | 26.80 | 22.65 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
CEO & Managing Director

Sd/-
Company Secretary

This is the balance sheet referred to in our separate report of even date.

Dhaka, February 18, 2016

Sd/-
ACNABIN
Chartered Accountants

IDLC Finance Limited
Profit and Loss Account for the year ended December 31, 2015

| | Note | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--|----------|----------------------------|----------------------------|
| Interest income | 19 | 8,023,764,544 | 7,379,533,073 |
| Interest on deposits and borrowings etc. | 20 | (4,827,091,642) | (4,530,353,027) |
| Net interest income | | 3,196,672,902 | 2,849,180,046 |
| Investment income | 21 | 272,881,617 | 53,935,424 |
| Commission, exchange and brokerage | 22 | 58,053,730 | 66,413,793 |
| Other operating income | 23 | 433,242,052 | 356,650,721 |
| Total operating income | | 3,960,850,301 | 3,326,179,984 |
| Salaries and allowances | 24 | 744,116,214 | 629,691,643 |
| Rent, taxes, insurance, electricity, etc. | 25 | 93,372,106 | 79,197,000 |
| Legal expenses | 26 | 13,536,662 | 7,229,630 |
| Postage, stamp, telecommunication, etc. | 27 | 26,929,463 | 26,215,029 |
| Stationery, printing, advertisements, etc. | 28 | 81,059,657 | 108,450,028 |
| Managing Director's salary and benefits | 29 | 11,493,667 | 13,060,000 |
| Directors' fees | 30 | 1,041,900 | 828,000 |
| Auditors' fees | 31 | 517,500 | 517,500 |
| Charges on loan losses | | - | - |
| Depreciation and repair of Company's assets | 32 | 155,451,391 | 139,251,289 |
| Other expenses | 33 | 266,242,398 | 232,348,909 |
| Total operating expenses | | 1,393,760,958 | 1,236,789,028 |
| Profit before provisions | | 2,567,089,343 | 2,089,390,956 |
| Provision for loans/investments | 12.7(ii) | | |
| General provision | | 54,798,590 | 41,984,250 |
| Specific provision | | 233,364,352 | (1,576,823) |
| Provision for diminution in value of investments | | 3,407,068 | 19,852,226 |
| Other provision | | - | - |
| Total provision | | 291,570,010 | 60,259,653 |
| Total profit before taxation | | 2,275,519,333 | 2,029,131,303 |
| Provision for taxation | | | |
| Current tax | 12.2 | 1,037,681,898 | 887,838,416 |
| Deferred tax | 9.5 | (5,982,686) | (12,242,129) |
| | | 1,031,699,212 | 875,596,287 |
| Net profit after taxation | | 1,243,820,121 | 1,153,535,016 |
| Appropriations to: | | | |
| Statutory reserves | | 248,764,024 | 230,707,003 |
| General reserves | | - | 188,750,000 |
| Dividend etc. | | - | - |
| | | 248,764,024 | 419,457,003 |
| Retained surplus | | 995,056,097 | 734,078,013 |
| Earnings Per Share (EPS) | 36 | 4.95 | 4.59 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
CEO & Managing Director

Sd/-
Company Secretary

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

Dhaka, February 18, 2016

Sd/-
ACNABIN
Chartered Accountants

IDLC Finance Limited
Cash Flow Statement for the year ended December 31, 2015

| Particulars | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--|----------------------------|----------------------------|
| A) Cash flows from operating activities | | |
| Interest received | 7,051,307,900 | 6,619,710,738 |
| Interest paid | (2,206,091,976) | (2,406,254,085) |
| Dividend received | 39,909,767 | 27,208,743 |
| Fees and commission received | 58,053,730 | 66,413,793 |
| Paid to employees and suppliers | (1,269,312,317) | (1,125,879,478) |
| Payment of income tax | (717,106,282) | (611,598,018) |
| Received from other operating activities | 654,317,306 | 378,298,811 |
| Cash generated from operating activities before changes in operating assets and liabilities | 3,611,078,128 | 2,947,900,504 |
| Increase/(decrease) in operating assets and liabilities | | |
| Lease receivable | 265,654,756 | 76,496,366 |
| Long-term finance | (5,278,801,586) | (2,804,999,034) |
| Real estate finance | (2,383,834,215) | (3,652,126,335) |
| Car loan | (693,235,866) | (1,017,759,216) |
| Personal loan | 19,086,626 | 23,654,351 |
| Loan against deposit | (1,389,646) | 127,887,279 |
| Loan to subsidiaries | 97,310,669 | 852,300,000 |
| Short term finance | (344,010,256) | (131,782,937) |
| Investment in marketable securities | 10,100,305 | (675,095,082) |
| Other assets | 620,799,446 | 447,826,154 |
| Term and other deposits | 11,164,546,244 | 6,308,379,965 |
| Net drawdown of short term loan | (40,000,000) | (1,170,000,000) |
| Payable and accrued expenses | (2,516,948,125) | (1,667,950,103) |
| Inter-company payables | 99,999,990 | - |
| Deferred tax liability | (5,687,038) | (10,206,563) |
| Interest suspense account | 181,528,850 | 43,607,230 |
| | 1,195,120,154 | (3,249,767,925) |
| Net cash flows from/(used in) operating activities | 4,806,198,282 | (301,867,421) |
| B) Cash flows from investing activities | | |
| Purchase of fixed assets | (294,404,534) | (110,118,507) |
| Disposal of fixed assets | 23,046,548 | 8,280,729 |
| Net proceeds of investment in non marketable securities | (668,731,581) | (913,709,884) |
| Net cash used in investing activities | (940,089,567) | (1,015,547,662) |
| C) Cash flows from financing activities | | |
| Drawdown of term loans | 4,165,756,728 | 4,047,772,554 |
| Repayment of term loans | (2,712,003,428) | (2,449,252,439) |
| Dividend paid | (198,980,120) | (79,570,244) |
| Net cash from financing activities | 1,254,773,180 | 1,518,949,871 |
| D) Net increase / (decrease) in cash and cash equivalents (A+ B + C) | 5,120,881,895 | 201,534,788 |
| E) Effects of exchange rate changes on cash and cash equivalents | - | - |
| F) Cash and cash equivalents at beginning of the year | 7,575,212,715 | 7,373,677,927 |
| G) Cash and cash equivalents at end of the year (D+E+F) | 12,696,094,610 | 7,575,212,715 |
| Cash and cash equivalents at end of the year | | |
| Cash in hand (including foreign currencies) (Note-3.1) | 266,000 | 216,000 |
| Money at call and short notice (Note-5) | - | - |
| Balance with Bangladesh Bank and its agent bank(s) (Note-3.2) | 891,503,744 | 728,597,992 |
| Balance with other banks and financial institutions (note- 4) | 11,804,324,866 | 6,846,398,723 |
| | 12,696,094,610 | 7,575,212,715 |
| Net operating cashflow per share | 19.12 | (1.20) |

IDLC Finance Limited
Statement of Changes in Equity
for the year ended December 31, 2015

| Particulars | <u>Paid-Up capital</u> Taka | <u>Share premium</u> Taka | <u>Statutory reserves</u> Taka | <u>General reserves</u> Taka | <u>Dividend equalisation reserves</u> Taka | <u>Retained earnings</u> Taka | <u>Total</u> Taka |
|--|--|--|---|---|---|--|------------------------------|
| Balance at January 1, 2015 | 2,010,937,500 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 1,398,674,204 | 5,693,820,351 |
| Dividend for 2014: | | | | | | | |
| 10% cash dividend | - | - | - | - | - | (201,093,750) | (201,093,750) |
| 25% stock dividend | 502,734,370 | - | - | - | - | (502,734,370) | - |
| Changes in accounting policy | - | - | - | - | - | - | - |
| Restated balance | 2,513,671,870 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 694,846,084 | 5,492,726,601 |
| 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 2015 | - | - | - | - | - | 1,243,820,121 | 1,243,820,121 |
| Appropriation to reserve | - | - | 248,764,024 | - | - | (248,764,024) | - |
| Balance at December 31, 2015 | 2,513,671,870 | 3,750,000 | 1,482,722,671 | 1,000,000,000 | 46,500,000 | 1,689,902,181 | 6,736,546,722 |

IDLC Finance Limited
Statement of Changes in Equity
for the year ended December 31, 2014

| Particulars | <u>Paid-Up capital</u> Taka | <u>Share premium</u> Taka | <u>Statutory reserves</u> Taka | <u>General reserves</u> Taka | <u>Dividend equalisation reserves</u> Taka | <u>Retained earnings</u> Taka | <u>Total</u> Taka |
|--|--|--------------------------------------|---|---|---|--|------------------------------|
| Balance at January 1, 2014 | 1,608,750,000 | 3,750,000 | 1,003,251,644 | 811,250,000 | 46,500,000 | 1,147,221,191 | 4,620,722,835 |
| Dividend for 2013: | | | | | | | |
| 5% cash dividend | | | | | | (80,437,500) | (80,437,500) |
| 25% stock dividend | 402,187,500 | - | - | - | - | (402,187,500) | - |
| Changes in accounting policy | - | - | - | - | - | - | - |
| Restated balance | 2,010,937,500 | 3,750,000 | 1,003,251,644 | 811,250,000 | 46,500,000 | 664,596,191 | 4,540,285,335 |
| 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 2014 | - | - | - | - | - | 1,153,535,016 | 1,153,535,016 |
| Appropriation to reserves | - | - | 230,707,003 | 188,750,000 | - | (419,457,003) | - |
| Balance at December 31, 2014 | 2,010,937,500 | 3,750,000 | 1,233,958,647 | 1,000,000,000 | 46,500,000 | 1,398,674,204 | 5,693,820,351 |

IDLC Finance Limited
Liquidity statements
as at December 31, 2015

| Particulars | Not more than 1 month term | 1-3 months term | 3-12 months term | 1-5 years term | Above 5 years term | Total |
|---|----------------------------|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Assets | Taka | Taka | Taka | Taka | Taka | Taka |
| Cash in hand (including balance with Bangladesh Bank) | 891,769,744 | - | - | - | - | 891,769,744 |
| Balance with other banks and financial institutions | 2,054,324,866 | 9,550,000,000 | 200,000,000 | - | - | 11,804,324,866 |
| Money at call and short notice | - | - | - | - | - | - |
| Investments | 1,150,083,105 | - | 700,000,000 | 673,000,000 | 247,864,000 | 2,770,947,105 |
| Loans & advances | 3,445,219,218 | 3,829,248,550 | 10,905,354,376 | 25,466,360,015 | 10,211,532,047 | 53,857,714,206 |
| Fixed assets including land, building, furniture and fixtures | 11,025,252 | 21,602,808 | 88,908,117 | 186,998,898 | 193,828,281 | 502,363,356 |
| Other assets | - | 388,858,024 | 402,550 | - | 1,552,331,003 | 1,941,591,577 |
| Non-banking assets | - | - | - | - | - | - |
| Total assets | 7,552,422,185 | 13,789,709,382 | 11,894,665,043 | 26,326,358,913 | 12,205,555,331 | 71,768,710,854 |
| Liabilities | | | | | | |
| Borrowing from Bangladesh Bank, other banks and financial institutions & its agents | 2,009,000,000 | 554,200,000 | 2,024,700,000 | 5,347,000,000 | 615,265,864 | 10,550,165,864 |
| Deposits | 6,200,100,709 | 15,857,763,469 | 17,926,517,542 | 6,885,547,144 | 890,436,429 | 47,760,365,293 |
| Other accounts | - | - | - | - | - | - |
| Provision and other liabilities | 280,518,341 | 561,036,682 | 2,913,343,224 | 1,806,301,703 | 1,160,433,026 | 6,721,632,975 |
| Total liabilities | 8,489,619,050 | 16,973,000,150 | 22,864,560,765 | 14,038,848,847 | 2,666,135,319 | 65,032,164,132 |
| Net Liquidity Gap | (937,196,865) | (3,183,290,768) | (10,969,895,722) | 12,287,510,066 | 9,539,420,012 | 6,736,546,722 |

IDLC Finance Limited
Notes to the consolidated and separate financial statements
as at and for the year ended December 31, 2015

1. Company and its activities

1.1 Legal status and nature of the Company

IDLC Finance Limited (The Company "IDLC") was incorporated in Bangladesh as a public limited company on 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.

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.

1.3 Subsidiary companies

1.3.1 IDLC Securities Limited (IDLC SL)

IDLC Securities Limited, a wholly owned subsidiary company of IDLC Finance Limited, was incorporated on 19 April 2006 as a private limited company under Companies Act, 1994 with authorised share capital of Tk 25 crore. 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, 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 on May 19, 2010 in the name and style "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 of IDLC Finance Limited, was incorporated on November 19, 2015 as a private limited company under Companies Act, 1994 with authorised share capital of Taka 25.0 crore. The Company has applied to Bangladesh Securities and Exchange Commission (BSEC) for issuance of registration certificate to operate as an asset manager as per Securities and Exchange Commission (Mutual Fund) Regulation, 2001. After obtaining the said registration from BSEC, the company will start its business operations.

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 financial statements 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 (IASs) and International Financial Reporting Standards (IFRSs) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), 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 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.

2.2 Basis of measurement

This financial statements have been prepared based on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and no adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

2.3 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

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

2.3.1 As per FID circular No. 08 dated 03 August 2002 investment 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. As such the Company measures and recognises investment in quoted and unquoted shares at cost if the year-end market value (for quoted shares) and book value (for unquoted shares) are higher than the cost except investment in mutual funds. At the year-end the Company's market value and book value of quoted and unquoted shares was lower than the cost price by Taka 102.97 million in case of the separate financial statements and in case of the consolidated financial statements the same is lower than cost by Taka 111.54 million. In order to comply with the requirement specified in DFIM Circular No. 11 and DFIM Circular No. 05 of 11 May 2015, the company has charged the incremental amount of difference in market value and cost price of marketable securities to the profit and loss account. However as per requirements of BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

2.3.2 As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03 dated 29 April 2013 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision cannot satisfy the conditions of provision as per BAS 39. At the year end the Company has recognised an accumulated general provision of Taka 433.52 million (out of accumulated total provision of Taka 1213.38 million) and in case of separate financial statements the same is Taka 435.26 million (out of accumulated total provision of Taka 1160.43 million) under liabilities

2.3.3 Bangladesh Bank has issued templates for financial statements which shall 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 be included in the Single Comprehensive Income (SCI) Statement. As such the company does not prepare the other comprehensive income statement. However the company does not have any elements of OCI to be presented.

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

2.4 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

2.5 Date of authorisation

The Board of directors has authorised this financial statements for public issue on February 18 , 2016.

2.6 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 Taka has been rounded off to the nearest Taka.

2.7 Use of estimates and judgments

The preparation of financial statements in conformity with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) 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 BAS 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 recognized 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.

2.8 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 Bangladesh Financial Reporting Standard 10 "Consolidated Financial Statements". The consolidation of the financial statement has 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'.

2.9 Branch accounting

The Company has twenty five branches and two SME booths, with no overseas branch as on December 31, 2015. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

2.10 Accounting for leases

As Lessor

As per Bangladesh Accounting Standard (BAS) 17: "Leases", all leases are treated as finance lease since assets leased under agreements are transferred substantially to customers with all the risks and rewards associated with ownership, other than legal title and all leases are full payout leases.

In accordance with the said standard, the aggregate lease receivables including un-guaranteed residual value throughout the primary lease term are reported as gross lease receivables while the excess of gross lease receivables over the total acquisition cost including interest during the period of acquiring the lease assets constitutes the unearned lease income. The balance of the unearned lease income is amortised to revenue on a monthly basis over the primary lease term yielding a constant rate of return over the period.

At present, the company does not have any operating lease arrangement with any lessee.

As Lessee

All assets are recognized as fixed assets including land, building, furniture and fixture against their obligation as liability. Lease payments of finance lease are included two components, mainly finance charge and redemption of principal payment (obligation under finance lease).

2.11 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.

As required by the Bangladesh Securities and Exchange Commission (BSEC), Merchant Banking activities of financial institutions are to be carried out by forming a separate subsidiary. Accordingly, the Company has formed a fully owned separate subsidiary, IDLC Investments Limited (IDLC IL) and commenced its operation on 16 August 2011. Therefore, up to 15 August 2011, the Merchant Banking activities of the Company was accounted for by the Company and thereafter, the entire Merchant Banking activities was transferred to and accounted for by IDLC IL.

2.12 Accounting for Margin Loan

Margin Loan to Portfolio investors is given at an agreed ratio (Not more than the ratio prescribed by BSEC) between investors deposit and loan amount to purchase securities against respective investor account. The new investor are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it is 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.

2.13 Investment in securities

Investment in marketable ordinary shares has been shown at cost or market price, whichever is lower, on an aggregate portfolio basis. Investment in non-marketable shares has been valued at cost or intrinsic value whichever is lower. 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

2.14 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 Bangladesh Accounting Standard (BAS) 16: "Property, Plant and Equipments".

Leasehold assets

Leasehold assets of which the company assumes substantially all the risks and rewards of ownership are accounted for as finance leases and capitalised at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payments, whichever is lower as per Bangladesh Accounting Standard (BAS) 17: "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on Fixed assets

Subsequent expenditure is capitalised only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognised as an expense as and when they are

iii) Depreciation

Depreciation is charged to amortise the cost of assets, over their estimated useful lives, using the straight-line method in accordance with BAS-16: "Property, Plant and Equipment". Full depreciation is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged from the month of disposal. Asset category wise depreciation rates are as follows:

| | <u>Rates</u> |
|-------------------------------|--------------|
| 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% |
| Leasehold motor vehicles | 25.00% |
| Computers | 20.00% |
| Software (Office Operation) | 33.33% |
| Software (Business Operation) | 20.00% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Depreciation methods, useful lives and residual values, if any are reviewed at the balance sheet date.

2.15 Intangible assets and amortisation 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 expenditure is expensed as incurred.

2.16 Revenue recognition

Revenue is recognized only when it is measurable and probable that the economic benefits associated with the transaction will follow to the company and in accordance with Bangladesh Accounting Standard (BAS) 18: "Revenue" unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

Interest income from loans and other sources is recognised on an accrual basis of accounting on effective interest method.

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 are 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 fee are recognised on the market value of the clients portfolio on monthly basis and charged to clients 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:

Fee on services rendered by the company are recognised as and when services are rendered.

2.17 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 credited to interest suspense account.

2.18 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.

2.19 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 derecognized when the control of the contractual rights in the securitized assets is lost.

2.20 Borrowing cost

Borrowing costs are recognised as expense in the year in which they are incurred unless capitalisation is permitted under Bangladesh Accounting Standard (BAS) 23: "Borrowing Costs".

2.21 Cash flow statements

The cash flow statement is prepared using the direct method as stipulated in Bangladesh Accounting Standard (BAS) 7: "Cash Flow Statements", and in accordance with the instruction of Bangladesh Bank.

2.22 Conversion of foreign currency transactions

Foreign currency transactions are translated into Taka 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.

2.23 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 made. The provision is considered adequate to meet any probable future losses.

During 2014, the Company changed its accounting estimate with respect to bad debt provision calculation for its loans and advances to comply with Bangladesh Bank Directive. The company used to follow an internal provisioning policy which was more conservative and stringent than Bangladesh Bank's provisioning policy up to June 30, 2014. Bangladesh Bank vide its letter No. DFIM(S) 1055/30/2014/1374 dated June 29, 2014 advised the company to keep provision in line with the policy circulated by Bangladesh Bank (FID circular-8, dated August 03, 2002). Accordingly, provision in this accounts has been maintained considering the Bangladesh Bank's provisioning policy disregarding the company's internal provisioning policy.

As a result of the change in estimate, excess provision of Taka 194,844,479 kept in the previous year's accounts has been released in 2014. However, provision maintained as at the end of 2014 would have been higher by Taka 241,152,715 if the Company's earlier policy for maintaining provision would have been followed, instead of Bangladesh Bank's provisioning policy.

2.24 Write off

Write-off describes a reduction in recognised value. It refers to 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.

2.25 Employees' benefit obligation

2.25.1 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.

2.25.2 Defined benefit plan

The Company also operates a funded gratuity scheme (which is a defined benefit scheme as specified in BAS 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 gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. The company is contributing to the fund as prescribed by actuarial valuation report.

2.25.3 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.

2.26 Taxation

Tax expense comprises current and deferred tax.

2.26.1 Deferred tax

The Company accounts for deferred tax as per Bangladesh Accounting Standard (BAS) 12: "Income Taxes". Deferred tax is provided using the balance sheet method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

2.26.2 Current tax

Provision for current tax is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments made thereto from time to time.

2.27 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.

2.28 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.

2.29 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.

2.30 Earnings Per Share (EPS)

The Company calculates earnings per share in accordance with Bangladesh Accounting Standards (BAS) 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.

2.31 Related party disclosure

As per Bangladesh Accounting Standards (BAS) 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 37.

2.32 Statutory reserves

As per Financial Institutions Regulation 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of its current year's profit to the fund until such reserve fund equals to its paid up share capital and share premium (if any). In conformity with the above requirement, IDLC transfers 20% of net profit to statutory reserve before declaration of dividend.

2.33 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 and brokerage business. The company has decided its 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 Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), and results of its operation has been combined, item by item, with the financial results of the Company.

Compliance with Bangladesh Financial Reporting Standard

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 Bangladesh Financial Reporting Standard (BFRS) 8 "Operating Segments". Since the adoption of this BFRS only affects presentation and disclosure aspects, there is no impact on the earning 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.

2.34 Proposed dividend

Proposed dividend has not been recognised as a liability in the balance sheet in accordance with Bangladesh Accounting Standards (BAS) 10: "Events After the Balance Sheet Date".

2.35 Events after the balance sheet date

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 42.

2.36 Contingent liabilities and contingent assets

The Company does not recognize contingent liability and contingent asset but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

2.37 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 bases:

- a) Balance with other bank and financial institutions are on the basis of their maturity term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans, advances and leases are on the basis of their repayment/maturity schedule
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment terms.
- f) Borrowings from other banks and financial institutions as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and behavioral past trends.
- h) Other long term liabilities on the basis of their maturity terms.
- i) Other liabilities are on the basis of their settlement terms.

2.38 Status of compliance of Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards

In addition to compliance with local regulatory requirements, in preparing the Consolidated Financial Statements and Separate Financial Statements, IDLC applied following BAS and BFRS:

| Name of the BAS | BAS 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 Balance Sheet Period | 10 | Applied |
| Construction Contracts | 11 | N/A |
| Income Taxes | 12 | Applied |
| Property, Plant and Equipment | 16 | Applied |
| Leases | 17 | Applied |
| Revenue | 18 | 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 |
| Financial Instruments: Presentation | 32 | Applied * |

| | | |
|--|----|-----------|
| Earnings per share | 33 | Applied |
| Interim Financial Reporting | 34 | Applied |
| Impairment of Assets | 36 | Applied |
| Provisions, Contingent Liabilities and Contingent Assets | 37 | Applied |
| Intangible Assets | 38 | Applied |
| Financial Instruments: Recognition and Measurement | 39 | Applied * |
| Investment Property | 40 | N/A |
| Agriculture | 41 | N/A |

| Name of the BFRS | BFRS No. | Status |
|---|----------|-----------|
| Share Base 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 |
| Consolidated Financial Statements | 10 | Applied |
| Joint Arrangement | 11 | N/A |
| Disclosure of Interest in Other Entities | 12 | N/A |
| Fair Value Measurement | 13 | Applied * |

N/A= Not Applicable

* As the regulatory requirements differ with the standards, relevant disclosures have been made in accordance with Bangladesh Bank's requirements (please see note 2.3).

2.39 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)' have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" have come 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.

2.40 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 anti money laundering. 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 24 January 2016.

Credit Risk

To encounter and mitigate credit risk the company employed multilayer approval process, policy for maximum exposure limit of sector or groups, policy for customers' assets maximum exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, annual review of clients, adequate insurance coverage for funded assets, vigorous monitoring and follow up by Special Assets Management Team, strong follow up of compliance of credit policies by Internal Control and Compliance Department (ICCD), taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects from risk point of view. An independent Credit Risk Management Department is in place, at IDLC, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

Market Risk

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. IDLC has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

Liquidity Risk

Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

Operational Risk

Appropriate internal control measures are in place, at IDLC, to address operational risks. IDLC has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk. The function of ICCD is to exercise constant vigilance against leakage erosion of Shareholders' value by identifying, assessing, measuring, managing and transferring operational risk resulting from inadequate or failed internal processes, people and systems or from external events. To that end, a new operational risk management and assurance framework has been introduced in the company in the last quarter of 2015.

Money Laundering and Terrorist Financing Risk

In IDLC, money laundering and terrorist financing risk takes two broad dimensions:

- i) Business risk i.e. the risk that IDLC may be used for money laundering or terrorism financing &
- ii) Regulatory risk i.e. the risk that IDLC fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).

To mitigate the risks, IDLC, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), put in place a strict compliance program consisting of the following components:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing;
- b) Creation of structure and sub-structure within the organisation, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- d) Independent audit function including internal and external audit function 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 will supplement, and not replace, existing risk management guidelines.

The new Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage in a more structured manner. Key among these are:

Strategic Risk

Strategic risk has been defined as the risk of possible losses that might arise from adverse business decisions, substandard execution and failure to respond properly to changes in the business environment. The guidelines set out the respective roles of the board of the directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control.

IDLC has been managing strategic risks ever since its inception. This is evident from the constantly evolving business model of the company over the years. The company has a clear strategic vision as to what it wants to be and a mission statement that states what it will do to achieve its vision. Strategic issues are discussed at a variety of forums including meetings of the Management Committee and of the IDLC Board. Over the past few years, a separate Strategic Planning department has been set up to assist senior management in this regard. The culmination of all these efforts are reflected in annual Strategy and Budget sessions, where the company sets out its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, IDLC has always fostered a compliance oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the IDLC code of conduct (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. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk will be reviewed and appropriate changes, to ensure conformity with the guidelines, implemented.

Reputation Risk

Reputation risk may be defined as the risk of loss arising from damages to an organization'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

IDLC is also focusing on 'mother planet and its sustainability', shifting from the traditional financing approach. In this regard, the company is making its credit appraisal process to be much more stringent from an Environment and Social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to 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 organization 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 process; and make those customers, especially those who are not complying 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 green banking policy which is in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guideline is considered as another milestone towards sustainability.

| | | IDLC Finance Limited | | IDLC Group | |
|--|--|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | | Taka | Taka | Taka | Taka |
| 3 | Cash | | | | |
| 3.1 | Cash in hand (including foreign currencies): | | | | |
| | In local currency | 266,000 | 216,000 | 366,000 | 316,000 |
| | In foreign currency | - | - | - | - |
| | | 266,000 | 216,000 | 366,000 | 316,000 |
| 3.2 | Balance with Bangladesh Bank and its agent (including foreign currencies) | | | | |
| | In local currency | 891,503,744 | 728,597,992 | 891,503,744 | 728,597,992 |
| | In foreign currency | - | - | - | - |
| | | 891,503,744 | 728,597,992 | 891,503,744 | 728,597,992 |
| | | 891,769,744 | 728,813,992 | 891,869,744 | 728,913,992 |
| 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 Institution Act, 1993 & Financial Institution Regulations, 1994 and FID Circular No. 06 dated November 06, 2003 and FID Circular No. 02 dated November 10, 2004. | | | | | |
| Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except Banks & Financial Institutions) | | | | | |
| Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other banks and Financial Institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate & any other assets approved by Bangladesh Bank. | | | | | |
| a) | Cash Reserve Requirement | | | | |
| | Required reserve | 924,154,000 | 722,528,000 | 924,154,000 | 722,528,000 |
| | Actual reserve maintained | 926,773,000 | 727,550,000 | 926,773,000 | 727,550,000 |
| | Surplus/ (deficit) | 2,619,000 | 5,022,000 | 2,619,000 | 5,022,000 |
| b) | Statutory Liquidity Reserves | | | | |
| | Required reserve (including CRR) | 2,363,244,000 | 1,945,093,000 | 2,363,244,000 | 1,945,093,000 |
| | Actual reserve maintained (including CRR) (note 3.3.1) | 2,366,624,205 | 1,983,699,498 | 2,366,624,205 | 1,983,699,498 |
| | Surplus/ (deficit) | 3,380,205 | 38,606,498 | 3,380,205 | 38,606,498 |
| | Total required reserves | 2,363,244,000 | 1,945,093,000 | 2,363,244,000 | 1,945,093,000 |
| | Actual reserve held | 2,366,624,205 | 1,983,699,498 | 2,366,624,205 | 1,983,699,498 |
| | Total surplus | 3,380,205 | 38,606,498 | 3,380,205 | 38,606,498 |
| 3.3.1 | Actual reserve maintained (including CRR) | | | | |
| | The City Bank Limited | 2,448,360 | 4,591,457 | 2,448,360 | 4,591,457 |
| | Standard Chartered Bank | 45,764,126 | 4,198,898 | 45,764,126 | 4,198,898 |
| | Citibank N.A. | 56,822,253 | 49,347,292 | 56,822,253 | 49,347,292 |
| | Investment in Government Securities | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| | Bangladesh Bank | 861,589,466 | 725,561,851 | 861,589,466 | 725,561,851 |
| | NRB BANK Limited | 300,000,000 | - | 300,000,000 | - |
| | South Bangla Agriculture & Commerce Bank Limited | 200,000,000 | - | 200,000,000 | - |
| | EXIM Bank Limited | 200,000,000 | 200,000,000 | 200,000,000 | 200,000,000 |
| | Standard Bank Limited | 200,000,000 | 400,000,000 | 200,000,000 | 400,000,000 |
| | Union Bank Limited | 200,000,000 | - | 200,000,000 | - |
| | Al-Arafah Islami Bank Limited | - | 300,000,000 | - | 300,000,000 |
| | | 2,366,624,205 | 1,983,699,498 | 2,366,624,205 | 1,983,699,498 |

| | | IDLC Finance Limited | | IDLC Group | |
|-------------|--|-----------------------|----------------------|-----------------------|----------------------|
| | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | | Taka | Taka | Taka | Taka |
| 4 | Balance with other banks and financial institutions in Bangladesh | | | | |
| 4(a) | Inside Bangladesh: | | | | |
| | Current deposits in local currency | | | | |
| | Woori Bank limited | 46,884 | 43,705 | 46,884 | 43,705 |
| | Uttara Bank Limited | - | 80,331 | - | 80,331 |
| | Bank Al- Falah Limited | 2,092 | 5,132 | 2,092 | 5,132 |
| | One Bank Limited | - | - | 3,652,991 | 5,476,000 |
| | The City Bank Limited | 16,281,338 | 12,543,491 | 16,281,338 | 12,543,491 |
| | National Bank Limited | 3,133,723 | 832,838 | 3,133,723 | 832,838 |
| | Bank Asia Limited | 1,236,518 | 617,792 | 1,236,518 | 617,792 |
| | State Bank of India | 92,183 | 1,207,182 | 92,183 | 1,207,182 |
| | Commercial Bank of Ceylon PLC | 2,160,441 | 4,781,776 | 3,649,952 | 6,274,605 |
| | The Hong Kong and Shanghai Banking Corporation | 8,238 | 3,736,971 | 3,647,990 | 3,913,111 |
| | Citibank N.A | 9,650,322 | 82,915,645 | 9,650,322 | 82,915,645 |
| | Standard Chartered Bank | (241,443,871) | (5,001,248) | (150,970,941) | 108,985,278 |
| | Mutual Trust Bank Limited | 1,874,281 | 1,762,418 | 1,874,281 | 1,762,418 |
| | Dutch Bangla Bank Limited | 13,971,908 | 4,955,112 | 13,971,908 | 4,955,112 |
| | BRAC Bank Limited | 28,500,017 | 11,471,727 | 29,296,671 | 12,092,543 |
| | Dhaka Bank Limited | 1,962,625 | 3,681,722 | 1,962,625 | 3,681,722 |
| | United Commercial Bank Limited | - | 72,954 | - | 72,954 |
| | NRB Bank Limited | - | - | 1,998,213 | - |
| | Mercantile Bank Limited | 7,550 | 9,850 | 7,550 | 9,850 |
| | IDLC Investments Limited | 108,607,166 | 103,026,585 | - | 103,026,585 |
| | | (53,908,585) | 226,743,983 | (60,465,700) | 348,496,292 |
| | Short-term deposit accounts | | | | |
| | Pubali Bank Limited | - | 79,490 | - | 79,490 |
| | Prime Bank Limited | 1,073,876 | 144,297 | 1,073,876 | 144,297 |
| | Dutch Bangla Bank Limited | - | - | 1,411,494 | 1,686,048 |
| | The City Bank Limited | 593,013 | 1,801,187 | 593,013 | 1,801,187 |
| | BRAC Bank Limited | - | 28,648 | 4,261,007 | 4,947,685 |
| | Southeast Bank Limited | 4,152,722 | 13,993,222 | 4,152,722 | 13,993,222 |
| | Citibank N.A. | 731,487 | 1,874,515 | 731,487 | 1,874,515 |
| | Standard Chartered Bank | 662,591 | (1,332,473) | 662,591 | 5,794,267 |
| | Commercial Bank of Cylon | 989,473 | 3,065,854 | 3,271,833 | 21,383,988 |
| | One Bank Limited | - | - | 298,363,993 | 230,034,004 |
| | Eastern Bank Limited | - | - | 766,100 | 749,390 |
| | NRB Bank Limited | 30,289 | - | 30,289 | - |
| | | 8,233,451 | 19,654,740 | 315,318,405 | 282,488,093 |
| | Fixed Deposits | | | | |
| | Al-Arafa Islami Bank Limited | 700,000,000 | 300,000,000 | 700,000,000 | 300,000,000 |
| | LankaBangla Finance Limited | - | - | 278,969,833 | - |
| | Jamuna Bank Limited | - | 500,000,000 | - | 500,000,000 |
| | Meghna Bank Limited | - | 300,000,000 | - | 300,000,000 |
| | NRB BANK Limited | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| | NRB Commercial Bank Limited | 700,000,000 | - | 700,000,000 | - |
| | Phoenix Finance & Investments Limited | - | 100,000,000 | - | 100,000,000 |
| | South Bangla Agriculture & Commerce Bank Limited | 1,400,000,000 | 1,300,000,000 | 1,400,000,000 | 1,300,000,000 |
| | Union Bank Limited | 1,800,000,000 | 1,100,000,000 | 1,800,000,000 | 1,100,000,000 |
| | ONE Bank Limited | 1,000,000,000 | - | 1,000,000,000 | - |
| | Meghna Bank Limited | 200,000,000 | - | 200,000,000 | - |
| | Midland Bank Limited | 800,000,000 | - | 800,000,000 | - |
| | The Farmers Bank Limited | 400,000,000 | - | 550,000,000 | - |
| | Dhaka Bank Limited | 800,000,000 | 200,000,000 | 800,000,000 | 200,000,000 |
| | NRB Global Bank Limited | 250,000,000 | 200,000,000 | 250,000,000 | 200,000,000 |
| | Standard Bank Limited | 1,200,000,000 | 400,000,000 | 1,200,000,000 | 400,000,000 |
| | Union Capital Limited | - | 100,000,000 | - | 100,000,000 |
| | Export Import Bank of Bangladesh Limited | 1,600,000,000 | 1,100,000,000 | 1,600,000,000 | 1,100,000,000 |
| | Trust Bank Limited | - | - | 2,500,000 | 2,500,000 |
| | Standard Chartered Bank | - | - | 7,000,000 | 22,555,105 |
| | | 11,850,000,000 | 6,600,000,000 | 12,288,469,833 | 6,625,055,105 |
| | | 11,804,324,866 | 6,846,398,723 | 12,543,322,538 | 7,256,039,490 |
| 4(b) | Outside Bangladesh | - | - | - | - |
| | Total balance | 11,804,324,866 | 6,846,398,723 | 12,543,322,538 | 7,256,039,490 |
| 4.1 | Maturity grouping of balance with other banks and financial institutions: | | | | |
| | Payable on demand | (53,908,585) | 226,743,983 | 246,619,254 | 348,496,291 |
| | Up to 1 month | 2,108,233,451 | 1,019,654,740 | 2,108,233,451 | 1,282,488,094 |
| | Over 1 month but not more than 3 months | 9,550,000,000 | 4,950,000,000 | 9,809,170,000 | 4,972,555,105 |
| | Over 3 months but not more than 6 months | 200,000,000 | 350,000,000 | 376,799,833 | 350,000,000 |
| | Over 6 months but not more than 1 year | - | 300,000,000 | 2,500,000 | 302,500,000 |
| | Over 1 year but not more than 5 years | - | - | - | - |
| | Over 5 years | - | - | - | - |
| | | 11,804,324,866 | 6,846,398,723 | 12,543,322,538 | 7,256,039,490 |

| | IDLC Finance Limited | | IDLC Group | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 5 Money at call and short notice | - | - | - | - |
| 6 Investments | | | | |
| Government securities | | | | |
| Treasury bill | - | - | - | - |
| National Investment bonds | - | - | - | - |
| Bangladesh Bank bill | - | - | - | - |
| Government notes/bonds | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| Prize bonds | - | - | - | - |
| Others | - | - | - | - |
| | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| Other investments | | | | |
| Investment in non marketable ordinary shares (Note 6.1) | 7,864,000 | 7,864,000 | 7,864,000 | 7,864,000 |
| Investment in preference shares (Note 6.2) | - | 31,268,419 | - | 31,268,419 |
| Investment in debenture and bonds (Note 6.3) | 913,000,000 | 613,000,000 | 913,000,000 | 613,000,000 |
| Investment in commercial papers (Note 6.4) | 400,000,000 | - | 400,000,000 | - |
| Investment in marketable securities (Note 6.5) | 1,150,083,105 | 1,160,183,410 | 1,771,604,561 | 1,683,893,422 |
| Other investments | - | - | - | - |
| Gold etc. | - | - | - | - |
| | 2,470,947,105 | 1,812,315,829 | 3,092,468,561 | 2,336,025,841 |
| | 2,770,947,105 | 2,112,315,829 | 3,392,468,561 | 2,636,025,841 |
| 6.1 Investment in non marketable ordinary shares | | | | |
| | <u>No. of Shares</u> | | | |
| Credit Rating Agency of Bangladesh Limited | 17,198 | 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 |
| * Previously the name was Dan & Bradstreet Rating Agency Bangladesh Limited | | 7,864,000 | 7,864,000 | 7,864,000 |
| 6.2 Investment in preference shares | | | | |
| 12.75% cumulative redeemable preference shares of ECPV Limited | - | 1,268,419 | - | 1,268,419 |
| 14.0625% cumulative redeemable preference shares of Fiber @ Home Limited | - | 30,000,000 | - | 30,000,000 |
| | - | 31,268,419 | - | 31,268,419 |
| 6.3 Investment in bonds | | | | |
| Mercantile Bank Limited | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| The City Bank Limited | 313,000,000 | 313,000,000 | 313,000,000 | 313,000,000 |
| United Commercial Bank Limited | 300,000,000 | - | 300,000,000 | - |
| Total | 913,000,000 | 613,000,000 | 913,000,000 | 613,000,000 |
| 6.4 Investment in Commercial papers | | | | |
| GPH Ispat Limited | 100,000,000 | - | 100,000,000 | - |
| Flamingo Fashions Limited | 300,000,000 | - | 300,000,000 | - |
| Total | 400,000,000 | - | 400,000,000 | - |

6.5 Investment in marketable securities

Details of marketable securities are given below:

| Business Segments | IDLC Finance Limited | | | IDLC Group | | |
|-----------------------------|----------------------|----------------------|-------------------------------------|---------------|----------------------|-------------------------------------|
| | No. of shares | Cost price | Market price at the end of the year | No. of shares | Cost price | Market price at the end of the year |
| | | Taka | Taka | | Taka | Taka |
| Mutual Funds | 25,048,887 | 179,205,692 | 137,122,077 | 38,136,280 | 315,894,985 | 256,898,973 |
| Banks | 13,957,144 | 314,360,678 | 329,174,055 | 16,661,781 | 397,720,527 | 456,193,504 |
| Textiles | 6,620,114 | 235,252,808 | 171,236,050 | 9,127,915 | 331,444,672 | 241,768,643 |
| Pharmaceuticals & Chemicals | 3,790,452 | 360,510,015 | 360,129,302 | 5,623,952 | 500,489,657 | 496,826,003 |
| Fuel & Power | 1,239,164 | 50,753,916 | 39,450,737 | 3,480,089 | 209,431,870 | 193,137,205 |
| Financial Institutions | 161,700 | 9,999,997 | 9,999,997 | 263,294 | 13,162,019 | 12,946,223 |
| Cement | - | - | - | 30,711 | 3,460,832 | 2,291,041 |
| | | 1,150,083,105 | 1,047,112,218 | | 1,771,604,561 | 1,660,061,592 |

All investments in marketable securities are valued on an 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.

As on December 31, 2015 there was Taka 111,542,969 gross unrealised loss on consolidated investment in marketable listed securities and Taka 102,970,887 gross unrealised loss on investment by IDLC Finance Limited in marketable securities, incremental provision for which has been kept in profit and loss account.

| | IDLC Finance Limited | | IDLC Group | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 6.6 Maturity grouping of investments | | | | |
| On demand | - | - | - | - |
| Up to 1 month | 1,150,083,105 | 1,160,183,410 | 1,771,604,561 | 1,683,893,422 |
| Over 1 month but not more than 3 months | - | - | - | - |
| Over 3 months but not more than 6 months | - | - | - | - |
| Over 6 months but not more than 1 year | 700,000,000 | 300,000,000 | 700,000,000 | 300,000,000 |
| Over 1 year but not more than 5 years | 673,000,000 | 446,068,419 | 673,000,000 | 446,068,419 |
| Over 5 years | 247,864,000 | 206,064,000 | 247,864,000 | 206,064,000 |
| | 2,770,947,105 | 2,112,315,829 | 3,392,468,561 | 2,636,025,841 |
| 7 Loans and advances | | | | |
| Inside Bangladesh: | | | | |
| Lease receivable (Note 7.1) | 6,016,178,662 | 6,281,833,418 | 6,016,178,662 | 6,281,833,418 |
| Long-term finance (Note 7.2) | 25,376,857,760 | 20,098,056,174 | 25,376,857,760 | 20,098,056,174 |
| Real estate finance (Note 7.3) | 17,205,949,953 | 14,822,115,738 | 17,205,949,953 | 14,822,115,738 |
| Car loans (Note 7.4) | 2,490,010,308 | 1,796,774,442 | 2,490,010,308 | 1,796,774,442 |
| Personal loan (Note 7.5) | 120,402,599 | 139,489,225 | 120,402,599 | 139,489,225 |
| Short term finance (Note 7.6) | 1,079,413,610 | 735,403,354 | 1,079,413,610 | 735,403,354 |
| Loan to subsidiaries (Note 7.7) | 232,500,000 | 329,810,669 | - | - |
| Loan against deposit (LAD) | 507,159,933 | 505,770,287 | 507,159,933 | 505,770,287 |
| Margin loan to portfolio investors (Note 7.8) | - | - | 1,586,669,766 | 2,050,064,819 |
| Interest receivable (Note-7.9) | 829,241,380 | 639,447,905 | 829,181,658 | 639,447,905 |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| Outside Bangladesh | - | - | - | - |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| 7.1 Lease receivable | | | | |
| Balance at January 1 | 6,281,833,418 | 6,358,329,784 | 6,281,833,418 | 6,358,329,784 |
| Add: Addition during the year | 2,641,959,950 | 2,444,371,482 | 2,641,959,950 | 2,444,371,482 |
| | 8,923,793,368 | 8,802,701,266 | 8,923,793,368 | 8,802,701,266 |
| Less: Realisation during the year | 2,907,614,706 | 2,520,867,848 | 2,907,614,706 | 2,520,867,848 |
| | 6,016,178,662 | 6,281,833,418 | 6,016,178,662 | 6,281,833,418 |
| Balance at December 31 | 6,016,178,662 | 6,281,833,418 | 6,016,178,662 | 6,281,833,418 |
| 7.1a Lease receivable | | | | |
| Gross lease receivable | 7,388,574,715 | 7,769,256,866 | 7,388,574,715 | 7,769,256,866 |
| Less: Unearned lease income | 1,372,396,053 | 1,487,423,448 | 1,372,396,053 | 1,487,423,448 |
| Lease receivable | 6,016,178,662 | 6,281,833,418 | 6,016,178,662 | 6,281,833,418 |
| 7.1.1 Aging analysis of lease receivable | | | | |
| | 31.12.2015 | | 31.12.2014 | |
| | Amount in Tk. | % of total | Amount in Tk. | % of total |
| Up to one year | 2,516,206,306 | 41.82 | 2,628,193,123 | 41.84 |
| Above one year to three years | 2,755,440,510 | 45.80 | 3,520,481,403 | 56.04 |
| Above three years to five years | 742,170,337 | 12.34 | 133,158,892 | 2.12 |
| More than five years | 2,361,510.01 | 0.04 | - | - |
| | 6,016,178,662 | 100.00 | 6,281,833,418 | 100.00 |
| 7.2 Long-term finance | | | | |
| Balance at January 1 | 20,098,056,174 | 17,293,057,140 | 20,098,056,174 | 17,293,057,140 |
| Add: Disbursement during the year | 16,783,873,236 | 12,862,187,397 | 16,783,873,236 | 12,862,187,397 |
| | 36,881,929,410 | 30,155,244,537 | 36,881,929,410 | 30,155,244,537 |
| Less: Realisation during the year | 11,505,071,650 | 10,057,188,363 | 11,505,071,650 | 10,057,188,363 |
| Balance at December 31 | 25,376,857,760 | 20,098,056,174 | 25,376,857,760 | 20,098,056,174 |

| | IDLC Finance Limited | | IDLC Group | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 7.3 Real estate finance | | | | |
| This represents loans to individuals, employees under the Company's real estate loan scheme and corporate bodies for purchase and construction of apartments and homes in urban areas for periods ranging from 5 to 20 years. | | | | |
| Balance at January 1 | 14,822,115,738 | 11,169,989,403 | 14,822,115,738 | 11,169,989,403 |
| Add : Disbursement during the year | 7,341,329,186 | 5,929,833,255 | 7,341,329,186 | 5,929,833,255 |
| | 22,163,444,924 | 17,099,822,658 | 22,163,444,924 | 17,099,822,658 |
| Less : Realisation during the year | 4,957,494,971 | 2,277,706,920 | 4,957,494,971 | 2,277,706,920 |
| Balance at December 31 | 17,205,949,953 | 14,822,115,738 | 17,205,949,953 | 14,822,115,738 |
| 7.3.1 Aging analysis of real estate finance | | | | |
| | 31.12.2015 | | 31.12.2014 | |
| | Amount in Tk. | % of total | Amount in Tk. | % of total |
| Up to one year | 1,502,435,404 | 8.73 | 1,247,031,941 | 8.41 |
| Above one year to three years | 2,986,922,269 | 17.36 | 3,573,359,675 | 24.11 |
| Above three years to five years | 3,061,103,902 | 17.79 | 2,456,979,951 | 16.58 |
| More than five years | 9,655,488,378 | 56.12 | 7,544,744,171 | 50.90 |
| | 17,205,949,953 | 100.00 | 14,822,115,738 | 100.00 |
| 7.4 Car loans | | | | |
| Balance at January 1 | 1,796,774,442 | 779,015,226 | 1,796,774,442 | 779,015,226 |
| Add : Disbursement during the year | 1,233,246,144 | 1,254,825,593 | 1,233,246,144 | 1,254,825,593 |
| | 3,030,020,586 | 2,033,840,819 | 3,030,020,586 | 2,033,840,819 |
| Less : Realisation during the year | 540,010,278 | 237,066,377 | 540,010,278 | 237,066,377 |
| Balance at December 31 | 2,490,010,308 | 1,796,774,442 | 2,490,010,308 | 1,796,774,442 |
| 7.5 Personal loan | | | | |
| Balance at January 1 | 139,489,225 | 163,143,576 | 139,489,225 | 163,143,576 |
| Add : Disbursement during the year | 46,052,934 | 49,355,706 | 46,052,934 | 49,355,706 |
| | 185,542,159 | 212,499,282 | 185,542,159 | 212,499,282 |
| Less : Realisation during the year | 65,139,560 | 73,010,057 | 65,139,560 | 73,010,057 |
| Balance at December 31 | 120,402,599 | 139,489,225 | 120,402,599 | 139,489,225 |
| 7.6 Short term finance | | | | |
| Factoring of account receivable | 1,079,413,610 | 735,403,354 | 1,079,413,610 | 735,403,354 |
| | 1,079,413,610 | 735,403,354 | 1,079,413,610 | 735,403,354 |
| 7.7 Loan to Subsidiaries | | | | |
| Balance at January 1 | 329,810,669 | 1,182,110,669 | - | - |
| Add : Disbursement during the year | 2,365,500,000 | 3,088,000,000 | - | - |
| | 2,695,310,669 | 4,270,110,669 | - | - |
| Less : Realisation during the year | 2,462,810,669 | 3,940,300,000 | - | - |
| Balance at December 31 | 232,500,000 | 329,810,669 | - | - |
| 7.7.1 Loan to IDLC Investments Limited | | | | |
| Balance at January 1 | 329,810,669 | 1,182,110,669 | - | - |
| Add : Disbursement during the year | 2,260,500,000 | 3,088,000,000 | - | - |
| | 2,590,310,669 | 4,270,110,669 | - | - |
| Less : Realisation during the year | 2,462,810,669 | 3,940,300,000 | - | - |
| Balance at December 31 | 127,500,000 | 329,810,669 | - | - |
| 7.7.2 Loan to IDLC Securities Limited | | | | |
| Balance at January 1 | - | - | - | - |
| Add : Disbursement during the year | 105,000,000 | - | - | - |
| | 105,000,000 | - | - | - |
| Less : Realisation during the year | - | - | - | - |
| Balance at December 31 | 105,000,000 | - | - | - |

| | IDLC Finance Limited | | IDLC Group | |
|---|----------------------|------------|----------------------|----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| 7.8 Margin loan to portfolio investors | | | | |
| Balance at January 1 | - | - | 2,050,064,819 | 3,445,031,594 |
| Add : Disbursement during the year | - | - | 3,905,626,925 | 5,719,406,213 |
| | - | - | 5,955,691,744 | 9,164,437,807 |
| Less : Realisation during the year | - | - | 4,369,021,978 | 7,114,372,988 |
| Balance at December 31 | - | - | 1,586,669,766 | 2,050,064,819 |

Margin loan to portfolio investors are provided by the subsidiaries of the Company as part of their normal business activities and the Group considers this as having similar characteristics of retail/personal lending. Based on detailed review, the Group note that shortfall, if any on individual client's portfolio and margin lending exposure are temporary in nature and any potential shortfall is expected to be recouped in near future. Moreover, the Group has also continuing its recovery efforts by requesting those clients to bring in additional fund to cover shortfall. Nevertheless, the Group is closely monitoring this matter and if it become obvious that additional provision is required it shall be provided in due course. However, required provision has been made for shortfall in negative equity existed as at 31 December 2015.

7.9 Interest Receivables

| | | | | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Lease receivable | 132,831,082 | 117,395,141 | 132,831,082 | 117,395,141 |
| Long-term finance | 367,341,830 | 267,351,844 | 367,341,830 | 267,351,844 |
| Real estate finance | 233,497,512 | 183,767,438 | 233,497,512 | 183,767,438 |
| Car loan | 24,114,627 | 16,459,513 | 24,114,627 | 16,459,513 |
| Personal loan | 2,678,663 | 2,955,063 | 2,678,663 | 2,955,063 |
| Loan against deposit (LAD) | 49,595,894 | 51,518,906 | 49,595,894 | 51,518,906 |
| Loan to Subsidiaries | 59,722 | - | - | - |
| Short term finance | 19,122,051 | - | 19,122,051 | - |
| | 829,241,380 | 639,447,905 | 829,181,658 | 639,447,905 |

7.10 Net loans, advances and leases

| | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Gross performing loans, advances and leases (Note-7) | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| Less: | | | | |
| Non-performing loans, advances and leases (Note-7.15(x)(a)) | 1,647,025,660 | 914,978,350 | 2,083,231,906 | 1,365,778,217 |
| Interest suspense (Note-12.6) | 281,071,948 | 99,543,098 | 281,071,948 | 99,543,098 |
| Provision for loans and advances/investments (Note-12.7 (i)) | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |
| | 3,088,530,634 | 1,904,349,016 | 3,577,687,909 | 2,388,059,147 |
| | 50,769,183,572 | 43,444,352,196 | 51,634,136,340 | 44,680,896,215 |

| | IDLC Finance Limited | | IDLC Group | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| 7.11 Residual maturity grouping of loans, advances and leases | | | | |
| Repayable on demand | 3,445,219,218 | 3,324,092,975 | 3,445,219,218 | 3,324,092,975 |
| Over 1 month but not more than 3 months | 3,829,248,550 | 3,299,958,436 | 3,829,248,550 | 3,299,958,436 |
| Over 3 months but not more than 1 year | 10,905,354,376 | 8,554,212,279 | 12,259,464,420 | 10,274,466,429 |
| Over 1 year but not more than 5 years | 25,466,360,015 | 22,395,754,806 | 25,466,360,015 | 22,395,754,806 |
| Over 5 years | 10,211,532,047 | 7,774,682,716 | 10,211,532,047 | 7,774,682,716 |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| 7.12 Loans, advances and lease on the basis of significant concentration | | | | |
| a) Loans, advances and lease to the institutions in which Directors have interest | 41,938,678 | 68,169,621 | 41,938,678 | 68,169,621 |
| b) Loans, advances and lease to Chief Executive and other senior executives | 32,033,894 | 36,818,279 | 32,033,894 | 36,818,279 |
| c) Loans, advances and lease to customer groups: | | | | |
| i) Real estate finance | 16,622,483,197 | 13,934,506,152 | 16,622,483,197 | 13,934,506,152 |
| ii) Car loan | 2,514,124,934 | 1,796,774,442 | 2,514,124,934 | 1,796,774,442 |
| iii) Personal loan | 117,720,280 | 135,400,441 | 117,720,280 | 135,400,441 |
| iv) Loan against deposit (LAD) | 556,755,828 | 505,772,152 | 556,755,828 | 505,772,152 |
| v) Small and medium enterprises | 19,237,358,875 | 15,182,384,565 | 19,237,358,875 | 15,182,384,565 |
| vi) Special program loan (BB refinancing scheme) | 3,889,144,681 | 3,165,499,851 | 3,889,144,681 | 3,165,499,851 |
| vii) Staff loan | 137,151,017 | 142,998,805 | 137,151,017 | 142,998,805 |
| viii) Industrial loans, advances and leases (Note- 7.12 (d)) | 10,476,443,101 | 9,405,818,967 | 10,476,443,101 | 9,405,818,967 |
| ix) Other loans and advances | 232,559,722 | 974,557,937 | 1,586,669,766 | 2,694,812,087 |
| | 53,783,741,634 | 45,243,713,312 | 55,137,851,678 | 46,963,967,462 |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| d) Details of Industrial loans, advances and leases | | | | |
| i) Agricultural industries | 458,196,142 | 560,234,439 | 458,196,142 | 560,234,439 |
| ii) Textiles, Apparels & Accessories | 2,133,360,743 | 1,532,097,171 | 2,133,360,743 | 1,532,097,171 |
| iii) Food and beverage | 817,370,788 | 716,436,001 | 817,370,788 | 716,436,001 |
| iv) Pharmaceuticals | 499,146,829 | 934,020,849 | 499,146,829 | 934,020,849 |
| v) Leather & leather products, chemicals | 49,216,353 | 74,428,059 | 49,216,353 | 74,428,059 |
| vi) Power, energy & engineering | 1,820,878,667 | 1,202,562,555 | 1,820,878,667 | 1,202,562,555 |
| vii) Real estate & Home appliances, cement, ceramics | 1,262,302,234 | 1,201,953,399 | 1,262,302,234 | 1,201,953,399 |
| viii) IT & services | 2,804,625,101 | 2,406,659,114 | 2,804,625,101 | 2,406,659,114 |
| ix) Transportation | 209,318,088 | 299,006,414 | 209,318,088 | 299,006,414 |
| x) Other industries | 422,028,157 | 478,420,966 | 422,028,157 | 478,420,966 |
| | 10,476,443,101 | 9,405,818,967 | 10,476,443,101 | 9,405,818,967 |
| 7.13 Loans, advances and leases -geographical location-wise | | | | |
| Inside Bangladesh: | | | | |
| Urban | | | | |
| Dhaka | 39,433,161,282 | 34,031,050,547 | 40,787,271,325 | 35,751,304,697 |
| Chittagong | 5,827,205,657 | 5,036,382,374 | 5,827,205,657 | 5,036,382,374 |
| Bogra | 1,663,823,978 | 1,403,049,220 | 1,663,823,978 | 1,403,049,220 |
| Sylhet | 1,334,978,751 | 1,002,129,645 | 1,334,978,751 | 1,002,129,645 |
| Savar | 1,117,794,744 | 723,243,662 | 1,117,794,744 | 723,243,662 |
| Comilla | 1,361,217,684 | 1,054,901,948 | 1,361,217,684 | 1,054,901,948 |
| Jessore | 1,198,066,639 | 1,009,985,135 | 1,198,066,639 | 1,009,985,135 |
| Narsingdi | 804,672,409 | 909,581,762 | 804,672,409 | 909,581,762 |
| Bhulta | 304,552,358 | 40,715,845 | 304,552,358 | 40,715,845 |
| Khulna | 519,098,656 | 126,166,675 | 519,098,656 | 126,166,675 |
| Natore | 289,437,594 | 11,494,399 | 289,437,594 | 11,494,399 |
| Kustia | 3,704,454 | - | 3,704,454 | - |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| Outside Bangladesh: | | | | |
| | - | - | - | - |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |

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 Taka 6,736.54 million as at 31 December 2015 (Taka 5,693.82 million in 2014)

7.15 Particulars of loans, advances and leases

| | IDLC Finance Limited | | IDLC Group | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| i) Loans, advances and leases considered good in respect of which the financial institution is fully secured | 14,132,325,070 | 12,293,309,555 | 15,486,435,114 | 14,013,563,705 |
| ii) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors' personal guarantee | 6,451,139,394 | 5,432,496,353 | 6,451,139,394 | 5,432,496,353 |
| 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 | 33,274,249,742 | 27,622,895,304 | 33,274,249,742 | 27,622,895,304 |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |
| 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)] | 169,184,911 | 179,817,084 | 169,184,911 | 179,817,084 |
| 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 | 41,938,678 | 68,169,621 | 41,938,678 | 68,169,621 |
| 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. | 169,184,911 | 179,817,084 | 169,184,911 | 179,817,084 |
| 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 | 41,938,678 | 68,169,621 | 41,938,678 | 68,169,621 |
| ix) Due from bank and financial institutions | 915,573,368 | 370,721,115 | 915,573,368 | 370,721,115 |
| x) Classified loans, advances and leases | | | | |
| a) Classified loans, advances and leases on which interest has not been charged (Note-7.16) | 1,647,025,660 | 914,978,350 | 2,083,231,906 | 1,365,778,217 |
| b) Provision on doubtful loans, advances and leases | 316,215,887 | 278,210,853 | 336,256,652 | 225,499,921 |
| Provision on bad loans, advances and leases | (24,645,877) | (217,951,200) | (24,645,877) | (217,951,200) |
| Total provisions charged during the year | 291,570,010 | 60,259,653 | 311,610,775 | 7,548,721 |
| c) Amount of written off loans, advances and leases | 20,969,551 | 134,839,395 | 20,969,551 | 134,839,395 |
| Total amount realised against loans and leases previously written off | 15,494,827 | 16,612,443 | 15,494,827 | 16,612,443 |
| d) Provision kept against loans and advances classified as bad debts | (24,645,877) | (217,951,200) | (24,645,877) | (217,951,200) |
| e) Interest credited to Interest Suspense Account (Note-12.6) | 281,071,948 | 99,543,098 | 281,071,948 | 99,543,098 |
| xi) Cumulative amount of written off loans, advances and leases | | | | |
| Balance at January 1 | 468,438,240 | 333,598,845 | 468,438,240 | 333,598,845 |
| Amount written off during the year | 20,969,551 | 134,839,395 | 20,969,551 | 134,839,395 |
| | 489,407,791 | 468,438,240 | 489,407,791 | 468,438,240 |
| The amount of written off loans, advances and leases for which law suits have been filed | 1,125,678,239 | 1,087,557,927 | 1,125,678,239 | 1,087,557,927 |

7.16 Classification of loans, advances and leases

Unclassified:

| | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| Standard including staff loan | 51,073,616,191 | 43,633,217,814 | 51,991,519,989 | 44,902,672,097 |
| Special Mention Account (SMA) | 1,137,072,355 | 800,505,048 | 1,137,072,355 | 800,505,048 |
| | 52,210,688,546 | 44,433,722,862 | 53,128,592,344 | 45,703,177,145 |

Classified:

| | | | | |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Sub-standard | 309,472,197 | 178,840,085 | 745,678,443 | 629,639,952 |
| Doubtful | 478,658,959 | 90,720,823 | 478,658,959 | 90,720,823 |
| Bad/Loss | 858,894,504 | 645,417,442 | 858,894,504 | 645,417,442 |
| | 1,647,025,660 | 914,978,350 | 2,083,231,906 | 1,365,778,217 |
| | 53,857,714,206 | 45,348,701,212 | 55,211,824,250 | 47,068,955,362 |

7.17 Particulars of required provision for loans, advances and leases

| | | | IDLC Finance Limited | | IDLC Group | |
|---|-------------------------------|---------------------|----------------------|-------------|---------------|-------------|
| | | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | | | Taka | Taka | Taka | Taka |
| Status | Base for provision | Rate (%) | | | | |
| General Provision | | | | | | |
| Loans and leases (Excluding SMA) | 33,900,493,256 | 1.00% | 339,004,933 | 292,038,153 | 337,264,989 | 295,913,475 |
| Loans and leases SME-STD (Excluding SMA) | 17,173,122,935 | 0.25% | 42,932,807 | 36,073,506 | 42,932,807 | 36,073,506 |
| Special Mention Account (SMA) | 1,066,574,471 | 5.00% | 53,328,724 | 37,126,372 | 53,328,724 | 37,126,372 |
| | | | 435,266,464 | 365,238,031 | 433,526,520 | 369,113,353 |
| Status | Base for provision | Rate (%) | | | | |
| Specific provision | | | | | | |
| Sub-standard | 144,835,530 | 20% | 28,967,106 | 17,507,648 | 83,658,079 | 29,555,825 |
| Doubtful | 215,418,730 | 50% | 107,709,365 | 16,061,464 | 107,709,365 | 16,061,464 |
| Bad/ Loss | 521,565,062 | 100% | 521,565,062 | 428,474,973 | 521,565,062 | 428,474,973 |
| | | | 658,241,533 | 462,044,085 | 712,932,506 | 474,092,262 |
| Required provision for loans, advances and leases | | | 1,093,507,997 | 827,282,116 | 1,146,459,026 | 843,205,615 |
| Required provision for diminution in value of investments | | | 66,925,029 | 62,545,452 | 66,925,029 | 79,532,217 |
| Total provision required | | | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |
| Total provision maintained (Note - 12.7 (i)) | | | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |
| Excess/(short) provision at 31 December | | | - | - | - | - |

| | IDLC Finance Limited | | IDLC Group | |
|--|---|----------------------|--------------------|--------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 8 Fixed assets including land, building, furniture and fixtures | | | | |
| a. Cost | | | | |
| Balance at January 1 | 801,740,346 | 716,579,980 | 952,762,579 | 856,999,576 |
| Add: Addition during the year | 294,404,534 | 110,118,507 | 313,654,913 | 122,318,386 |
| | 1,096,144,880 | 826,698,487 | 1,266,417,492 | 979,317,962 |
| Less: Disposal/Adjustments during the year | (53,976,593) | (24,958,141) | (57,971,776) | (26,555,385) |
| | 1,042,168,288 | 801,740,346 | 1,208,445,716 | 952,762,577 |
| b. Accumulated depreciation | | | | |
| Balance at January 1 | 458,182,931 | 369,029,385 | 572,220,454 | 461,275,640 |
| Add: Charged during the year | 124,448,641 | 110,909,550 | 145,375,918 | 133,964,255 |
| | 582,631,572 | 479,938,935 | 717,596,372 | 595,239,895 |
| Less: Disposal/ Adjustments during the year | (42,826,641) | (21,756,004) | (46,249,339) | (23,019,442) |
| | 539,804,931 | 458,182,931 | 671,347,033 | 572,220,453 |
| c. Written down value (a-b) | 502,363,356 | 343,557,415 | 537,098,683 | 380,542,124 |
| A schedule of fixed assets including land, building, furniture and fixtures is given in Annexure-A | | | | |
| 9 Other assets | | | | |
| Investment in subsidiary companies (Note - 9.1) | 1,549,999,790 | 1,449,999,800 | - | - |
| Accounts receivable (Note - 9.2) | 151,953,151 | 134,216,033 | 543,115,832 | 595,251,317 |
| Advances, deposits and prepayments (Note - 9.3) | 236,904,873 | 193,476,458 | 270,343,161 | 213,112,156 |
| Inter - company receivables (Note - 9.4) | 402,550 | - | - | - |
| Deferred tax asset (Note - 9.5) | 2,331,213 | 2,035,565 | 25,735,421 | 29,071,966 |
| Investment in stock exchanges (Note - 9.6) | - | - | 18,676,000 | 18,676,000 |
| | 1,941,591,577 | 1,779,727,856 | 857,870,414 | 856,111,439 |
| 9.1 Investment in subsidiary companies | | | | |
| IDLC Securities Limited (Note- 9.1.1) | 49,999,900 | 49,999,900 | - | - |
| IDLC Investments Limited (Note- 9.1.2) | 1,399,999,900 | 1,399,999,900 | - | - |
| IDLC Asset Management Limited (Note- 9.1.3) | 99,999,990 | - | - | - |
| | 1,549,999,790 | 1,449,999,800 | - | - |
| 9.1.1 | Out of the total of 4,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 3,999,992 (including bonus shares issued in 2008, 2009 and 2010) ordinary shares of Taka 100 each. | | | |
| 9.1.2 | Out of the total of 14,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 13,999,999 ordinary shares of Taka 100 each. | | | |
| 9.1.3 | Out of the total of 10,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 9,999,999 ordinary shares of Taka 10 each. | | | |
| 9.2 Accounts receivable | | | | |
| Interest receivable (Note - 9.2.1) | 143,215,263 | 120,374,430 | 156,482,419 | 121,794,530 |
| Other receivables (Note - 9.2.2) | 8,737,888 | 13,841,603 | 386,633,413 | 473,456,787 |
| | 151,953,151 | 134,216,033 | 543,115,832 | 595,251,317 |
| 9.2.1 Interest receivable | | | | |
| Interest receivable, Fixed deposit | 119,792,361 | 110,976,528 | 133,059,517 | 112,396,628 |
| Interest receivable, Commercial paper | 420,833 | - | 420,833 | - |
| Receivable from Investment in government bonds | 1,464,916 | 1,464,916 | 1,464,916 | 1,464,916 |
| Receivable from Investment in bonds | 21,537,153 | 7,932,986 | 21,537,153 | 7,932,986 |
| | 143,215,263 | 120,374,430 | 156,482,419 | 121,794,530 |
| 9.2.2 Other receivables | | | | |
| Accrued other income | 6,116,529 | 11,220,244 | 6,116,529 | 11,220,244 |
| Other receivable | 2,621,359 | 2,621,359 | 380,516,884 | 462,236,543 |
| | 8,737,888 | 13,841,603 | 386,633,413 | 473,456,787 |
| 9.3 Advances, deposits and prepayments | | | | |
| Deposits and prepayments | 2,771,351 | 1,966,351 | 3,061,351 | 2,274,351 |
| Advance against expenses | 234,133,522 | 191,510,107 | 267,281,810 | 210,837,805 |
| | 236,904,873 | 193,476,458 | 270,343,161 | 213,112,156 |
| Advances, deposits and prepayments are considered good but not secured by collateral. | | | | |
| 9.4 Inter - company receivables | | | | |
| This represents receivables from subsidiary companies. | | | | |
| IDLC Securities Limited | - | - | - | - |
| IDLC Investments Limited | - | - | - | - |
| IDLC Asset Management Limited | 402,550 | - | - | - |
| | 402,550 | - | - | - |

9.5 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 Bangladesh Accounting Standard (BAS) 12: "Income Taxes".

Deferred tax liability is arrived at as follows:

| | IDLC Finance Limited | | | Subsidiaries | | |
|---|---|--------------------|--|---|------------------|--|
| | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka |
| 2015 | | | | | | |
| Assets (excluding land): | | | | | | |
| Fixed assets net of depreciation as on December 31, 2015 | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Assets (excluding land): | | | | | | |
| Fixed assets net of depreciation as on December 31, 2014 | 316,598,945 | 303,217,680 | (13,381,265) | - | - | - |
| Total | 316,598,945 | 303,217,680 | (13,381,265) | - | - | - |
| Applicable tax rate (2014: 42.5%) | | | 40.00% | | | |
| Deferred tax liability as on December 31, 2015 | | | - | | | - |
| Deferred tax liability as on December 31, 2014 | | | (5,687,038) | | | - |
| Deferred tax (expenses)/ income accounted for during the year | | | 5,687,038 | | | - |

Deferred tax asset is arrived at as follows:

| | IDLC Finance Limited | | | Subsidiaries | | |
|---|---|--------------------|--|---|-------------------|--|
| | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka |
| 2015 | | | | | | |
| Assets (excluding land): | | | | | | |
| Fixed assets net of depreciation as on December 31, 2015 (IDLC FL) | 475,404,886 | 481,232,919 | 5,828,032 | - | - | - |
| Fixed assets net of depreciation as on December 31, 2015 (IDLC SL) | - | - | - | 22,307,362 | 45,829,362 | 23,522,000 |
| Fixed assets net of depreciation as on December 31, 2015 (IDLC IL) | - | - | - | 12,427,965 | 21,607,699 | 9,179,734 |
| Total | 475,404,886 | 481,232,919 | 5,828,032 | 34,735,327 | 67,437,061 | 32,701,734 |
| Liabilities: | | | | | | |
| Employee gratuity as on December 31, 2015 (IDLC SL) | - | - | - | 13,200,215 | - | 13,200,215 |
| Employee gratuity as on December 31, 2015 (IDLC IL) | - | - | - | 7,876,928 | - | 7,876,928 |
| Total | - | - | - | 21,077,143 | - | 21,077,143 |
| Loss on sale of secondary shares (IDLC SL) | - | - | - | 41,551,844 | - | 41,551,844 |
| Loss on sale of secondary shares (IDLC IL) | - | - | - | - | - | - |
| Total | - | - | - | 41,551,844 | - | 41,551,844 |
| Grand Total | - | - | - | 62,628,987 | - | 62,628,987 |

| 2014 | IDLC Finance Limited | | | Subsidiaries | | |
|---|---|------------------|--|---|-------------------|--|
| | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka | Carrying amount at balance sheet Taka | Tax base Taka | (Taxable)/deductible temporary difference Taka |
| Assets (excluding land): | | | | | | |
| Fixed assets net of depreciation as on December 31, 2014 (IDLC SL) | - | - | - | 21,308,054 | 41,111,958 | 19,803,904 |
| Fixed assets net of depreciation as on December 31, 2014 (IDLC IL) | - | - | - | 15,676,655 | 20,668,737 | 4,992,082 |
| Total | - | - | - | 36,984,709 | 61,780,695 | 24,795,986 |
| Liabilities: | | | | | | |
| Employee gratuity as on December 31, 2014 (IDLC SL) | - | - | - | 10,153,706 | - | 10,153,706 |
| Employee gratuity as on December 31, 2014 (IDLC IL) | - | - | - | 6,461,419 | - | 6,461,419 |
| Total | - | - | - | 16,615,125 | - | 16,615,125 |
| Loss on sale of secondary shares (IDLC FL) | 20,355,651 | - | 20,355,651 | - | - | - |
| Loss on sale of secondary shares (IDLC SL) | - | - | - | 84,395,823 | - | 84,395,823 |
| Loss on sale of secondary shares (IDLC IL) | - | - | - | 38,165,925 | - | 38,165,925 |
| Total | 20,355,651 | - | 20,355,651 | 122,561,748 | - | 122,561,748 |
| Grand Total | 20,355,651 | - | 20,355,651 | 139,176,873 | - | 139,176,873 |
| Applicable tax rate for IDLC FL (2014: 42.5%) | | | 40.00% | | | |
| Applicable tax rate for IDLC SL | | | | | | 35.00% |
| Applicable tax rate for IDLC IL | | | | | | 37.50% |
| Applicable tax rate for loss on sale of secondary shares | | | 10.00% | | | 10.00% |
| Deferred tax asset as on December 31, 2015 | | | 2,331,213 | | | 23,404,208 |
| Deferred tax asset as on December 31, 2014 | | | 2,035,565 | | | 27,036,401 |
| Deferred tax income accounted for during the year | | | 295,648 | | | (3,632,193) |
| Net deferred tax (expense)/income | | | 5,982,686 | | | (3,632,193) |

2015: Consolidated deferred tax income was Taka 2,350,493 which includes Taka 5,982,686 for deferred tax income of IDLC Finance Ltd, Taka 1,916,786 and Taka 1,715,407 for deferred tax expense of IDLC Securities & IDLC Investments Limited respectively.

2014: Consolidated deferred tax income was Taka 18,558,222 which includes Taka 12,242,129 for deferred tax income of IDLC Finance Ltd, Taka 3,865,057 and Taka 2,451,036 for deferred tax income of IDLC Securities & IDLC Investments Ltd respectively.

| 9.6 | Investment in stock exchanges | IDLC Finance Limited | | IDLC Group | |
|-----|-------------------------------|----------------------|--------------------|--------------------|--------------------|
| | | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| | DSE membership at cost | - | - | 15,225,000 | 15,225,000 |
| | CSE membership at cost | - | - | 3,451,000 | 3,451,000 |
| | | - | - | 18,676,000 | 18,676,000 |

IDLC Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges

| Stock Exchange | Type of Shares | Number of Shares | Face Value |
|-----------------------------------|----------------|------------------|------------|
| Dhaka Stock Exchange Limited | Floated (40%) | 2,886,042 | 10 |
| | Blocked (60%) | 4,329,064 | 10 |
| | | 7,215,106 | |
| 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 | | | | |
|----|---|-----------------------|----------------------|-----------------------|----------------------|
| | Inside Bangladesh (Note- 10.1) | 10,550,165,864 | 9,136,412,565 | 10,585,582,747 | 9,198,032,173 |
| | Outside Bangladesh | - | - | - | - |
| | | 10,550,165,864 | 9,136,412,565 | 10,585,582,747 | 9,198,032,173 |

| | IDLC Finance Limited | | IDLC Group | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| 10.1 Inside Bangladesh | | | | |
| Secured long term loans | | | | |
| Long-term loans | | | | |
| Commercial Bank of Ceylon PLC | 105,000,000 | 165,000,000 | 105,000,000 | 165,000,000 |
| Woori Bank | 300,000,000 | - | 300,000,000 | - |
| | <u>405,000,000</u> | <u>165,000,000</u> | <u>405,000,000</u> | <u>165,000,000</u> |
| Total secured long-term loans | 405,000,000 | 165,000,000 | 405,000,000 | 165,000,000 |
| Unsecured long-term loans | | | | |
| Bond and Debenture | | | | |
| Sadharan Bima Corporation | - | 20,000,000 | - | 20,000,000 |
| A K Khan & Co Limited | 331,598,635 | 625,333,064 | 331,598,635 | 625,333,064 |
| Universal Jeans Limited | 76,124,572 | 143,556,718 | 76,124,572 | 143,556,718 |
| Central Depository Bangladesh Limited | 30,449,830 | 57,422,688 | 30,449,830 | 57,422,688 |
| BRAC EPL Stock Brokerage Limited | 18,574,396 | 35,027,839 | 18,574,396 | 35,027,839 |
| Long-term loans | | | | |
| Kreditanstalt f r Wiederaufbau (KfW) | 99,769,118 | 113,681,048 | 99,769,118 | 113,681,048 |
| The Hong Kong & Shanghai Banking Corporation Limited | - | 1,480,834 | - | 1,480,834 |
| Bangladesh Bank (Small Enterprise Refinancing Program) | 3,148,726,835 | 2,045,829,445 | 3,148,726,835 | 2,045,829,445 |
| Bangladesh Bank New Entrepreneur Refinancing Schem | 49,900,000 | - | 49,900,000 | - |
| Bangladesh Bank (Home Loan Refinancing Program) | 687,612,296 | 747,130,401 | 687,612,296 | 747,130,401 |
| Bangladesh Bank (Agro Loan Refinancing Program) | 1,712,434,975 | 1,231,976,652 | 1,712,434,975 | 1,231,976,652 |
| Bangladesh Bank (JICA Refinancing Program) | 520,406,109 | 563,054,420 | 520,406,109 | 563,054,420 |
| SME Foundation | 85,000,000 | 30,000,000 | 85,000,000 | 30,000,000 |
| FMO Loan | 932,160,000 | 1,242,880,000 | 932,160,000 | 1,242,880,000 |
| Investment Promotion & Financing Facilities (IPFF) | 272,409,098 | 294,039,456 | 272,409,098 | 294,039,456 |
| Investment Corporation of Bangladesh (ICB) | - | - | 35,416,883 | 61,619,608 |
| Saudi Bangladesh Industrial & Agricultural Investment Company Limited | 400,000,000 | - | 400,000,000 | - |
| Total unsecured long-term loan | 8,365,165,864 | 7,151,412,565 | 8,400,582,747 | 7,213,032,173 |
| Short-term and Call loans: | | | | |
| Short-term loans | | | | |
| Citi Bank N.A. | - | 370,000,000 | - | 370,000,000 |
| Bank Alfalah Limited | - | 100,000,000 | - | 100,000,000 |
| Standard Chartered Bank | 800,000,000 | 650,000,000 | 800,000,000 | 650,000,000 |
| Commercial Bank of Ceylon Plc | - | 100,000,000 | - | 100,000,000 |
| | <u>800,000,000</u> | <u>1,220,000,000</u> | <u>800,000,000</u> | <u>1,220,000,000</u> |
| Call Loans | | | | |
| Agrani Bank Limited | 160,000,000 | 100,000,000 | 160,000,000 | 100,000,000 |
| BASIC Bank Limited | - | 200,000,000 | - | 200,000,000 |
| Meghna Bank Limited | - | 200,000,000 | - | 200,000,000 |
| The Premier Bank Limited | - | 100,000,000 | - | 100,000,000 |
| Pubali Bank Limited | 140,000,000 | - | 140,000,000 | - |
| Jamuna Bank Limited | 150,000,000 | - | 150,000,000 | - |
| Mercantile Bank Limited | 330,000,000 | - | 330,000,000 | - |
| Mutual Trust Bank Limited | 200,000,000 | - | 200,000,000 | - |
| | <u>980,000,000</u> | <u>600,000,000</u> | <u>980,000,000</u> | <u>600,000,000</u> |
| Total short-term and call loans | 1,780,000,000 | 1,820,000,000 | 1,780,000,000 | 1,820,000,000 |
| Total Borrowings | 10,550,165,864 | 9,136,412,565 | 10,585,582,747 | 9,198,032,173 |
| 10.2 Security against borrowings from other banks and financial institutions | | | | |
| Secured | 1,205,000,000 | 1,385,000,000 | 1,205,000,000 | 1,385,000,000 |
| Unsecured | 9,345,165,864 | 7,751,412,565 | 9,380,582,747 | 7,813,032,173 |
| | <u>10,550,165,864</u> | <u>9,136,412,565</u> | <u>10,585,582,747</u> | <u>9,198,032,173</u> |
| 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 | 980,000,000 | 600,000,000 | 980,000,000 | 600,000,000 |
| Up to 1 month | 1,029,000,000 | 463,412,565 | 1,029,000,000 | 463,412,565 |
| Over 1 month but within 3 months | 554,200,000 | 1,012,800,000 | 554,200,000 | 1,012,800,000 |
| Over 3 months but within 1 year | 2,024,700,000 | 1,972,200,000 | 2,024,700,000 | 1,972,200,000 |
| Over 1 year but within 5 years | 5,347,000,000 | 4,388,600,000 | 5,382,416,883 | 4,450,219,608 |
| Over 5 years | 615,265,864 | 699,400,000 | 615,265,864 | 699,400,000 |
| | <u>10,550,165,864</u> | <u>9,136,412,565</u> | <u>10,585,582,747</u> | <u>9,198,032,173</u> |

| | IDLC Finance Limited | | IDLC Group | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| 11 Deposits and other accounts | | | | |
| Current accounts and other accounts etc | - | - | - | - |
| Bills payable | - | - | - | - |
| Savings bank deposits | - | - | - | - |
| Term deposits (Note- 11.1) | 46,174,475,236 | 35,241,001,090 | 46,038,675,236 | 35,240,301,090 |
| Bearer certificate of deposits | - | - | - | - |
| Refundable deposits (Note- 11.2) | 1,585,890,057 | 1,354,817,959 | 1,585,890,057 | 1,354,817,959 |
| | 47,760,365,293 | 36,595,819,049 | 47,624,565,293 | 36,595,119,049 |
| 11.1 Term deposits | | | | |
| This represents deposits received from institutions and individuals for a period not less than three months period. | | | | |
| Balance at January 1 | 35,241,001,090 | 29,163,880,082 | 35,240,301,090 | 29,063,880,082 |
| Add: Deposits received during the year | 28,341,598,510 | 20,683,947,858 | 28,341,598,510 | 20,683,947,858 |
| | 63,582,599,600 | 49,847,827,940 | 63,581,899,600 | 49,747,827,940 |
| Less: Matured/encashed during the year | 17,408,124,363 | 14,606,826,850 | 17,408,124,363 | 14,506,826,850 |
| Inter - company deposit | - | - | 135,100,000 | 700,000 |
| Balance at December 31 | 46,174,475,236 | 35,241,001,090 | 46,038,675,236 | 35,240,301,090 |
| 11.1.1 Rate of interest | | | | |
| Rate of interest on term deposit receipts ranges from 6.50% to 11.73% (2014: 8.40% to 12.50%). | | | | |
| 11.2 Refundable deposits | | | | |
| The Company takes deposits from the clients of lease and loan on signing of agreement, refundable at the end of the contract period. Balance at December 31 stands as under: | | | | |
| Deposits against loan and lease rental | 338,834,885 | 353,056,882 | 338,834,885 | 353,056,882 |
| Deposits against financing as per term of agreements (Security deposits) | 1,247,055,171 | 1,001,761,077 | 1,247,055,171 | 1,001,761,077 |
| | 1,585,890,057 | 1,354,817,959 | 1,585,890,057 | 1,354,817,959 |
| Security deposits are interest bearing while deposits against loan and lease are non interest bearing. | | | | |
| 11.3 Group-wise break-up of deposits and other accounts | | | | |
| Government | - | - | - | - |
| Bank | 9,840,213,670 | 6,949,313,548 | 9,840,213,670 | 6,949,313,548 |
| Other institutions | 19,995,060,669 | 13,365,328,999 | 19,859,260,669 | 13,364,628,999 |
| Individuals | 17,925,090,954 | 16,281,176,502 | 17,925,090,954 | 16,281,176,502 |
| | 47,760,365,293 | 36,595,819,049 | 47,624,565,293 | 36,595,119,049 |
| 11.4 Maturity analysis of deposits | | | | |
| Maturity analysis of Term deposits | | | | |
| Payable on demand | - | - | - | - |
| Up to 1 month | 6,161,453,193 | 3,734,143,655 | 6,161,453,193 | 3,734,143,655 |
| Over 1 month but within 6 months | 25,601,028,463 | 20,349,062,942 | 25,601,028,463 | 20,349,062,942 |
| Over 6 months but within 1 year | 7,843,506,215 | 6,980,485,376 | 7,843,506,215 | 6,980,485,376 |
| Over 1 year but within 5 years | 5,691,985,015 | 3,634,295,306 | 5,556,185,015 | 3,633,595,306 |
| Over 5 years but within 10 years | 855,074,528 | 542,475,507 | 855,074,528 | 542,475,507 |
| Above 10 years | 21,427,821 | 538,304 | 21,427,821 | 538,304 |
| | 46,174,475,236 | 35,241,001,090 | 46,038,675,236 | 35,240,301,090 |
| Maturity analysis of Refundable deposit | | | | |
| Payable on demand | 27,845,166 | 37,662,874 | 27,845,166 | 37,662,874 |
| Up to 1 month | 10,802,351 | 7,052,326 | 10,802,351 | 7,052,326 |
| Over 1 month but within 6 months | 164,310,816 | 103,191,549 | 164,310,816 | 103,191,549 |
| Over 6 months but within 1 year | 175,435,516 | 118,844,503 | 175,435,516 | 118,844,503 |
| Over 1 year but within 5 years | 1,193,562,129 | 1,071,511,233 | 1,193,562,129 | 1,071,511,233 |
| Over 5 years but within 10 years | 13,934,080 | 16,555,474 | 13,934,080 | 16,555,474 |
| | 1,585,890,057 | 1,354,817,959 | 1,585,890,057 | 1,354,817,959 |
| 12 Other liabilities | | | | |
| Payable and accrued expenses (Note- 12.1) | 3,366,220,090 | 3,247,186,683 | 3,771,971,305 | 3,759,339,122 |
| Provision for income tax (Note- 12.2) | 1,806,301,703 | 1,485,726,087 | 1,925,191,210 | 1,575,825,521 |
| Inter-company payables (Note- 12.3) | 99,999,990 | - | - | - |
| Deferred liability-employee gratuity (Note- 12.4) | - | - | 21,077,143 | 16,615,124 |
| Portfolio investors' fund (Note- 12.5) | - | - | 218,042,064 | 220,365,337 |
| Interest suspense account (Note- 12.6) | 281,071,948 | 99,543,098 | 281,071,948 | 99,543,098 |
| Provision for doubtful accounts and future losses (Note- 12.7 (i)) | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |
| Unpaid dividend | 7,606,218 | 5,492,588 | 7,606,218 | 5,492,588 |
| Deferred tax liability (Note - 9.5) | - | 5,687,038 | - | 5,687,038 |
| | 6,721,632,975 | 5,733,463,062 | 7,438,343,943 | 6,605,605,660 |

| | IDLC Finance Limited | | IDLC Group | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 12.1 Payable and accrued expenses | | | | |
| Receipt against leases | 335,375,876 | 315,044,853 | 335,375,876 | 315,044,853 |
| Liabilities for expenses | 2,677,881,192 | 2,217,828,677 | 3,083,425,809 | 2,593,893,052 |
| Liabilities for other finance | 352,963,022 | 714,313,153 | 353,169,620 | 850,401,217 |
| | 3,366,220,090 | 3,247,186,683 | 3,771,971,305 | 3,759,339,122 |
| 12.2 Provision for income tax | | | | |
| <i>Provision</i> | | | | |
| Balance at January 1 | 4,522,486,911 | 3,634,648,495 | 5,018,323,425 | 4,058,747,773 |
| Less: Adjustment during the year | - | - | - | - |
| | 4,522,486,911 | 3,634,648,495 | 5,018,323,425 | 4,058,747,773 |
| Add: Provision made during the year | 1,037,681,898 | 887,838,416 | 1,171,629,363 | 959,575,652 |
| | 5,560,168,809 | 4,522,486,911 | 6,189,952,788 | 5,018,323,425 |
| Settlement of previous year's tax liability | - | - | - | - |
| Balance at December 31 | 5,560,168,809 | 4,522,486,911 | 6,189,952,788 | 5,018,323,425 |
| <i>Advance tax</i> | | | | |
| Balance at January 1 | 3,036,760,824 | 2,425,162,806 | 3,442,497,904 | 2,746,787,287 |
| Add: Payment made during the year: | | | | |
| Under sections 64 and 74 of ITO, 1984 | 604,155,360 | 523,623,300 | 664,144,614 | 570,917,190 |
| Deduction at source | 110,881,922 | 85,979,718 | 156,050,060 | 122,738,427 |
| Others | 2,069,000 | 1,995,000 | 2,069,000 | 2,055,000 |
| | 717,106,282 | 611,598,018 | 822,263,674 | 695,710,617 |
| | 3,753,867,106 | 3,036,760,824 | 4,264,761,578 | 3,442,497,904 |
| Less: Adjustment during the year | - | - | - | - |
| | 3,753,867,106 | 3,036,760,824 | 4,264,761,578 | 3,442,497,904 |
| Net balance at December 31 | 1,806,301,703 | 1,485,726,087 | 1,925,191,210 | 1,575,825,521 |
| 12.3 Inter-company payables | | | | |
| IDLC Securities Limited | - | - | - | - |
| IDLC Investments Limited | - | - | - | - |
| IDLC Asset Management Limited (Note- 12.3.1) | 99,999,990 | - | - | - |
| | 99,999,990 | - | - | - |
| 12.3.1 This amount is (TK. 99,999,990) payable to IDLC Asset Management Limited for contribution in capital by IDLC Finance Limited. | | | | |
| 12.4 Deferred Liability-employee gratuity | | | | |
| Balance at January 1 | - | - | 16,615,124 | 10,358,982 |
| Add: Addition during the year | - | - | 8,524,048 | 7,094,477 |
| | - | - | 25,139,172 | 17,453,459 |
| Less: Payment during the year | - | - | 4,062,029 | 838,335 |
| Balance at December 31 | - | - | 21,077,143 | 16,615,124 |
| 12.5 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 | - | - | 220,365,337 | 536,049,315 |
| Add: Deposit and share sold by clients | - | - | 2,191,420,201 | 1,855,196,750 |
| | - | - | 2,411,785,538 | 2,391,246,065 |
| Less: Purchase of share and deposit withdraw by clients | - | - | 2,193,743,474 | 2,170,880,728 |
| Balance at December 31 | - | - | 218,042,064 | 220,365,337 |

| | IDLC Finance Limited | | IDLC Group | |
|--|----------------------|--------------------|----------------------|--------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 12.6 Interest suspense accounts | | | | |
| On lease finance | 82,342,236 | 36,256,031 | 82,342,236 | 36,256,031 |
| On real-estate finance | 57,033,620 | 18,980,655 | 57,033,620 | 18,980,655 |
| On term finance | 132,378,128 | 34,505,533 | 132,378,128 | 34,505,533 |
| On car loan | 4,630,154 | 1,129,686 | 4,630,154 | 1,129,686 |
| On personal loan | 1,752,803 | 1,542,354 | 1,752,803 | 1,542,354 |
| On short term finance | 2,935,007 | 7,128,839 | 2,935,007 | 7,128,839 |
| | 281,071,948 | 99,543,098 | 281,071,948 | 99,543,098 |
| 12.7 Provision for loans and advances/investments | | | | |
| 12.7(i) Balance at January 1 | 889,827,568 | 957,891,200 | 922,737,832 | 1,043,512,396 |
| Provision required for the year | 316,215,887 | 278,210,853 | 358,858,683 | 281,996,859 |
| Provision released during the year | (24,645,877) | (217,951,200) | (47,247,908) | (274,448,138) |
| Provision charged for the year (Note- 17.7 (ii)) | 291,570,010 | 60,259,653 | 311,610,775 | 7,548,721 |
| Write off during the year | 20,964,551 | 128,323,285 | 20,964,551 | 128,323,285 |
| Balance at December 31 | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |
| 12.7(ii) Provision charged for the year | | | | |
| General provision | 54,798,590 | 41,984,250 | 49,183,322 | 45,031,836 |
| Specific provision | 233,364,352 | (1,576,823) | 276,007,148 | (55,344,909) |
| Provision for diminutions in value of investments | 3,407,068 | 19,852,226 | (13,579,695) | 17,861,794 |
| Other Provisions | - | - | - | - |
| | 291,570,010 | 60,259,653 | 311,610,775 | 7,548,721 |
| 12.7(iii) Product wise break up of provision | | | | |
| Lease | 355,794,492 | 291,138,999 | 355,794,492 | 291,138,999 |
| Long- term finance | 409,746,466 | 318,768,381 | 409,746,466 | 318,768,381 |
| Real estate finance | 232,236,527 | 168,044,304 | 232,236,527 | 168,044,304 |
| Car loan | 32,601,551 | 22,260,594 | 32,601,551 | 22,260,594 |
| Investment in shares | 66,925,029 | 62,545,452 | 66,925,029 | 79,532,217 |
| Personal Loan | 6,848,488 | 6,275,074 | 6,848,488 | 6,275,074 |
| Short term finance | 39,870,455 | 11,923,765 | 39,870,455 | 11,923,765 |
| Loan against Deposit | 9,250,976 | 5,572,892 | 9,250,976 | 5,572,892 |
| Loan to subsidiaries | 2,325,597 | 3,298,107 | (9,495,510) | (8,523,000) |
| Other Assets | 4,833,446 | - | 4,833,446 | - |
| Margin loan | - | - | 64,772,136 | 27,744,606 |
| | 1,160,433,026 | 889,827,568 | 1,213,384,055 | 922,737,832 |

13 Share capital

Authorised

400,000,000 ordinary shares of Taka 10 each

Issued, subscribed and paid-up

251,367,187 ordinary shares of Taka 10 each

(2014: 201,093,750 ordinary shares of Taka 10 each)

The company increased its paid-up share capital from Taka 2,010,937,500 to Taka 2,513,671,870 by issuing 50,273,437 bonus shares to the shareholder as approved in 30th Annual General Meeting (AGM) held on 30 March 2015.

Paid-up share capital as on December 31, 2015 comprises the following:

Composition of shareholding:

| Sl. No. | Name of the Shareholders | 31.12.2015 | | 31.12.2014 |
|---------|------------------------------------|---------------|--------------------|----------------------|
| | | % of holding | Number of shares | Taka |
| 1 | SPONSORS/DIRECTORS | | | |
| | The City Bank Limited (CBL) | 24.21 | 60,854,056 | 608,540,560 |
| | Transcom Group | 13.33 | 33,515,443 | 335,154,430 |
| | Eskayef Bangladesh Limited | 8.00 | 20,109,375 | 201,093,750 |
| | Transcraft Limited | 4.01 | 10,088,022 | 100,880,220 |
| | Bangladesh Lamps Limited | 1.32 | 3,318,046 | 33,180,460 |
| | Sadharan Bima Corporation (SBC) | 7.62 | 19,151,663 | 191,516,630 |
| | Mercantile Bank Limited | 7.50 | 18,852,538 | 188,525,380 |
| | Reliance Insurance Company Limited | 7.00 | 17,595,702 | 175,957,020 |
| | | 59.66 | 149,969,402 | 1,499,694,020 |
| 2 | GENERAL | | | |
| | Institutions: | | | |
| | Bangladesh Fund | 3.20 | 8,040,750 | 80,407,500 |
| | ICB | 2.31 | 5,813,612 | 58,136,120 |
| | LR Global | 1.14 | 2,873,900 | 28,739,000 |
| | Other Institution/Corporate | 13.64 | 34,291,599 | 342,915,990 |
| | Sub-Total | 20.30 | 51,019,861 | 510,198,610 |
| | Individuals: | | | |
| | General Public (Individuals) | 20.04 | 50,377,924 | 503,779,240 |
| | Sub-Total | 20.04 | 50,377,924 | 472,531,460 |
| | Total Holdings | 100.00 | 251,367,187 | 2,513,671,870 |

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 Taka 63.60 at Dhaka Stock Exchange Limited and Taka 62.10 at Chittagong Stock Exchange Limited respectively on December 31, 2015.

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 Taka 100 crore; provided that the sum of paid-up capital and reserves shall not be less than the minimum capital required under the Risk-Based Assets of the company, criteria determined by the Bangladesh Bank.

The surplus eligible capital of the company as well as the Group at the close of business on December 31, 2015 were Taka 180.60 crore and Taka 266.45 crore, respectively.

Details are as follows:

| | IDLC Finance Limited | | IDLC Group | |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | Taka | Taka | Taka | Taka |
| Core Capital (Tier-1)/Shareholders' Equity | | | | |
| Paid-up capital (Note-13) | 2,513,671,870 | 2,010,937,500 | 2,513,671,870 | 2,010,937,500 |
| Share premium (Note-14) | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 |
| Statutory reserves (note 15) | 1,482,722,671 | 1,233,958,647 | 1,482,722,671 | 1,233,958,647 |
| 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 | 1,689,902,181 | 1,398,674,204 | 2,739,315,501 | 2,232,683,265 |
| Non-controlling interest | - | - | 2,165 | 1,954 |
| A) Sub-Total | 6,736,546,722 | 5,693,820,351 | 7,785,962,207 | 6,527,831,366 |
| Supplementary capital (Tier -II) | | | | |
| General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)* | 435,266,464 | 365,238,031 | 433,526,520 | 369,113,353 |
| 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 | 435,266,464 | 365,238,031 | 433,526,520 | 369,113,353 |
| C) Total eligible capital | 7,171,813,186 | 6,059,058,382 | 8,219,488,727 | 6,896,944,719 |
| Total assets including off-balance sheet exposures | 72,994,254,228 | 58,824,680,057 | 74,659,997,564 | 60,591,753,278 |
| D) Total risk weighted assets | 53,658,280,573 | 45,452,641,230 | 55,549,824,700 | 47,560,018,230 |
| E) Required capital based on risk weighted assets (10% of D) | 5,365,828,057 | 4,545,264,123 | 5,554,982,470 | 4,756,001,823 |
| F) Surplus (C-E) | 1,805,985,129 | 1,513,794,259 | 2,664,506,257 | 2,140,942,896 |
| Capital Adequacy Ratio (%) | 13.37 | 13.33 | 14.80 | 14.50 |

* Limited to 1.25% of RWA as per CAMD guideline.

14 Share premium

This represents premium amount over par value of shares received against issue of 75,000 shares in 1993 @Taka 50 per share.

15 Statutory reserves

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Balance at January 1 | 1,233,958,647 | 1,003,251,644 | 1,233,958,647 | 1,003,251,644 |
| Add: Transferred on appropriation of profit | 248,764,024 | 230,707,003 | 248,764,024 | 230,707,003 |
| Balance at December 31 | 1,482,722,671 | 1,233,958,647 | 1,482,722,671 | 1,233,958,647 |

16 General reserves

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Balance at January 1 | 1,000,000,000 | 811,250,000 | 1,000,000,000 | 811,250,000 |
| Add: Transferred on appropriation of profit | - | 188,750,000 | - | 188,750,000 |
| 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:

| | IDLC Finance Limited | | IDLC Group | |
|--------------------------------------|----------------------|--------------------|--------------------|--------------------|
| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2015 Taka | 31.12.2014 Taka |
| 17.1 Contingent liabilities | | | | |
| Acceptances and endorsements | - | - | - | - |
| Letters of guarantee (Note - 17.1.1) | 118,488,520 | 465,240,778 | 118,488,520 | 465,240,778 |
| Irrevocable letters of credit | - | - | - | - |
| Bills for collection | - | - | - | - |
| Indemnity bond | - | - | - | - |
| Corporate guarantee (Note - 17.1.2) | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| | 618,488,520 | 965,240,778 | 618,488,520 | 965,240,778 |

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 | 118,488,520 | 465,240,778 | 118,488,520 | 465,240,778 |
| | 118,488,520 | 465,240,778 | 118,488,520 | 465,240,778 |

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 | 450,000,000 | 450,000,000 | 450,000,000 | 450,000,000 |
| Chittagong Stock Exchange Limited | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |

17.2 Business 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 | 162,974,679 | 187,914,553 | 162,974,679 | 187,914,553 |
| Real estate finance commitments outstanding at December 31 | 443,430,175 | 511,809,699 | 443,430,175 | 511,809,699 |
| Car loan commitments outstanding at December 31 | 450,000 | - | 450,000 | - |
| Personal loan commitments outstanding at December 31 | 200,000 | 200,000 | 200,000 | 200,000 |
| Loan Against Deposit commitments outstanding at December 31 | - | - | - | - |
| | 607,054,854 | 699,924,252 | 607,054,854 | 699,924,252 |

17.2.1 Sanction and Disbursements

On December 31, the Company had following amounts of sanction and disbursement :

| | 31.12.2015 | | 31.12.2014 | |
|----------------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | Contracts/ sanction Taka | Disbursement Taka | Contracts/ sanction Taka | Disbursement Taka |
| Lease and term finance | 374,779,300 | 211,804,621 | 1,004,454,616 | 816,540,063 |
| Real estate finance | 1,468,571,000 | 1,025,140,825 | 1,419,186,940 | 907,377,241 |
| Car loans | 2,700,000 | 2,250,000 | - | - |
| Personal loans | 500,000 | 300,000 | 500,000 | 300,000 |
| Loan Against Deposit (LAD) | - | - | - | - |
| | 1,846,550,300 | 1,239,495,446 | 2,424,141,556 | 1,724,217,304 |

17.2.2 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at December 31, 2015 (2014: nil). There was no material capital expenditure authorised by the Board but not contracted for at December 31, 2015 (2014: nil).

17.2.3 Unacknowledged debt

The Company had no claim, legal or others, which has not been acknowledged as debt at the balance sheet date.

| | IDLC Finance Limited | | IDLC Group | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2015 Taka | 2014 Taka | 2015 Taka | 2014 Taka |
| 18 Income statement | | | | |
| Income | | | | |
| Interest, discount and similar income (Note-18.1) | 8,240,123,894 | 7,406,259,754 | 8,510,383,676 | 7,439,431,740 |
| Dividend income (Note-21) | 39,909,767 | 27,208,743 | 96,282,352 | 40,805,382 |
| Fees, commission and brokerage (Note-22) | 58,053,730 | 66,413,793 | 356,949,912 | 359,076,106 |
| Other operating income (Note-23) | 433,242,052 | 356,650,721 | 440,864,639 | 361,507,263 |
| | <u>8,771,329,443</u> | <u>7,856,533,011</u> | <u>9,404,480,579</u> | <u>8,200,820,491</u> |
| Expenses | | | | |
| Interest on deposits and borrowings etc. (Note-20) | 4,827,091,642 | 4,530,353,027 | 4,833,191,104 | 4,543,097,395 |
| Administrative expenses (Note-18.2) | 1,003,069,919 | 893,530,569 | 1,218,240,270 | 1,074,405,381 |
| Other operating expenses (Note-33) | 266,242,398 | 232,348,909 | 284,171,561 | 255,278,412 |
| Depreciation on assets (Note-32) | 124,448,641 | 110,909,550 | 145,375,918 | 133,964,255 |
| | <u>6,220,852,600</u> | <u>5,767,142,055</u> | <u>6,480,978,853</u> | <u>6,006,745,443</u> |
| | <u>2,550,476,843</u> | <u>2,089,390,956</u> | <u>2,923,501,726</u> | <u>2,194,075,048</u> |
| 18.1 Interest, discount and similar income | | | | |
| Interest income (Note -19) | 8,023,764,544 | 7,379,533,073 | 8,251,180,347 | 7,431,871,158 |
| Gain on sale of marketable securities (Note - 21) | 91,251,323 | (20,360,651) | 134,095,302 | (39,526,750) |
| Income from investment in bonds (Note - 21) | 125,108,027 | 47,087,332 | 125,108,027 | 47,087,332 |
| | <u>8,240,123,894</u> | <u>7,406,259,754</u> | <u>8,510,383,676</u> | <u>7,439,431,740</u> |
| 18.2 Administrative expenses | | | | |
| Salary and allowances (Note-24) | 744,116,214 | 629,691,643 | 899,165,319 | 749,662,409 |
| Rent, taxes, insurance, electricity, etc. (Note-25) | 93,372,106 | 79,197,000 | 135,714,936 | 121,724,427 |
| Legal expenses (Note-26) | 13,536,662 | 7,229,630 | 16,102,123 | 8,632,327 |
| Postage, stamp, telecommunication, etc. (Note-27) | 26,929,463 | 26,215,029 | 35,021,731 | 34,123,344 |
| Stationery, printing, advertisement, etc. (Note-28) | 81,059,657 | 108,450,028 | 85,711,998 | 115,003,057 |
| Managing Director's salary and fees (Note-29) | 11,493,667 | 13,060,000 | 11,493,667 | 13,060,000 |
| Directors' fees (Note-30) | 1,041,900 | 828,000 | 1,409,400 | 1,132,750 |
| Auditors' fees (Note-31) | 517,500 | 517,500 | 690,000 | 690,000 |
| Repair of Company's assets (Note-32) | 31,002,750 | 28,341,739 | 32,931,096 | 30,377,067 |
| | <u>1,003,069,919</u> | <u>893,530,569</u> | <u>1,218,240,270</u> | <u>1,074,405,381</u> |
| 19 Interest income | | | | |
| This represents interest income from the following products: | | | | |
| Lease finance | 869,982,131 | 983,182,446 | 869,982,131 | 983,182,446 |
| Real estate finance | 2,384,903,511 | 2,078,186,608 | 2,384,903,511 | 2,078,186,608 |
| Term finance | 3,256,098,864 | 3,035,888,380 | 3,256,098,864 | 3,035,888,380 |
| Short term finance | 167,977,395 | 118,132,103 | 167,977,395 | 118,132,103 |
| Car loan | 335,404,732 | 216,741,171 | 335,404,732 | 216,741,171 |
| Personal loan | 22,875,803 | 27,150,019 | 22,875,803 | 27,150,019 |
| Margin loan to portfolio investors | - | - | 193,932,594 | 103,105,282 |
| Loan to subsidiaries | 15,418,406 | 75,326,052 | - | - |
| Income against pre-funding for foreign trade | - | - | - | 148,567 |
| | <u>7,052,660,842</u> | <u>6,534,606,779</u> | <u>7,231,175,030</u> | <u>6,562,534,576</u> |
| Interest on balance with other banks and financial institutions | 906,813,445 | 758,236,832 | 955,715,060 | 782,647,120 |
| Call loan | 337,694 | - | 337,694 | - |
| Loan against deposit | 63,952,563 | 86,689,462 | 63,952,563 | 86,689,462 |
| | <u>8,023,764,544</u> | <u>7,379,533,073</u> | <u>8,251,180,347</u> | <u>7,431,871,158</u> |
| 20 Interest on deposits and borrowings etc. | | | | |
| Interest on term deposits | 4,157,547,965 | 3,747,672,138 | 4,157,547,965 | 3,747,672,138 |
| Interest on borrowings | 432,761,932 | 403,586,151 | 438,861,394 | 416,330,519 |
| Interest on secured/unsecured zero coupon bonds | 80,933,077 | 128,905,588 | 80,933,077 | 128,905,588 |
| Interest on security deposit | 90,002,307 | 73,667,678 | 90,002,307 | 73,667,678 |
| Interest on call loan | 65,846,361 | 176,521,472 | 65,846,361 | 176,521,472 |
| Others | - | - | - | - |
| | <u>4,827,091,642</u> | <u>4,530,353,027</u> | <u>4,833,191,104</u> | <u>4,543,097,395</u> |

| | IDLC Finance Limited | | IDLC Group | |
|---|----------------------|--------------------|--------------------|--------------------|
| | 2015 Taka | 2014 Taka | 2015 Taka | 2014 Taka |
| 21 Investment income | | | | |
| Gain/(loss) on sale of marketable securities | 91,251,323 | (20,360,651) | 134,095,302 | (39,526,750) |
| Dividend income | 39,909,767 | 27,208,743 | 96,282,352 | 40,805,382 |
| Income from investment in bonds | 125,108,027 | 47,087,332 | 125,108,027 | 47,087,332 |
| Income from investment in commercial paper | 16,612,500 | - | 16,612,500 | - |
| | 272,881,617 | 53,935,424 | 372,098,181 | 48,365,964 |
| 22 Commission, exchange and brokerage | | | | |
| Agency fees | 10,241,666 | 6,666,666 | 10,241,666 | 6,666,666 |
| Arrangement fees | 47,330,846 | 59,251,666 | 47,330,846 | 59,251,666 |
| Commission & brokerage | - | 69,594 | 216,028,793 | 186,797,240 |
| Documentation fees | - | - | 66,000 | 51,500 |
| Custodial fees | 481,218 | 425,867 | 481,218 | 425,867 |
| Portfolio management fees | - | - | 43,081,388 | 56,874,021 |
| Corporate advisory fees | - | - | 18,062,486 | 22,760,119 |
| Settlement charges | - | - | 21,657,515 | 26,249,027 |
| | 58,053,730 | 66,413,793 | 356,949,912 | 359,076,106 |
| 23 Other operating income | | | | |
| Application, processing and documentation fees | 262,662,932 | 246,105,532 | 262,662,932 | 246,105,532 |
| Loan settlement and others | 94,937,948 | 51,144,861 | 94,937,948 | 51,144,861 |
| Transfer price/gain at the time of expiry of lease | 1,285,446 | 2,781,628 | 1,285,446 | 2,781,628 |
| Service charges | 31,543,073 | 23,845,537 | 31,543,073 | 23,845,537 |
| Gain/(Loss) on disposal of fixed assets | 11,896,596 | 5,078,591 | 12,282,357 | 5,937,626 |
| Account opening & BO account maintenance fees | - | - | 2,715,300 | 2,629,400 |
| IPO service charge | - | - | 71,519 | 8,826 |
| Miscellaneous income | 30,916,057 | 27,694,572 | 35,366,064 | 29,053,853 |
| | 433,242,052 | 356,650,721 | 440,864,639 | 361,507,263 |
| 24 Salaries and allowances | 744,116,214 | 629,691,643 | 899,165,319 | 749,662,409 |
| 24.1 Salaries and allowances | | | | |
| Salaries and allowances of IDLC Finance Limited include annual contribution of Taka 52,906,228 to Provident Fund and Taka 23,427,718 to Gratuity Fund. Salaries and allowances of IDLC Group include annual contribution of Taka 61,721,230 to Provident Fund and Taka 31,951,766 to Gratuity Fund. | | | | |
| 25 Rent, taxes, insurance, electricity, etc. | | | | |
| Rent, rate and taxes | 58,949,023 | 49,836,353 | 93,502,420 | 83,704,972 |
| Insurance | 5,971,434 | 4,290,799 | 6,861,862 | 5,300,338 |
| Power and electricity | 28,451,649 | 25,069,848 | 35,350,654 | 32,719,117 |
| | 93,372,106 | 79,197,000 | 135,714,936 | 121,724,427 |
| 26 Legal expenses | | | | |
| Renewal and registration | 7,772,700 | 4,514,465 | 9,213,516 | 5,480,720 |
| Other professional charges | 5,763,962 | 2,715,165 | 6,888,607 | 3,151,607 |
| | 13,536,662 | 7,229,630 | 16,102,123 | 8,632,327 |
| 27 Postage, stamp, telecommunication, etc. | | | | |
| Postage | 1,052,379 | 1,885,305 | 1,550,771 | 2,203,599 |
| Telecommunication and internet etc. | 25,877,084 | 24,329,724 | 33,470,960 | 31,919,745 |
| | 26,929,463 | 26,215,029 | 35,021,731 | 34,123,344 |
| 28 Stationery, printing, advertisements, etc. | | | | |
| Stationery & printing | 48,440,195 | 39,630,115 | 51,200,129 | 43,061,252 |
| Advertisement and publicity | 32,619,462 | 68,819,913 | 34,511,869 | 71,941,805 |
| | 81,059,657 | 108,450,028 | 85,711,998 | 115,003,057 |

| | IDLC Finance Limited | | IDLC Group | |
|--|----------------------|--------------------|--------------------|--------------------|
| | 2015 Taka | 2014 Taka | 2015 Taka | 2014 Taka |
| 29 Managing Director's salary and benefits | | | | |
| Basic pay | 5,116,667 | 6,000,000 | 5,116,667 | 6,000,000 |
| Allowances | 3,377,000 | 3,960,000 | 3,377,000 | 3,960,000 |
| Bonus | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Company's contribution to provident fund | 500,000 | 600,000 | 500,000 | 600,000 |
| | 11,493,667 | 13,060,000 | 11,493,667 | 13,060,000 |
| 30 Directors' fees | | | | |
| Honorarium for attending meeting | 1,041,900 | 828,000 | 1,409,400 | 1,132,750 |
| Incidental expenses for attending meeting | - | - | - | - |
| | 1,041,900 | 828,000 | 1,409,400 | 1,132,750 |
| 30.1 Directors' fees | | | | |
| Bangladesh Bank vide its DFIM Circular No. 13 dated November 30, 2015, re-fixed the maximum limit of remuneration to the directors for attending meeting of the Board and its committees at Taka 8,000 per meeting per Director. The Board of IDLC Finance Limited adopted the said enhanced remuneration on December 24, 2015. Till then the said remuneration was Taka 5,000 per meeting per Director. | | | | |
| 31 Auditors' fees | | | | |
| Annual statutory audit fees (including VAT) | 460,000 | 460,000 | 632,500 | 632,500 |
| Other audit fees (including VAT) | 57,500 | 57,500 | 57,500 | 57,500 |
| | 517,500 | 517,500 | 690,000 | 690,000 |
| 32 Depreciation and repair of company's assets | | | | |
| Freehold assets (Note-8 & 8 (a)) | 124,448,641 | 110,909,550 | 145,375,918 | 133,964,255 |
| Repair and maintenance | | | | |
| For premises & vehicles | 5,942,081 | 7,706,585 | 7,213,029 | 9,408,057 |
| For computers and computers accessories | 25,060,669 | 20,635,154 | 25,718,067 | 20,969,010 |
| | 31,002,750 | 28,341,739 | 32,931,096 | 30,377,067 |
| | 155,451,391 | 139,251,289 | 178,307,014 | 164,341,322 |
| 33 Other expenses | | | | |
| Bank charges | 2,656,621 | 3,028,133 | 2,656,621 | 3,028,133 |
| Books and periodicals | 206,139 | 272,871 | 272,042 | 350,881 |
| Car expenses | 23,562,578 | 22,252,523 | 26,054,733 | 26,011,282 |
| Donations and subscriptions | 9,934,870 | 12,843,412 | 12,804,210 | 15,230,049 |
| Medical & welfare expenses | 12,508,139 | 8,103,931 | 13,586,763 | 8,809,973 |
| Entertainment expenses | 12,942,328 | 13,224,956 | 15,107,671 | 15,267,760 |
| Consultancy fees | 4,908,431 | 4,607,190 | 4,908,431 | 4,904,690 |
| Office service expenses | 64,172,438 | 59,211,046 | 77,664,904 | 71,874,714 |
| Training expenses | 10,529,349 | 12,769,065 | 11,296,688 | 13,274,252 |
| Travel and conveyances | 15,165,189 | 14,402,390 | 16,626,705 | 15,699,966 |
| CDBL charges | 500 | 500 | 450,226 | 123,343 |
| Loss on disposal of lease assets | 246 | 1,126 | 246 | 1,126 |
| Howla and Laga charge | - | - | 17,019,734 | 17,544,261 |
| Portfolio Management Charge | 24,704,909 | 18,572,073 | - | - |
| Sales Incentive | 55,047,545 | 40,917,738 | 55,047,545 | 40,917,738 |
| Repossession fees and others | 29,903,116 | 22,141,955 | 30,675,042 | 22,240,244 |
| | 266,242,398 | 232,348,909 | 284,171,561 | 255,278,412 |

34 Operating Segment Report

Revenue and profit

| For the year 2015 | | | | |
|---|-------------------------|-----------------------------|--------------------|----------------------|
| | Core financing business | Investment banking business | Brokerage business | Total |
| External revenue | | | | |
| Net interest income | 3,196,672,902 | 149,689,441 | 71,626,900 | 3,417,989,243 |
| Investment income | 272,881,617 | 47,546,829 | 51,669,735 | 372,098,181 |
| Commission and brokerage | 58,053,730 | 107,572,298 | 216,028,793 | 381,654,821 |
| Other operating income | 433,242,052 | 1,362,704 | 6,259,883 | 440,864,639 |
| Inter-segment revenue/interest expense | (15,418,406) | 9,913,705 | (19,200,208) | (24,704,909) |
| Total segment revenue | 3,945,431,895 | 316,084,977 | 326,385,103 | 4,587,901,975 |
| Other operating expenses | 1,269,312,317 | 72,219,025 | 185,585,398 | 1,527,116,740 |
| Major non-cash expenses: | | | | |
| Depreciation | 124,448,641 | 8,469,064 | 12,458,213 | 145,375,918 |
| Provision for future losses | 291,570,010 | 33,559,086 | (13,518,321) | 311,610,775 |
| Inter-segment expense | (24,704,909) | - | - | (24,704,909) |
| Total segment expense | 1,660,626,059 | 114,247,175 | 184,525,290 | 1,959,398,524 |
| Reportable segment profit before tax | 2,284,805,837 | 201,837,802 | 141,859,813 | 2,628,503,451 |

| For the year 2014 | | | | |
|---|-------------------------|-----------------------------|--------------------|----------------------|
| | Core financing business | Investment banking business | Brokerage business | Total |
| External revenue | | | | |
| Net interest income | 2,849,180,046 | (46,922,059) | 86,515,776 | 2,888,773,763 |
| Investment income | 53,935,424 | 256,446 | (5,825,906) | 48,365,964 |
| Commission and brokerage | 66,413,793 | 124,506,740 | 186,727,646 | 377,648,179 |
| Other operating income | 356,650,721 | 881,272 | 3,975,270 | 361,507,263 |
| Inter-segment revenue/interest expense | (75,326,052) | 124,787,275 | (68,033,296) | (18,572,073) |
| Total segment revenue | 3,250,853,932 | 203,509,674 | 203,359,490 | 3,657,723,096 |
| Other operating expenses | 1,125,879,478 | 64,179,799 | 158,196,590 | 1,348,255,867 |
| Major non-cash expenses: | | | | |
| Depreciation | 110,909,550 | 7,798,763 | 15,255,942 | 133,964,255 |
| Provision for future losses | 60,259,653 | (49,982,078) | (2,728,855) | 7,548,721 |
| Inter-segment expense | (18,572,073) | - | - | (18,572,073) |
| Total segment expense | 1,278,476,608 | 21,996,484 | 170,723,677 | 1,471,196,770 |
| Reportable segment profit before tax | 1,972,377,324 | 181,513,190 | 32,635,813 | 2,186,526,327 |

Segment assets and liabilities

| | For the year 2015 | | | | Total |
|----------------------------------|-------------------------|-----------------------------|----------------------|---------------------------|-----------------------|
| | Core financing business | Investment banking business | Brokerage business | Asset management business | |
| External assets | | | | | |
| Total assets | 71,768,710,854 | 2,026,473,465 | 1,557,586,248 | 100,445,675 | 75,453,216,242 |
| Inter-segment assets | (1,782,962,062) | (35,800,000) | (99,999,990) | (100,000,000) | (2,018,762,052) |
| Total Segment Assets | 69,985,748,792 | 1,990,673,465 | 1,457,586,258 | 445,675 | 73,434,454,190 |
| External liabilities | | | | | |
| Total liabilities | 65,032,164,132 | 532,314,387 | 564,151,158 | 445,675 | 66,129,075,352 |
| Inter-segment assets | (247,621,097) | (127,500,000) | (105,059,722) | (402,550) | (480,583,369) |
| Total Segment Liabilities | 64,784,543,035 | 404,814,387 | 459,091,436 | 43,125 | 65,648,491,983 |
| | | | | | |
| | For the year 2014 | | | | Total |
| | Core financing business | Investment banking business | Brokerage business | Asset management business | |
| External assets | | | | | |
| Total assets | 57,159,515,027 | 2,505,585,754 | 1,407,212,472 | - | 61,072,313,253 |
| Inter-segment assets | (1,779,810,469) | (2,998,632) | (362,915,904) | - | (2,145,725,005) |
| Total Segment Assets | 55,379,704,558 | 2,502,587,122 | 1,044,296,568 | - | 58,926,588,248 |
| External liabilities | | | | | |
| Total liabilities | 51,465,694,676 | 478,024,803 | 1,162,583,715 | - | 53,106,303,194 |
| Inter-segment liabilities | (12,521,107) | (692,726,573) | (2,298,632) | - | (707,546,312) |
| Total Segment Liabilities | 51,453,173,569 | (214,701,770) | 1,160,285,083 | - | 52,398,756,882 |

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 40% (In 2014, the rate was 42.5%) on taxable income. 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 Bangladesh Accounting Standard 12 "Income Taxes".

35.3 Average effective tax rate

The average effective tax rate is calculated below as per Bangladesh Accounting Standard 12: "Income Taxes":

| | IDLC Finance Limited | | IDLC Group | |
|-----------------------------------|----------------------|---------------|---------------|---------------|
| | 2015 Taka | 2014 Taka | 2015 Taka | 2014 Taka |
| Tax expenses | 1,031,699,212 | 875,596,287 | 1,169,278,870 | 941,017,430 |
| Accounting profit before tax | 2,275,519,333 | 2,029,131,303 | 2,628,503,451 | 2,186,526,327 |
| Average effective tax rate | 45.34% | 43.15% | 44.48% | 43.04% |

36 Earnings Per Share (EPS)

Earnings Per Share as shown in the face of the Profit and Loss Account is calculated in accordance with Bangladesh Accounting Standard 33: "Earnings Per Share".

Basic earnings per share has been calculated as follows:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Earnings attributable to ordinary shareholders (Net profit after tax) | 1,243,820,121 | 1,153,535,016 | 1,459,224,380 | 1,245,508,797 |
| Weighted average number of ordinary shares outstanding during the year | 251,367,187 | 251,367,187 | 251,367,187 | 251,367,187 |
| Basic Earnings Per Share | 4.95 | 4.59 * | 5.81 | 4.95 * |

* Previous year's earnings per share has been restated considering current year's number of shares outstanding.

No diluted earning per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

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 31.12.15 |
|--------|------------------------|----------------------|--|--|---|
| 1. | Mr. Rubel Aziz | Chairman | The City Bank Limited Partex Beverage Limited Partex Plastics Limited Partex Plastics Furniture Limited Partex Air Limited Fotoroma Limited Partex Properties Limited Partex Foundry Limited Partex Ceramics Limited Partex Jute Mills Limited Partex Chemicals Limited Partex Corp Limited Swiftline Automation Limited Partex Shipyards Limited Plastic Accessories Limited Star Foods Limited Job Overseas Limited Partex Corporate Limited Partex Aviation Limited Partex Petro Limited Sattar Glass Factory Limited Partex Foods Limited Partex Feed Mills Limited Sakhi Fisheries Limited Partex Batteries Limited Partex Coal Limited Amber Cotton Mills Limited Partex Real Estate Limited Partex Rotor Limited Partex Sugar Mills Limited Partex Denim Limited Partex Rotor Spinning Mills Limited Partex Energy Limited Dhakacom Limited Partex Spinning Mills Limited | Chairman Managing Director Director Director Director Director Director Director Director Director Director Director Director | 2.50% 1.00% 35.00% 37.50% 35.00% 35.00% 85.00% 40.00% 35.00% 75.00% 35.00% 35.00% 85.00% 25.00% 37.50% 40.00% 98.00% 50.00% 50.00% 85.00% 83.33% 80.00% 80.00% 90.00% 80.00% 50.00% 2.08% 15.00% 35.00% 15.00% 15.00% 37.50% 37.50% 15.00% 25.00% |
| 2. | Mr. Md. Shahidul Ahsan | Director | AG Agro Industries Limited AG Property Developments Limited Regent Holding Developments Limited AG High Tech Limited AG Limited AG Ceramics Limited AG Green Property Development Ltd. AG Fashion & Textile Limited AG Ship Breaking Industries M/s. Friends Traders R.N.S. Corporation Mercantile Bank Limited Mercantile Bank Securities Limited National Credit Ratings Limited Swadesh Life Insurance Company Ltd Meghna Bank Ltd | Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Proprietor Proprietor Proprietor Sponsor Director Sponsor Director Sponsor Director Sponsor Director Sponsor Shareholder | 70.00% 60.00% 70.00% 45.00% 50.00% 70.00% 70.00% 40.00% 100.00% 100.00% 100.00% - - - - - |
| 3. | Mr. Farooq Sobhan | Independent Director | Bangladesh Enterprise Institute Centre for Corporate Social Responsibility (CSR) | President Chairman of the Board of Trustees | - - |

| 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 31.12.15 |
|--------|---------------------------|----------------------|---|-----------------------------|---|
| 10. | Mr. Atiqur Rahman | Director | Transcom Limited M. Rahman Tea Co. Limited Monipur Tea Co. Limited Marina Tea Co. Limited W. Rahman Jute Mills Heritage Agro Farms Reliance Insurance Limited | Group Finance Director | - 10.40% 6.10% 11.10% 1.10% 5.00% - |
| 11. | Mr. A.K.M. Shahidul Haque | Independent Director | - | - | - |
| 12. | Mr. Monower Uddin Ahmed | Independent Director | Monower Associates | CEO & Lead Consultant | 100.00% |

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 December 31, 2015 were as follows:

| Name of the related party | Transaction nature | Relationship | Balance as at January 1, | Addition | Adjustment | Balance at year end |
|----------------------------|--------------------|---------------------|--------------------------|-----------------|--------------|----------------------------------|
| | | | 2015 | | | December 31, 2015 |
| | | | Taka | Taka | Taka | receivable/ (payable) Taka |
| The City Bank | Term Deposit | Sponsor shareholder | (700,000,000) | (1,300,000,000) | - | (2,000,000,000) |
| | Subordinated Bond | Sponsor shareholder | 313,000,000 | - | - | 313,000,000 |
| Sadharan Bima Corporation | Debenture | Sponsor shareholder | (20,000,000) | - | 20,000,000 | - |
| Mercantile Bank Limited | Term Deposit | Shareholder | - | (500,000,000) | - | (500,000,000) |
| | Subordinated Bond | Shareholder | 300,000,000 | - | - | 300,000,000 |
| Transcom group | Lease/Loan | Shareholder | 43,383,827 | - | (21,430,300) | 21,953,527 |
| | Term Deposit | Shareholder | (620,767,776) | (401,418,627) | 279,719,907 | (742,466,497) |
| Reliance Insurance Limited | Term Deposit | Shareholder | (176,500,000) | (268,000,000) | - | (444,500,000) |
| | | | (860,883,949) | (2,469,418,627) | 278,289,606 | (3,052,012,970) |

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 | 221,424 | 2,110,950 |

g. Investment in the Securities of Directors and their related concern - Nil

38 Receivable from Directors

The Company does not have any receivable from any of the Directors of the Company as at December 31, 2015.

39 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 the Bangladesh Bank's DFIM circular no. 13 dated October 26, 2011 and Bangladesh Securities and Exchange Commission notification ref. no. SEC/CMRRCD/2006-158/129/Admin/43, dated July 03, 2012.

The Audit Committee of the Board of Directors is consisted of the following 4 (four) members of the Board:

| Name | Status at the Company | Status at committee |
|----------------------------|-----------------------|---------------------|
| Mr. Farooq Sobhan | Independent Director | Chairman |
| Mr. Md. Rubel Aziz | Director | Member |
| Mr. Md. Kamrul Hassan, FCA | Director | Member |
| Mr. Md. Rezaul Karim | Director | Member |

The company secretary is to act as the Secretary of the Audit Committee .

b. Meetings held by the committee during the year by date:

| Meeting No | Held on |
|------------|-------------|
| 41st | 25-Feb-2015 |
| 42nd | 25-Mar-2015 |
| 43rd | 6-May-2015 |
| 44th | 8-Jul-2015 |
| 45th | 27-Jul-2015 |
| 46th | 13-Oct-2015 |

c. Six meetings of the audit committee were held during the year 2015 where it carried out the following tasks:

- Discussed with the external auditors and management prior to finalization of financial statements of IDLC Finance Limited for the year ended December 31, 2014 as per Bangladesh Bank circular number 13 dated October 26, 2011;
- Reviewed draft audited financial statements of IDLC Finance Limited for the year ended December 31, 2014 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;
- Reviewed expression of interest of the Audit Firms and recommended for appointment of ACNABIN, Chartered Accountants as statutory auditors for the year 2015;
- Reviewed the report of Audit Committee for incorporation in the Annual Report 2014;
- Reviewed the Bangladesh Bank Inspection Report on corporate head office of IDLC as of June 30, 2014, and management responses to the report;
- Reviewed the Bangladesh Bank Core Risk Inspection Report as of June 30, 2014 and management response to the report;
- Reviewed Ernst & Young LLP's report on information systems' controls of IDLC Finance Limited;
- Reviewed Audit Plan of Internal Control and Compliance Department for the year 2015;
- Reviewed the Management Letter issued by external auditors, ACNABIN, Chartered Accountants, on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2014;
- Reviewed quarterly and half-yearly unaudited financial statements of IDLC Finance Limited for the year 2015;
- Reviewed amendments made to the Risk Based Guidance Notes on Prevention of Money Laundering and Terrorist Financing of IDLC Finance Limited;
- Reviewed amendments made to the Policy Guidelines on Asset Liability Management (ALM) of IDLC Finance Limited;

40 Foreign remittance

There were no foreign remittance during the year 2015.

41 Number of employees

The Company paid an aggregate amount more than Taka 36,000 per annum to 262 employees and more than Tk. 3,000 per month to 798 employees who were in employment for full year or part of the year.

42 Subsequent events

42.1 Dividend for the year 2015

The Board of Directors at the 241th Board Meeting held on February 18, 2016, recommended to the shareholders a cash dividend only @ 25% i.e. Tk. 2.50 per share (amounting to Tk. 628,417,968). This will be considered for approval by the shareholders at the 31th Annual General Meeting (AGM) to be held on March 30, 2016.

42.2 Issuance of IDLC Infrastructure & SME Zero Coupon Bond

Shareholders of IDLC Finance Limited in its 30th Annual General Meeting held on March 30, 2015 approved the proposal for issuance of Zero coupon bonds worth Taka 5.0 billion. Subsequently, IDLC obtained consent from Bangladesh Securities and Exchange Commission (BSEC) on September 22, 2015 and 'No Objection' from Bangladesh Bank on December 21, 2015 for issuance of zero coupon bonds named "IDLC Infrastructure & SME Zero Coupon Bonds" for Taka 5.0 billion in two tranches. Consequently, the first tranche of the zero coupon bonds worth Taka 1.8 billion was issued on January 25, 2016 to a number of institutional and individual investors.

43 General

- 43.1** 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.
- 43.2** The Company does not have any restriction on distribution and payment of dividends.
- 43.3** During the year under report, no matters were submitted to a vote of shareholders of the Company.
- 43.4** Previous year's figures have been rearranged where necessary to conform to current year's presentation.

Sd/-
Chairman

Sd/-
Director

Sd/-
CEO & Managing Director

Sd/-
Company Secretary

Fixed assets including land, building, furniture and fixtures - for 2015

(Annexure A)

| Asset category | Cost | | | | Rate | Depreciation | | | | Written down value at December 31, 2015 |
|-------------------------------|----------------------------|--------------------------|--------------------------------------|------------------------------|-------|----------------------------|----------------------|----------------------------|------------------------------|---|
| | Balance at January 1, 2015 | Addition during the year | Disposal/ adjustment during the year | Balance at December 31, 2015 | | Balance at January 1, 2015 | Charged for the year | Adjustment during the year | Balance at December 31, 2015 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Free hold assets: | | | | | | | | | | |
| Land | 26,958,470 | - | - | 26,958,470 | - | - | - | - | - | 26,958,470 |
| Building | 56,530,000 | 148,989,303 | - | 205,519,303 | 2.50 | 12,012,625 | 3,586,011 | - | 15,598,636 | 189,920,667 |
| Furniture and fixtures | 47,620,175 | 4,554,475 | (699,387) | 51,475,263 | 12.50 | 26,884,132 | 4,974,720 | (551,494) | 31,307,358 | 20,167,905 |
| Electrical equipment | 56,930,484 | 2,919,231 | (2,797,806) | 57,051,909 | 20.00 | 42,241,088 | 6,228,780 | (1,840,255) | 46,629,612 | 10,422,297 |
| Curtain and carpets | 2,950,331 | 893,806 | (833,267) | 3,010,870 | 33.33 | 1,941,970 | 649,450 | (643,440) | 1,947,980 | 1,062,889 |
| Office equipment | 71,685,605 | 6,867,067 | (1,342,676) | 77,209,996 | 20.00 | 56,719,832 | 11,969,880 | (1,342,211) | 67,347,501 | 9,862,495 |
| Office decoration | 71,253,775 | 5,606,589 | (1,625,153) | 75,235,211 | 20.00 | 51,482,341 | 8,259,554 | (1,613,421) | 58,128,473 | 17,106,738 |
| Computers | 94,466,277 | 19,871,561 | (15,600) | 114,322,238 | 20.00 | 53,135,654 | 9,945,283 | (7,280) | 63,073,657 | 51,248,581 |
| Software (Office Operation) | 22,755,059 | 3,138,155 | - | 25,893,214 | 33.33 | 12,605,001 | 4,253,759 | - | 16,858,760 | 9,034,454 |
| Software (Business Operation) | 132,395,647 | - | - | 132,395,647 | 20.00 | 68,404,417 | 26,479,129 | - | 94,883,546 | 37,512,101 |
| Telephone and telex | 8,940,339 | 1,442,097 | (712,850) | 9,669,586 | 33.33 | 6,829,150 | 1,423,734 | (599,842) | 7,653,042 | 2,016,543 |
| Motor vehicles | 209,254,184 | 100,122,251 | (45,949,853) | 263,426,582 | 25.00 | 125,926,721 | 46,678,341 | (36,228,697) | 136,376,365 | 127,050,217 |
| | 801,740,346 | 294,404,534 | (53,976,593) | 1,042,168,288 | | 458,182,931 | 124,448,641 | (42,826,641) | 539,804,931 | 502,363,356 |
| Lease hold assets: | | | | | | | | | | |
| Motor vehicles | - | - | - | - | 25.00 | - | - | - | - | - |
| Total 2015 | 801,740,346 | 294,404,534 | (53,976,593) | 1,042,168,288 | | 458,182,931 | 124,448,641 | (42,826,641) | 539,804,931 | 502,363,356 |

Fixed assets including land, building, furniture and fixtures - for 2014

| Asset category | Cost | | | | Rate | Depreciation | | | | Written down value at December 31, 2014 |
|-------------------------------|----------------------------|--------------------------|--------------------------------------|------------------------------|-------|----------------------------|----------------------|----------------------------|------------------------------|---|
| | Balance at January 1, 2014 | Addition during the year | Disposal/ adjustment during the year | Balance at December 31, 2014 | | Balance at January 1, 2014 | Charged for the year | Adjustment during the year | Balance at December 31, 2014 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Free hold assets: | | | | | | | | | | |
| Land | 26,958,470 | - | - | 26,958,470 | - | - | - | - | - | 26,958,470 |
| Building | 56,530,000 | - | - | 56,530,000 | 2.50 | 10,599,375 | 1,413,250 | - | 12,012,625 | 44,517,375 |
| Furniture and fixtures | 41,703,324 | 5,963,851 | (47,000) | 47,620,175 | 12.50 | 22,027,826 | 4,874,180 | (17,874) | 26,884,132 | 20,736,043 |
| Electrical equipment | 52,934,817 | 4,509,407 | (513,740) | 56,930,484 | 20.00 | 35,489,198 | 7,102,680 | (350,790) | 42,241,088 | 14,689,396 |
| Curtain and carpets | 2,303,670 | 679,661 | (33,000) | 2,950,331 | 33.33 | 1,380,487 | 574,899 | (13,416) | 1,941,970 | 1,008,361 |
| Office equipment | 59,277,249 | 12,483,956 | (75,600) | 71,685,605 | 20.00 | 44,306,900 | 12,465,852 | (52,920) | 56,719,832 | 14,965,773 |
| Office decoration | 62,506,479 | 9,817,334 | (1,070,038) | 71,253,775 | 20.00 | 43,520,270 | 8,795,986 | (833,915) | 51,482,341 | 19,771,434 |
| Computers | 75,019,461 | 19,446,816 | - | 94,466,277 | 20.00 | 46,660,256 | 6,475,398 | - | 53,135,654 | 41,330,623 |
| Software (Office Operation) | 14,008,292 | 8,746,767 | - | 22,755,059 | 33.33 | 10,979,784 | 1,625,217 | - | 12,605,001 | 10,150,058 |
| Software (Business Operation) | 132,395,647 | - | - | 132,395,647 | 20.00 | 41,925,288 | 26,479,129 | - | 68,404,417 | 63,991,230 |
| Telephone and telex | 7,820,499 | 1,276,690 | (156,850) | 8,940,339 | 33.33 | 5,549,454 | 1,369,967 | (90,271) | 6,829,150 | 2,111,189 |
| Motor vehicles | 181,384,659 | 47,194,025 | (19,324,500) | 209,254,184 | 25.00 | 102,853,134 | 39,732,992 | (16,659,405) | 125,926,721 | 83,327,463 |
| | 712,842,567 | 110,118,507 | (21,220,728) | 801,740,346 | | 365,291,972 | 110,909,550 | (18,018,591) | 458,182,931 | 343,557,415 |
| Lease hold assets: | | | | | | | | | | |
| Motor vehicles | 3,737,413 | - | (3,737,413) | - | 25.00 | 3,737,413 | (3,737,413) | - | - | - |
| Total 2014 | 716,579,980 | 110,118,507 | (24,958,141) | 801,740,346 | | 369,029,385 | 110,909,550 | (21,756,004) | 458,182,931 | 343,557,415 |

A.1 Details of disposals/adjustments - for 2015

| 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 : | | | | | | | |
| Furniture and fixtures | 699,387 | (551,494) | 147,893 | 108,083 | (39,810) | As per policy of the Company | Employees/Outsider |
| Electrical equipment | 2,797,806 | (1,840,255) | 957,551 | 980,035 | 22,484 | As per policy of the Company | Employees/Outsider |
| Curtain and carpets | 833,267 | (643,440) | 189,827 | 214,810 | 24,983 | As per policy of the Company | Employees |
| Office decoration | 1,625,153 | (1,613,421) | 11,732 | - | (11,732) | As per policy of the Company | Outsider |
| Office equipment | 1,342,676 | (1,342,211) | 465 | 8,320 | 7,855 | As per policy of the Company | Employees/Outsider/Adjusted |
| Telephone and telex | 712,850 | (599,842) | 113,008 | 118,666 | 5,658 | As per policy of the Company | Employees/Outsider/Adjusted |
| Motor vehicles | 45,949,853 | (36,228,697) | 9,721,156 | 21,616,633 | 11,895,477 | As per policy of the Company | Employees/Outsider |
| Total 2015 | 53,976,593 | (42,826,641) | 11,149,952 | 23,046,548 | 11,896,596 | | |

A(a) Consolidated fixed assets including land, building, furniture and fixtures - for 2015

| Asset category | Cost | | | | Depreciation | | | | | Written down value at December 31, 2015 |
|-------------------------------|----------------------------|--------------------------|--------------------------------------|------------------------------|--------------|----------------------------|----------------------|----------------------------|------------------------------|---|
| | Balance at January 1, 2015 | Addition during the year | Disposal/ adjustment during the year | Balance at December 31, 2015 | Rate | Balance at January 1, 2015 | Charged for the year | Adjustment during the year | Balance at December 31, 2015 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Free hold assets: | | | | | | | | | | |
| Land | 26,958,470 | - | - | 26,958,470 | - | - | - | - | - | 26,958,470 |
| Building | 56,530,000 | 148,989,303 | - | 205,519,303 | 2.50 | 12,012,625 | 3,586,011 | - | 15,598,636 | 189,920,667 |
| Furniture and fixtures | 61,296,385 | 5,081,810 | (903,350) | 65,474,845 | 12.50 | 34,709,269 | 6,651,502 | (688,521) | 40,672,250 | 24,802,595 |
| Electrical equipment | 79,971,932 | 3,669,576 | (2,924,508) | 80,716,999 | 20.00 | 61,688,114 | 8,676,872 | (1,892,861) | 68,472,125 | 12,244,875 |
| Curtain and carpets | 3,700,834 | 971,006 | (883,267) | 3,788,572 | 33.33 | 2,434,346 | 792,972 | (682,325) | 2,544,993 | 1,243,579 |
| Office equipment | 108,203,412 | 8,144,881 | (3,079,895) | 113,268,398 | 20.00 | 87,141,923 | 16,522,230 | (3,010,405) | 100,653,748 | 12,614,651 |
| Office decoration | 93,385,392 | 8,933,943 | (1,625,153) | 100,694,182 | 20.00 | 70,138,522 | 11,007,473 | (1,613,421) | 79,532,573 | 21,161,609 |
| Computers | 110,375,115 | 23,747,561 | (15,600) | 134,107,076 | 20.00 | 66,065,571 | 11,698,399 | (7,280) | 77,756,690 | 56,350,386 |
| Software (Office Operation) | 28,912,727 | 4,129,297 | - | 33,042,024 | 33.33 | 15,701,058 | 5,443,164 | - | 21,144,222 | 11,897,802 |
| Software (Business Operation) | 132,395,647 | - | - | 132,395,647 | 20.00 | 68,404,417 | 26,479,129 | - | 94,883,546 | 37,512,101 |
| Telephone and telex | 11,755,108 | 1,818,787 | (859,650) | 12,714,245 | 33.33 | 9,268,132 | 1,678,940 | (709,312) | 10,237,760 | 2,476,485 |
| Motor vehicles | 239,277,556 | 108,168,751 | (47,680,353) | 299,765,954 | 25.00 | 144,656,477 | 52,839,226 | (37,645,213) | 159,850,490 | 139,915,464 |
| Total 2015 | 952,762,579 | 313,654,913 | (57,971,776) | 1,208,445,716 | | 572,220,454 | 145,375,918 | (46,249,339) | 671,347,033 | 537,098,683 |

Consolidated Fixed assets including land, building, furniture and fixtures - for 2014

| Asset category | Cost | | | | Rate | Depreciation | | | | Written down value at December 31, 2014 |
|-------------------------------|----------------------------------|--------------------------------|--|------------------------------------|----------|----------------------------------|----------------------------|----------------------------------|------------------------------------|--|
| | Balance at January 1, 2014 | Addition during the year | Disposal/ adjustment during the year | Balance at December 31, 2014 | | Balance at January 1, 2014 | Charged for the year | Adjustment during the year | Balance at December 31, 2014 | |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>%</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Free hold assets: | | | | | | | | | | |
| Land | 26,958,470 | - | - | 26,958,470 | | - | - | - | - | 26,958,470 |
| Building | 56,530,000 | - | - | 56,530,000 | 3 | 10,599,375 | 1,413,250 | - | 12,012,625 | 44,517,375 |
| Furniture and fixtures | 55,360,639 | 6,053,839 | (118,094) | 61,296,384 | 13 | 28,181,069 | 6,571,257 | (43,053) | 34,709,273 | 26,587,111 |
| Electrical equipment | 76,134,634 | 5,289,370 | (1,452,073) | 79,971,931 | 20 | 52,137,846 | 10,742,041 | (1,191,770) | 61,688,117 | 18,283,814 |
| Curtain and carpets | 2,908,703 | 852,198 | (60,067) | 3,700,834 | 33 | 1,704,710 | 749,066 | (19,430) | 2,434,346 | 1,266,488 |
| Office equipment | 95,422,890 | 13,044,122 | (263,600) | 108,203,412 | 20 | 69,169,509 | 18,213,323 | (240,910) | 87,141,922 | 21,061,490 |
| Office decoration | 84,638,097 | 9,817,334 | (1,070,038) | 93,385,393 | 20 | 58,303,935 | 12,668,502 | (833,915) | 70,138,522 | 23,246,871 |
| Computers | 88,913,031 | 21,462,084 | - | 110,375,115 | 20 | 57,968,618 | 8,096,951 | - | 66,065,569 | 44,309,546 |
| Software (Office Operation) | 17,552,403 | 11,360,324 | - | 28,912,727 | 33 | 13,451,824 | 2,249,233 | - | 15,701,057 | 13,211,670 |
| Software (Business Operation) | 132,395,647 | - | - | 132,395,647 | 20 | 41,925,288 | 26,479,129 | - | 68,404,417 | 63,991,230 |
| Telephone and telex | 10,489,618 | 1,545,090 | (279,600) | 11,755,108 | 33 | 7,738,206 | 1,719,303 | (189,379) | 9,268,130 | 2,486,978 |
| Motor vehicles | 205,958,031 | 52,894,025 | (19,574,500) | 239,277,556 | 25 | 116,357,847 | 45,062,200 | (16,763,572) | 144,656,475 | 94,621,081 |
| | 853,262,163 | 122,318,386 | (22,817,972) | 952,762,577 | | 457,538,227 | 133,964,255 | (19,282,029) | 572,220,453 | 380,542,124 |
| Lease hold assets: | | | | | | | | | | |
| Motor vehicles | 3,737,413 | - | (3,737,413) | - | 25 | 3,737,413 | - | (3,737,413) | - | - |
| Total 2014 | 856,999,576 | 122,318,386 | (26,555,385) | 952,762,577 | | 461,275,640 | 133,964,255 | (23,019,442) | 572,220,453 | 380,542,124 |

IDLC Finance Limited and Its Subsidiaries
Auditor's Report in pursuance of Section 135 (1) and paragraph 24 (1) (3) and 25 of part-II
of the Third Schedule of the Companies Act, 1994
[As per Securities and Exchange Commission (Rights Issue) Rules, 2006, Rule 7 (2) (h) and 8 (i)]

We, as the auditor and having examined the consolidated financial statements of IDLC Finance Limited and its subsidiaries for the year ended on 31 December 2015 and based on the audited consolidated financial statements thereof for the years ended 31 December 2014, 2013, 2012 and 2011 and other figures extracted from the audited financial statements as certified, report the following in pursuance of Section 135 (I) and paragraph 24 (1) (3) and 25 of part-II of the Schedule-III of the Companies Act, 1994 and Rule 7 (2) (h) and 8 (i) of Securities and Exchange Commission (Rights Issue) Rules, 2006, report that:

1. IDLC Finance Limited was incorporated in Bangladesh as a public limited company on May 23, 1985 under the Companies Act 1913 and its name was Industrial Development Leasing Company of Bangladesh Limited.

2. Comparative Consolidated Financial Position/Comparative Statement of Assets & Liabilities are as under:

| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2013 Taka | 31.12.2012 Taka | 31.12.2011 Taka |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| PROPERTY AND ASSETS | | | | | |
| Cash | | | | | |
| In hand (including foreign currencies) | 366,000 | 316,000 | 301,000 | 251,000 | 246,000 |
| Balance with Bangladesh Bank & its agents (incl. foreign currencies) | 891,503,744 | 728,597,992 | 744,189,114 | 565,343,055 | 417,207,356 |
| | 891,869,744 | 728,913,992 | 744,490,114 | 565,594,055 | 417,453,356 |
| Balance with other banks and financial institutions | | | | | |
| Inside Bangladesh | 12,543,322,538 | 7,256,039,490 | 7,111,427,413 | 3,275,459,753 | 2,133,007,415 |
| Outside Bangladesh | - | - | - | - | - |
| | 12,543,322,538 | 7,256,039,490 | 7,111,427,413 | 3,275,459,753 | 2,133,007,415 |
| Money at call and short notice | - | - | - | 40,000,000 | 670,000,000 |
| Investments | | | | | |
| Government | 300,000,000 | 300,000,000 | - | - | - |
| Others | 3,092,468,561 | 2,336,025,841 | 786,553,016 | 387,543,923 | 549,596,742 |
| | 3,392,468,561 | 2,636,025,841 | 786,553,016 | 387,543,923 | 549,596,742 |
| Loans and advances | | | | | |
| Loans, cash credit, overdraft etc. | 55,211,824,250 | 47,068,955,362 | 40,941,257,690 | 32,595,178,553 | 26,357,104,245 |
| Bills purchased and discounted | - | - | - | - | - |
| | 55,211,824,250 | 47,068,955,362 | 40,941,257,690 | 32,595,178,553 | 26,357,104,245 |
| Fixed assets including land, building, furniture & fixtures | 537,098,683 | 380,542,124 | 395,723,936 | 471,830,413 | 355,694,293 |
| Other assets | 857,870,414 | 856,111,439 | 449,931,305 | 448,259,040 | 681,684,403 |
| Non-banking assets | - | - | - | - | - |
| Total Assets | 73,434,454,190 | 58,926,588,248 | 50,429,383,474 | 37,783,865,737 | 31,164,540,454 |
| LIABILITIES AND CAPITAL | | | | | |
| Liabilities | | | | | |
| Borrowings from other banks, fin. Institutions & agents | 10,585,582,747 | 9,198,032,173 | 8,827,892,450 | 4,333,821,600 | 4,565,821,153 |
| Deposits and other accounts | | | | | |
| Current accounts and other accounts etc. | - | - | - | - | - |
| Bills payable | - | - | - | - | - |
| Savings bank deposits | - | - | - | - | - |
| Term deposits | 46,038,675,236 | 35,240,301,090 | 29,063,880,082 | 22,008,203,723 | 16,828,267,206 |
| Bearer certificate of deposits | - | - | - | - | - |
| Other deposits | 1,585,890,057 | 1,354,817,959 | 1,123,559,002 | 990,695,376 | 810,581,392 |
| | 47,624,565,293 | 36,595,119,049 | 30,187,439,084 | 22,998,899,099 | 17,638,848,598 |
| Other liabilities | 7,438,343,943 | 6,605,605,660 | 6,051,291,971 | 5,757,851,191 | 4,979,398,082 |
| Total liabilities | 65,648,491,983 | 52,398,756,882 | 45,066,623,505 | 33,090,571,890 | 27,184,067,833 |
| Capital / Shareholders' equity | | | | | |
| Paid-up capital | 2,513,671,870 | 2,010,937,500 | 1,608,750,000 | 1,237,500,000 | 990,000,000 |
| Share premium | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 |
| Statutory reserves | 1,482,722,671 | 1,233,958,647 | 1,003,251,644 | 841,050,246 | 723,210,192 |
| General reserves | 1,000,000,000 | 1,000,000,000 | 811,250,000 | 811,250,000 | 811,250,000 |
| Dividend equalisation reserves | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 |
| Retained earnings | 2,739,315,501 | 2,232,683,265 | 1,889,256,471 | 1,753,241,814 | 1,405,760,814 |
| Total equity attributable to equity holders of the company | 7,785,960,042 | 6,527,829,412 | 5,362,758,115 | 4,693,292,060 | 3,980,471,006 |
| Non-controlling interest | 2,165 | 1,954 | 1,854 | 1,787 | 1,615 |
| Total liabilities and Shareholders' equity | 73,434,454,190 | 58,926,588,248 | 50,429,383,474 | 37,783,865,737 | 31,164,540,454 |
| OFF - BALANCE SHEET ITEMS | | | | | |
| Contingent liabilities | | | | | |
| Acceptances and endorsements | - | - | - | - | - |
| Letters of guarantee | 118,488,520 | 465,240,778 | 277,501,181 | 1,051,435 | - |
| Irrevocable letters of credit | - | - | - | 127,193,600 | 126,958,540 |
| Bills for collection | - | - | - | - | - |
| Indemnity bond | - | - | 8,811,279 | 8,811,279 | 8,811,279 |
| Corporate guarantee | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 | - |
| | 618,488,520 | 965,240,778 | 786,312,460 | 637,056,314 | 135,769,819 |
| 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 | 607,054,854 | 699,924,252 | 723,861,867 | 94,523,911 | 1,274,012,995 |
| | 607,054,854 | 699,924,252 | 723,861,867 | 94,523,911 | 1,274,012,995 |
| Total Off-Balance Sheet items including contingent liabilities | 1,225,543,374 | 1,665,165,030 | 1,510,174,327 | 731,580,225 | 1,409,782,814 |

3. Comparative Consolidated Statements of Comprehensive Income (Profit & Loss Account) are as follows:

| | 2015 Taka | 2014 Taka | 2013 Taka | 2012 Taka | 2011 Taka |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Interest income | 8,251,180,347 | 7,431,871,158 | 6,214,791,205 | 4,853,769,697 | 3,942,101,471 |
| Interest on deposits and borrowings etc. | (4,833,191,104) | (4,543,097,395) | (4,137,607,275) | (3,102,879,252) | (2,364,389,738) |
| Net interest income | 3,417,989,243 | 2,888,773,763 | 2,077,183,930 | 1,750,890,445 | 1,577,711,733 |
| Investment income | 372,098,181 | 48,365,964 | 53,480,772 | 57,894,350 | (107,841,926) |
| Consolidated Financial Position | 356,949,912 | 359,076,106 | 289,756,436 | 336,660,324 | 462,752,097 |
| Other operating income | 440,864,639 | 361,507,263 | 341,034,612 | 257,794,715 | 227,252,920 |
| Total operating income | 4,587,901,975 | 3,657,723,096 | 2,761,455,750 | 2,403,239,834 | 2,159,874,824 |
| Salaries and allowances | 899,165,319 | 673,111,344 | 580,093,725 | 514,968,850 | 431,010,582 |
| Rent, taxes, insurance, electricity, etc. | 135,714,936 | 121,724,427 | 105,891,802 | 102,436,907 | 108,031,424 |
| Legal expenses | 16,102,123 | 8,632,327 | 8,154,695 | 10,273,842 | 17,585,871 |
| Postage, stamp, telecommunication, etc. | 35,021,731 | 34,123,344 | 32,273,737 | 28,105,616 | 31,193,643 |
| Stationery, printing, advertisements, etc. | 85,711,998 | 115,003,057 | 83,619,162 | 75,103,834 | 45,356,398 |
| Managing Director's salary and benefits | 11,493,667 | 13,060,000 | 13,060,000 | 10,527,400 | 10,527,400 |
| Directors' fees | 1,409,400 | 1,132,750 | 977,000 | 839,500 | 753,250 |
| Auditors' fees | 690,000 | 690,000 | 667,000 | 602,250 | 1,023,450 |
| Charges on loan losses | - | - | - | - | - |
| Depreciation and repair of Company's assets | 178,307,014 | 164,341,322 | 159,787,545 | 146,733,769 | 106,104,413 |
| Other expenses | 284,171,561 | 331,829,477 | 258,888,748 | 168,513,040 | 161,874,299 |
| Total operating expenses | 1,647,787,749 | 1,463,648,048 | 1,243,413,414 | 1,058,105,008 | 913,460,730 |
| Profit before provision | 2,940,114,226 | 2,194,075,048 | 1,518,042,336 | 1,345,134,826 | 1,246,414,094 |
| Provision for loans / investments | | | | | |
| General provision | 49,183,322 | 45,031,836 | (12,411,933) | 69,764,096 | 39,600,062 |
| Specific provision | 276,007,148 | (55,344,909) | 197,172,371 | 69,144,373 | (98,489,199) |
| Provision for diminution in value of investments | (13,579,695) | 17,861,794 | 8,080,752 | (45,961,809) | 88,700,713 |
| Other provision | - | - | - | - | - |
| Total provision | 311,610,775 | 7,548,721 | 192,841,190 | 92,946,660 | 29,811,576 |
| Total profit before taxes | 2,628,503,451 | 2,186,526,327 | 1,325,201,146 | 1,252,188,166 | 1,216,602,518 |
| Provision for taxation | | | | | |
| Current tax | 1,171,629,363 | 959,575,652 | 637,030,392 | 529,448,423 | 730,035,667 |
| Deferred tax | (2,350,493) | (18,558,222) | 18,704,632 | 9,918,517 | (13,716,103) |
| | 1,169,278,870 | 941,017,430 | 655,735,024 | 539,366,940 | 716,319,564 |
| Net profit after taxation | 1,459,224,581 | 1,245,508,897 | 669,466,122 | 712,821,226 | 500,282,954 |
| Attributable to: | | | | | |
| Shareholders of the Company | 1,459,224,380 | 1,245,508,797 | 669,466,055 | 712,821,054 | 500,283,267 |
| Non-controlling interest | 201 | 100 | 67 | 172 | (313) |
| | 1,459,224,581 | 1,245,508,897 | 669,466,122 | 712,821,226 | 500,282,954 |
| Appropriations | | | | | |
| Statutory reserve | 248,764,024 | 230,707,003 | 162,201,398 | 117,840,054 | 160,845,796 |
| General reserve | - | 188,750,000 | - | - | - |
| Dividend etc | - | - | - | - | - |
| | 248,764,024 | 419,457,003 | 162,201,398 | 117,840,054 | 160,845,796 |
| Retained surplus | 1,210,460,356 | 826,051,794 | 507,264,657 | 594,981,000 | 339,437,471 |
| Earnings Per Share (EPS) | 5.81 | 4.95 | 2.66 | 2.84 | 1.99 |

4. Comparative Consolidated Cash Flow Statement are as follows:

| Particulars | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2013 Taka | 31.12.2012 Taka | 31.12.2011 Taka |
|--|-----------------------|------------------------|----------------------|----------------------|----------------------|
| A) Cash flows from operating activities | | | | | |
| Interest received | 7,265,516,269 | 6,680,026,625 | 5,591,374,257 | 4,431,115,070 | 3,942,101,471 |
| Interest paid | (2,212,191,438) | (2,418,998,453) | (1,987,406,985) | (1,179,869,087) | (808,673,230) |
| Consolidated Financial Position | 96,282,352 | 40,805,382 | 8,549,539 | 9,243,980 | 35,321,280 |
| Fees and commission received | 356,949,912 | 359,076,106 | 112,725,519 | 176,064,712 | 462,752,097 |
| Paid to employees and suppliers | (1,502,411,831) | (1,329,683,793) | (1,111,245,456) | (943,174,630) | (822,419,115) |
| Payment of income tax | (822,263,674) | (695,710,617) | (416,529,491) | (490,367,150) | (618,989,790) |
| Received from other operating activities | 704,398,111 | 363,130,219 | 379,458,099 | 306,356,540 | 75,607,237 |
| Cash generated from operating activities before changes in operating assets and liabilities | 3,886,279,701 | 2,998,645,469 | 2,576,925,483 | 2,309,369,435 | 2,265,699,950 |
| Increase / (decrease) in operating assets and liabilities | | | | | |
| Lease receivable | 265,654,756 | 76,496,366 | (879,056,166) | (932,337,066) | (440,112,207) |
| Long-term finance | (5,278,801,586) | (2,804,999,034) | (5,434,086,594) | (4,086,583,811) | (3,565,405,481) |
| Real estate finance | (2,383,834,215) | (3,652,126,335) | (2,907,844,063) | (1,283,146,569) | (1,374,426,696) |
| Car loans | (693,235,866) | (1,017,759,216) | (370,328,319) | (23,184,492) | (46,214,881) |
| Personal loan | 19,086,626 | 23,654,351 | 24,460,953 | 24,543,838 | 126,415 |
| Loan against deposit | (1,389,646) | 127,887,279 | 188,706,744 | (50,827,831) | (218,837,353) |
| Margin loan to portfolio investors | 463,395,053 | 1,394,966,775 | 1,157,621,660 | 124,208,368 | 914,736,743 |
| Short term finance | (344,010,256) | (131,782,937) | (22,336,384) | 239,804,429 | (353,521,833) |
| Net proceeds of investment in marketable securities | (87,711,139) | (935,762,941) | (420,277,509) | 124,737,102 | (51,829,620) |
| Other assets | 794,171,349 | 201,629,478 | 696,615,938 | 613,503,228 | 365,286,434 |
| Term and other deposits | 11,029,446,244 | 6,407,679,965 | 7,188,539,985 | 5,360,050,501 | 4,637,502,043 |
| Net drawdown of short term loan | (40,000,000) | (1,290,000,000) | 2,440,000,000 | (660,840,397) | 180,840,397 |
| Payable and accrued expenses | (2,626,981,541) | (1,547,480,875) | (2,044,678,546) | (1,563,949,678) | (1,447,251,667) |
| Deferred liability-employee gratuity | 4,462,019 | 6,256,142 | (63,179,069) | 12,950,281 | 9,286,840 |
| Portfolio investors' fund | (2,323,273) | (315,683,978) | (164,193,782) | 208,922,265 | (884,637,698) |
| Deferred tax liability | (5,687,038) | (10,206,563) | (5,390,052) | 15,770,050 | 5,513,603 |
| Interest suspense account | 181,528,850 | 43,607,230 | (11,617,001) | (7,416,465) | 18,667,866 |
| | 1,293,770,336 | (3,423,624,293) | (627,042,205) | (1,883,796,247) | (2,250,277,095) |
| Net cash from operating activities | 5,180,050,037 | (424,978,824) | 1,949,883,278 | 425,573,188 | 15,422,855 |
| B) Cash flows from investing activities | | | | | |
| Purchase of property and equipment | (313,654,913) | (122,318,386) | (65,690,141) | (248,760,240) | (155,981,199) |
| Disposal of property and equipment | 24,004,794 | 9,473,570 | 15,331,940 | 17,755,463 | 43,398,941 |
| Net proceeds of investment in non marketable securities | (668,731,581) | (913,709,884) | 21,268,416 | 37,315,717 | 77,698,016 |
| Net cash used in investing activities | (958,381,700) | (1,026,554,700) | (29,089,785) | (193,689,060) | (34,884,242) |
| C) Cash flows from financing activities | | | | | |
| Drawdown of term loans | 4,165,756,728 | 4,109,392,162 | 3,516,955,456 | 1,812,599,238 | 1,248,068,525 |
| Repayment of term loans | (2,738,206,155) | (2,449,252,439) | (1,462,884,607) | (1,383,758,396) | (1,520,055,293) |
| Payment against lease obligation | - | - | - | (93,337) | (2,697,263) |
| Share money in arrear | 10 | - | - | - | - |
| Dividend paid | (198,980,120) | (79,570,244) | (623) | (38,596) | (208,281,707) |
| Net Cash from financing activities | 1,228,570,463 | 1,580,569,479 | 2,054,070,226 | 428,708,909 | (482,965,738) |
| D) Net increase / (decrease) in cash and cash equivalents (A+ B + C) | 5,450,238,800 | 129,035,955 | 3,974,863,719 | 660,593,037 | (502,427,125) |
| E) Effects of exchange rate changes on cash and cash equivalents | - | - | - | - | - |
| F) Cash and cash equivalents at beginning of the year | 7,984,953,482 | 7,855,917,527 | 3,881,053,808 | 3,220,460,771 | 3,722,887,896 |
| G) Cash and cash equivalents at end of the year (D+E+F) | 13,435,192,282 | 7,984,953,482 | 7,855,917,527 | 3,881,053,808 | 3,220,460,771 |
| Cash and cash equivalents at end of the year | | | | | |
| Cash in hand (including foreign currencies) | 366,000 | 316,000 | 301,000 | 251,000 | 246,000 |
| Money at call and short notice | - | - | - | 40,000,000 | 670,000,000 |
| Balance with Bangladesh Bank and its agent bank (s) | 891,503,744 | 728,597,992 | 744,189,114 | 565,343,055 | 417,207,356 |
| Balance with other banks and financial institutions | 12,543,322,538 | 7,256,039,490 | 7,111,427,413 | 3,275,459,753 | 2,133,007,415 |
| | 13,435,192,282 | 7,984,953,482 | 7,855,917,527 | 3,881,053,808 | 3,220,460,771 |

5. The history of dividend declared by the company is as follows: 25% Cash dividend 25% Stock and 10% Cash Dividend 25% Stock and 5% Cash Dividend 30% Stock Dividend 25% Stock Dividend

6. The company has following two subsidiaries and financial statements of these entities are consolidated properly:

| Name of Subsidiary | % of Ownership |
|-------------------------------|----------------|
| IDLC Investments Limited | 99.99% |
| IDLC Securities Limited | 99.99% |
| IDLC Asset Management Limited | 99.99% |

7. No proceeds or part of proceeds of the issue of shares shall be applied directly or indirectly by the company in the purchase of any other business or an interest thereon

8. Figures relating to previous years have been re-arranged wherever considered necessary.

Dhaka,
08 August 2016

SD/-
ACNABIN
Chartered Accountants

IDLC Finance Limited

**Auditor's Report in pursuance to Section 135 (1) and paragraph 24(1), 24(3) and 25 of part-II
of the Schedule III of the Companies Act, 1994
[As per Securities and Exchange Commission (Rights Issue) Rules, 2006, Rule 7 (2) (h) and 8 (i)]**

We, on the basis of the audited financial statements of IDLC Finance Limited for the years ended 31 December 2015, 2014, 2013, 2012 and 2011 and other figures extracted from the said audited financial statements, report the following in pursuance to Section 135 (I) and paragraph 24(1), 24(3) and 25 of part-II of the Schedule-III of the Companies Act, 1994 and Rule 7 (2) (h) and 8 (i) of Securities and Exchange Commission (Rights Issue) Rules, 2006, report that:

1. IDLC Finance Limited was incorporated in Bangladesh as a public limited company on 23 May 1985 under the Companies Act 1913 and its name was Industrial Development Leasing Company of Bangladesh Limited.

2. Comparative Financial Position/Comparative Statement of Assets & Liabilities are as under:

| | 31.12.2015 Taka | 31.12.2014 Taka | 31.12.2013 Taka | 31.12.2012 Taka | 31.12.2011 Taka |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| PROPERTY AND ASSETS | | | | | |
| Cash | | | | | |
| In hand (including foreign currencies) | 266,000 | 216,000 | 201,000 | 151,000 | 136,000 |
| Balance with Bangladesh Bank and its agents (including foreign currencies) | 891,503,744 | 728,597,992 | 744,189,114 | 565,343,055 | 417,207,356 |
| | 891,769,744 | 728,813,992 | 744,390,114 | 565,494,055 | 417,343,356 |
| Balance with other banks and financial institutions | | | | | |
| Inside Bangladesh | 11,804,324,866 | 6,846,398,723 | 6,629,287,813 | 2,980,373,758 | 1,404,989,474 |
| Outside Bangladesh | - | - | - | - | - |
| | 11,804,324,866 | 6,846,398,723 | 6,629,287,813 | 2,980,373,758 | 1,404,989,474 |
| Money at call and short notice | - | - | - | 40,000,000 | 670,000,000 |
| Investments | | | | | |
| Government | 300,000,000 | 300,000,000 | - | - | - |
| Others | 2,470,947,105 | 1,812,315,829 | 523,510,863 | 205,195,378 | 397,108,875 |
| | 2,770,947,105 | 2,112,315,829 | 523,510,863 | 205,195,378 | 397,108,875 |
| Loans and advances | | | | | |
| Loans, cash credit, overdraft etc. | 53,857,714,206 | 45,348,701,212 | 38,677,966,492 | 30,938,682,259 | 25,540,199,582 |
| Bills purchased and discounted | - | - | - | - | - |
| | 53,857,714,206 | 45,348,701,212 | 38,677,966,492 | 30,938,682,259 | 25,540,199,582 |
| Fixed assets including land, building, furniture & fixtures | | | | | |
| Other assets | 502,363,356 | 343,557,415 | 347,550,595 | 405,780,043 | 259,707,167 |
| | 1,941,591,577 | 1,779,727,856 | 1,612,136,869 | 612,646,289 | 829,466,848 |
| Non-banking assets | - | - | - | - | - |
| Total Assets | 71,768,710,854 | 57,159,515,027 | 48,534,842,746 | 35,748,171,782 | 29,518,815,302 |
| LIABILITIES AND CAPITAL | | | | | |
| Liabilities | | | | | |
| Borrowings from other banks, fin. institutions & agents | 10,550,165,864 | 9,136,412,565 | 8,707,892,450 | 4,333,821,600 | 4,565,821,153 |
| Deposits and other accounts | | | | | |
| Current accounts and other accounts etc. | - | - | - | - | - |
| Bills payable | - | - | - | - | - |
| Savings bank deposits | - | - | - | - | - |
| Term deposits | 46,174,475,236 | 35,241,001,090 | 29,163,880,082 | 22,008,203,723 | 16,828,267,206 |
| Bearer certificate of deposits | - | - | - | - | - |
| Other deposits | 1,585,890,057 | 1,354,817,959 | 1,123,559,002 | 990,695,376 | 810,581,392 |
| | 47,760,365,293 | 36,595,819,049 | 30,287,439,084 | 22,998,899,099 | 17,638,848,598 |
| Other liabilities | 6,721,632,975 | 5,733,463,062 | 4,918,788,377 | 4,605,735,240 | 4,093,629,977 |
| Total liabilities | 65,032,164,132 | 51,465,694,676 | 43,914,119,911 | 31,938,455,939 | 26,298,299,728 |
| Capital / Shareholders' equity | | | | | |
| Paid-up capital | 2,513,671,870 | 2,010,937,500 | 1,608,750,000 | 1,237,500,000 | 990,000,000 |
| Share premium | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 |
| Statutory reserves | 1,482,722,671 | 1,233,958,647 | 1,003,251,644 | 841,050,246 | 723,210,192 |
| General reserves | 1,000,000,000 | 1,000,000,000 | 811,250,000 | 811,250,000 | 811,250,000 |
| Dividend equalisation reserves | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 |
| Retained earnings | 1,689,902,181 | 1,398,674,204 | 1,147,221,191 | 869,665,597 | 645,805,382 |
| Total equity | 6,736,546,722 | 5,693,820,351 | 4,620,722,835 | 3,809,715,843 | 3,220,515,574 |
| Total liabilities and Shareholders' equity | 71,768,710,854 | 57,159,515,027 | 48,534,842,746 | 35,748,171,782 | 29,518,815,302 |
| OFF - BALANCE SHEET ITEMS | | | | | |
| Contingent liabilities | | | | | |
| Acceptances and endorsements | - | - | - | - | - |
| Letters of guarantee | 118,488,520 | 465,240,778 | 277,501,181 | 1,051,435 | - |
| Irrevocable letters of credit | - | - | - | 127,193,600 | 126,958,540 |
| Bills for collection | - | - | - | - | - |
| Indemnity bond | - | - | 8,811,279 | 8,811,279 | 8,811,279 |
| Corporate guarantee | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 | - |
| | 618,488,520 | 965,240,778 | 786,312,460 | 637,056,314 | 135,769,819 |
| 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 | 607,054,854 | 699,924,252 | 723,861,867 | 94,523,911 | 1,274,012,995 |
| | 607,054,854 | 699,924,252 | 723,861,867 | 94,523,911 | 1,274,012,995 |
| Total Off-Balance Sheet items incl. contingent liabilities | 1,225,543,374 | 1,665,165,030 | 1,510,174,327 | 731,580,225 | 1,409,782,814 |

3. Comparative Statements of Comprehensive Income (Profit & Loss account) are as follows:

| | 2015 Taka | 2014 Taka | 2013 Taka | 2012 Taka | 2011 Taka |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Interest income | 8,023,764,544 | 7,379,533,073 | 6,260,190,713 | 4,712,055,155 | 3,826,541,599 |
| Interest on deposits and borrowings etc. | (4,827,091,642) | (4,530,353,027) | (4,127,315,005) | (3,087,770,161) | (2,359,226,854) |
| Net interest income | 3,196,672,902 | 2,849,180,046 | 2,132,875,708 | 1,624,284,994 | 1,467,314,745 |
| Investment income | 272,881,617 | 53,935,424 | 55,139,569 | 41,781,516 | 185,918,988 |
| Commission, exchange and brokerage | 58,053,730 | 66,413,793 | 47,392,621 | 31,088,597 | 179,437,286 |
| Other operating income | 433,242,052 | 356,650,721 | 337,814,190 | 258,327,660 | 210,016,857 |
| Total operating income | 3,960,850,301 | 3,326,179,984 | 2,573,222,088 | 1,955,482,767 | 2,042,687,876 |
| Salaries and allowances | 744,116,214 | 553,140,578 | 474,699,472 | 403,925,724 | 333,051,679 |
| Rent, taxes, insurance, electricity, etc. | 93,372,106 | 79,197,000 | 66,696,783 | 58,419,422 | 53,015,020 |
| Legal expenses | 13,536,662 | 7,229,630 | 6,836,494 | 6,140,794 | 11,473,555 |
| Postage, stamp, telecommunication, etc. | 26,929,463 | 26,215,029 | 23,924,777 | 16,348,704 | 18,458,870 |
| Stationery, printing, advertisements, etc. | 81,059,657 | 108,450,028 | 78,129,942 | 71,372,242 | 41,050,954 |
| Managing Director's salary and benefits | 11,493,667 | 13,060,000 | 13,060,000 | 10,527,400 | 10,527,400 |
| Directors' fees | 1,041,900 | 828,000 | 638,250 | 655,500 | 638,250 |
| Auditors' fees | 517,500 | 517,500 | 517,500 | 470,000 | 839,500 |
| Charges on loan losses | - | - | - | - | - |
| Depreciation and repair of Company's assets | 155,451,391 | 139,251,289 | 133,975,445 | 106,990,172 | 70,202,179 |
| Other expenses | 266,242,398 | 308,899,974 | 222,776,283 | 147,177,332 | 132,961,065 |
| Total operating expenses | 1,393,760,958 | 1,236,789,028 | 1,021,254,946 | 822,027,290 | 672,218,472 |
| Profit before provisions | 2,567,089,343 | 2,089,390,956 | 1,551,967,142 | 1,133,455,477 | 1,370,469,404 |
| Provision for loans / investments | | | | | |
| General provision | 54,798,590 | 41,984,250 | (13,239,669) | 69,764,096 | 39,600,062 |
| Specific provision | 233,364,352 | (1,576,823) | 131,356,108 | 69,144,373 | (98,489,199) |
| Provision for diminution in value of investments | 3,407,068 | 19,852,226 | 27,735,656 | (38,018,786) | 52,976,356 |
| Other provision | - | - | - | - | - |
| Total provision | 291,570,010 | 60,259,653 | 145,852,095 | 100,889,683 | (5,912,781) |
| Total profit before taxes | 2,275,519,333 | 2,029,131,303 | 1,406,115,047 | 1,032,565,794 | 1,376,382,185 |
| Provision for taxation | | | | | |
| Current tax | 1,037,681,898 | 887,838,416 | 571,483,065 | 428,387,353 | 575,129,014 |
| Deferred tax | (5,982,686) | (12,242,129) | 23,624,990 | 14,978,172 | (2,975,808) |
| | 1,031,699,212 | 875,596,287 | 595,108,055 | 443,365,525 | 572,153,206 |
| Net profit after taxation | 1,243,820,121 | 1,153,535,016 | 811,006,992 | 589,200,269 | 804,228,979 |
| Appropriations | | | | | |
| Statutory reserve | 248,764,024 | 230,707,003 | 162,201,398 | 117,840,054 | 160,845,796 |
| General reserve | - | 188,750,000 | - | - | - |
| Dividend etc | - | - | - | - | - |
| | 248,764,024 | 419,457,003 | 162,201,398 | 117,840,054 | 160,845,796 |
| Retained surplus | 995,056,097 | 734,078,013 | 648,805,594 | 471,360,215 | 643,383,183 |
| Earnings Per Share (EPS) | 4.95 | 4.59 | 3.23 | 2.34 | 3.20 |

4. Comparative Cash Flow Statement are as follows:

| Particulars | 2015 Taka | 2014 Taka | 2013 Taka | 2012 Taka | 2011 Taka |
|--|-----------------------|------------------------|----------------------|----------------------|----------------------|
| A) Cash flows from operating activities | | | | | |
| Interest received | 7,051,307,900 | 6,629,108,640 | 5,656,246,335 | 4,293,243,722 | 3,394,898,874 |
| Interest paid | (2,206,091,976) | (2,406,254,085) | (1,977,114,715) | (1,164,759,996) | (803,510,346) |
| Dividend received | 39,909,767 | 27,208,743 | 3,642,939 | 6,272,326 | 227,497,685 |
| Fees and commission received | 58,053,730 | 66,413,793 | 47,392,621 | 31,088,597 | 179,437,286 |
| Paid to employees and suppliers | (1,269,312,317) | (1,125,879,478) | (911,729,983) | (734,440,108) | (606,656,520) |
| Payment of income tax | (717,106,282) | (611,598,018) | (387,814,674) | (403,902,171) | (512,884,375) |
| Received from other operating activities | 654,317,306 | 378,298,811 | 382,711,611 | 290,637,114 | 159,897,739 |
| Cash generated from operating activities before changes in operating assets and liabilities | 3,611,078,128 | 2,957,298,406 | 2,813,334,134 | 2,318,139,484 | 2,038,680,343 |
| Increase / (decrease) in operating assets and liabilities | | | | | |
| Lease receivable | 265,654,756 | 76,496,366 | (879,056,166) | (932,337,066) | (440,112,207) |
| Long-term finance | (5,278,801,586) | (2,804,999,034) | (5,434,086,594) | (4,086,583,811) | (3,565,405,481) |
| Real estate finance | (2,383,834,215) | (3,652,126,335) | (2,907,844,063) | (1,283,146,569) | (1,374,426,696) |
| Car loans | (693,235,866) | (1,017,759,216) | (370,328,319) | (23,184,492) | (46,214,881) |
| Personal loan | 19,086,626 | 23,654,351 | 24,460,953 | 24,543,838 | 126,415 |
| Loan against deposit | (1,389,646) | 127,887,279 | 188,706,744 | (50,827,831) | (218,837,353) |
| Margin loan to portfolio investors | - | - | - | - | 5,633,191,635 |
| Loan to IDLC Investments Limited | 97,310,669 | 852,300,000 | 1,764,046,291 | 723,119,060 | (3,669,276,020) |
| Short term finance | (344,010,256) | (131,782,937) | (22,336,384) | 239,804,429 | (353,521,833) |
| Net proceeds of investment in marketable securities | 10,100,305 | (675,095,082) | (339,583,900) | 154,597,780 | (17,387,527) |
| Other assets | 620,799,446 | 438,428,252 | (498,392,897) | 625,761,757 | (42,492,434) |
| Term and other deposits | 11,164,546,244 | 6,308,379,965 | 7,288,539,985 | 5,360,050,501 | 4,637,502,043 |
| Net drawdown of short term loan | (40,000,000) | (1,170,000,000) | 2,440,000,000 | (660,840,397) | 180,840,397 |
| Payable and accrued expenses | (2,516,948,125) | (1,667,950,103) | (2,092,830,240) | (1,581,073,846) | (1,237,299,337) |
| Inter-company payables | 99,999,990 | - | (14,579,062) | 11,374,735 | (1,127,136) |
| Deferred liability-employee gratuity | - | - | (65,875,650) | 10,219,522 | 4,355,197 |
| Portfolio investors' fund | - | - | - | - | (1,375,958,530) |
| Deferred tax liability | (5,687,038) | (10,206,563) | (5,390,052) | 15,770,050 | 5,513,603 |
| Interest suspense account | 181,528,850 | 43,607,230 | (11,617,001) | (7,416,465) | 18,667,866 |
| | 1,195,120,154 | (3,259,165,827) | (936,166,355) | (1,460,168,805) | (1,861,862,279) |
| Net cash from operating activities | 4,806,198,282 | (301,867,421) | 1,877,167,779 | 857,970,679 | 176,818,064 |
| B) Cash flows from investing activities | | | | | |
| Purchase of property and equipment | (294,404,534) | (110,118,507) | (59,619,283) | (237,769,166) | (119,467,489) |
| Disposal of property and equipment | 23,046,548 | 8,280,729 | 14,922,976 | 7,308,844 | 39,471,920 |
| Net proceeds of investment in non marketable securities | (668,731,581) | (913,709,884) | 21,268,416 | 37,315,717 | 77,698,016 |
| Net cash used in investing activities | (940,089,567) | (1,015,547,662) | (23,427,891) | (193,144,605) | (2,297,553) |
| C) Cash flows from financing activities | | | | | |
| Drawdown of term loans | 4,165,756,728 | 4,047,772,554 | 3,396,955,456 | 1,812,599,238 | 1,248,068,525 |
| Repayment of term loans | (2,712,003,428) | (2,449,252,439) | (1,462,884,607) | (1,383,758,396) | (1,520,055,293) |
| Payment against lease obligation | - | - | - | (93,337) | (2,697,263) |
| Dividend paid | (198,980,120) | (79,570,244) | (623) | (38,596) | (208,281,407) |
| Net Cash from financing activities | 1,254,773,180 | 1,518,949,871 | 1,934,070,226 | 428,708,909 | (482,965,438) |
| D) Net increase / (decrease) in cash and cash equivalents (A+ B + C) | 5,120,881,895 | 201,534,788 | 3,787,810,114 | 1,093,534,983 | (308,444,927) |
| E) Effects of exchange rate changes on cash and cash equivalents | - | - | - | - | - |
| F) Cash and cash equivalents at beginning of the year | 7,575,212,715 | 7,373,677,927 | 3,585,867,813 | 2,492,332,830 | 2,800,777,757 |
| G) Cash and cash equivalents at end of the year (D+E+F) | 12,696,094,610 | 7,575,212,715 | 7,373,677,927 | 3,585,867,813 | 2,492,332,830 |
| Cash and cash equivalents at end of the year | | | | | |
| Cash in hand (including foreign currencies) | 266,000 | 216,000 | 201,000 | 151,000 | 136,000 |
| Money at call and short notice | - | - | - | 40,000,000 | 670,000,000 |
| Balance with Bangladesh Bank and its agent bank (s) | 891,503,744 | 728,597,992 | 744,189,114 | 565,343,055 | 417,207,356 |
| Balance with other banks and financial institutions | 11,804,324,866 | 6,846,398,723 | 6,629,287,813 | 2,980,373,758 | 1,404,989,474 |
| | 12,696,094,610 | 7,575,212,715 | 7,373,677,927 | 3,585,867,813 | 2,492,332,830 |

5. The history of dividend declared by the company is as follows:

| | | | | |
|-------------------|---------------------------------|--------------------------------|--------------------|--------------------|
| 25% Cash dividend | 25% Stock and 10% Cash Dividend | 25% Stock and 5% Cash Dividend | 30% Stock Dividend | 25% Stock Dividend |
|-------------------|---------------------------------|--------------------------------|--------------------|--------------------|

6. No proceeds or part of proceeds of the issue of shares shall be applied directly or indirectly by the company in the purchase of any other business or an interest thereon

7. Figures relating to previous years have been re-arranged wherever considered necessary.

Dhaka,
08 August 2016

SD/-
ACNABIN
Chartered Accountants

IDLC Finance Limited

Credit Rating Report

| Date of Declaration | Valid Till | Rating Action | Long Term Rating | Short Term Rating | Outlook |
|---------------------|----------------|---------------|------------------|-------------------|---------|
| April 15, 2016 | April 14, 2017 | Surveillance | AAA | ECRL-1 | Stable |
| April 15, 2015 | April 14, 2016 | Surveillance | AAA | ECRL-1 | Stable |
| May 09, 2013 | May 08, 2014 | Surveillance | AAA | ECRL-1 | Stable |
| May 09, 2014 | May 08, 2015 | Surveillance | AAA | ECRL-1 | Stable |
| May 09, 2012 | May 08, 2013 | Initial | AAA | ECRL-1 | Stable |

Date of Incorporation : May 23, 1985

Managing Director : Mr. Arif Khan CFA FCMA

Authorized Capital : BDT 4,000.00 million

Paid up Capital : BDT 2,513.67 million (As on December 31, 2015)

Total Asset : BDT 71,768.71 million (As on December 31, 2015)

Total Liabilities : BDT 65,032.16 million (As on December 31, 2015)

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**Credit
Analysis**

Entity Rating

2016 Surveillance Review

IDLC Finance Limited

Major Rating Factors

| | |
|-----------------------------|---|
| Strengths | <ul style="list-style-type: none"> Well-built board with diversified backgrounds and experience. Skilled and well-organized management team. Superior quality of assets compared to industry. Compliance with SLR, CRR and CAR. Good credit risk management system. Satisfactory capital base which is to be enhanced further. Well diversified loans & lease profile. Strong presence in the NBFI industry. |
| Challenge/ Risks | <ul style="list-style-type: none"> Competitive pressure from commercial banks. Shortfall in short term liquidity bucket. Excessive dependence on large deposits. Increasing Non Performing Loan. |
| Rationale | <p>Emerging Credit Rating Limited (ECRL) has affirmed AAA (Pronounced as 'Triple A') long term credit rating and ECRL-1 short term credit rating to the IDLC Finance Limited (From here on referred to as 'IDLCFL' or 'the FI') based on audited financial statements up to December 31, 2015 and other available quantitative and qualitative information up to the date of rating. The outlook on the rating is Stable. The ratings are consistent with ECRL's methodology for this type of financial institutions. ECRL considered financial performance, capital base, asset composition, asset quality, liquidity management, earning trends, management experience and prospect of the industry while assigning the rating.</p> <p>The assigned rating represents the strengths of the company which is backed by strong corporate governance, experienced management, diversified loan & lease portfolio, superior quality of assets, good credit risk management practices and satisfactory capital base. However, ECRL is concerned about competition from commercial banks, liquidity and fund management lacking perfection and increasing exposure of the FI to capital market which may affect the current business outlook.</p> <p>IDLC Finance Limited is one of the first leasing companies of the country, established through collaboration of multiple international development financial institutions and local financial institutions in 1985. Since establishment, IDLCFL has built an unparalleled brand image and secured strong presence in the NBFI industry of Bangladesh by capturing more than 12% share of the industry's total loans. With diversified array of products catering to the needs of SME, consumer and corporate customers, IDLCFL is at present the largest multi-product NBFI, having two wholly owned subsidiaries, IDLC Investment Limited and IDLC Securities Limited which are involved in capital market operations. At present, around 60% of the FI is owned by sponsors and directors and the rest by institutions and general public.</p> <p>In FY 2015 asset base of IDLC stood at 71,768.71 million increasing from 57,159.52 million. IDLCFL has also managed to increase its gross loan position by 18.76% to BDT 53,857.71 million despite low credit demand, cautious lending policy and the</p> |

sluggish business environment. In addition, growth rate of total asset has improved by 7.79% due to overall increase in liquidity, investment and loans and advances. On the other hand, NPL of IDLC has seen gigantic increase of 88.01% standing at BDT 1,647.03 million in FY 2015. Majority of these non performing loans were on paper & paper, construction & contractors, transport and telecommunication sectors. In FY 2015, NPL ratio of the FI deprived to 3.06% from 2.02% on prior year. The reserve coverage has been satisfactorily over the years till FY 2015. However, NPLs as a percentage of equity and loan loss reserve were 21.03% in FY2015 which has increased than the prior year. In addition, the FI rescheduled and written off BDT 266.23 million and BDT 20.97 million worth of loans respectively in FY2015. Reschedule loan represented 0.49% of the total loans. The FI's large loan exposure has been within the regulatory requirement and off-balance sheet exposure has been low.

In FY2015, the IDLCFL's total risk-weighted assets has increased and stood at BDT 53,658.28 million with a growth rate of 18.05%. However, overall capital adequacy position of the FI has improved partially compared to the previous year. End of FY2015, IDLCFL's Tier 1 capital and total capital ratio stood at 12.55% and 13.37% respectively, comfortably above the regulatory requirement of 5% and 10% respectively. In line with Basel-II implementation, Tier-I capital for IDLCFL was BDT 6,736.55 million in addition to the tier-II (supplementary capital) of BDT 435.27 million totaling the eligible capital amount to BDT 7,171.381 million as opposed to BDT 6,059.06 million in FY2014.

In FY2015, 66.55% of the BDT 71,768.71 million asset base of the bank were funded by customer deposits. In addition, IDLCFL has managed to increase its deposit growth rate to 30.51% from 20.83% on previous year. In addition, it was found that the FI is dependent on its top deposits to a high extent. It has been observed that the FI's loan to deposit ratio has been consistently going down from FY2012 and in FY2015 it stood at 112.77%. The declining loan to deposit ratio is mainly attributable to the FI's policy to increase its exposure to financial instruments, particularly bonds and shares. The FI has maintained CRR and SLR in a satisfactory manner as per Bangladesh Bank requirement in FY2015 and as on December 31, 2015; it had surplus CRR of BDT 2.62 million and surplus SLR of 3.38 million. However, the contractual basis asset and liability maturity profile of IDLCFL shows that it has a net liquidity deficit in less than 1 month, 1-3 months and 3-12 months buckets while there was cumulative net liquidity deficit till 1-5 years buckets.

The interest spread of the FI has declined to 4.36% in FY2015 from 4.54% in the previous year as the lending decline rate of the FI was higher than deposit decline rate which has also declined the growth rate of net interest income. However, interest rate of IDLCFL is higher than industry average. In FY 2015, non interest income of IDLCFL has recorded a 60.21% growth from previous year however, as the proportion of non-interest income is low, the growth in the total income was not much affected much. In FY 2015, post tax profit of IDLCFL stood at 1,243.82 million increasing from 1,153.54 million on prior year.

One of the keys to success of the FI is the superior corporate governance by the strong board of directors. The members of the board of directors are all highly qualified professionals who have background and extensive experience in many different sectors. Alongside, skilled, enthusiastic and efficient management team has acted as a catalyst for the growth of the FI since its establishment to till now towards turning the FI into leading NBFIs in the industry.

The management of IDLCFL has set up many different committees and processes to improve the efficiency, transparency and effectiveness within the organization. Major committees of the management include management committee, asset liability committee, credit evaluation committee, corporate governance committee, Basel implementation committee, risk management forum, risk analysis unit etc. The FI has also put into practice commendable credit risk management systems and practices

with thorough evaluation of credit proposals in a number of steps, multilayer credit approval tiers, risk grading, credit monitoring etc.

ECRL views IDLCFL's outlook as Stable due to its good corporate governance and management, profitability, risk management systems, diversified loans & leases and good asset quality compared to industry.

Exhibit 1: Financial Highlights: IDLC Finance Limited (IDLCFL)

| FY 31 December | 2015 | 2014 | 2013 | 2012 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Total Assets (BDT million) | 71,768.71 | 57,159.52 | 48,534.84 | 35,748.17 |
| Gross Loans (BDT Million) | 53,857.71 | 45,348.70 | 38,677.96 | 30,938.68 |
| Gross Loans Growth (%) | 18.76 | 17.25 | 25.01 | 21.14 |
| NPL Ratio (%) | 3.06 | 2.02 | 1.63 | 2.09 |
| Loan/Deposit Ratio (%) | 112.77 | 123.92 | 127.70 | 134.52 |
| Interest Spread (%) | 4.36 | 4.54 | 3.54 | 2.99 |
| Pre-Tax Profit (BDT million) | 2,275.52 | 2,029.13 | 1,406.12 | 1,032.57 |
| Post-Tax ROAA (%) | 1.93 | 2.18 | 1.92 | 1.81 |
| Post-Tax ROAE (%) | 20.01 | 22.37 | 19.24 | 16.76 |
| Capital Adequacy Ratio (%) | 13.37 | 13.33 | 14.16 | 12.63 |
| Tier-I Ratio (%) | 12.55 | 12.53 | 13.28 | 11.66 |

FY2012-2015 Data Extracted from Audited Financial Statements

A. BUSINESS DESCRIPTION

A.1. Company Background

IDLC Finance Limited is a public limited company incorporated in Bangladesh on May 23, 1985 under the Companies Act 1913 and listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on March 20, 1993 and November 25, 1996, respectively. It was licensed as a Financial Institution under Financial Institutions Act, 1993 on February 7, 1995. It had market capitalization of BDT 15,987 million at the end of FY2015 whereas its total market capitalization at the end of FY2014 was BDT 15,022 million.

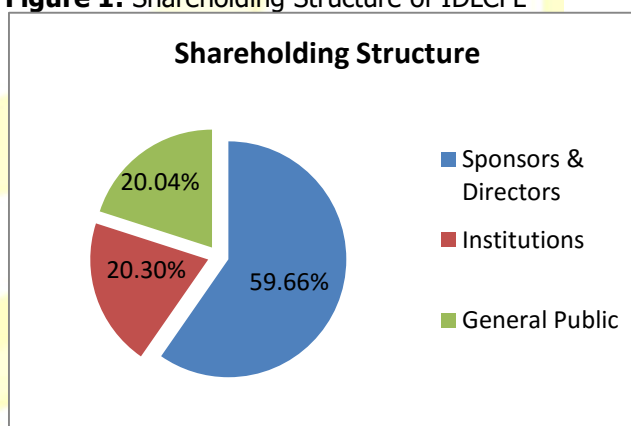
It is one of the first leasing companies of the country, established through the collaboration of IFC, German Investment and Development Company (DEG), Kookmin Bank and Korean Development Finance Corporation, the Aga Khan Fund for Economic Development, the City Bank Limited, IPDC of Bangladesh Limited, and Sadharan Bima Corporation. IDLCFL has expanded rapidly since its inception and has built a strong asset base of BDT 73.43 billion at the end of FY2015 which is the result of a 24.62% increase from the FY 2014.

IDLC Finance Limited has two subsidiaries which are IDLC Securities Limited (IDLCSL) which offers full-fledged international standard brokerage service for retail and institutional clients and IDLC Investments Limited (IDLCIL) which is the merchant banking wing of the FI. Currently IDLC has 34 branches, with three new branches opened in FY2015.

A.2. Shareholding Structure

The share holding position of IDLC Finance Limited consists of three types of investors which are sponsors/directors holding 59.66% share, institutions holding 20.30% and the general public holding the remaining 20.04% share. Sponsors & directors include The City Bank Ltd, Transcom Group, Sadharan Bima Corporation, Mercantile Bank Limited and Reliance Insurance Company Limited who hold 25.00%, 13.33%, 7.62%, 7.50% and 7.00% shares of the FI respectively. Bangladesh Fund, Pubali Bank Limited, Marina Apparels Limited and other institutions are among the institutional investors. Although the company was initially formed with the help of foreign investors, as the company evolved over the years, the foreign shareholding gradually moved out and the last foreign shareholding was bought out by local sponsors in 2009.

Figure 1: Shareholding Structure of IDLCFL



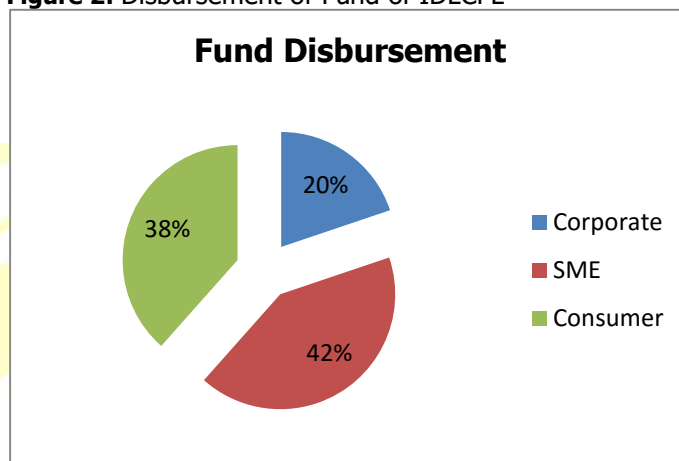
A.3. Subsidiaries

IDLC Group comprises of three companies which include IDLC Finance Limited, IDLC Securities Limited and IDLC Investments Limited. The businesses of all the three concerns are intertwined and operate under the umbrella of IDLC group. IDLC Securities Limited, a fully owned subsidiary of IDLC, offers full-fledged international standard brokerage service for retail and institutional clients. It has seats on both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. It is also a Depository Participant (DP) of Central Depository Bangladesh Limited (CDBL). As required by the Securities & Exchange Commission (SEC), the Company formed a separate subsidiary on May 19, 2010 in the name and style "IDLC Investments Limited" to transfer its existing merchant banking activities. The Company obtained license from SEC on August 02, 2011 in the name of IDLC Investments Limited for operating existing merchant banking operation of IDLC Finance Limited and commenced its business on August 16, 2011. The main businesses of the company are portfolio management, issue management, underwriting of securities and advisory services.

A.4. Business Review

IDLC Finance Limited had started its business as one of the first leasing companies in the country. However, over the years it has expanded into various sectors and has emerged as one of the largest non-banking financial institution with a wide range of products. In order to properly run its business IDLC Finance Limited has 3 (three) separate divisions, i.e. SME Division, Consumer Division and Corporate Division that deal with its array of products and a treasury division which provides support to all other three core divisions. Though each business of IDLC is distinct with specialized and focused teams, they collaborate on a number of key attributes. The interest income generated from its various loan products are the key areas of revenue generation for IDLC Finance Limited. Additionally IDLCFL also receives commission and brokerage income as fee for various services provided to its clients. Investment income is also another source of income for IDLCFL which they receive due to their stakes in marketable securities and government bonds in addition to other operating income received through due course of business. In FY2015, 42% of the total disbursed funds of IDLCFL were represented by the SME division, followed by 38% by the consumer division and 20% by the corporate division.

Figure 2: Disbursement of Fund of IDLCFL



The size of the total loan book stood at 53.62 billion at the end of FY 2015 with a growth of 10.70%, 24.92% and 17.78% in Corporate, SME & Consumer division respectively.

A.4.1. SME Division

The SME division provides specialist lending to small and medium-sized businesses across a broad range of industries including steel, cement, light engineering, plastics and textiles, among others, geographically spread across Bangladesh. The SME division provides support to the country's SME sector through products such as Business loan, SME loan, Commercial vehicle loan, ME loan, Seasonal loan, Women Entrepreneur loan, professional support & machinery loan. In FY2015, SME Division had total portfolio size of BDT 22,368 million with total customer base standing at 9,325 and made total disbursements of BDT 15,656 million.

A.4.2. Consumer Division

The Consumer division offers retail finance for homes and cars with a small proportion of personal loans and loans against deposits. The Consumer division also acts as the deposit mobilization arm of the FI, providing multiple retail savings products spread across interest rates and maturities. It caters to the retail customers in dealing with deposit products as well as retail financing such as Home loan, car loan, personal loan, loan against deposit etc. In FY2015 Consumer Division had total portfolio size of BDT 20,633 million with total customer base of 7,803. Total disbursements made under this division were BDT 8,382 million.

A.4.3. Corporate Division

The Corporate Division was mainly formally established with a view to cater to the financial needs of large corporate houses in the country. Corporate division is divided into two financial wings i.e., corporate finance and structured finance solution. Under corporate finance IDLCFL deals with lease financing, term loan financing for capital equipment, commercial space financing, project financing etc. On the other hand, 'under structured finance solution' refers to the process of designing and managing complex financial transactions to meet the unique financial needs of large corporate clients that can't be matched by conventional financial products. Under structure finance IDLCFL deals with syndicated loan, private placement of equity, preference shares, project infrastructure finance, bond, commercial paper, foreign currency loan etc. In FY2015 Corporate Division had total portfolio size of

BDT 10,623 million. It made total disbursements of BDT 6,484 million in the year and had a total of 256 active customers.

A.5. Market Share

As of June FY2015, the total deposit portfolio of the NBFIs sector was BDT 271,800 million of which IDLCFL had a market share of 16.11%. Along with the growth in total deposits of IDLCFL in 2015 it has also increased its market share by 1.61% compared to June 2014. However, on June 2015 IDLCFL's market share in terms of loans and advance stood at 12.63% which eventually caused an increase of 0.11% in loans and advance compared to the data of June 2014. Therefore, it can be argued that IDLCFL performed better in last two quarters of a financial year and maximized its market share in terms of both deposits and loans.

Figure 3: IDLC's market share by deposits

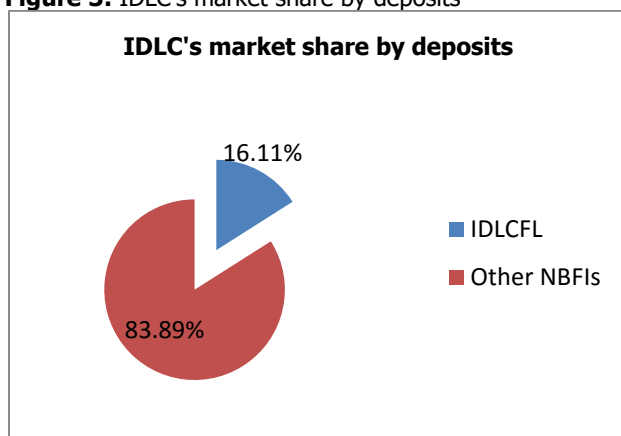


Figure 4: IDLC's market share by loans & leases

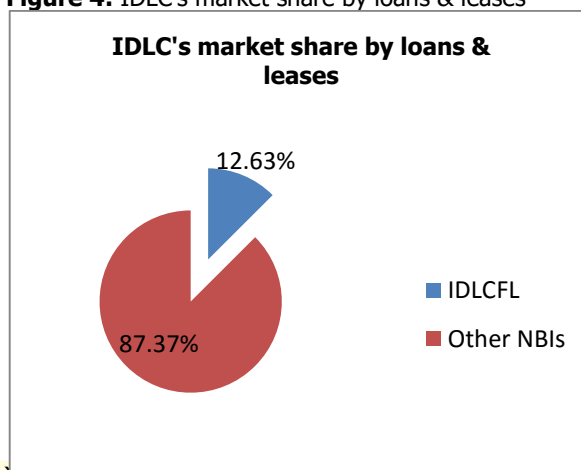


Exhibit 2: Market share: IDLC Finance Limited (IDLCFL)

| | | (BDT in Million) | | | | |
|-------------|------------------|------------------|------------|------------|-----------|-----------|
| | | 2011 | 2012 | 2013 | 2014 | 2015* |
| NBFI | Loans & Advances | 209,700.00 | 252,100.00 | 273,600.00 | 372800.00 | 409200.00 |
| | Deposit | 112,600.00 | 145,400.00 | 198,300.00 | 245700.00 | 271800.00 |
| IDLC | Loans & Advances | 23,841.75 | 28,886.27 | 38,677.97 | 45348.70 | 51704.76 |
| | Deposit | 17,004.16 | 20,304.75 | 30,287.04 | 36595.81 | 43807.51 |

*As on June 30, 2015

Source: Department of Financial Institutions and Markets, BB.

A.6. Future Outlook

The key strategic objectives of IDLCFL for 2015 include finalizing Taka 3,000 million rights issue that should transpire within the first half of 2016. This mobilization will strengthen the capital base, enhance regulatory compliance to adhere to some of the most stringent standards of the world, create a much stronger platform for growth and act as a buffer for absorbing contingencies. IDLCFL have already applied for license for an asset management company with the regulators, with a view to start full-fledged operations; thereby completing the services basket under the capital market operations of IDLCFL.

The FI is consolidating its operations by establishing large and world-class office spaces (54,307 sq. ft in Motijheel and 16,408 sq. ft in Gulshan, both Dhaka) that will provide much better and smoother customer service by offering a holistic range of services under one-roof. We will also benefit from the synergy created through shared infrastructure and utilities. IDLCFL is widening its geographical coverage across its business segments and tapping a larger population base. This is also a part of its de-risking strategy from excessive concentration on a particular market/ customer segment.

IDLCFL is focusing on leveraging the continued success of our SME division and will look at quality growth within this segment that also provides them with the highest spreads. The company also expects to report reasonable growth in the Consumer business by tapping into a wider segment, especially for home and car loans. For its corporate unit, it will focus on controlled growth by refraining from engaging in price wars and better management of its NPLs. IDLCFL will continue to

build on its capital market franchisees (IDLCIL and IDCLSL) with an overall focus on creating and strengthening a sustainable growth platform despite external volatilities.

B. INDUSTRY ANALYSIS

B.1. Monetary Policy

The monetary policy in Bangladesh was initially conducted with a focus on interest rates and exchange rates, as well as on the volumes and directions of credit flows. However, as of today, directed lending has been abolished and gradual liberalization of interest rates has taken place. Thus, interest rates have become market driven. Exchange rate has become floating, with Bangladesh Bank (BB) buying or selling currencies to keep liquidity at the desired level. The same is being done at regular intervals also to raise the foreign exchange reserves.

B.1.1. Highlights of Latest Monetary Policy

Broad money (BM) is projected to grow at 15.0 percent in June 2016 from 14.2 percent in December 2015. BM is adequate to support the growth and inflation targets. It has also taken the growth rates of both public and private credit into account. Domestic credit is projected to grow at 15.5 percent at the end of the fiscal year 2016 from 10.9 percent in December 2015. Private sector credit is projected to grow at 14.8 percent in June 2016 from 13.8 percent in December 2015. Public sector credit is expected to grow at 18.7 percent from a negative number of 1.7 percent in December 2015. Inflation is expected to land in 6.07 percent in June 2016 from 6.20 percent in December 2015. Some effects of pay rise in the government sector are likely to be canceled out by the dampening fuel and commodity prices. Bangladesh Bank now decides to lower the repo rate and reverse repo rate by 50 basis points, sending the repo to 6.75 percent and reverse repo to 4.75 percent from the current rates. This move will attempt to dampen other interest rates in the market and thus will help investment stimulate. Necessary market alignments warranted this change. This is an investment stimulating monetary policy that will focus on quality credit expansion through an inclusivity approach. Selective easing for agricultural and other productive sectors will draw enhanced attention. The falling fuel and commodity prices have globally created a low-inflation environment, paving the way for a considerable reduction in policy rates and thus signaling the market to raise investment when macro stability is commendable. Bangladesh Bank made a strategic shift in loan disbursement policy. All banks will be encouraged to substantially increase advances for micro, small, and medium enterprises. Bangladesh Bank's supervisory vigilance on banking governance will be straightened further to clamp down on loan delinquencies. As before, Bangladesh Bank's monetary and financial policy stance remains grounded on the developmental central banking mandate enshrined in its charter.

B.2. Non-Banking Financial Institutions Industry

Non-Banking Financial Institutions (NBFIs) has been contributing to the economic development of the country as well as deepening of the country's financial system through meeting diverse financial need of the various sectors of an economy. The inevitability of the NBFIs has created a new phase to strengthen the financial system of the country in parallel with the saturated banking industry. Thus, this sector has become a distinct player in maintaining the sound health of our financial and economic sectors. NBFIs were first incorporated under the Companies Act, 1913 and were regulated by the provision of NBFIs as contained in Chapter V of Bangladesh Bank Order, 1972. However, under this framework NBFIs had the scope to carry their business in the line of banking and as a consequence, an order titled 'Non Banking Financial Institutions Order, 1989' came from Bangladesh Bank. But this order also did not cover wide range of NBFIs activities and did not mention anything about statutory liquidity ratio that has to be maintained with Bangladesh Bank. To remove these deficiencies, a new act titled 'Financial Act 1993' was enacted in 1993. Before 1993 Act, there were only 4 NBFIs where Industrial Promotion and Development Company of Bangladesh Ltd was the first NBFIs to start in 1981. Presently, out of 34 NBFIs, 3 are Government-owned, 10 are joint venture and the rest 21 are locally private-owned. Meanwhile, the branch network increased to 198 as on 30 June 2015.

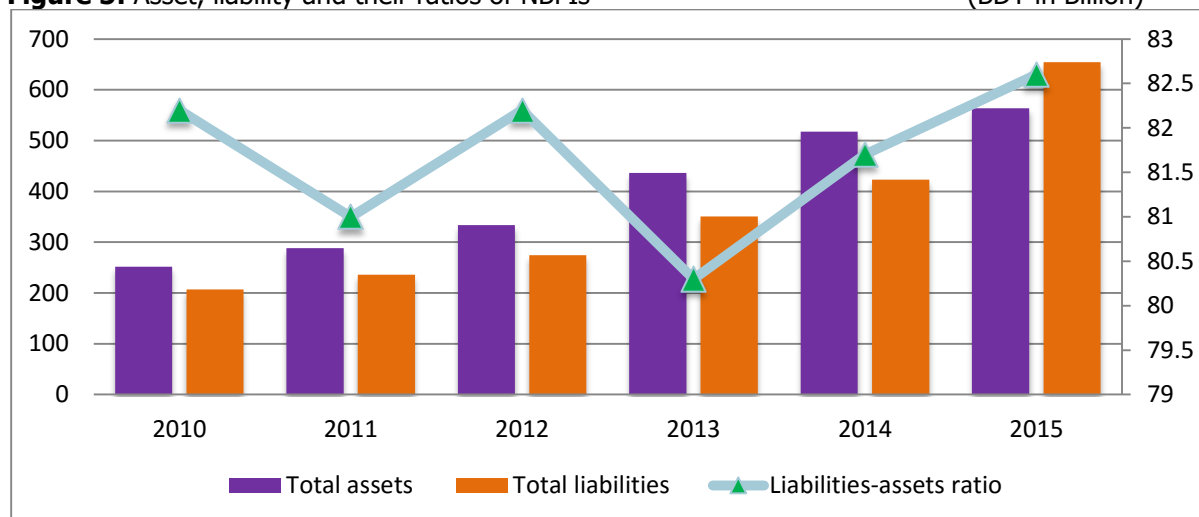
Along with Financial Act 1993, NBFIs are also regulated by Financial Regulations 1994. As per the Financial Institution Regulation, 1994, at present, minimum paid up capital for NBFIs is BDT 1.0 billion. Other major sources of funds of NBFIs are term deposit, credit facility from banks and other

NBFIs, call money as well as bond and securitization. The NBFIs business line is narrow in comparison with banks in Bangladesh. Now a days the NBFIs are working as multi-product financial institutions.

B.2.1. Assets, liabilities and deposits of NBFIs

The asset base of the NBFIs increased year on year. Aggregate industry assets stood at BDT 517.6 billion in 2014 from BDT 436.3 billion in 2013, showing a lower growth rate of 18.6 percent compared to the previous year (30.7 percent). At the end of June 2015, assets stood at BDT 563.8 billion which is 8.9 percent higher than 2014. On the other hand, the aggregate liabilities of the industry in 2014 increased to BDT 423.1 billion from BDT 350.4 billion in 2013, representing 20.7 percent growth. In June 2015, total liabilities stood at BDT 465.5 billion which was 10.0 percent greater than 2014. Moreover, equity reached at BDT 98.3 billion in June 2015 which was 4.9 percent higher compared to 2014.

Figure 5: Asset, liability and their ratios of NBFIs (BDT in Billion)



*As at June 2015

Source: Bangladesh Bank Annual Report (2014-2015)

Exhibit 6: Assets, liabilities and deposits of NBFIs (BDT in Billion)

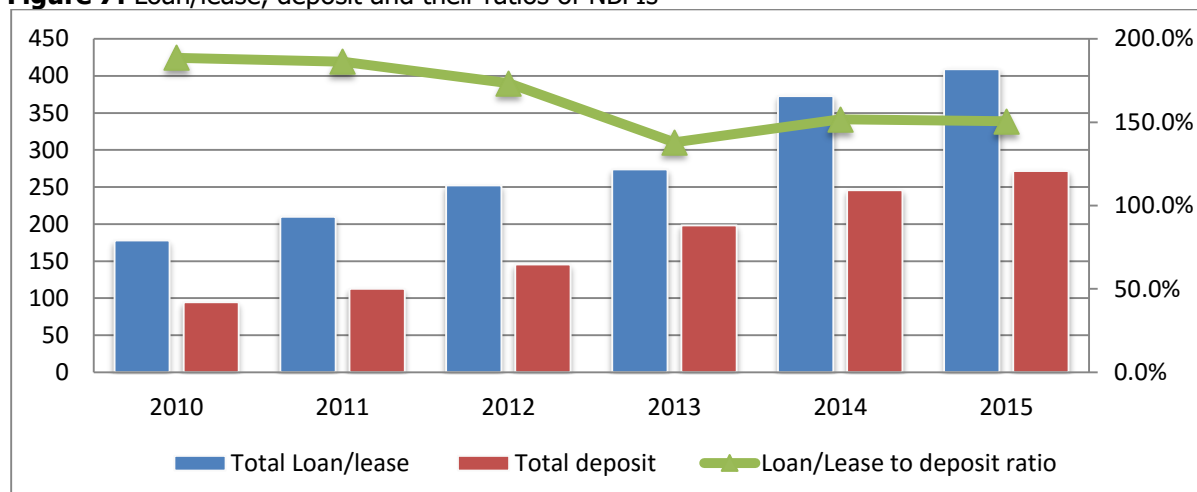
| Particulars | *2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------------|-------|-------|-------|-------|-------|-------|
| Total assets | 563.8 | 517.6 | 436.3 | 333.9 | 288.4 | 251.5 |
| Total liabilities | 465.5 | 423.1 | 350.4 | 274.3 | 235.7 | 206.8 |
| Liabilities-assets ratio | 82.6 | 81.7 | 80.3 | 82.2 | 81 | 82.2 |
| Total Loan/lease | 409.2 | 372.8 | 273.6 | 252.1 | 209.7 | 178.1 |
| Total deposit | 271.8 | 245.7 | 198.3 | 145.4 | 112.6 | 94.4 |
| Loan/Lease to deposit ratio (%) | 150.6 | 151.7 | 138.0 | 173.4 | 186.2 | 188.7 |
| Deposit to total liabilities (%) | 58.4 | 58.1 | 56.6 | 53.0 | 47.8 | 45.7 |

* As on 30 June 2015

Source: Bangladesh Bank Annual Report (2014 – 2015)

Total deposits of the NBFIs in 2014 rose to Taka 245.7 billion (58.1 percent of total liabilities) from Taka 198.3 billion (56.6 Percent of total liabilities) in 2013 showing an overall increase of 23.9 percent. At the end of June 2015, total deposit of NBFIs increased to Taka 271.8 billion. On the other hand, total loan/lease increased by 36.3 percent to Taka 372.8 in 2014 compared to 2013 (Taka 273.6). At the end of June 2015, total loan/lease of NBFIs increased to Taka 409.2 billion.

Figure 7: Loan/lease, deposit and their ratios of NBFIs



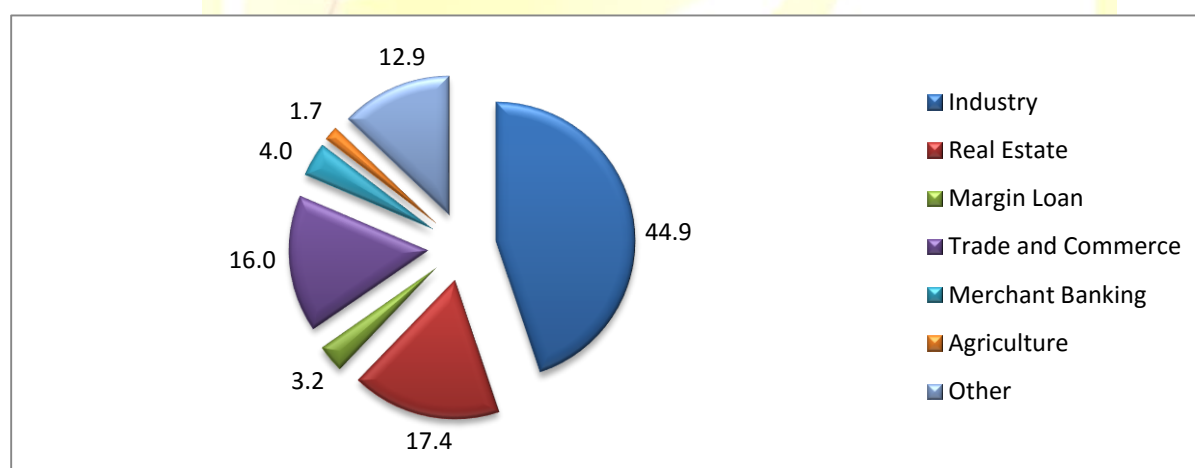
*As at June 2015

Source: Bangladesh Bank Annual Report (2014-2015)

B.2.2. Sector-wise Investment of NBFIs

NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in the industrial sector. In June 2015, NBFIs investment in different sectors are industry (44.9 percent), real estate (17.4 percent), margin loan (3.2 percent), trade and commerce (16.0 percent), merchant banking (4.0 percent), agriculture (1.7 percent) and others (12.9 percent). As compared with December 2014, no significant change occurred among the sectors except margin loan and others.

Figure 8: Sector wise investment of NBFIs as of June 30, 2015



Source: Bangladesh Bank Annual Report (2014-2015)

B.2.3. Key Regulations

NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments on an aging analysis. Aging analysis of overdue loan/lease classifies them to Standards, Special Mention Accounts, Sub-standards, Doubtful and Bad/Losses, requiring the NBFIs to keep 1, 5, 20, 50 and 100 percent provision respectively. NBFIs are allowed to mobilize term deposit only. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5 percent inclusive of average 2.5 percent (at least 2 percent in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent. The Infrastructure Development Company Limited (IDCOL) established by the Government of Bangladesh is exempted from maintaining the SLR. NBFIs are also required to maintain Capital adequacy ratio which focuses on the total position of NBFIs' capital and protects the depositors from the potential shocks of losses that a NBFI might incur. It helps absorb major financial risks related to credit, market, interest rate, etc. NBFIs in Bangladesh have been instructed under the Basel Accord to maintain capital adequacy ratio

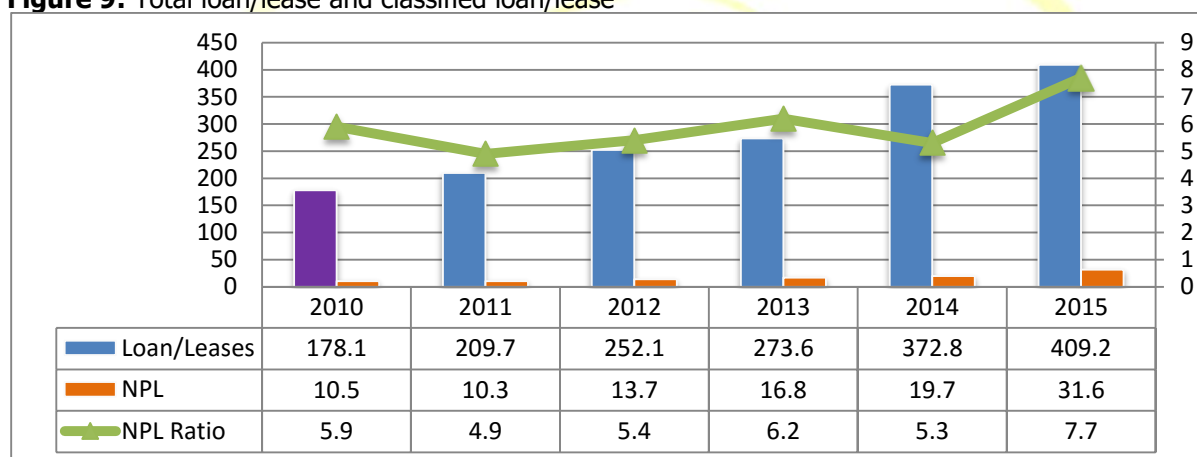
(CAR) of not less than 10.0 percent with at least 5.0 percent in core capital. In terms of operation, NBFIs cannot issue cheques, pay-orders or demand drafts, receive demand deposits, be involved in foreign exchange financing, however, can conduct their business operations with diversified financing modes like syndicated financing, bridge financing, lease financing, securitization instruments, private placement of equity etc.

B.3. Performance of NBFIs

B.3.1. Asset Quality

The most important indicator intended to identify problems with asset quality in the loan portfolio is the ratio of gross non-performing loan/lease to total loan/lease. At the end of June 2015, the ratio for NBFIs is 7.7 percent whereas it was 5.4 percent in 2014 indicating a deterioration of the gross nonperforming loan/lease to total loan/lease. In the total asset composition of all NBFIs, the concentration of loans, lease and advances is 72.6 percent at the end of June 2015 as opposed to 72.2 percent in preceding period.

Figure 9: Total loan/lease and classified loan/lease



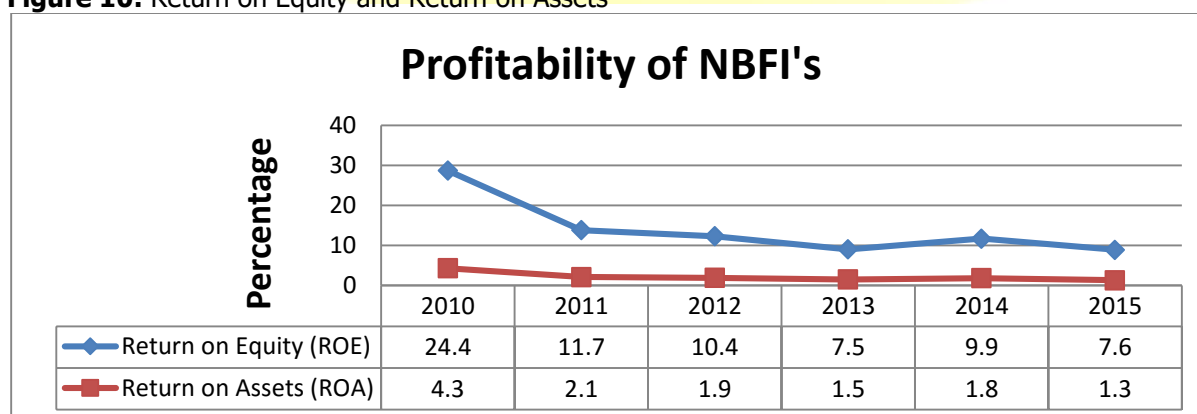
*As on 30 June 2015

Source: Bangladesh Bank Annual Report (2014-2015)

B.3.2. Earnings and Profitability

Earnings and profitability of an NBFI reflects its efficiency in managing resources and its long term sustainability. Among various measures of earnings and profitability, the best and widely used indicator is the return on assets (ROA) which is supplemented by return on equity (ROE). The total NBFIs sector's ROE and ROA has witnessed a downward earnings trend over the last few years till 2013 and in 2014, these stood at 9.9 percent and 1.8 respectively, an improvement has seen. However, as at June 2015, ROE of NBFIs sector fell back to 7.6 percent whereas ROA declined to 1.3 percent.

Figure 10: Return on Equity and Return on Assets



*As at June 2015

Source: Bangladesh Bank Annual Report (2014-2015)

C. BUSINESS RISK ANALYSIS

Risk is an integral part of financing business and thus every financial institution is exposed to risk of different type and magnitude. So, the prime responsibility of every financial institution is to manage its risk such that its return from business can be maximized. As a prudent and responsible financial institution, the Company attaches top priority to ensuring safety and security of the finances that are being extended.

C.1. Credit Risk

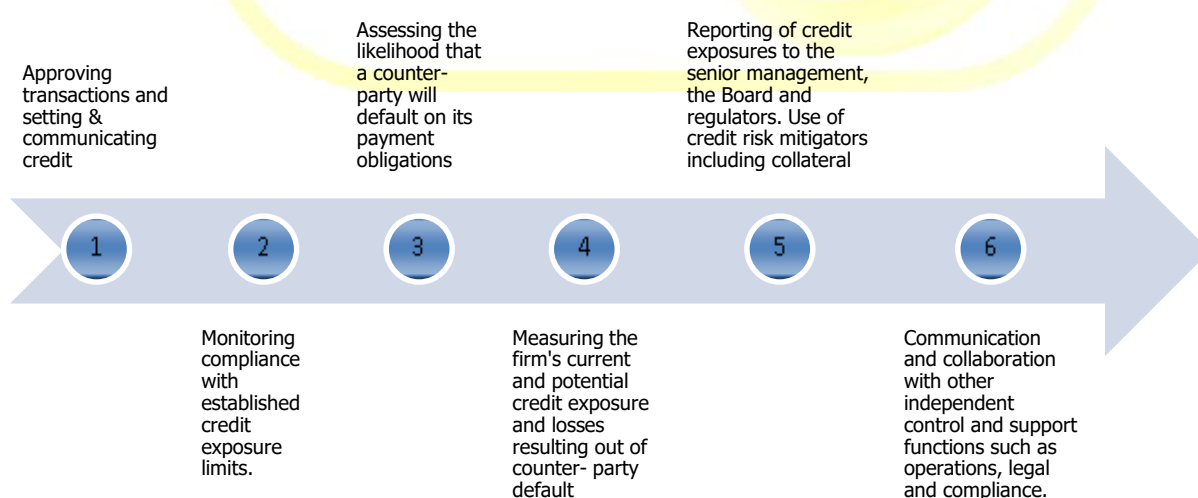
Credit risk is the loss arising from the failure of a client, its counter-party or related parties to meet their contractual obligations. Credit risk also includes those risks which create losses to the community in general or other stakeholders resulting from the failure in measuring the risk of approving credit. Thus managing credit risk for efficient management of a financial institution (FI) has become the most crucial task. Given the fast changing, dynamic global economy and the increasing pressure of globalization, liberalization, and consolidation it is essential that FIs have robust credit risk management policies and procedures those are sensitive and responsive to these changes.

Credit risk for IDLCFL has been segregated into various categories which include default risk, credit concentration risk, recovery risk, counter – party risk, environmental risk and last but not least related- party risk. Default risk refers to the event in which companies or individuals will be unable to make the required payments on their debt obligations. Lenders and investors are exposed to default risk in virtually all forms of credit extensions. To mitigate the impact of default risk, lenders often charge rates of return that correspond the debtor's level of default risk. The higher the risk, the higher the required return, and vice versa. Similarly exposure risk refers to the level of exposure in different industries which is currently 27 sectors with evenly distributed investment. Recovery & counter party risk can be mitigated with the help of a rigorous credit approval procedure.

C.1.1. Credit Risk Management

To encounter and mitigate credit risk, IDLC employed multilayer approval process, policy for maximum sector and group exposure limit, policy for customers maximum asset 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 Operational Risk Management Department, 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.

Figure 11: Credit Risk Management Process of IDLCFL



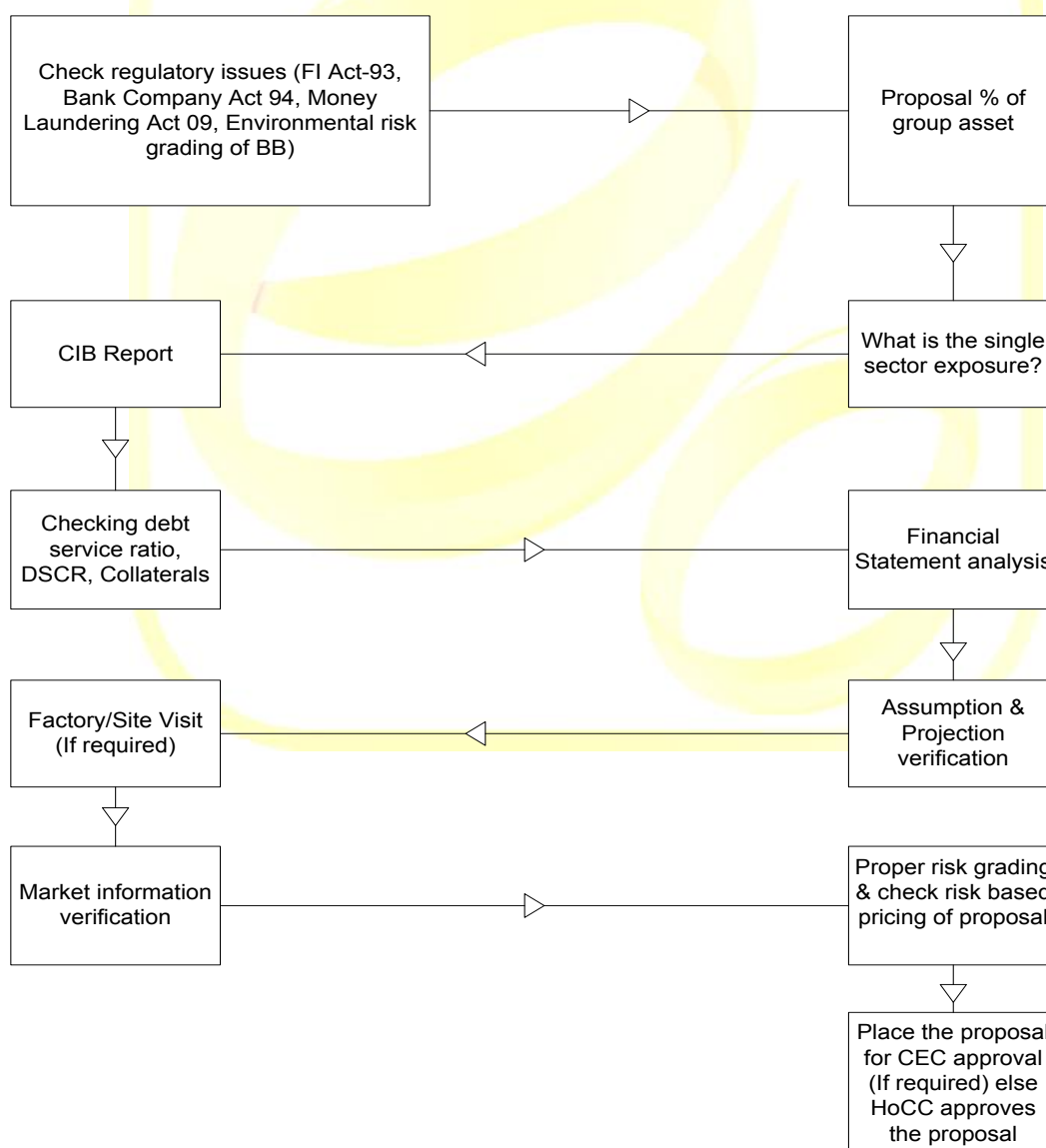
The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects from risk point of view. An independent Credit Risk Management Department is 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.

However, as per Bangladesh Bank inspection report, the ratio of non-performing loans and leases to total loans and leases of the FI was 3.47% as on June 30, 2014 while the ratio reported by FFIL was 1.81%.

C.1.2. Credit Approval Process

Credit Policy will act as a guideline in every step of approval process for all concerned personnel. Relationship Managers will do initial screening of clients' requests. If considered to be a potential good client Relationship Managers will inform client with initial terms and also take client's acceptance of initial terms. With client's acceptance of initial terms, Relationship Managers will prepare an appraisal report, obtaining necessary information from the client & from other organization (e.g. Bangladesh Bank) and will submit report with all essentials for evaluation to the appropriate approving authority. Approval process will be determined by criteria for approval process types.

Figure 12: Appraisal Procedure



Approval tier is depended on group exposure:

| Approving Authority | Amount |
|---------------------|---|
| Board of Directors | New Client- For exposure more than BDT 100.00 million. Existing Client- For exposure more than BDT 120.00 million. |
| Executive Committee | New Client- For exposure more than BDT 50.00 million up to BDT 100.00 million. Existing Client- For exposure more than BDT 70.00 million up to 120.00 million. |
| CEO & MD | New Client- For exposure up to BDT 50.00 million. Existing Client- For exposure up to BDT 70.00 million. |

C.1.3. Credit Administration Process

IDLCFL has a strong risk management unit to address different types of risk including credit risk. A detailed credit administration process has been outlined by the credit risk management department through their credit policy which provides the guideline for their credit administration process that addresses issues such as account opening, closing as well as loan administration for different products while considering KYC (Know Your Customer) and anti-money laundering compliance. In this aspect the credit policy of Corporate, SME and Personal finance has been segregated to address the specific nature of the products. IDLCFL also conducts risk grading for all its asset products ranging from risk grade of IDLC 1 to IDLC 8. The CEC (Credit Evaluation committee) is responsible for approving the loans while the senior board members reserve the right to deviate from the laid down process in certain cases. Implementation of Basel-II framework from January 01, 2012 in NBFI's also will be playing an important part in mitigating and addressing credit risk with the firms adopting to a more robust credit administration process.

However, as per the Bangladesh Bank's inspection report, the credit recovery of IDLCFL has not been satisfactory as the FI has recovered only 18.17% of its total bad debt or loss amount as on June30, 2014.

C.2. Market Risk

The risk of loss arising from changes in market variables such as interest rates, security prices, equity index levels, exchange rates, commodity prices and general credit spreads are considered to be market risks. Since IDLCFL is a non banking financial institution, market risks may arise in the form of interest rate risk and equity price risk mainly.

Interest Risk: Interest rate risk is the exposure of IDLCFL's financial condition to adverse movements in interest rates arising from re-pricing and/ or maturity mismatches, changes in underlying rates and other characteristics of assets and liabilities in the normal course of business.

Equity Risk: Equity risk is the exposure of changes in prices and volatility of individual equities, baskets of equities and equity indices. IDLCFL's credit policy ensures that exposures are sufficiently diversified and within the Company's risk appetite.

At IDLCFL, business volume risk may arise in the form of risk of falling business volumes and market share, risk of being overtaken and losing leadership position and risk of over trading which may affect profitability due to volatile revenues and reduced spread earnings, credit rating and reputation. Risk of over trading may lead to insufficient capital. This risk may also be considered to be a part of market risk.

C.2.1. Market Risk Management

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. IDLC has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

ALCO approves the overall objectives, strategies and policies that govern the interest rate risk of IDLCFL. Other than approving the overall policies of IDLCFL regarding interest rate risk the top management ensures that the management takes the necessary actions to identify, measure, monitor, and control these risks. ALCO of IDLCFL ensures that the company follows policies and procedures that enable the management of interest rate risk. These include maintaining an interest

rate risk management review process, appropriate limits on risk taking, adequate systems of risk measurement, a comprehensive interest rate risk reporting system, and effective internal controls. IDLCFL is able to identify the individuals and/or committees responsible for interest rate risk management and define the line of authority and responsibility. IDLCFL clearly defines policies and procedures for limiting and controlling interest rate risk by delineating responsibility and accountability over interest rate risk management decisions and defining authorized instruments, hedging strategies and position taking opportunities. Interest rate risk in new products is identified by carefully scrutinizing the maturity, re-pricing or repayment terms of an instrument. IDLCFL has an efficient and effective management information system for measuring, monitoring, controlling and reporting interest rate exposures. IDLC has interest rate risk management systems that assess the effects of rate changes on both the earnings and economic value. IDLCFL considers the "worse case" scenarios and ensures that appropriate contingency plans are available to tackle these situations. Interest rate reports for the top management includes summaries of the Company's aggregate exposures, compliance with policies and limits, summaries of reviews of interest rate risk policies and procedures, and findings of internal and external auditors. IDLCFL has adequate system of internal controls to ensure the integrity of its interest rate risk management process and to promote effective and efficient operations, reliable financial and regulatory reporting, and compliance with relevant laws, regulations, and institutional policies.

C.3. Liquidity and Funding Risk

The risk of being unable to either meet our payment obligations on maturity or to borrow funds from the market at an acceptable price to fund actual or proposed commitments include the liquidity and funding risk. Due to trade off between liquidity and profitability as well as mismatch between demand and supply of liquid assets raises this risk. Basically liquidity is of critical importance to financial institutions. Insufficient liquidity has been the cause behind most recent failures of financial institutions.

C.3.1. Liquidity Risk Management

IDLCFL possesses a comprehensive and conservative set of liquidity and funding policies to address both firm-specific and broader industry/ market liquidity events. Their principal objective is to create a well capitalized firm with a strong inherent ability of core businesses to continue to generate revenue, even under adverse circumstances. However, IDLCFL's liquidity and funding strategy is proposed by the Treasury department and is approved by the ALCO and overseen by the Board of Directors. The liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns. IDLCFL manage liquidity risks according to the following principles.

Asset-liability management: They assess anticipated holding periods for their assets and their expected liquidity in a stressed environment. They manage maturities and diversity of their funding across markets, products and counter-parties and seek to maintain liabilities of appropriate tenor relative to our asset base.

Buffer liquidity: We maintain some buffer liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment. We invest our liquid funds in a manner which emphasizes the need for security and liquidity.

C.4. Operational Risk

Operational risk is the potential loss arising from a breakdown in company's systems and procedures, internal control, compliance requirements or corporate governance practices that results in human error, fraud, failure, damage of reputations, delay to perform or compromise of the company's interests by employees. These may arise due to turnover of trained staff, risk of insider dealing, leakage of sensitive information, shortcoming of organizational structure, risk of falling in credit rating, money laundering, changes in statutory requirement as well as technological obsolescence. IDLCFL has classified their operational risk in four categories as follows.

People Risk: The risk of loss intentionally or unintentionally caused by an employee, for example an error or a misdeed, or involving employees such as disputes.

Process Risk: The risk related to the execution and maintenance of transactions and the various aspects of running a business.

System Risk: The risk of loss caused by piracy, theft, failure, breakdown or disruption in technology, data or information.

External Risk: The risk of loss on account of damage to physical property or assets from natural or unnatural causes. This category includes the risk presented by actions of external parties such as the perpetration of fraud or in the case of the regulators, alters the company's ability to continue operating in certain markets.

C.4.1. Operational Risk management

To provide reasonable assurance on the subject of effectiveness and efficiency achievements on operations with applicable laws and regulations, IDLC consists of five inter-related components as follows:

Control Environment: Well defined organizational structure, active participation of charged governance, established standards of competence and ethical behavior along with integrity on the fostering of an environment are the main elements of IDLC's control environment.

Risk Assessment: In terms of identifying and assessing the risks, risk assessment occurs at all level of the company ranging from branch and department level to MANCOM & ALCO meetings.

Control Activities: Authorization, reviews, reconciliations and verification of policies and procedures are main activities of control activities.

Information and Communication: To deal with internally generated data along with external events, activities and conditions which are relevant to business decision making in operational, functional and compliance related information, IDLC has established information system with the help of "FLEXcube Software".

Monitoring: Through ongoing monitoring as well as separate reviews, evaluation and periodic internal audits of various departments and business functions, IDLC ensures that controls are operating as intended. Acting as an independent line, Internal Control and Compliance department (ICCD) address operational risk through audit and to frame and implement policies to encounter such risks. This department creates risk awareness and establishes the accountability at each level and system of periodic reporting.

Appropriate internal control measures are in place, at IDLC, to address operational risks. IDLC has also established an internal control and compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk. The function of ICCD is to constant vigilance against leakage of Shareholders value by identify, assess, measure, manage and transfer operational risk resulting from inadequate or failed internal processes, people and system or from external events.

All businesses of IDLC are audited to assess control adequacy and effectiveness from a process perspective. The Company gathers information of different risks from reports and plans that are published within the institution (like audit reports, regulatory reports, management reports, business plans and operations plans, among others). A careful review of these documents reveals gaps that can present potential risks. The data from the reports are then categorized into internal and external factors and converted into the likelihood of potential loss to the institution. Work performed by the internal audit is taken into consideration by statutory auditors for the purpose of forming an opinion on the Company's financial statements. As part of their statutory duties, external auditors also conduct yearly independent process reviews and report directly to the Audit Committee.

C.5. Strategic Risk

In addition to the more common risks associated with financial institutions, i.e. there are a few other risks that IDLCFL has to be concerned about and need to take steps to mitigate. Enterprise Risk is one such risk which is faced by the organization itself in achieving its goal. This involves the

alignment of senior level management's strategic objective setting which has to properly cascade down to the execution level in order to realize its objective. Similarly IDLCFL is also exposed to project risk which refers to the risk associated with undertaking of a project. Taking on projects without properly judging the market scenario might result in exposure to such risk. Integrated risk is another risk associated with improper strategic objective setting. Set up of new technology without considering the compatibility with the business results in long term loss and operational difficulty for the company. This technology risk is also another aspect that IDLCFL has to be aware of. In order to mitigate these risks, IDLCFL has some active risk management techniques set forth by its risk management system.

D. FINANCIAL RISK ANALYSIS

The financial analysis process was based on both quantitative and qualitative aspects of the institution mostly are based on the company's policies in relation with the operating strategies, asset quality, composition and trend, fund management, capital adequacy, liquidity management, risk management and ultimate financial goals of the firms. For the purpose of the overall financial risk assessment of the business has been analyzed thoroughly and followed strict evaluation process in the aforementioned sections. Detailed analysis is presented below

D.1. Asset Composition & Trends

Exhibit 3: Selected Indicators of IDLCFL

| FY 31 December | 2015 | 2014 | 2013 | 2012 |
|---|-----------|-----------|-----------|-----------|
| Total Asset (BDT Million) | 71,768.71 | 57,159.52 | 48,534.84 | 35,748.17 |
| Asset Growth (%) | 25.56 | 17.77 | 35.77 | 21.10 |
| Gross Loans (BDT Million) | 53,857.71 | 45,348.70 | 38,677.96 | 30,938.68 |
| Gross Loans Growth (%) | 18.76 | 17.25 | 25.01 | 21.14 |
| Investments (BDT Million) | 2,770.95 | 2,112.32 | 523.51 | 205.19 |
| Investments Growth (%) | 31.18 | 303.49 | 155.13 | (48.33) |
| NPLs (BDT Million) | 1,647.03 | 914.98 | 631.86 | 645.16 |
| NPLs Growth (%) | 80.01 | 44.81 | (2.06) | 8.65 |
| Gross Loans to Total Assets (%) | 75.04 | 79.34 | 79.69 | 86.55 |
| NPL Ratio (%) | 3.06 | 2.02 | 1.63 | 2.09 |
| Net NPL Ratio (%) | 1.05 | (0.03) | (1.01) | (0.95) |
| Loan Loss Reserve Coverage (%) | 66.39 | 90.42 | 151.60 | 133.77 |
| NPLs to Equity & Loan Loss Reserve (%) | 21.03 | 14.03 | 11.33 | 13.81 |

FY2012-2015 Data Extracted from Audited Financial Statements

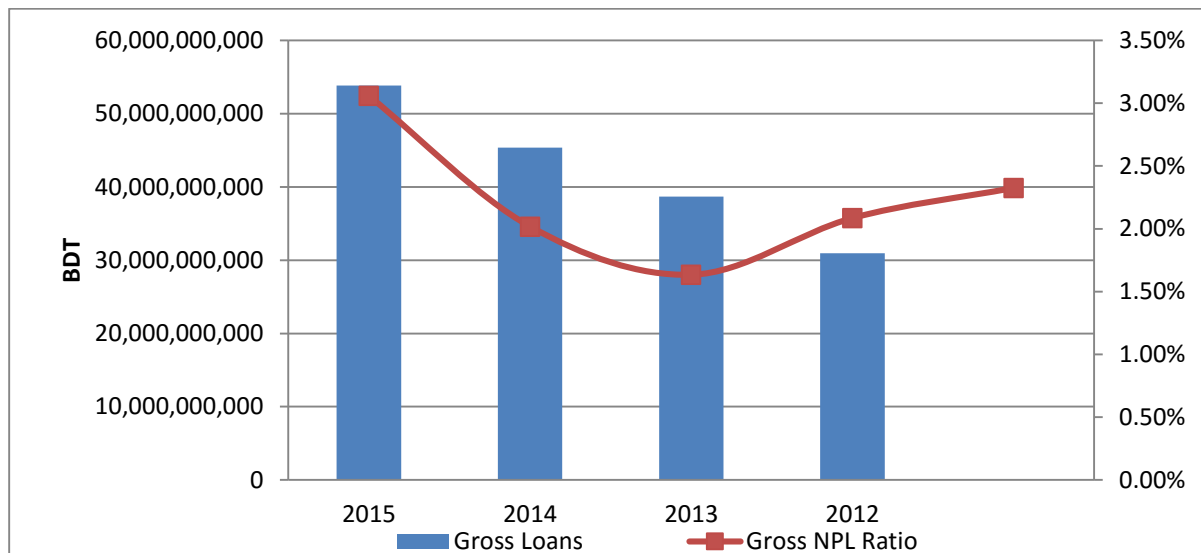
IDLCFL's total asset base has been on increasing trend over the last four years and stood at BDT 71,768.71 million in FY2015 with a growth rate of 25.56% from previous year. IDLCFL has also managed to increase its gross loan position by 18.76% to BDT 53,857.71 million despite low credit demand, cautious lending policy and the sluggish business environment. In addition, growth rate of total asset has improved by 7.79% due to overall increase in liquidity, investment and loans and advance. Gross loan occupied 75.04% of total asset where 3.86% were acquired by investment. In addition, cash and balance with other banks & other FIs holds 17.69% of total assets. Rest of the position of total assets includes fixed assets and other assets.

D.1.1. Asset Quality

Banking & NBFI industry of Bangladesh is yet to come out from the aftershocks of political turmoil in FY 2013. This also reflects on IDLCFL's loan book. Although gross loan of IDLCFL increased to BDT 53,857.71 million from BDT 45,348.70 million on previous year, growth rate of gross loan remains lower by 6.25% from FY 2013 due to poor performance of various industries especially the real estate and RMG sector caused by political turmoil of 2013 and economic downfall of western countries. In addition, strict compliance, low-cost foreign currency loans taken by local businesses, increasing competition and limited product possibility frontier are core reason for lower growth rate in FY 2015 compared to FY 2013.

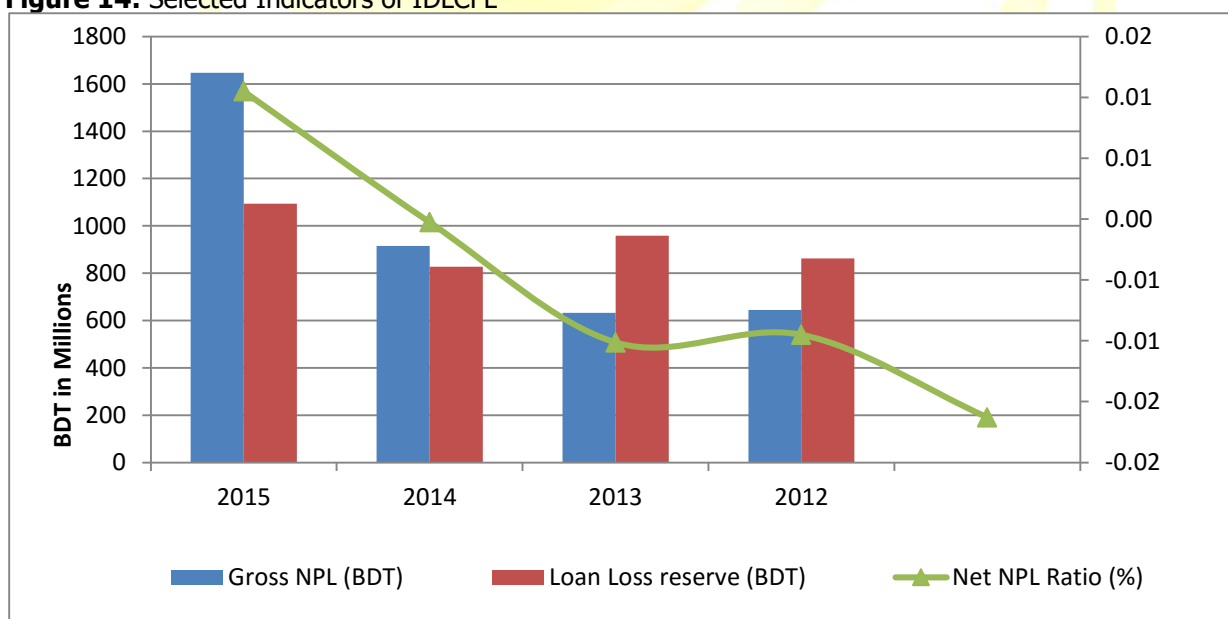
IDLCFL's asset quality has deprived due to increase in non-performing loan and in FY 2015, NPL of IDLCFL stood at BDT 1,647.03 million with a growth rate of 80.01% despite rescheduling BDT 266.23 million during the year. Such increase in non-performing loan caused by increase in doubtful loan 427% from previous year. NPL ratio of IDLCFL has increased to 3.06% in FY 2015 from 2.02% on prior year. However, Gross NPL position of IDLCFL was better than the industry as the ratio was far lower compare to whole industry (7.7%, Q2 Data FY 2015). However, it is partially higher than internationally accepted tolerable limit is 2-3 percent, according to the study conducted by Bangladesh Institute of Bank Management.

Figure 13: Selected Indicators of IDLCFL



Like the gross NPL, the net NPL position of the institution has also deteriorated to some extent in FY2015. With the rise of non-performing loans, the loan loss reserve coverage of NPLs of IDLCFL has decreased and stood at 66.39% as opposed to 90.49% in FY2014. The reserve coverage has been satisfactorily over the years till FY 2015. However, NPLs as a percentage of equity and loan loss reserve were 21.03% in FY2015 which has increased than the prior year.

Figure 14: Selected Indicators of IDLCFL

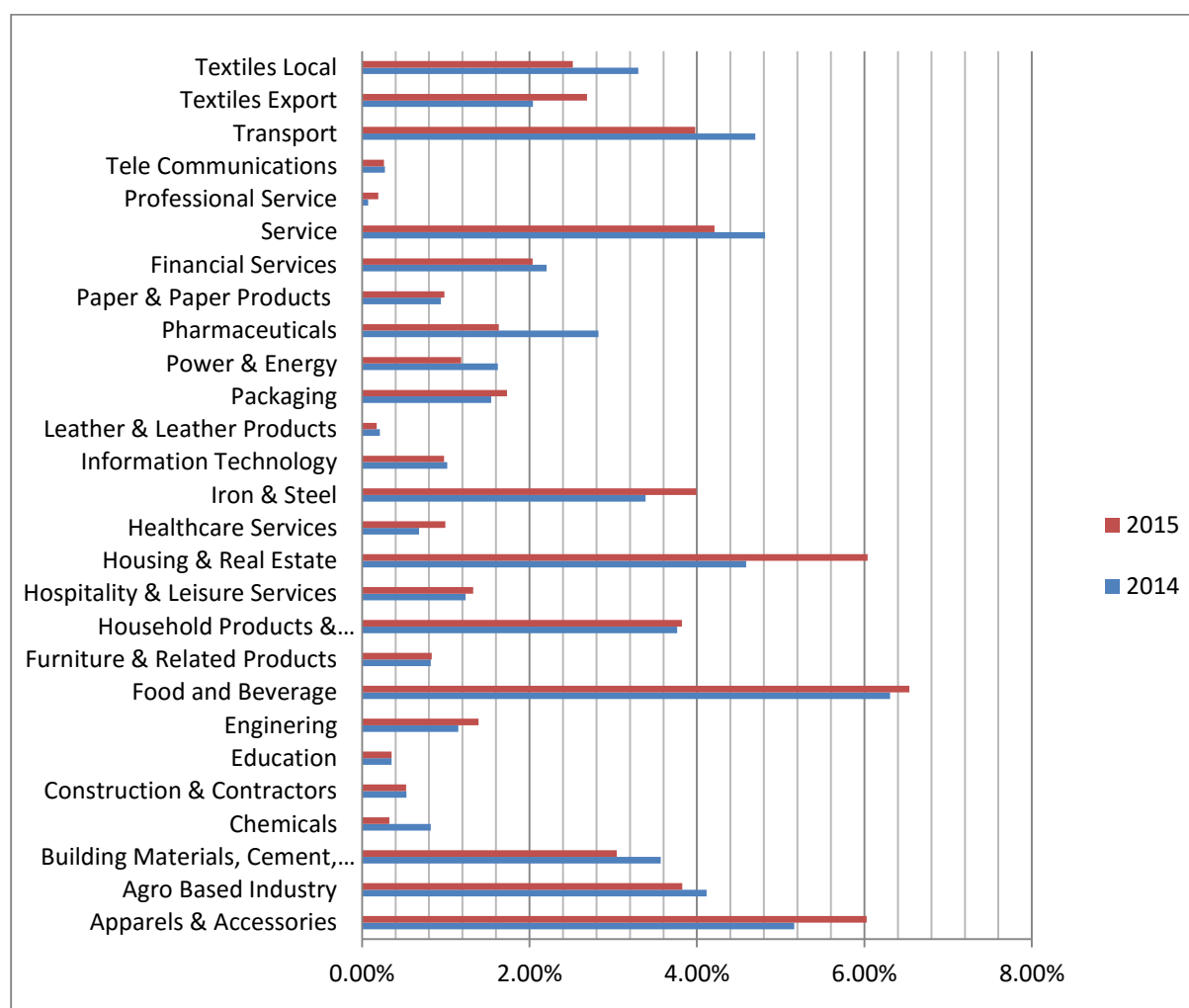


D.1.2. Loan Diversification and Concentration

The total loan and lease portfolio of IDLCFL is well diversified in terms of its concentration in different sectors including textile & garment industry, power and energy, service sector, steel and engineering

industry, real estate, housing industry and many more. The sector concentration of the industrial loan portfolio reveals that Food and Beverage, Housing & Real Estate, Apparels & accessories, Service and iron & steel are occupying the most amount of investment in the total loan portfolio with 6.54%, 6.04%, 6.03%, 4.21%, and 3.99% respectively in FY2015. In the total loan portfolio, industrial loans accounted to 61.61% in FY2015 which was 62.05% in the preceding year. Loan facilities to individual borrowers includes home loan, car loan and personal loan is accumulated to BDT 20,444.51 million in FY2015 where as it was BDT 17,335.23 million in FY 2014 and BDT 11,262.64 million at the end of FY2013. The loan exposure to the individual borrowers has increased in FY2014 with the increased disbursement of car loan as well as home loan. Geographically, 73.22% of the total loans of IDLCFL were concentrated in the Dhaka region followed by Chittagong region which represented 10.82% of the total loan portfolio. Transport, construction & Contractors, telecommunications and paper & paper products among the industrial sectors exhibited the highest amount of NPLs.

Figure 15: Sector-wise loans & leases of IDLCFL



D.1.3. Rescheduled and Written-off Loans

The total rescheduled loans of the FI stood at BDT 266.23 million with a decline rate of 54.87% in FY2015 against 43 accounts whereas the company rescheduled 22 accounts which amounted to BDT 589.87 million in FY2014 and BDT 540.16 million under 14 accounts in FY2013. The rescheduled loans represented 0.49% of the gross loans in FY2015 which has decreased than the previous years (FY2014: 1.30% FY2013: 1.43%). As a percentage of equity, the rescheduled loans of the FI decreased to 3.95% in FY2015 from 8.75% in FY2014. In FY2015, the financial institution wrote off BDT 20.97 million loans as against BDT 134.84 million loans in the previous year.

D.1.4. Large Loan Exposure

IDLCFL had moderate exposure to large loans at the end of FY2015. At the end of FY2015, the outstanding of top 10 loans amounted to BDT 3,813.60 million and accounted for 7.86% of the gross loan portfolio. The top 5 loans, on the other hand, accounted for 4.64% of the gross loan portfolio. The largest loan of IDLCFL amounted to 593.42 million at the end of FY2015 which was 1.10% of the total gross loan portfolio of the financial institution. None of the loans exceeded the regulatory ceiling, i.e. 30.00% of total capital at the end of FY2015.

D.1.5. Off-Balance Sheet Exposure

The off balance sheet items consisted of letters of guarantee, corporate guarantee and business commitments which represented 9.67%, 40.80% and 49.53% of total off balance sheet exposure respectively in FY2015. Off balance sheet exposure of IDLCFL has decreased by 26.40% in FY2015 than the previous year. The amount of off balance sheet exposure stood at BDT 1,225.54 million in FY2015 as opposed to BDT 1,665.17 million in FY2014. The off-balance sheet exposure of IDLCFL amounted to 1.71% of the total assets in FY2015 which is low and has decreased from the prior year.

D.2. Capital Adequacy

Exhibit 4: Selected Indicators of IDLCFL

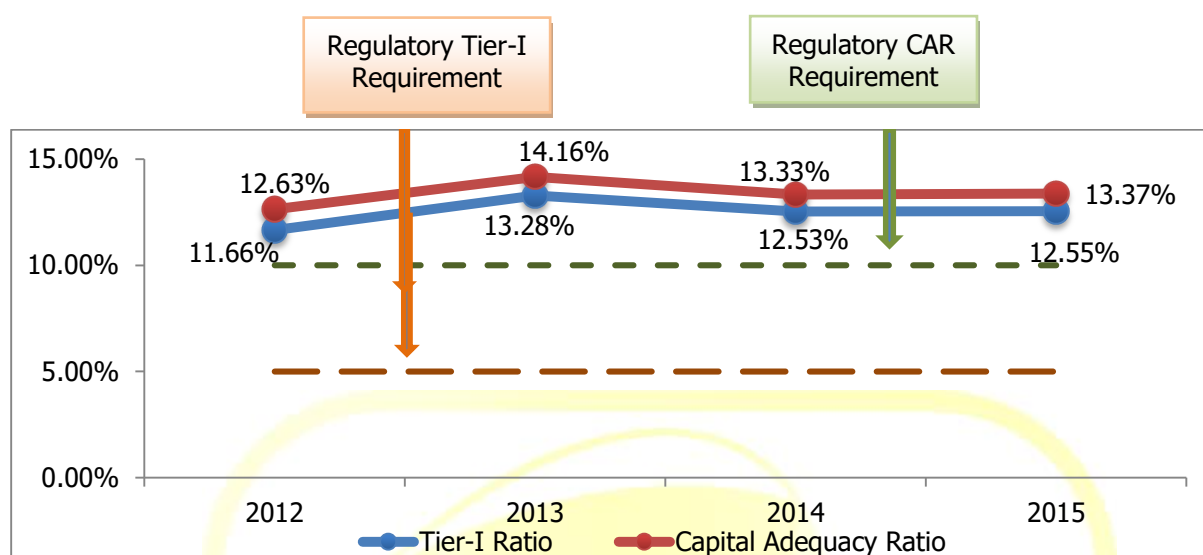
| FY 31 December | 2015 | 2014 | 2013 | 2012 |
|---|-------------|-------------|-------------|-------------|
| Tier-I Capital (BDT Million) | 6,736.55 | 5,693.82 | 4,620.90 | 3,809.80 |
| Total Capital (BDT Million) | 7,171.81 | 6,059.06 | 4,929.60 | 4,124.30 |
| Risk Weighted Assets (BDT Million) | 53,658.28 | 45,452.64 | 34,808.72 | 32,665.90 |
| Tier-I Ratio (%) | 12.55 | 12.53 | 13.28 | 11.66 |
| Capital Adequacy Ratio (%) | 13.37 | 13.33 | 14.16 | 12.63 |

FY2012-2015 Data Extracted from Audited Financial Statements

IDLCFL has started operation under Risk Based Capital Adequacy guidelines (Basel-II) of Bangladesh Bank (BB) since 2011 and has satisfactorily maintained the total Capital Adequacy Requirement (CAR) up to end of FY2015. The overall capital adequacy position of the FI has improved partially compared to the previous year. End of FY2015, IDLCFL's Tier 1 capital and total capital ratio stood at 12.55% and 13.37% respectively, comfortably above the regulatory requirement of 5% and 10% respectively. In line with Basel-II implementation, Tier-I capital for IDLCFL was BDT 6,736.55 million which included components of fully paid up capital, statutory & general reserve, share premium account, retained earnings and dividend equalization account in addition to the tier-II (supplementary capital) of BDT 435.27 million totaling the eligible capital amount to BDT 7,171.381 million as opposed to BDT 6,059.06 million in FY2014. Tier-1 capital increased by 18.31% in FY2015 from that of prior year and this increase was mainly led by increase in paid-up capital followed by increase in statutory reserve and retained earnings in FY2015 from previous year. Tier-II or supplementary capital also increased by 19.17% which was mainly led by increase in general provision of BDT 435.27 million in FY2015 as opposed to BDT 365.24 million in FY2014.

In FY2015, the IDLCFL's total risk-weighted assets has increased and stood at BDT 53,658.28 million with a growth rate of 18.05%. Majority portion of the total risk weighted assets were represented by credit risk and minimal were represented by operational risk and market risk. It has been observed that the overall capital adequacy position of the financial institution has partial improvement compared to previous year.

Figure 16: Selected Indicators of IDLCFL



D.3. Funding and Liquidity

Exhibit 5: Selected Indicators of IDLCFL

| FY 31 December | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|
| Loan to Deposit (%) | 112.77 | 123.92 | 127.70 | 134.52 |
| Deposit Growth (%) | 30.51 | 20.83 | 31.69 | 30.39 |
| Net Loans to Stable Funding Base (%) | 85.87 | 92.91 | 97.00 | 100.91 |
| Net Loans to Customer Deposits (%) | 110.48 | 121.39 | 124.36 | 130.48 |
| Deposits to Total Funding (%) | 66.55 | 64.02 | 62.40 | 64.34 |
| Interbank Liabilities to Total Funding (%) | 14.70 | 14.44 | 15.35 | 11.61 |

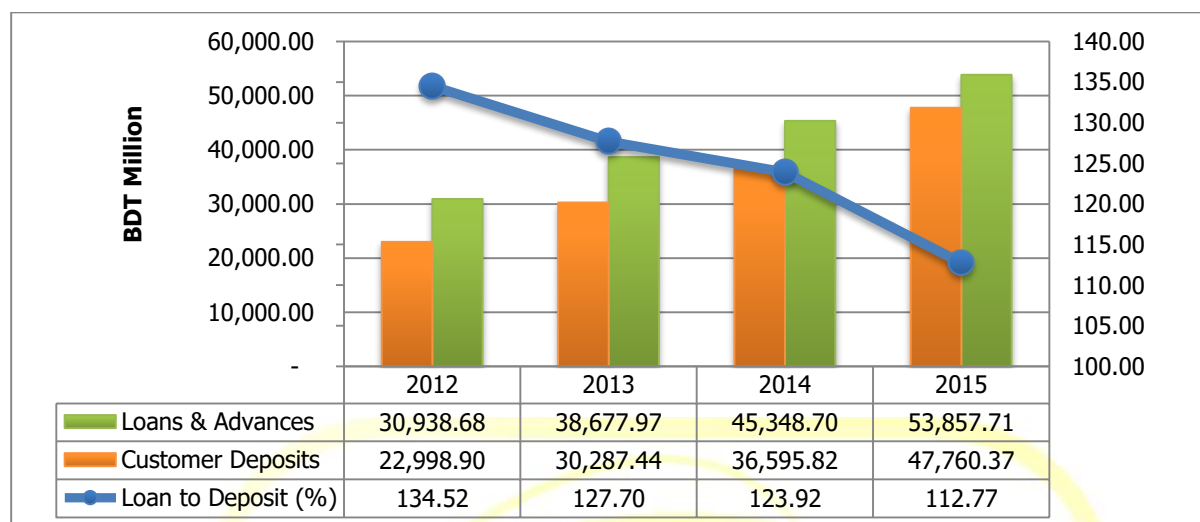
FY2012-2015 Data Extracted from Audited Financial Statements

D.3.1. Fund Management

Over the last four years, the concentration of IDLCFL's funding from customer deposits has ranged from 64% to 66% of the total funding. In FY2015, 66.55% of the BDT 71,768.71 million asset base of the bank were funded by customer deposits, up from 64.02% in the previous year. The second largest source of funding for the bank was interbank liabilities, which represented 14.17% of the bank's total funding, down from 14.44% in the previous year. Equity, bond & debenture and other uncategorized liabilities represented 9.39%, 0.53% and 9.37% of the total funding respectively in FY2015.

The deposit mix of the IDLCFL consists mainly of term deposits. Of the total term deposits, 37.53% was collected from general public, 41.80% from institutions, and 20.60% from banks. In addition, IDLCFL has managed to increase its deposit growth rate to 30.51% from 20.83% on previous year. In addition, it was found that the FI is dependent on its top deposits to a high extent.

It has been observed that the FI's loan to deposit ratio has been consistently going down from FY2012 and in FY2015 it stood at 112.77%. The declining loan to deposit ratio is mainly attributable to the FI's policy to increase its exposure to financial instruments, particularly bonds and shares. However, the loan to deposit ratio is still satisfactory. The net loans to stable funding base and the net loans to deposits ratio has followed the trend of loan to deposit ratio.

Figure 17: Selected Indicators of IDLCFL

D.3.2. Liquidity Management

As per regulations, IDLCFL has to maintain cash reserve ratio (CRR) of 2.5% on its total term deposit on bi-weekly basis and at least 2% on any single day, and statutory liquidity reserve (SLR) of 5% (inclusive of CRR) on its total liabilities. The FI has maintained CRR and SLR in a satisfactory manner as per Bangladesh Bank requirement in FY2015 and as on December 31, 2015; it had surplus CRR of BDT 2.62 million and surplus SLR of 3.38 million.

However, the contractual basis asset and liability maturity profile of IDLCFL shows that it has a net liquidity deficit in less than 1 month, 1-3 months and 3-12 months buckets while there was cumulative net liquidity deficit till 1-5 years buckets. Given the nature of business of NBFIs, IDLCFL provides more long term loans than short term loans while most of its deposits are short term. As a result, although the contractual basis liquidity deficit in the short term can be justified, cumulative liquidity deficit of over BDT 10,000 million in the 3-12 months period presents high exposure to liquidity risk. But it is notable that, the FI has high retention rate of its term deposits. Taking this into account, the actual trend basis asset and liability maturity profile would be better.

D.4. Earning Trends and Profitability

Exhibit 6: Selected Indicators of IDLCFL

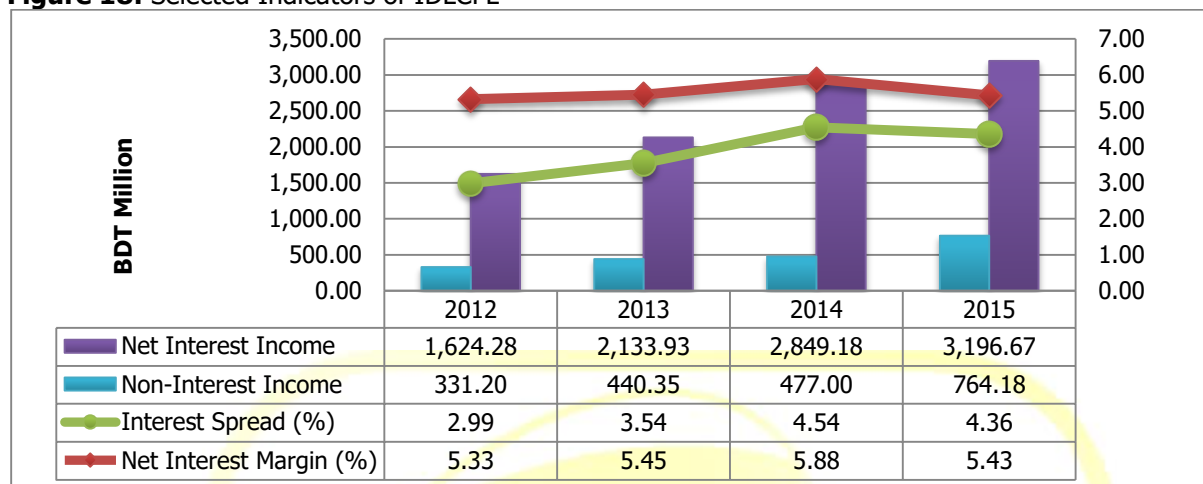
| FY 31 December | 2015 | 2014 | 2013 | 2012 |
|---|----------|----------|----------|----------|
| Net Interest Income (BDT Million) | 3,196.67 | 2,849.18 | 2,133.93 | 1,624.28 |
| Non-Interest Income (BDT Million) | 764.18 | 477.00 | 440.35 | 331.20 |
| Pre-Provision Profit (BDT Million) | 2,567.09 | 2,089.39 | 1,551.97 | 1,133.46 |
| Pre-Tax Profit (BDT Million) | 2,275.52 | 2,029.13 | 1,406.12 | 1,032.57 |
| Post-Tax Profit (BDT Million) | 1,243.82 | 1,153.54 | 811.01 | 589.20 |
| Post - Tax ROAA (%) | 1.93 | 2.18 | 1.92 | 1.81 |
| Post - Tax ROAE (%) | 20.01 | 22.37 | 19.24 | 16.76 |
| Interest Spread (%) | 4.36 | 4.54 | 3.54 | 2.99 |
| Net Interest Margin (%) | 5.43 | 5.88 | 5.45 | 5.33 |
| Cost to Income Ratio (%) | 35.19 | 37.18 | 39.71 | 42.04 |

FY2012-2015 Data Extracted from Audited Financial Statements

In line with the growth in the FI's gross loans, the interest income has grown by 12.19%. Although the lending rates declined in the financial sector during FY2015, IDLCFL has thoughtfully reduced its exposure to corporate loans and concentrated more on SME and consumer loans whose interest rates are higher allowing the FI to maintain a high overall lending rate. The interest spread of the FI has declined to 4.36% in FY2015 from 4.54% in the previous year as the lending decline rate of the FI was higher than deposit decline rate which has also declined the growth rate of net interest income. However, interest rate of IDLCFL is higher than industry average. Growth in the non-interest income, which mainly consists of income from investment in bond, sale of marketable securities, application,

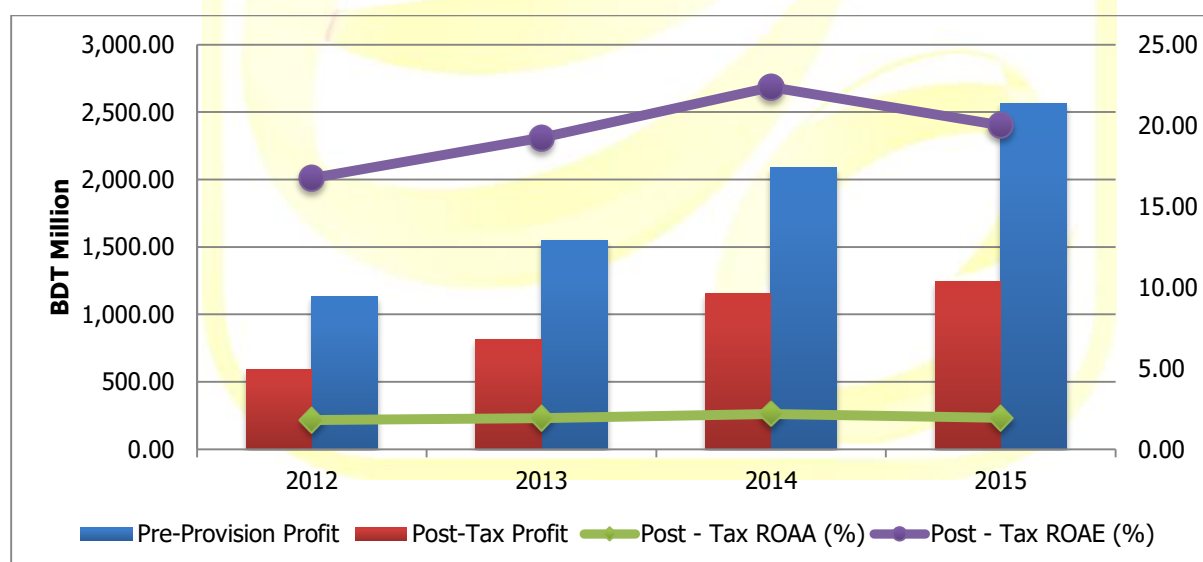
processing and documentation fees, has recorded a 60.21% growth in FY 2015. But as the proportion of non-interest income is low, the growth in the total income was not much affected much.

Figure 18: Selected Indicators of IDLCFL



In comparison with the growth in total income, IDLCFL has been able to keep the growth in its operating costs low which is indicated by the declined cost to income ratio. Additionally, in contrast to excess provision maintained in the previous years, the FI did not maintain any excess provision in FY2015, however provision expense for FY2015 was high due increases in nonperforming loan. However, IDLCFL has managed to increase its pre-tax profit and post tax profit increase from previous year. On the other hand, post tax ROAA and ROAE has declined to 1.93% and 20.01% respectively from 2.18% and 22.37% according on previous year despite increase in post tax profit.

Figure 19: Selected Indicators of IDLCFL



E. MANAGEMENT AND OTHER QUALITATIVE FACTORS

E.1. Corporate Governance

IDLC Finance Limited is committed to continually review all corporate governance policies and guidelines to ensure transparency in its practices and delivery of high standards and quality information to its stakeholders. With this view in mind the company has a corporate governance committee to ensure corporate governance practice within the company as required by the SEC and Bangladesh Bank. The committee consists of four members including the CEO, DMD & CFO, Head of Credit & Collection, Head of Statutory Reporting & Group Company Secretary and Head of ICC.

IDLCFL has developed a corporate governance model aligned with the company's well-defined vision, mission, goals and objectives. IDLC highlights six important areas such as Board of Directors and Committees, Legal and Regulatory Frameworks, Organizational Hierarchy, Monitoring and Internal Control, Transparency and Accountability and Policies and Procedures which revolve around its effective corporate governance strategy.

E.1.1. Board of Directors

The Board of IDLCFL comprises with eleven Non-Executive Directors including two Independent Directors and one Executive Director who is the CEO and Managing Director of the company. The Board of Directors is responsible for proper governance, which includes setting out 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 in order to deliver shareholder value over the long term, within appropriately established risk parameters.

The Board of Directors of IDLCFL is chaired by Mr. Aziz Al Mahmood, Managing Director of Danisg Condensed Milk (BD), Danish Milk Limited, Danish Foods Limited and other companies of Danish group nominated by City Bank Limited. Mr. Mahmood carries vast experience in the field of manufacturing industry and is widely known in the business circles.

In relation to the selection and appointment of new Directors, the existing Board of Directors has 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.

As per the Articles of Association of the Company, one-third of the Directors are required to retire from the Board every year, comprising those who have been in the office the longest since their last election. A retiring Director shall be eligible for re-election.

E.1.2. Board Meetings

The meetings of the Board of Directors of IDLC are normally held at the registered Corporate Head Office of the Company. The meetings are held frequently, at least once in a quarter, to 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. The number of Directors required to constitute a quorum is six (6), out of the twelve (12) Directors.

E.1.3. Board of Directors Committees

The Board of Directors Committee is divided into two committees which are the Executive Committee and the Audit committee.

Executive Committee (EC): The matter related to ordinary business operations of the Company and the matters that the Board of Directors authorizes from time to time are vested on this Committee. The executive committee has five members and headed by Mr. Md. Shahidul Ahsan. The Company Secretary acts as the secretary of the Executive Committee.

Audit Committee (AC): The audit committee has the authority to examine any matter relating to the financial affairs of the Company and to review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements as per requirement. The audit committee consists of five members and chaired by Mr. A. K. M. Shahidul Ahsan and 4 other directors as members. As per its Terms of Reference, the Audit Committee is required to hold at least four meetings in a year.

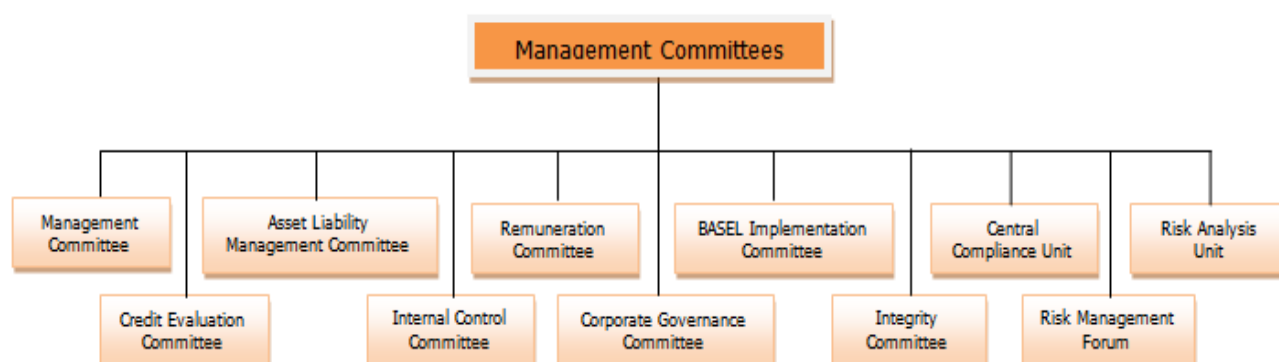
E.2. Senior Management

The strategic management activities and overall business operations of IDLCFL are supervised and directed by the CEO & Managing Director, Mr. Arif Khan CFA FCMA. Arif Khan has been working for 25 years in the financial service sector in various local, multinational and government Organizations. He played a vital role in the development of capital market as 'commissioner' of Bangladesh Securities & Exchange Commission (BSEC) during the last five years.

E.2.1. Management Committees

Apart from functional departments, Several Management committees have been formed to handle the banking operation and identify and manage the risk associated with the business. There are 11 committees under the management committee that aids in operating their day to day operation smoothly and ensure that the individual units run in accordance with the corporate strategic objective.

Figure 20: Management Committees of IDLCFL



Management Committee (MANCOM): The key management committee "often termed as MANCOM" operates under the official delegation of authority from the board. The role of the Management Committee is to oversee IDLC in accordance with its constitution under the financial institution act, 1993. The Committee is comprised of senior executives who are from various key functions and operations of the company. Currently the MANCOM consists of 14 senior executives of the firm that includes the Managing Director of 3 concerns of the IDLC group and 2 Deputy Managing Directors and 9 other unit heads.

Asset Liability Committee (ALCO): One of the integral committees of IDLCFL is the Asset Liability Management Committee (ALCO) which assesses the changes in interest rate, market condition, carries out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. 09 members comprise of the ALCO of IDLCFL that includes the MD and DMD of the company as well as Head of Credit & Collection, Corporate Division, SME Division, Consumer Division and Treasury.

Credit Evaluation Committee (CEC): The Credit Evaluation Committee (CEC) is responsible for evaluating all projects/proposals of financing activities of the company from the risk point of view. The CEC committee has five members including the MD, DMD, Head of Corporate Division, SME, and Credit & Collection.

Internal Control Committee (ICC): The Internal Control Committee addresses operational risks and frames and implements policies to encounter such risks. The Committee assesses operational

risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks. This committee consists of four members and headed by the CEO & MD of the company.

Remuneration Committee: The principal purpose of the Committee is to assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.

Corporate Governance Committee: The Committee ensures the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank. The Committee also recommends and advises course of action in the areas where there is a scope of improvement.

BASEL Implementation Committee: NBFIs in Bangladesh need to introduce the Basel-II framework from January 01, 2012. With that view in mind, the Basel-II implementation committee has been formed. This committee is responsible for the implementation of Basel Accord for Financial Institution (BAFI) in IDLCFL. Managing risk based capital adequacy is the most important responsibility of the Committee. This committee has 5 members including the managing director of the company.

Integrity Committee: Integrity Committee of IDLC was formed on October 22, 2013 in accordance with Bangladesh Bank's letter no. HR-1(O&D) Focal-1/2013-2 dated October 10, 2013 to abide by the code of integrity and good governance in line with National Integrity Strategy of Bangladesh.

Central Compliance Unit (CCU): Central Compliance Unit (CCU) is a committee responsible for supervising the Anti-Money Laundering (AML) and Anti-Terrorism activities (ATA) at IDLC Finance Limited, formed on November 1, 2012. The CCU was constituted as per the "Guidance Notes on Prevention of Money Laundering and Terrorist Financing" issued by Bangladesh Financial Intelligence Unit, Bangladesh Bank, BFIU Circular no.04 dated September 16, 2012. There are three members in the committee.

Risk Management Forum (RMF): The Risk Management Forum was formed on April 15, 2013 in accordance with the Bangladesh Bank's DFIM Circular no. 01 dated April 07, 2013 to introduce proactive risk management procedures in line with the international best practices framework.

Risk Analysis Unit (RAU): Concurrent with the formation of the RMF, the IDLC Risk Analysis Unit was formed to act as the secretariat of the Risk Management Forum with the responsibility for identifying and analyzing various types of risks appropriately and in a timely manner. The Head of Internal Control and Compliance acts as the Head of RAU.

E.3. Human Resource Management

IDLC considers its human resource as the most important asset which enables it to grow and achieve its desired performance. IDLCFL has 31 years of experience with capable workforce that have brought the company at its current strong financial base. As of December 31, 2015, IDLCFL had a total number of 1060 staff that included senior management, midlevel management and management to non-management staff.

IDLCFL as a workplace is an equal employment opportunity employer with reasonable working hour having apt concentration on the health and safety issue of their staff. The Company provides hospitalization insurance coverage to ensure medical security of its staff. In addition, the Company has group life insurance scheme for its permanent staff to cover the unforeseen risk of death. All accidents and incidents are reviewed at HR & Compensation committee meeting, along with lost time incidents, accident forms, health and safety trends etc. The benefits package provided to the employees are also competitive.

IDLC as group has invested a great deal in developing their talent through training programs that included managerial development and technical modules. During 2015, 15 employees were sent on overseas training programs spread over 7 different modules. Among the local training programs, employees participated in 59 in-house training programs and 26 customized training courses were arranged.

IDLCFL has several recognition programs for their hard work as well as birthday celebration along with family day to keep the morale up for the company. IDLCFL has a HR & compensation committee to assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.

E.4. Information Technology

IDLCFL has invested a great deal on information & communication technology in order to ensure smooth operation and efficient service which is line with the growing customer base, business growth as well as introduction of diverse product range. As a sound information technology infrastructure is a pre-requisite to provide optimum business performance, IDLCFL has adopted a comprehensive ICT Policy for the Company.

Accordingly, during 2011 IDLCFL has implemented a robust core banking system, Oracle Flexcube Universal Banking Solution (OFSS), a banking transaction processing engine from Oracle, a world leader in IT services. The new core banking system "Flexcube" has launched in January 2012. This core banking system will enable the company to streamline their business processes, develop new products, produce better MIS for decision making, improve risk management as well as provide state of the art customer service.

Other than Core banking System, IDLC Finance Limited also used different types of automated software such as Payment Module, Factoring Module, Tesury Module, Customer Notification, CIB Automation Tool, Online Service Portal, Chaser Module, HRMS, Provident Fund Management, Sales Commission Calculation, Oracle BI Publisher Enterprise and Other Satellite System in order to enhance the work efficiency level as well as ensure prime customer service.

E.5. CSR Activities

As a responsible financial institution IDLCFL regularly embarks in CSR activities which they clearly distinguish from corporate philanthropic activities that refer to charities and donations. As part of their CSR initiative, IDLCFL has made significant contribution in the field of environmental and community development. However, IDLC's CSR activities are regulated by the Green Banking and CSR (GB and CSR) Department of the Bangladesh Bank. They are also members of the United Nations Global Compact (UNGC), the United Nations Environment Programme Finance Initiative (UNEP FI) and the CSR Center (local network of UNGC in Bangladesh). IDLC is the first and only signatory to UNEP FI from Bangladesh till date. They have also adopted their guiding principles in upholding human rights, labor standards, responsible environmental management, and anti-corruption policies and practices.

Focus Areas: IDLC has identified its CSR focus areas in consonance with its organizational vision, mission, values and expertise. With its CSR initiatives, IDLC is contributing to socio-economic transformation of the underprivileged through better education, capacity development, income-generating opportunities and other forms of assistance, leading to empowerment. It is also engaged in providing health and hygiene facilities for the rural and urban poor, financing environment-friendly projects, and adopting green banking initiatives in terms of both in-house management and external activities such as tree plantation, engaging people through environmental awareness campaigns and contributing to broad philanthropic initiatives.

In year 2015, major CSR activities are done by IDLC can be listed as below-

- Continued the skills development of marginal women and their subsequent placement in the RMG sector as machine operators embracing a public-private Partnership (PPP) approach which includes Trainee selection, Initial operation, Institutional training, on the job training, assessment, certification and recruitment.
- Partnered with a number of NGO's in providing better education and healthcare facilities to underprivileged children. IDLC has been supporting SEID Trust, Ahsania Mohila Mission, Shishu Bikash Chhaya etc. and working with over 400 children with physical and mental disabilities, including autism.
- IDLC has also extended its assistance to provide technical and vocational training to underprivileged youth groups, after completion of primary and secondary education. In this regard, IDLC has signed a MoU with SEID Trust in January 2015 to develop technical skills of 30 children from SEID Trust.

-
- IDLC joined hands with LEADS (a social organization of TRK Consultancy Services), and initiated a campaign titled "Our Environment Our Resource" by engaging children from different schools in Dhaka, focusing on the following issues such as Environmental Pollution, Responsible Resource Consumption and 3R Principle. Till date, 34 sessions have been conducted under 1st phase of this campaign, in participation of 1,568 children from 15 schools.
 - IDLC also conducted blanket distribution, environment friendly Information and Communication Technology (ICT), initiation of Green-Banking activities, tree plantation and other activities.



CORPORATE INFORMATION AS AT MARCH 31, 2016

Board of Directors

Mr. Aziz Al Mahmood
Mr. Monower Uddin Ahmed
Mr. A.K.M Shahidul Haque
Mr. Shahidul Ahsan
Ms. Meherun Haque
Mr. S.M. Mashrur Arefin
Mr. Faruq M. Ahmed
Mr. Md. Mahbubur Rahman, FCA
Mr. Md. Kamrul Hassan, FCA
Mr. Md. Rezaul Karim
Mr. Atiqur Rahman
Mr. Arif Khan CFA FCMA

Status

Chairman
Independent Director
Independent Director
Director
Director
Director
Director
Director
Director
Director
CEO & Managing Director

Management Team

Arif Khan CFA FCMA
H. M. Ziaul Hoque Khan, FCA
M. Jamal Uddin
Mir Tariquzzaman,
Bilquis Jahan,
Asif Saad Bin Shams,
Ahmed Rashid
Mesbah Uddin Ahmed
Mohammed Morshedul Quader Khalili
Ataur Rahman Chowdhury
Md. Masud K. Mazumder, ACA
Mohammed Jobayer Alam, CFA
Md. Saifuddin
Md. Moniruzzaman, CFA

Status

CEO & Managing Director
Deputy Managing Director
Deputy Managing Director
Chief Technology Officer (CTO)
Head of Human Resources
Head of Credit & Collection
Head of SME Division
Head of Corporate Division
Head of Internal Control & Compliance
Head of Operations
Group Chief Financial Officer
Head of Strategic Planning
Managing Director, IDLC Securities Limited
Managing Director, IDLC Investments Limited

Shareholders

Sponsor/Directors
Institutions other than Sponsors/Directors
Individuals

Shareholding Percentage

59.66%
20.30%
20.04%

Auditors

ACNABIN
Chartered Accountants
BDBL Bhaban (Level-13 & 14)
12 Kawran Bazar Commercial Area
Dhaka-1215, Bangladesh

Corporate Office

Bay's Galleria (1st Floor)
57 Gulshan Avenue, Gulshan 1, Dhaka 1212,
Bangladesh
Tel: +880 2 883 4990 (Auto Hunting)
Facsimile: +880 2 883 4377, 883 5887
E-mail: mailbox@idlc.com

IDLC Finance Limited
Profit & Loss Account

| Financial Year Ending: 31 December | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Currency: BDT in Millions | | | | |
| Particulars | 2015 | 2014 | 2013 | 2012 |
| Interest Income | | | | |
| Interest on Lease Finance | 869,982,131 | 983,182,446 | 991,797,223 | 690,478,507 |
| Interest on Real Estate Finance | 2,384,903,511 | 2,078,186,608 | 1,519,664,423 | 1,134,154,173 |
| Interest on Term Finance | 3,256,098,864 | 3,035,888,380 | 2,561,585,763 | 1,738,836,620 |
| Interest on Short term finance | 167,977,395 | 118,132,103 | 96,138,313 | 138,923,759 |
| Interest on Car Loans | 335,404,732 | 216,741,171 | 99,064,820 | 60,117,512 |
| Interest on Personal Loans | 22,875,803 | 27,150,019 | 30,987,907 | 33,046,228 |
| Interest on Margin Loan to portfolio investors | - | - | - | - |
| Interest income on B/S with other banks & FI | 906,813,445 | 758,236,832 | 491,466,833 | 190,369,439 |
| Call Loans | 337,694 | - | 147,986 | 120,033,126 |
| Loans against Deposit | 63,952,563 | 86,689,462 | 105,069,444 | 119,498,794 |
| Loan to IDLC Investments Ltd. | 15,418,406 | 75,326,052 | 365,325,308 | 486,596,997 |
| Total | 8,023,764,544 | 7,379,533,073 | 6,261,248,020 | 4,712,055,155 |
| Interest Expenses | | | | |
| Interest on term deposits | 4,157,547,965 | 3,747,672,138 | 3,480,881,986 | 2,588,947,239 |
| Interest on Borrowings | 432,761,932 | 403,586,151 | 331,511,221 | 430,296,981 |
| Interest on Secured Zero Coupon Bonds | 80,933,077 | 128,905,588 | 88,484,954 | 26,657,369 |
| Interest on Security Deposits | 90,002,307 | 73,667,678 | 86,935,414 | 34,983,736 |
| Interest on Call Loan | 65,846,361 | 176,521,472 | 139,501,430 | 6,883,014 |
| Others | - | - | - | 1,822 |
| Total | 4,827,091,642 | 4,530,353,027 | 4,127,315,005 | 3,087,770,161 |
| Net Interest Income | 3,196,672,902 | 2,849,180,046 | 2,133,933,015 | 1,624,284,994 |
| Non Interest Income | | | | |
| Agency Fees | 10,241,666 | 6,666,666 | 2,385,439 | 1,522,240 |
| Arrangement Fees | 47,330,846 | 52,251,666 | 40,787,249 | 19,734,069 |
| Advisory Fees | - | - | 547,908 | - |
| Syndication Commission | - | - | - | - |
| Underwriting Commission | - | - | - | - |
| Documentation Fees | - | - | - | - |
| Custodial Fees | 481,218 | 425,867 | - | 465,150 |
| Issue Management Fees | - | - | - | - |
| Portfolio Management Fees | - | - | - | - |
| Settlement Charges | - | - | - | - |
| Commission & Brokerage | - | 69,594 | 3,672,025 | 9,367,138 |
| Total Fee Income | 58,053,730 | 66,413,793 | 47,392,621 | 31,088,597 |
| Investment: | | | | |
| Gain on sale of marketable securities | 91,251,323 | (20,360,651) | 51,496,630 | 35,509,190 |
| Dividend Income | 39,909,767 | 27,208,743 | 3,642,939 | 6,272,326 |
| Income from investment in bonds | 125,108,027 | 47,087,332 | - | - |
| | 16,612,500 | - | - | - |
| Total Non-Interest Income | 330,935,347 | 120,349,217 | 102,532,190 | 72,870,113 |
| Realization of late payment interest & others | 94,937,948 | 51,144,861 | 38,857,833 | 17,116,799 |
| Transfer price/gain at the time of expiry of the lease | 1,285,446 | 2,781,628 | 3,320,376 | 2,413,275 |
| Application, processing & documentation fee | 262,662,932 | 246,105,532 | 222,294,333 | 135,400,557 |
| Service Charges | 31,543,073 | 23,845,537 | 32,304,508 | 79,177,285 |
| Fees for management of LEIC | - | - | - | - |
| Gain/(Loss) on disposal of fixed deposit | 11,896,596 | 5,078,591 | 6,599,209 | 3,199,736 |
| Miscellaneous income | 30,916,057 | 27,694,572 | 34,437,931 | 21,020,008 |
| Total Other Operating Income | 433,242,052 | 356,650,721 | 337,814,190 | 258,327,660 |
| Total Income | 3,960,850,301 | 3,326,179,984 | 2,574,279,395 | 1,955,482,767 |
| Overhead Expenses | | | | |
| Salary and Allowance - IDLC Finance Ltd | (744,116,214) | (553,140,578) | (474,699,472) | (403,925,724) |

| | | | | |
|--|------------------------|------------------------|------------------------|----------------------|
| Rent, Taxes, Insurance - IDLC Finance Ltd. | (93,372,106) | (79,197,000) | (66,696,783) | (58,419,422) |
| Legal Expenses - IDLC Finance Ltd. | (13,536,662) | (7,229,630) | (6,836,494) | (6,140,794) |
| Postage, Stamps, Telecommunication - IDLC Finance Ltd. | (26,929,463) | (26,215,029) | (23,924,777) | (16,348,704) |
| Stationery, Printings, Advertisements - IDLC Finance Ltd. | (81,059,657) | (108,450,028) | (78,129,942) | (71,372,242) |
| Managing Director's Salary and Fees | (11,493,667) | (13,060,000) | (13,060,000) | (10,527,400) |
| Directors fees and expenses - IDLC Finance Ltd. | (1,041,900) | (828,000) | (638,250) | (655,500) |
| Auditors' Fees - IDLC Finance Ltd. | (517,500) | (517,500) | (517,500) | (470,000) |
| Depreciation and Repair of Bank's Assets - IDLC Finance Ltd. | (155,451,391) | (139,251,289) | (133,975,445) | (106,990,172) |
| Bank Charges | (2,656,621) | (3,028,133) | (3,301,345) | (1,099,537) |
| Books & Periodicals | (206,139) | (272,871) | (298,767) | (185,360) |
| Car Expenses | (23,562,578) | (22,252,523) | (18,862,356) | (12,860,367) |
| Donations & Subscriptions | (9,934,870) | (12,843,412) | (7,438,472) | (5,284,392) |
| Medical Expenses | (12,508,193) | (8,103,931) | (10,691,728) | (12,421,838) |
| Welfare Expenses | - | - | - | - |
| Entertainment | (12,942,328) | (13,224,956) | (8,695,523) | (7,355,365) |
| Consultancy Fees | (4,908,431) | (4,607,190) | (4,490,813) | (736,876) |
| Office Service Expenses | (64,172,438) | (59,211,046) | (41,078,713) | (30,593,703) |
| Training Expenses | (10,529,349) | (12,769,065) | (8,921,109) | (1,431,111) |
| Travel & conveyance | (15,165,189) | (14,402,390) | (10,123,615) | (8,443,966) |
| Brokerage Charges | - | - | - | - |
| CDBL Charges | (500) | (500) | (2,100) | (500) |
| Loss on disposal of lease asset | (246) | (1,126) | (89,135) | (19,447) |
| Repossession fees & others | (109,655,570) | (158,182,831) | (109,839,914) | (66,744,870) |
| Total Operating Expense | (1,393,761,012) | (1,236,789,028) | (1,022,312,253) | (822,027,290) |
| General Provision | (54,798,590) | (41,984,250) | 13,239,669 | (69,764,096) |
| Specific Provision | (233,364,352) | 1,576,823 | (131,356,108) | (69,144,373) |
| Provisions for Diminution in Value of Investment in Shares | (3,407,068) | (19,852,226) | (27,735,656) | 38,018,786 |
| Profit/(Loss) before Taxes | 2,275,519,279 | 2,029,131,303 | 1,406,115,047 | 1,032,565,794 |
| Provision for Tax | 1,037,681,898 | 887,838,416 | 571,483,065 | 428,387,353 |
| Deferred Tax (Income)/Expense | (5,982,686) | (12,242,129) | 23,624,990 | 14,978,172 |
| PROFIT FOR THE YEAR | 1,243,820,067 | 1,153,535,016 | 811,006,992 | 589,200,269 |
| Net Profit/ (Loss) after Tax | 1,243,820,067 | 1,153,535,016 | 811,006,992 | 589,200,269 |
| Statutory Reserve | (248,764,024) | (230,707,003) | (162,201,398) | (117,840,054) |
| General Reserve | - | (188,750,000) | - | - |
| Net Profit Attributable to Shareholders | 995,056,043 | 734,078,013 | 648,805,594 | 471,360,215 |

IDLC Finance Limited
Balance Sheet

| Particulars | 2015 | 2014 | 2013 | 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Cash in Hand | 266,000 | 216,000 | 201,000 | 151,000 |
| Balance with Bangladesh Bank & its agent Bank(s) | 891,503,744 | 728,597,992 | 744,189,114 | 565,343,055 |
| Balances with other Banks/Financial Institutes | 11,804,324,866 | 6,846,398,723 | 6,629,287,813 | 2,980,373,758 |
| Total Cash | 12,696,094,610 | 7,575,212,715 | 7,373,677,927 | 3,545,867,813 |
| Investment in other Securities | 2,770,947,105 | 2,112,315,829 | 523,510,863 | 205,195,378 |
| Total Investment | 2,770,947,105 | 2,112,315,829 | 523,510,863 | 205,195,378 |
| Total Loans, Advances & leases | 53,857,714,205 | 45,348,701,212 | 38,677,966,492 | 30,938,682,259 |
| Gross Loans | 53,857,714,205 | 45,348,701,212 | 38,677,966,492 | 30,938,682,259 |
| Specific Allowance | (658,241,533) | (462,044,085) | (286,127,409) | (511,159,548) |
| Portfolio Allowance | (658,241,533) | (365,238,031) | (671,763,795) | (351,841,773) |
| Net Loans and Advances | 52,541,231,139 | 44,521,419,096 | 37,720,075,288 | 30,075,680,938 |
| Fixed Assets | 502,363,357 | 343,557,415 | 347,550,595 | 405,780,043 |
| Other Assets | 1,941,591,577 | 1,779,727,856 | 1,612,136,869 | 612,646,289 |
| Total Assets | 71,768,710,854 | 57,159,515,027 | 48,534,842,746 | 35,748,171,782 |
| Inter-Bank Borrowing | 10,550,165,864 | 9,136,412,565 | 8,707,892,450 | 4,333,821,600 |
| Term Deposits | 46,174,475,236 | 35,241,001,090 | 29,163,880,082 | 22,008,203,723 |
| Other deposits | 1,585,890,057 | 1,354,817,959 | 1,123,559,002 | 990,695,376 |
| TOTAL DEPOSITS AND INTERBANK LIABILITIES | 47,760,365,293 | 36,595,819,049 | 30,287,439,084 | 22,998,899,099 |
| Other Liabilities | 6,721,632,975 | 5,733,463,062 | 4,918,788,377 | 4,605,735,240 |
| Total Liabilities | 65,032,164,132 | 51,465,694,676 | 43,914,119,911 | 31,938,455,939 |
| Share Capital/Paid Up Capital | 2,513,671,870 | 2,010,937,500 | 1,608,750,000 | 1,237,500,000 |
| Share Premium | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 |
| Statutory Reserve | 1,482,722,671 | 1,233,958,647 | 1,003,251,644 | 841,050,246 |
| General Reserve | 1,000,000,000 | 1,000,000,000 | 811,250,000 | 811,250,000 |
| Dividend Equalization Reserves | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 |
| Surplus In Profit & Loss Account/Retain Earnings | 1,689,902,181 | 1,398,674,204 | 1,147,221,191 | 869,665,597 |
| Total Shareholder's Funds | 6,736,546,722 | 5,693,820,351 | 4,620,722,835 | 3,809,715,843 |
| TOTAL LIABILITIES & SHAREHOLDERS' FUNDS | 71,768,710,854 | 57,159,515,027 | 48,534,842,746 | 35,748,171,782 |

FINANCIAL INSTITUTIONS RATING SYMBOL

LONG-TERM RATINGS

Financial Institutions ratings are applied to commercial and investment banks, finance companies and discount houses.

| RATING | DEFINITION |
|--------|--|
| AAA | An institution rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. These institutions typically possess a strong balance sheet and superior earnings record. |
| AA | An institution rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses. |
| A | An institution rated A has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse developments in the economy, and to business and other external conditions than institutions in higher-rated categories. Some minor weaknesses may exist, but these are moderated by other positive factors. |
| BBB | An institution rated BBB has adequate capacity to meet its financial commitments. While some shortcomings are apparent, the institution is generally in a position to resolve these within an acceptable time frame. However, adverse developments in the economy and in business and other external conditions are likely to weaken its capacity to meet its financial commitments. |
| BB | An institution rated BB exhibits some obvious weaknesses in its operating practices and key financial indicators. The institution's financial performance has typically fallen below peer group standards. Although currently able to meet its financial commitments, the institution's financial capacity over the medium and longer terms is vulnerable to adverse developments in the economy, and in business and other external conditions. |
| B | An institution rated B exhibits fundamental weaknesses in its operating practices and key financial indicators. Although currently able to meet its financial commitments, the institution's future financial capacity is regarded weak and more vulnerable to adverse developments in the economy, and in business and other external conditions than that of institutions rated BB. |
| C | An institution rated C has several immediate problems of a serious nature. The institution's ability to arrest further deterioration in its overall condition is doubtful and its capacity to meet its financial commitments is uncertain, without some form of strong external support. |
| D | An institution rated D requires sustained external support without which its continued viability is in doubt. The rating indicates that the institution is likely to default on its financial commitments or that a default may have already occurred. |

Notes: Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories

SHORT-TERM RATINGS

ECRL's Short-Term Ratings reflect the institution's capacity to meet its financial commitments due within one year.

| RATING | DEFINITION |
|----------|---|
| ECRL - 1 | An institution rated ECRL-1 has a superior capacity to meet its financial commitments in a timely manner. Adverse developments in the economy and in business and other external conditions are likely to have a negligible impact on the institution's capacity to meet its financial obligations. |
| ECRL - 2 | An institution rated ECRL-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, and in business and other external conditions. |
| ECRL - 3 | An institution rated ECRL-3 has an adequate capacity to meet its financial commitments in a timely manner. However, the institution's capacity to meet its financial obligations is more likely to be weakened by adverse changes in the economy, and in business and other external conditions than higher-rated institutions. |
| ECRL - 4 | An institution rated ECRL-4 has an inadequate capacity to meet its financial commitments in a timely manner. The rating indicates that the institution is likely to default on its financial commitments, without some form of strong external support. A default may have already occurred. |
| ECRL - 5 | An institution rated ECRL-5 has high likelihood of default, with little capacity to address further adverse changes in financial circumstances. |
| ECRL - 6 | Payment in default. |

Rating Outlook

ECRL's Rating Outlook assesses the potential direction of the Financial Institutions Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :

| | |
|------------|---|
| POSITIVE | Which indicates that a rating may be raised; |
| NEGATIVE | Which indicates that a rating may be lowered; |
| STABLE | Which indicates that a rating is likely to remain unchanged; or |
| DEVELOPING | Which indicates that a rating may be raised, lowered or remain unchanged. |

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🌐 www.emergingrating.com

LETTER OF OFFER & RELEVANT FORMS

IDLC Finance Limited

Bay's Galleria (1st Floor), 57, Gulshan Avenue, Dhaka 1212

Date:

Folio/BO Account No:

Name:

Address:

LETTER OF OFFER FOR RIGHTS ISSUE

Dear Shareholder (s)

We are pleased to inform you that the shareholders of IDLC Finance Limited approved the Rights Shares (1R:2 i.e. one rights share for two existing shares) at an issue price of 20 per share (including a premium of 10 per share) in its 30th Annual General Meeting dated March 30, 2015 which is also approved by the Bangladesh Securities and Exchange Commission. As a registered Shareholder as on **December 15, 2016**, the record date, you are entitled to exercise your right.

If you wish to accept the above Rights Share in full or in part, you are required to submit completed Application Form-A annexed hereto with necessary payments.

You may, however, renounce your rights in respect of all or part of your entitlement in favor of others in which case the Renunciation Form-B and Form-C annexed here to be submitted duly filled in by you and the renounce(s) along with necessary payments.

The rights cannot be exercised for fraction of a share i.e. below full unit of share. All the payments for accepted shares are to be made in cash or by PO/DD/Cheque at BDT 20 each (including a premium of 10 each) and to be deposited with any of the branches of Bankers to the Issue during banking hours from **January 01, 2017 to January 19, 2017** (both days inclusive). Payments must be through PO/DD/Cheque payable to "IDLC Finance Limited" and drawn on a Bank in the same town where the Branch of Bankers to the Issue in which the application form has been submitted is situated.

The offer will be deemed to have been declined if completed Application "Form-A" and/or Renunciation "Form-B" and "Form-C" with necessary payments have not been received by **January 19, 2017** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Documents is attached for your kind information and evaluation.

By order of the Board

Sd/-

Arif Khan

CEO and Managing Director

Renunciation Form-B**IDLC Finance Limited**Bay's Galleria (1st Floor), 57, Gulshan Avenue, Dhaka 1212

Rights Offer of 125,683,593 Ordinary Shares of 10 each issuing at 20 each, including a premium of 10 per share, amounting 2,513,671,860 offered on the basis of 1R:2 (i.e. one rights share against two existing share held on the record date) to the Shareholders appeared in the share register at the close of business on **December 15, 2016**

Last-Date of Acceptance and Application: January 19, 2017**FORM OF RENOUNCIATION**

The CEO & Managing Director
IDLC Finance Limited
Bay's Galleria (1st Floor)
57, Gulshan Avenue, Dhaka 1212

Dated : / /

Dear Sir,

I/We hereby renounce my/our rights to the shares offered to me/us as noted below in favour of person(s) accepting the same and signing in Application by Renounce(s) and apply for allotment in his/her/their name(s).

| Folio/BO Account No | No. of shares held at the close of business on December 15, 2016 | No. of shares offered | No. of shares renounced |
|---------------------|--|-----------------------|-------------------------|
| | | | |

Yours faithfully,

1. Name (in block)Signature

Address:

2. Name (in block)Signature

Address:

Name(s) of the Renouncee(s)**BO Account No**

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As per provision of the Depository Act, 1999 and regulations made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights share mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Note: Signature must be the same as was furnished to the Company earlier. Incomplete or incorrectly filled application form may be rejected.

Folio no. is to be mentioned only in case of existing shareholder(s). Incomplete or incorrectly filled application form may be rejected.

Renunciation Form-C**APPLICATION BY RENOUNCEE(S)**

The CEO & Managing Director
 IDLC Finance Limited
 Bay's Galleria (1st Floor)
 57, Gulshan Avenue, Dhaka 1212

Dated : / /

Dear Sir,

As the shareholder(s) at pre-page has/have renounced his/her/their rights to the shares offered, in my/our favour, I/We do hereby apply for the number of share(s) noted above as renounced, by making payment of Tk being the value of.....Shares at 20 each including a premium of 10 per share.

Yours faithfully,

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1. Signature | 2. Signature | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Name (In block) | Name (In block) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| S/O. D/O. W/O. | S/O. D/O. W/O. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Address | Address | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Signature of the Renouncer(s) 1..... 2.....

As per provision of the Depository Act, 1999 and regulations made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights share mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Note: Folio no. is to be mentioned only in case of existing shareholder(s). Incomplete or incorrectly filled application form may be rejected.

.....

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk.....(Taka.....) only from
 Mr./Ms..... Folio/BO Account No
 for..... no.(s) of Rights Share(S) of IDLC Finance Limited in Cash/Pay order/Draft/Cheque
 No.....date.....of.....BankBranch.

Application Sl. No.

(Bank's Seal)

Signature of Receiving Officer
 Date: